

Transcript of SIAS-Sembcorp Marine Virtual Dialogue, 6 August 2021

Uantchern Loh, Vice President, SIAS

These are unprecedented times. There are certainly challenges without being said, but definitely there are also opportunities. So maybe I'll start with William and then I'm going to go on to Mr Wong. Mr Goh, maybe you can share with us, with all the plans that you have, what's the position on the company with regards to profitability and issuing dividends beyond 2021 and 2022. Where do you see the future for Sembcorp Marine with regards to growth and profitability?

William Goh, Group Finance Director, Sembcorp Marine

Thank you, Uantchern, thank you for the question. This is a topic that management occupies itself with all the time, as we work towards addressing our current challenges and positioning for the future. This is a journey. As you can see, the path we have been on had been profitable. And when the cycle downturn happened, although we were profitable in the initial years in 2016 and 2017, the protracted downturn was severe, and we went into losses. We were positioned for a strong recovery in 2020 in line with the industry recovery.

However, as you know, COVID-19 came along and everything was pushed out by at least two years. We have positioned ourselves to stay the course. We know that COVID-19 is challenging and has created all the problems that we have, yet we have basically adopted a strategy of positioning for the future. Way back in 2015, we have built our integrated yard that has the capability not just for traditional Oil & Gas solutions, but also solutions for the future – clean energy, renewable energy. We built the yard with the future in mind. And although we incurred the high capital expenditure of a few billion dollars, our integrated yard is meant to respond to the industry's needs for the next 30, 50 years and beyond.

This large capital expenditure is behind us, largely. At the same time we acquired the technologies to be able to offer the solutions that we shared earlier. We have built our resilience and relevance for the industry. What we need to do now is to be able to ride through the current challenges. Once these challenges are behind us, and with our existing projects completed, we will free up our resources, and we will be better positioned

to take on new projects. We have the base capabilities already to provide solutions for clean, renewable energy, and so therefore we are working towards the recovery.

It would be premature for me to predict beyond this year, and we generally don't give specific guidance on profitability beyond the current year. But certainly with our key pillars largely in place, we hope to be able to turn profitable, sooner than later. I hope that helps. Thank you.

Uantchern Loh, Vice President, SIAS

That certainly helps, Mr Goh. Sooner rather than later, this is very encouraging. And maybe we focus on the other side. You talk about managing the revenue, but how about the costs? How do you manage costs, salaries of management, appointment of consultants? How do you plan to manage your costs moving forward?

William Goh, Group Finance Director, Sembcorp Marine

Thanks for the question and thanks Mr Loh for articulating it. We look at the bottom line from both the top line, as well as our costs. And as you've rightly mentioned, while we prepare ourselves to take on new orders and generate revenues, cost management is equally important. So what we have done, as you can see, is that we have an ongoing process for cost management. And for costs, we have both people and non-people costs. For people costs, for example, back in 2015 and 2016 when the downturn happened, while we were still profitable in 2016 and 2017, we had already adopted measures to manage overhead costs, especially for manpower.

So even in 2016, we already adopted salary freezes and also salary cuts in 2017. In July 2020, all management saw salary cuts of up to 15%, while our CEO volunteered a 50% cut in his salary. We believe that it is important for us to be aligned with the company and for governance, and therefore these measures and freezes were put in place. That is just one part of it.

The more important part, really, is that even as we work towards the recovery, it is to identify how to right-size the organisation in line with activities. We evaluate the right sizing and manage the headcount on the one hand, and on the other hand, look at the overall cost structure and identify ways where we can contain costs. We have announced

that we are presently undertaking a performance improvement plan that will identify strategic initiatives including digitalisation and other initiatives to further enhance our project execution.

Both the cost side and overhead side are evaluated in detail so that going forward, our cost structure is improved and our competitiveness is enhanced. It is a journey and we continue to adopt whatever measures necessary to make sure we manage our costs well. Just to add that beyond costs, to manage liquidity, we are also suspending all non-essential capex and only spending those that are related to maintenance capex for yard safety and operability. In summary, these are the various measures. It is a journey and we continue to evaluate and identify ways to manage our costs. Thank you.

Uantchern Loh, Vice President, SIAS

One more question Mr Goh before I go on to Mr Wong to talk about business model and the fact that Sembcorp Marine has been around for 60 years. I'm going to ask Mr Wong what's going to happen to the next 60 years. You're a new kid on the block in terms of renewables, in terms of green energy, and it's very competitive over there. So I will ask Mr Wong about these challenges. But coming back to you, Mr Goh, would it be cheaper to use internal resources for your performance improvement programme rather than pay money for an external consultant?

William Goh, Group Finance Director, Sembcorp Marine

Thanks for the question. We do as much as possible organically, within management. However, there are limits. We do recognise that in every management team, there will always be scope for external support and help to provide further input and data points for overall improvement of the company. So, in this case, as we evaluate the measures that we have done to manage our costs, we see scope in having external support to provide us extra data points and lenses so that we do not get blindsided in any way. We embrace the additional external feedback, so that overall, we can enhance further.

I think sometimes there are costs that need to be incurred, but it must have its desired impact for the long term and on a cost-benefit standpoint, we see that it justifies. Having said that, we want to make sure that we continue to be efficient, and consultants are used sparingly. But when needed, we believe that it is appropriate to do so. I hope that explains.

Uantchern Loh, Vice President, SIAS

Thanks, Mr Goh, that's very useful. Let me go over to Mr Wong and while we go to Mr Wong, Mr Goh, I'll be asking you about the mechanics of the Rights Issue, why S\$0.08? Why do we need one so soon after the S\$2.1 billion Rights Issue less than a year ago, and will there be a third one after 2022?

So maybe over to Mr Wong. Sembcorp Marine has been around for 60 years and that the business model is pivoting towards renewables and green energy. Maybe you can share with us Mr Wong, is the business model robust enough to take on the challenges of this new competition out there?

Wong Weng Sun, President & CEO, Sembcorp Marine

Thank you for the question. First of all, Sembcorp Marine started 60 years ago as a ship repair centre, but gradually has also gone into ship building. And back in 2000, we entered into rig building and we were able to ride on the rig boom.

Since then, we've diversified into harsher environment, other than for the rig building. In that sense, Sembcorp Marine over the years, has acquired capabilities to produce solutions for operations in the offshore and also in the marine industry.

Any structure to be placed in offshore water will have to meet three important criteria. The three important criteria are the three "S's". **Strength**: so that it will not break; **Stability**: so that it will not capsize in water, and **Speed**: to achieve the intended speed, even though it is at stationary. At stationary means zero speed which also means to stay at zero when there is current, wind, and wave. Other than this, we also look into benign water environment, harsh environment and also in artic conditions.

The application used to achieve the three "S's" had served us well in the past for many years for the traditional Oil & Gas, for example the jackup drilling rig, the semi-submersible, the offshore floatel and FPSO production unit. If you look into the future, you see renewable energy and also green and blue energy. To achieve and be carbon neutral or carbon negative by 2030 or 2050, there's an abundance of renewable energy that needs to be harnessed, to be contained and transported to the destination.

There is good renewable energy for wind, but the electricity transmission could only go to a certain place, which is near shore, and it cannot transfer from one continent to another. So the assets of SCM, having these design capabilities and technology, can be put into good use. For example, re-purposing of jackup rigs into wind turbine installation vessels. At the same time, our fixed platform capabilities are now serving the renewable sector in the offshore wind converter platforms.

Going forward, we are also able to use our Gravifloat solutions to harness liquefied hydrogen into the future, and at the same time, to create a receiving terminal for hydrogen fuel in liquid form, so that this energy can be transported from one place to another through the ocean, through the sea.

Our business model is to harness this technology, but at the same time, to learn the new domain of the requirement of a wind farm turbine, the scalability of hydrogen fuel, ammonia and so on so forth. Our business model here going forward is to be able to work with technologies, and at the same time, combine our own capabilities with the technologies. Are we using harsh environments solution or near shore Gravifloat? Are we producing a new fleet of products such as electrification of the FPSO into the future, reducing carbon footprint for the drilling assets into the future?

Our business model would then come back to address if we are able to provide such solutions across engineering, management of procurement and construction? Going forward, the construction can be done in different locations, and we have a big crane to integrate that, so collaboration will be our future. I would say that with all the investment made since 2015, we are confident that we are well-positioned to support the global energy needs, premised on a low carbon footprint, providing our technology for the solutions.

Uantchern Loh, Vice President, SIAS

Thank you, Mr Wong. One more question for you, Mr Wong, before I go over to Mr Goh. First Rights Issue, second Rights Issue, will there be a third one? What happens if S\$1.5 billion is insufficient, what will happen in 2022? Tough questions for Mr Goh, but coming back to Mr Wong, in the last 60 years, you've been a trusted Blue-Chip organisation. In a few words, what can you express to your shareholders for them to continue to trust in Sembcorp Marine in the next 60 years?

Wong Weng Sun, President & CEO, Sembcorp Marine

Sembcorp Marine, since the formation in 1960s, has gone through various paths of expansion, challenges, and crises. Each time we emerge stronger and better. Similarly, this time, although it is unprecedented, we have learnt a lot. Going forward, we need to be as resilient as before, and we seek shareholders' support for Sembcorp Marine and the technology it has.

As you know, 80 % of the globe is covered with water and a lot of transportation requires a lot of marine fuel, and those fuel will include future solutions and new technology. In SCM, as long as we have the 3 "S" in mind, we would like to continue to march on with the focus of supporting the new low carbon industry.

Uantchern Loh, Vice President, SIAS

And so while I go over to William, I'm going to ask you, Mr Wong a question on the combination with Keppel afterwards. What are your views to fund the S\$500 million dollar payment? How does the Rights Issue affect the combination and vice versa? So maybe over to you William. Will there be a third Rights Issue? Will S\$1.5 billion be sufficient to last until 2022?

William Goh, Group Finance Director, Sembcorp Marine

Thank you. There are three parts to the question. The first is why is the Rights Price at eight cents per share? And why the need for a second Rights Issue so soon? And thirdly, would there be a third one to come?

On the first one, as I mentioned earlier, the Rights Price is determined in consultation with our manager, underwriter and financial adviser. It references recent market precedents, and also takes reference, this being our second Rights Issue, to the discount to the Theoretical Ex-Rights Price (or TERP) for our first Rights Issue of 35.1%. In that sense, the Issue Price of eight cents a share for this current Right Issue also takes into consideration the encouragement to all our shareholders to support the Issue.

In terms of the need for the second Rights Issue, and why so soon? We have shared that when we had the first Rights Issue, certainly we worked towards its sustainability and that there will be no further need for a second Rights Issue.

But the COVID-19 impact in the first half of this year has been very severe and unanticipated, especially with the impact of border controls that have had a significant impact on our manpower. Our workers typically work in Singapore for a certain period of time and return home for leave before coming back again. But in this case, because of borders control, our workers couldn't come back after they returned home for leave. This is one significant impact on our manpower shortages. In addition, there is also the attrition of our workers to other industries as other competing industries recover with the general economy. So in short, the manpower shortages have a very significant impact to us, especially in the context that, by the end of last year, due to the whole year of COVID-19 measures, the majority of our projects were already deferred by 12 months. This heightens the risk of project cancellation and termination.

To mitigate this, we need to identify ways to address such risks. It is better for us to incur additional costs and complete and deliver these projects, rather than to experience termination or cancellation. That explains why we turned to alternative sources of labour to get the needed skilled workers so that we can complete the 14 of our existing 16 projects within the next six, 12 and 18 months.

Related to such labour shortages, there will be an associated impact like rescheduling, efficiency, incurring additional materials, more subcontract work and labour turnover related costs as well. We have provided for all these, and we made provisions in our first half of 2021 results. The delay in execution also delayed our revenue receipts, and we also ended up having to provide for Transocean's deferred payment terms, who deferred slightly over 50% or over S\$600 million of receipts that were meant to be collected at delivery, to a further date.

The impact on our revenue receipts on the one hand, the additional costs on the other hand, both affect our working capital needs. And this is the key reason why we need to have this second Rights Issue so soon, because the impact of COVID-19 this year is severe and unanticipated. But what is important, therefore, is to recognise all these issues and plan for a longer horizon, which is why, as we plan for the second Rights Issue, we have the planning of liquidity all the way to end 2022.

This explains the need for us to have this second Rights Issue. Having planned the liquidity horizon to the end of 2022, to your third question on whether there is a need for

a third one, we certainly hope not. Objectively, it will always depend on the liquidity conditions at the end of 2022. But let me just share that as we plan our liquidity needs, we adopt reasonably conservative assumptions.

On the revenue side, as we execute and complete and deliver the projects, we would expect to collect all the progress payments and the delivery payments over the next six to 18 months, except for Transocean where half of it is being deferred, so that helps in liquidity normalisation. As for the additional costs which we have provided for, while it may not be fully incurred, but in prudence, we should assume that they are fully incurred, and so we catered for them.

By the end of 2022 where 14 of our existing 16 projects are completed, our working capital should normalise and reverse to the extent applicable for each of the projects. And in our planning, we also cater for working capital for new projects between now and end 2022 and beyond. So this way, even as we execute existing projects, we are on the lookout to secure new projects and we have the working capital to support accordingly. This is one part of the liquidity perspective come end 2022.

The other aspect of our liquidity is driven by our debt servicing obligations. As I shared earlier, before this Rights Issue, some of the banks who have certain overall industry exposure to the Oil & Gas industry, may not fully allow the refinancing of our existing debt. In that sense, as we plan our liquidity over the next 18 months, we cater for such debt servicing requirements.

Now, with the Rights Issue, our lenders will see that we will be a lot more strongly capitalised, our leverage reduced to 0.29x on a *pro forma* basis; our balance sheet strengthened; our immediate needs are met; and our major shareholder is supportive of the company. And our interaction with our banks after the Rights Issue announcement shows that they are generally positive.

So in that regard, over the next 18 months, we hope that the refinancing needs will at most be maintained, if not be reduced. Hopefully as we progress into recovery, we will secure more new projects, and the banks will increase their support and provide further working capital as needed. In short, these are perspectives on liquidity. We believe that our liquidity will normalise and we will be able to sustain through and ride the recovery.

Therefore, we do not expect a further Rights Issue at this point in time.

Uantchern Loh, Vice President, SIAS

A couple more questions before I go to Mr Wong to talk about the Keppel O&M combination and the S\$500 million payment and opportunities there.

So Mr Goh, do you think all the management and directors will take up the rights issue and what happens if the Rights Issue doesn't go through?

William Goh, Group Finance Director, Sembcorp Marine

In our Circular, we have guided that our directors intend to take up their Rights Issue entitlement.

The question regarding what if the Rights Issue doesn't go through – we certainly hope the Rights Issue will go through. With Startree being our major shareholder voting in favour, we certainly hope our other shareholders will also support for the Rights Issue to go through. In the event, for whatever reason, the Rights Issue does not go through, the first impact is that our immediate liquidity needs will not be met. From management standpoint, we will face challenges.

We will have to relook at all the various capital raising levers, whether through debt, whether through equity-linked debt, or other forms of equity. We will have to evaluate all these. But certainly, we hope the Rights Issue, which currently based on the support of our major shareholder and DBS underwriting, there is certainty of raising this S\$1.5 billion to enable the company to ride through. We certainly hope our shareholders will support accordingly. Thank you.

Uantchern Loh, Vice President, SIAS

Thank you. So while I go over to Mr Wong, maybe Mr Goh can think about a question of a Mandatory General Offer if a threshold is crossed from Temasek's point of view. Mr Wong, what are your thoughts about the Keppel O&M combination and opportunities with Sembcorp Marine?

Wong Weng Sun, President & CEO, Sembcorp Marine

Thank you. We have entered into a non-binding memorandum of understanding with Keppel to explore a potential combination of SCM and Keppel O&M.

While it is a non-binding, MOU, it shows that this is a serious attempt by both sides to explore that Potential Combination. It is good for me to take a step back and share why we are exploring a Potential Combination.

Back in 2013, when we have commenced the construction of the Tuas Boulevard Yard, SCM had started a longer-term transformation plan to consolidate all the yards into one location. As we have to develop infrastructure for the future, we invested in technology companies and developed the product lines I mentioned just now. We recruited a younger generation to join the company, and we are ready also to take on new challenges and also prepare ourselves for the renewables segment and a cleaner and greener energy segment.

For the past six months, a lot of oil majors stepped up and talked about their mid to longer term carbon neutralisation strategy. There is a dramatic change in the global engineering energy sectors and we must have a response to it. Although we always feel that we are ready, we know that as the transition takes place globally, it will be very tremendous.

So therefore, while we look at this Potential Combination, we would like to see the scale to deliver projects globally. If we were to only look at having the production in Singapore, there are limitations. And secondly, the retention of talent. We feel that while we have new blood coming in, we are also losing talent because of the global industry downturn and COVID-19.

Those with experience have retired early and those who are middle-aged have decided to change their job. So for us, we need a retention of talent, talent who have a lot of experience and competencies in dealing with the three "S". And we believe both organisations have such talent.

And the next one is how we effectively use the asset bases. While we pursue more jobs, it is important for us that we must be better positioned to seize the new opportunities arising from the energy transition. As we look into this beneficial outcome from the

Potential Combination, when it is complete, it is envisaged that a Potential Combination will create a stronger player from Singapore to capitalise on ongoing opportunities in O&M, renewable and clean energy sectors.

However, I must also emphasise that discussion is really at a very preliminary stage. We will be undertaking a comprehensive due diligence process. If such a potential combination materialises, we also need to satisfy the objective of creating sustainable value over the long term for both companies and our respective stakeholders.

Uantchern Loh, Vice President, SIAS

Thank you, Mr Wong. We are approaching the end of the dialogue session but given that there are still so many questions, we are extending by 25 minutes. I think with the grace of Mr Wong and Mr Goh, it is alright we extend it by a little bit.

Wong Weng Sun, President & CEO, Sembcorp Marine

Yes. Please do so.

Uantchern Loh, Vice President, SIAS

So maybe one last question for you, Mr Wong, before I go over to William to talk about the Temasek angle. There are quite a few questions on the possibility of a mandatory general offer. So Mr Wong, the potential S\$500 million payment, will it come from the S\$1.5 billion Rights Issue?

Wong Weng Sun, President & CEO, Sembcorp Marine

The S\$1.5 billion Rights Issue is solely to overcome our immediate critical liquidity needs. The S\$500 million is a way of payment or in exchange of shares from the combined entity - both shares and cash equivalents of the new combined entity. From the perspective of SCM, the S\$1.5 billion is not meant for that purpose.

Uantchern Loh, Vice President, SIAS

OK, thanks for that Mr Wong. Now we go over to Mr Goh. While we go to Mr Goh, Mr Wong, there are quite a few questions on share price. And of course, retail investors are worried about the share price. They're worried about whether this is going to be another Hyflux situation, which I don't believe so, if I hear you rightly. So, maybe while Mr Goh talks about the Temasek angle, Mr Wong, you can share

with us your opinion on the share price - would there be another Hyflux? What are your opinions from a macro-picture point of view? So Mr Goh, Temasek, what's your take on it?

William Goh, Group Finance Director, Sembcorp Marine

Before I talk about your next question regarding our major shareholder, just on the question that you referred to Mr Wong, in terms of share price. A very quick response is that we are not in a position to comment on share price. From management's standpoint, our focus is to make sure that our strategy is well executed, we are positioned properly for the future, we have the liquidity needs to ride through the current challenges, and all we have to do, is to execute well on our strategy, which we have put in place over the last five, six years now and the outcome in terms of the share price will follow accordingly. But we are not in a position to comment on share price. I hope our audience understands. Let me move back to your immediate question. Perhaps you could share exactly what is the question?

Uantchern Loh, Vice President, SIAS

The question from the floor Mr Goh, would there be a trigger for a Mandatory General Offer from Temasek and if that happens what is the outcome?

William Goh, Group Finance Director, Sembcorp Marine

Temasek's subsidiary, Startree is a 42.6% shareholder and has undertaken to subscribe for Excess Rights Shares. There is therefore a possibility that Startree's shareholding increases from the 42.6%. Under the Singapore Take-over Code, if arising from this, Startree's shareholding increases by a full percentage point from 42.6% to 43.6% of the enlarged capital base, then under the regulations, Startree and its Concert Parties will be obliged to make a Mandatory General Offer ("MGO"). Arising from the MGO, it is important to note that the MGO will become unconditional only if Startree's shareholding crosses the 50% mark. So these are based on existing regulations and it is the situation for our case as well.

Uantchern Loh, Vice President, SIAS

All right, thanks for that clarification, Mr Goh. So Mr Wong, back to you. The broader macro picture for the performance of Sembcorp Marine. There are some questions on whether this will be another Hyflux. You are so behind the curve in

terms of being competitive in the renewables. The transformation seems to take a bit longer than expected. So from a macro picture, Mr Wong, how would you once again come back to injecting confidence in shareholders of Sembcorp Marine?

Wong Weng Sun, President & CEO, Sembcorp Marine

Currently we have put in place a strategy. It is important for us to manage costs. While we can see a recovery from the market, cost management and cash flow management is of utmost importance. The management is taking a serious deep dive to study our blind spots, with a Performance Improvement Plan.

I would like to repeat what William had mentioned just now, that it is important that during this particular time that we need to identify cost level versus the current activity level. While maintaining the same, we would not want to lose focus on the longer term and we would want to maintain the crucial and critical talent in the Company. There are certain level of activities going forward that we are able to outsource, but there are also certain level of core competencies that we would like to reside in Singapore because this would enable us to expand very quickly when the market recovers.

Besides this, it was also mentioned by William just now, the cost-effective execution of work is also critically important because there is always market competition. Execution and cost-benefit in some places are better than Singapore. So therefore, project execution and cost management is also important, if not more important. As the business expands, these savings will be in the multiples. So how to run the business, how to run the projects in a much better way, and therefore digitalisation is important for us.

At the same time, the global procurement system and learnings from the COVID-19 in the area of the supply chain are the issues that management needs to pay attention now. If the business grows then our profitability will grow much faster, because our costs would grow slower, and the market price goes up. I would like to say that today is not so much about deliberating about the seller's market or the buyer's market. It is a survivor's market. But hopefully, with the rebound in oil price and with the eagerness of the oil majors going into the renewable space progressively, we will see SCM becoming a solutions provider and not solely a construction provider to the industry. That will bring SCM back to what it was before. Thank you.

Uantchern Loh, Vice President, SIAS

Thank you, Mr Wong. Let me go over to Mr Goh. It seems there are lots of questions on the order book, the sales pipeline, especially on renewables. And while Mr Goh takes my question, Mr Wong, I'm going to start concluding by asking you what are the top three things that must go right? What are the top three things that can go wrong from your perspective? And while you are thinking of that, Mr Goh, what is your point of view from the operations perspective, the pipeline, especially on renewables? How good is that? How strong is that?

William Goh, Group Finance Director, Sembcorp Marine

Thanks for the question. And so we have guided that in terms of the orders visibility, it is improving from multiple fronts. On the renewable side, as we have shared, the potential continues to grow exponentially. You can see that we are already executing three ongoing projects for renewable energy. Our commercial team on the ground continues to be very active in tendering for more of such projects.

Uantchern Loh, Vice President, SIAS

Which are these three projects Mr Goh?

William Goh, Group Finance Director, Sembcorp Marine

One of them is Sofia, the 1.4GW wind farm that we are doing the offshore converter platform that I mentioned earlier. That is part of the S\$1.2 billion contract with our partner GE for RWE Renewables. The second one is Hornsea, also a 1.4GW offshore wind farm project which we are doing the Topside modules. The Topside modules, just to share, is the nerve centre, the brain of the offshore wind farm.

If you imagine all the wind turbines generating electricity from the wind and all the electricity are then flowed through to this offshore substation. This is where the electricity is converted, either into direct current, or stays as alternative current and is then stepped up through a transformer to a higher voltage before being transmitted to land. It is this intricate part of the entire wind farm where our value proposition is: to be able to build these Topsides and to integrate all the equipment there. We don't manufacture the equipment just to be clear, that is not our domain. But certainly with our experience in building Topside platforms for harsh environment, we are in a good position to take on these solutions and that is why we are able to deliver our first offshore wind topside

solution back in 2016, for the Dudgeon project in the UK North Sea. The third project is fabricating jackets foundations for the Formosa 2 project. These are the existing projects. On the ground, we are tendering for further projects globally. You will find that not only in Europe but increasingly in various parts of Asia like Japan, Korea, Southeast Asia, Australia and also the US as well, the opportunities abound and also even in some parts of Latin America.

Overall, as I mentioned for offshore wind, the US\$126 billion of annual investment by the end of this decade, this is a significant potential for us. Granted, there will be competition, but we are well-positioned to take on more orders going forward.

At the same time, in terms of the traditional Oil & Gas solutions as what Mr Wong guided, because of the under investments over the last five or six years now, there is a critical need to increase the amount of investments for the development and production in Oil & Gas. This is because if the additional investment does not happen, the ongoing production depletion, which is about 7-9 % per annum, is not being replaced. Then it is not a matter of growth, but there will be a shortage of existing supply.

So the investment needs to go in and in that sense, because of the constructive oil price now at above US\$70 per barrel, we see increasingly, national oil companies and international oil companies reviewing their final investment decisions more actively. And we see that on the ground as well. One of the projects that we have mentioned is a project with Siccar Point and Shell, and that project is scheduled for final investment decision in the second half of this year, and we are well-positioned because we have already done the front-end engineering design or FEED work. We look forward to making the announcement when the contract is finalised and secured. Prior to that, in prudence, we are not making any definitive announcement.

On both fronts as well as other clean energy solutions, such as ROPAX vessels that are fully electrified, LNG related vessels and solutions, these various segments are also active. The key thing for us, therefore, is to make sure that we execute and complete our existing projects so that we can take on more of these projects and ride through the recovery. Let me pause here.

Uantchern Loh, Vice President, SIAS

That is really exciting, projects that you have there in the pipeline for Sembcorp Marine, and do you think there will be more of this?

William Goh, Group Finance Director, Sembcorp Marine

We certainly hope so. I think what is important for us is to be able to anticipate the needs of the industry. And we believe that with the investment in our mega yards, there will be this flexibility and capability to cater to both traditional Oil & Gas and clean energy solutions, on the one hand. Having acquired the technology as well as developed the engineering talent on the other hand, we are therefore well-positioned to take on these added opportunities. As I mentioned, the key thing is for us to be there and clear our existing liquidity challenges due to COVID-19, and we should be better positioned thereafter.

Uantchern Loh, Vice President, SIAS

Let me go over to Mr Wong, the top three things that must go right for Sembcorp Marine in order to go on for another 60 years. What are the top three things that can go wrong that will stop plans from fruition?

And then go back to you, Mr Goh, something a bit lighter. Christmas is just 20 weeks away. What will be your Christmas wish for Sembcorp Marine and Sembcorp Marine shareholders?

And we'll go back to Mr Wong after that on what is his Christmas wish. So, Mr Wong, over to you as we finish off this dialogue session. What are the top three things that must go right?

Wong Weng Sun, President & CEO, Sembcorp Marine

I think going forward, the top three things that must go right, firstly the cashflow management. As we know that going forward, all of the projects relating to the energy space are complex in terms of scope. The timeframe is also much longer from development until the operational phase, so therefore the cash flow management is important. Secondly, this must be supported by technical solutions to stay relevant in the new era of low carbon economy. If you are not able to stay relevant. We will be out of the game. The next one will be the business model which must be effective in terms of cost

and response time to the markets. How are we able to do this, we must do it through collaboration; one can't do it alone when the market is leading into a major energy shift.

Uantchern Loh, Vice President, SIAS

Cashflow management, business model, and technical solution to stay relevant in a new era of low carbon economy. And what are the three things that can possibly go wrong for Sembcorp Marine?

Wong Weng Sun, President & CEO, Sembcorp Marine

The three major ones. Firstly, the failure in risk assessment as we march on. And the second one is, how can we prepare for what's next after COVID-19? And thirdly, how can the company adapt given geopolitical issues.

Uantchern Loh, Vice President, SIAS

I like that. I like your focus on the top three. What must go right and what can go wrong. I believe Sembcorp Marine is very focused on these things and the next 60 years will be strong if you focus on these top three, what must go right and what can go wrong.

So maybe I will come back to you on what will be your Christmas wish for Sembcorp Marine and Sembcorp Marine investors. Over to you, Mr Goh. 20 weeks is not very far away. What's your Christmas wish for Sembcorp Marine?

William Goh, Group Finance Director, Sembcorp Marine

Mr Loh, thanks for organising the questions to end on this. I have two wishes for the company and one for our shareholders, and naturally they are inter-related. For the company, my wish is for the Rights Issue to be smoothly completed so that we have the liquidity to ride through the challenges. And secondly, the orders that we are anticipating will come to fruition so that our outlook continues to be underpinned and promising. And hopefully with these two key pillars in place, the market will recognise that we are addressing our challenges and moving on, and the share price would recover and perform accordingly for our shareholders. Thank you.

Uantchern Loh, Vice President, SIAS

Thank you. Mr Wong, what's your Christmas wish for Sembcorp Marine and for the shareholders.

Wong Weng Sun, President & CEO, Sembcorp Marine

There will be many more Christmases in the years to come. But more importantly for this year's Christmas, the wish is we will be able to overcome the difficulties and challenges from COVID-19, and deliver all the projects on time, on the re-baseline scheduled basis, that we are able to free up all of our resources, and we will not add any more impact on the planned S\$1.5 billion Rights Issue. With this wish, then we can plan for the next year's wish. Going forward, we hope that as we solve the current situation, we will be able to bring SCM back on track, to rebuild the order book, rebuild the confidence, and rebuild profitability.

Uantchern Loh, Vice President, SIAS

Thank you Mr Wong, Thank you Mr Goh. If I can summarise, a well thought-through Rights Issue, S\$1.5 billion. On technical issues, solutions are there; there is good support and underwriting by Temasek and DBS; good order book; strong business model; pivoting towards renewables and green; three very strong projects and we hope there will be more; you've also spoke about top three things that must go right and the top three things that can go wrong. So you got all your bases covered.

And like what Mr Goh said, share prices is an outcome from doing things the right way. This is truly spectacular that we had this afternoon. So with that, thank you, Mr Wong, President & CEO, Sembcorp Marine. Thank you, Mr Goh, Group Finance Director, Sembcorp Marine. And thank you, shareholders of Sembcorp Marine, for attending this dialogue session. On behalf of SIAS and Sembcorp Marine, thank you very much, everybody. Have a good long weekend and stay safe.

Wong Weng Sun, President & CEO, Sembcorp Marine

Thank you Shareholders, thank you Mr Loh, Thank you SIAS team, thank you very much.

William Goh, Group Finance Director, Sembcorp Marine

Thank you, everyone. Thank you Mr Loh. Cheers.