

CHAIRMAN AND CEO'S JOINT REPORT

“Sembcorp Marine – with its deep R&D capabilities, domain expertise, technological bench strength, world-class integrated facilities and synergistic operations – stands poised to continue to support the offshore, marine and energy industries and the ongoing global transition to a low-carbon economy.”

**TAN SRI MOHD
HASSAN MARICAN**
Chairman

WONG WENG SUN
President & CEO

Dear Fellow Shareholders

The past two years have been among the most challenging years in recent memory. The COVID-19 pandemic persisted and Sembcorp Marine continued to face serious challenges in FY2021. During the year, waves of COVID-19 outbreaks and subsequent recurring lockdowns across the globe continued to disrupt supply chains, leading to resource constraints and shortages of skilled workers. These in turn seriously affected the Group's projects under execution.

Despite extreme operational challenges, we completed multiple key projects and successfully delivered them to our customers. We also completed major conversions for several offshore gas facilities and delivered on some 144 projects requiring repairs and upgrades. The Group is working on 12 key projects due for completion and delivery from 2022 to 2025.

While the pandemic has been challenging, it has given us the impetus to find novel solutions and new ways to approach issues, and to address each evolving challenge. We took active measures and concrete steps, worked in tighter cooperation with our customers and found a new rhythm to manage the pandemic and our operations.

We also prioritised and put in tremendous efforts to safeguard the wellness, health and safety of our people, our customers and vendors, maintaining a fine balance of the needs of project performance and the safety of everyone.

NAVIGATING CHANGE & CHALLENGES

FY2021 marks the sixth year of a global oil & gas sector recession. The industry has experienced a prolonged and severe downturn since 2015, following major structural changes in the sector and the global energy transition away from oil. The outbreak of the COVID-19 pandemic in 2020 extended into 2021 and 2022, and pushed out the industry recovery, creating unprecedented disruptions.

While addressing the immediate and pressing challenges of the past years, the Group still has its sight set on a better and brighter future. Since 2015, the Group has embarked on a strategic business transformation to rebalance its product solutions portfolio with an increasing focus on renewables and other green solutions.

Leveraging its integrated offshore and marine operational capabilities and engineering competencies, the Group has built the base capabilities to provide solutions for the renewable and clean energy sector. This has enabled the Group to clinch some key projects in this space.

While the Group remains committed to completing the remaining projects for its customers, it is cognizant that it must transition more quickly. The progressive completion of its existing projects will free up resources to allow the Group to capitalise on the significant growth expected in the renewables and clean energy segment over the longer term.

FINANCIAL PERFORMANCE

Despite the pandemic-related challenges impacting business sentiment and execution, the Group recorded a 23% increase in revenue year-on-year, closing the year with a revenue of S\$1,862 million for FY2021.

Execution challenges associated with the COVID-19 pandemic were real and severe, resulting in significant cost overruns. However the labour situation did stabilise in the fourth quarter to enable smoother execution of projects. Consequently, the Group incurred lower losses and provisions of S\$523 million in the second half of the year compared to the first half losses of S\$647 million. For the full year ended 31 December 2021, the Group registered a net loss of S\$1,171 million.

The full year net loss took into account provisions totalling S\$839 million (post-tax basis), largely due to push-out of delivery for its ongoing projects, with significantly higher provisions for manpower and other costs to complete most of the projects during the year and over the next six to nine months.

The provisions for costs to be incurred is made up of three key items, namely additional labour and other costs to complete existing projects amounting to S\$696 million; reinstatement costs for a couple of yards totalling S\$75 million, as well as asset impairment loss and project stock write-down of S\$68 million.

Excluding the provisions, FY2021 net loss would be S\$332 million, an improvement of 24% compared to S\$439 million for FY2020.

Completion of Rights Issue

In June 2021, the Group executed its S\$1.5 billion Rights Issue, which was successfully completed in September 2021. The mandatory general offer by Startree Investments Pte. Ltd. ("Startree"), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, also closed with Startree having a resultant shareholding of 54.6% in the Company as at 3 November 2021.

On behalf of Sembcorp Marine Board and Management, we would like to convey our appreciation to all our shareholders for their support, firstly for the Rights Issue Resolution at the EGM and then the subscription and excess applications. Thank you.

Balance Sheet & Cash Flow

As at 31 December 2021, Sembcorp Marine's net debt stood at S\$2.0 billion, 29% lower than the net debt position of S\$2.8 billion in December 2020, largely as a result of the Group's recapitalisation through its S\$1.5 billion Rights Issue. Net gearing improved in tandem to 0.49 times at end-2021, compared to 0.75 times a year earlier. Shareholders' Funds as at 31 December 2021 was S\$4.0 billion, compared to S\$3.7 billion for the prior year.

At the end of the year, the Group has a net cash balance of S\$1.1 billion, an increase of 43% compared to the year-end balance of S\$772 million for FY2020. The Group expects to have the necessary liquidity to fund its operations for the foreseeable future.

A strengthened balance sheet will support the Group's ongoing strategic expansion into the high growth renewables and clean energy segments. Importantly, it means greater financial agility for Sembcorp Marine to seize opportunities and to respond to evolving market dynamics, to bid competitively for high-value and large-scale projects.

The Group will continue to exercise financial discipline and prudence to further strengthen its financial position.

A detailed financial summary including the Group's cash flow and liquidity management is provided in the Group's Financial Review.

Final Dividend

The Board has decided to continue a prudent approach to liquidity management. As such, no final dividend has been declared for FY2021 (FY2020: No final dividend declared).

PROJECT EXECUTIONS

The Group was able to achieve multiple project completions with successful delivery notwithstanding pandemic-related resource constraints and shortages of skilled workers.

Despite operational challenges encountered throughout the year and the resultant deferment of project deliveries, we are appreciative of the support from our customers, for continuing to entrust their projects to the Group without cancellation.

In FY2022, the Group will need to complete and deliver a total of 12 existing projects. Provisions for costs to complete these projects have already been made in FY2021. Four of the 12 projects have been completed in early 2022. The Group remains committed to completing the remaining projects for its customers.

With the progressive completion of more projects, the Group is able to re-deploy the freed-up resources for its other existing projects under execution and take on more new projects.

A full account of the Group's projects is detailed in the Operations Review.

Seizing New & Emerging Opportunities

During the year, the Group secured new contracts worth slightly over S\$1.0 billion, including S\$0.3 billion of Repairs & Upgrades projects. The Group's net order book currently stands at S\$1.3 billion. This consists of S\$1.1 billion of projects under execution (with a total original contract sum of S\$6.1 billion) and S\$0.2 billion of ongoing Repairs & Upgrades projects. Approximately 43% of the Group's net order book are for renewables and other cleaner and green solutions sectors.

Rising oil prices recently provides impetus for oil and gas companies to review plans for the resumption of deferred activities, final investment decisions and capital expenditures. There are also improved prospects and opportunities associated with the global transition towards cleaner energy and sustainable solutions.

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Sembcorp Marine is well-placed to support the global energy needs premised on a low-carbon footprint with a balanced portfolio across offshore, marine and energy product solutions. Low-carbon features have been embedded in the Group's projects, including automation, energy efficiency and cyber-secured modules. The Group is actively pursuing multiple projects covering FPSOs, FSOs and FPU with tenders in progress.

We are cognizant of global pressures to decarbonise and the desire of major economies to make renewables a larger share of the energy mix. The Group will continue to further diversify its business portfolio and extend into new areas of renewable energy, electrification, gas value chain, ocean living, as well as carbon capture and storage solutions. The Group is actively developing emerging tender opportunities in the renewable energy and gas solutions segment.

The offshore repairs market is anticipated to witness improved growth as it emerges from the stifled demand of the prior period. To-date, the Group's Repairs & Upgrades business has secured advanced orders for the repair and upgrade of 13 LNG carriers and the refit of three cruise vessels. The Group is also working on active enquiries for FPSO and FSO upgrading projects. Sembcorp Marine has continued to secure green technology retrofit solutions and identified opportunities in sustainable repairs and upgrading.

New order wins are critical to support the Group's future performance. The Group remains focused on clinching new contracts to replenish its order book.

ACTIVE SUSTAINABILITY MANAGEMENT

The pandemic and related challenges of the last two years have certainly brought to the fore the importance of sustainability. While the Group has always taken a comprehensive approach to sustainability anchored on its core values, the events of the recent period have enabled the Group to review and further augment its sustainability programmes and initiatives.

At Sembcorp Marine, sustainability is integrated into the Group's strategy and embedded into the fabric of how the Group operates and conducts its business, including its product and service offerings.

Recognition for the Group's Sustainability Commitment and Green Innovation

To support global decarbonisation efforts and goals, the Group has been delivering innovative and sustainable engineering solutions to the global offshore, marine and energy industries through the development of a suite of sustainable products and solutions across the entire offshore value chain.

Many of the projects the Group has worked on have won international accolades or received recognition for contributing to decarbonisation in the maritime industry.



Successful delivery of the Vito Regional Production Facility FPU newbuild



FSRU conversion projects – Karmol LNGT Powership Africa and Karmol LNGT Powership Asia



Sailaway of Tyra East production topsides and bridges



Tyra West modules and bridges delivery



Fabrication of 15 wind turbine jacket foundations for the Formosa 2 Offshore Wind Farm



Delivery of Johan Castberg FPSO newbuild project



Sailaway of the first of three zero-emission battery-powered newbuild Ropax ferries designed by the Group



Artist's impression of the ABS-approved ammonia bunkering vessel designed by Sembcorp Marine in collaboration with industry partners



Sembcorp Marine secured contract to design the world's first green ammonia-fuelled tanker (Photo: Grieg Edge)

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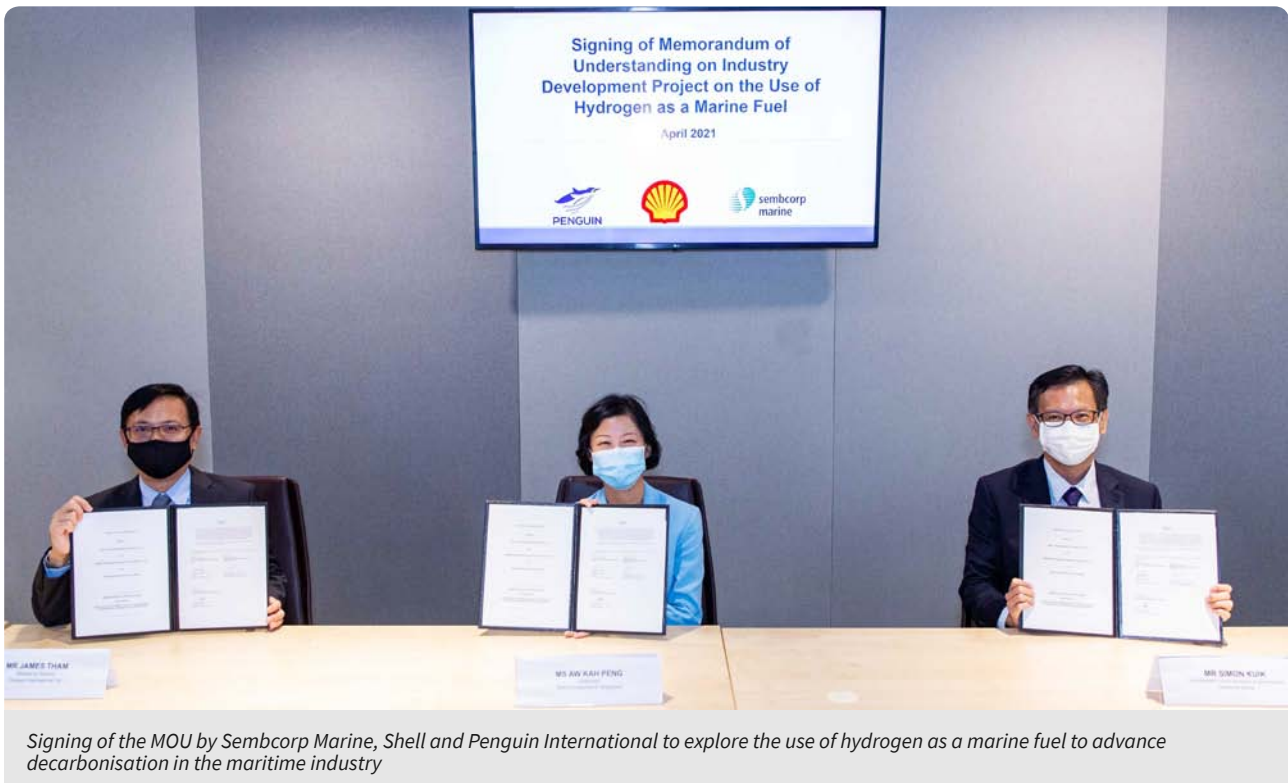
Augmenting the Group's Emergency Response Framework

Through successive flu epidemics of the past, the Group has continuously reviewed and further augmented its Emergency Response Framework (ERF). With a keen focus on safety, the Group acted swiftly and decisively to protect its employees, customers, business partners and communities when COVID-19 struck. Yet, this pandemic has proven to be a crisis like no other. It has upended lives, businesses and the global economy, and Sembcorp Marine was not spared.

The COVID-19 pandemic has also shown distinct individual differences and highlighted the effect of cultural complexities of its workforce. Through addressing worker issues on a

national and company level, the Group has further adapted its ERF, augmented its community engagement and introduced culture-conscious initiatives to increase the effectiveness of its policies and programmes. The Group remains fully committed to looking after the health, safety and living environment of its people and all stakeholders.

The Sustainability Report issued jointly with this Annual Report should be read in conjunction for an appreciation of the Group's sustainability endeavours and accomplishments.



P-71 FPSO modification and topside modules work underway in our Brazil yard



Award-winning vessels designed by the Group – Ropax ferry MF Hydra (top) and polar expedition cruise ship Ultramarine (Photo: Quark Expeditions)

POTENTIAL COMBINATION WITH KEPPEL O&M

On 24 June 2021, the Group announced a non-binding Memorandum of Understanding entered into with Keppel Corporation Limited to explore the potential combination of Sembcorp Marine and Keppel Offshore & Marine (“Keppel O&M”). If completed, the potential combination would create an entity to increasingly seize emerging opportunities, particularly in the renewable and clean energy sectors. The enlarged talent and asset bases would also better position the entity to support larger and more complex contracts.

The due diligence process is ongoing. The Group is working towards a definitive agreement in the first half of 2022.

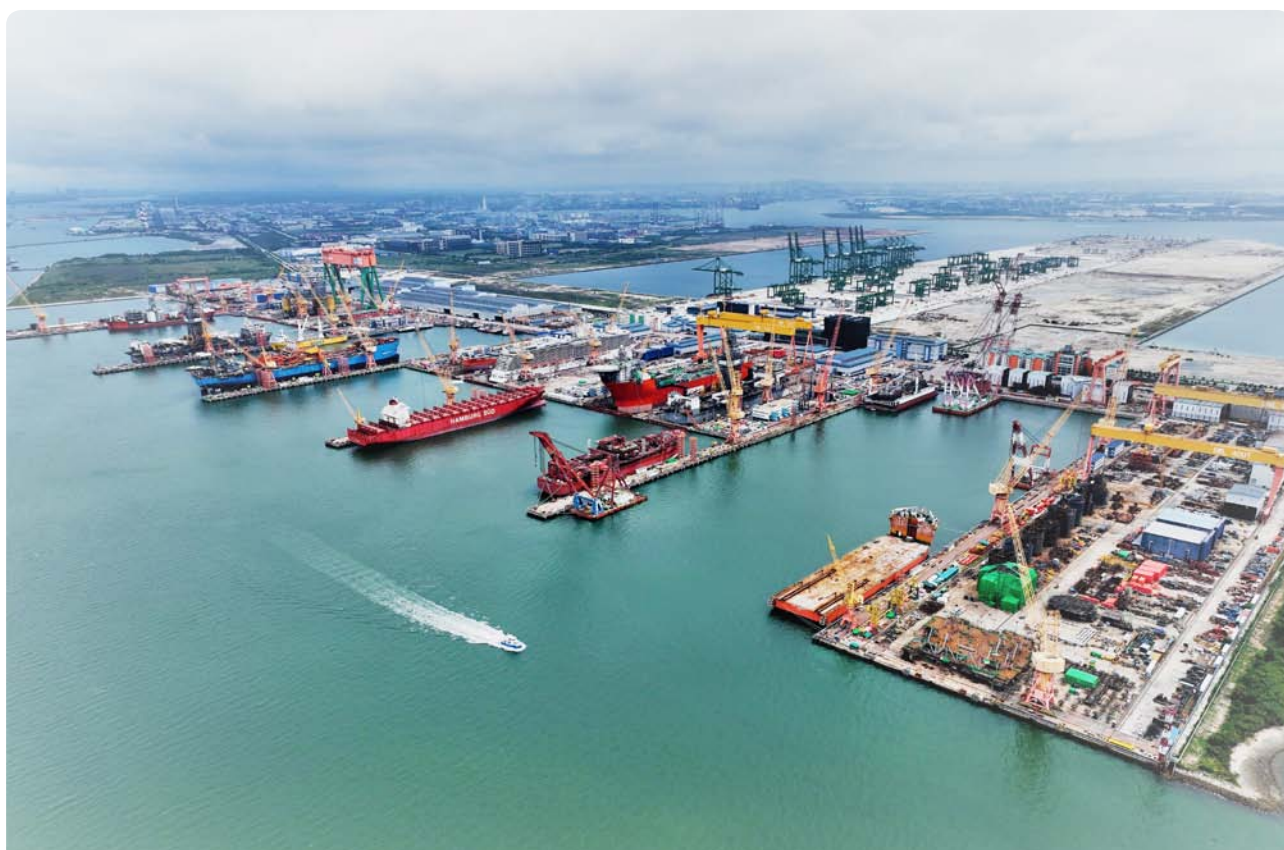
POSITIONING FOR RECOVERY

Despite a tumultuous year, the strategic decisions and concrete actions taken by the leadership of Sembcorp Marine

enabled the Group to continue to support the projects of our customers and partners. We did not see a single cancellation of projects. Instead, we managed to deliver a good number of projects during FY2021 to the date of this Annual Report, demonstrating our ability to overcome challenges, our resilience in the face of unprecedented developments and our commitment to our customers.

The Group has emerged from the pandemic stronger, more resilient and better positioned than ever. Sembcorp Marine – with its deep R&D capabilities, domain expertise, technological bench strength, world-class integrated facilities and synergistic operations – stands poised to continue to support the offshore, marine and energy industries and the ongoing global transition to a low-carbon economy.

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Offshore and marine projects in progress at our Tuas Boulevard Yard



A wide array of vessels calling at our Admiralty Yard

APPRECIATION

As we close another year, we would like to thank our fellow Board members for their guidance in an extremely tumultuous year. Thank you for contributing tirelessly and for your wise counsel.

Mr Eric Ang Teik Lim, whose directorship tenure reaches its ninth year in April 2022, is not seeking re-election at the upcoming Annual General Meeting. On behalf of Sembcorp Marine's Management and fellow Directors, we would like to express our deepest gratitude to Eric for his dedicated service, steadfast support and constant guidance. Eric's professionalism and dedication have been invaluable to our Board's deliberations and decision-making.

We would also like to welcome to the Board Mr Yap Chee Keong, who joins as an Independent Director of the Company with effect from 8 December 2021. He has also been appointed Deputy Chairman of the Board, and a member of the Board's Executive Committee. With his wealth of experience, expertise and perspectives, we are confident that Chee Keong will be an invaluable addition to the Board and the Group.


The Board of Directors would like to convey its thanks to the Management Team for their steady hand at the helm and their unfaltering leadership throughout the year. Most importantly, we want to recognise the determination and hard work of every member of Sembcorp Marine whose dedication and commitment enabled the successive project deliveries during the year. Thank you for demonstrating such steadfast commitment and grit throughout a very testing year.

We would also like to acknowledge the various statutory, governmental, regulatory and healthcare bodies and their officers who have played an important role to protect public health with due consideration to commerce at the same time during the pandemic. Thank you for responding to challenges in real time and all the sacrifices endured.

We would like to convey our appreciation to our customers for the opportunity to serve them too. We will continue to work diligently to complete all the existing projects and new projects.

We extend our appreciation to our shareholders for their steadfast support and particularly during the recapitalisation exercise. We will continue to focus our efforts on accelerating our transition to position the Group for sustainable growth and long-term value creation for our stakeholders.

Thank you.



Tan Sri Mohd Hassan Marican
Chairman



Wong Weng Sun
President & CEO

18 March 2022

“Even as the Group worked relentlessly to deliver its projects, we take pride that we are led by our core values which prioritise the safety and well-being of all our stakeholders. The Group has emerged from the pandemic stronger, more resilient and better positioned than ever.”



Key representatives from Sembcorp Marine and Shell commemorating the delivery of the Vito RPF project



Celebrating the strike steel of the Sofia Offshore Wind Farm Offshore Converter Platform