Presentation by Mr. Wong Weng Sun, President & CEO, Sembcorp Marine
4Q/FY 2017 Results Briefing

Greetings

1. Good evening. Welcome and thank you for joining us today for Sembcorp Marine's 4Q and FY 2017 results briefing.

Macro Update

2. The global economic growth outlook appears to be improving, as evidenced by increased investments and consumption demand, a general pick-up in manufacturing and trade, and rising consumer and business confidence. However, risks to this momentum remain, in particular, the speed of expected tightening of global interest rates.

3. Global exploration and production (E&P) capex spending continues to show signs of improvement, underpinned by the upward trend in oil prices. Oil majors continue to adjust to lower oil prices to be better positioned to proceed with offshore E&P investment decisions.

4. Offshore rigs utilization and day rates have generally stabilized. Recent mergers and acquisitions amongst drilling companies, together with increasing secondary rigs sales are indicative of an initial recovery in the drilling segment. However, a broad-based rig orders recovery may take some time as the oversupply in most drilling segments have yet to re-balance.

5. We remain mindful that the prudent and proactive decisions we made over the last few years have helped the Group ride through the challenges in 2017.

6. We continue to closely monitor the macro-economic and industry developments as we position ourselves to respond strategically and seize opportunities in the evolving business environment.

Financial Performance for 4Q/FY 2017

7. While the offshore oil and gas industry has begun to show signs of improvement, new orders flow remained weak, while competition within the sector intensified. Despite these difficult operating conditions, Sembcorp Marine remained profitable in FY 2017. With the successful monetization of our entire 9 jack-up rigs inventory, our liquidity has also improved.

8. For FY 2017:
   - Group revenue was $2.39 billion, compared with $3.54 billion in FY 2016.
   - Net profit was $14 million, compared with $79 million in FY 2016.
   - Operating cash flow generated was $144 million
   - Net gearing was 1.11 times, a decrease from 1.31 times as at end September 2017 (end FY 2016: 1.13 times).
   - A final dividend of 1.0 cent per share has been proposed. Including the interim dividend of 1.0 cent per share, total dividends stands at 2.0 cents per share.

   The reduction in overall business volume has impacted the absorption of overhead costs, resulting in a lower operating profit for the year. Additional cost accruals made during Q4 2017 for floater projects, which are pending finalization with customers, contributed to the operating loss for Q4 2017.

   More details will be covered in our CFO's address to follow.

Review of Operations

Sale of Jack-up Rigs and Semi-submersible Rig

9. On October 9, 2017, we announced the sale of nine Pacific Class 400 jack-up drilling rigs to Borr Drilling and its subsidiaries.

10. The nine jack-up rigs were sold for about US$1.3 billion, plus a market-based fee calculated based on an uplift in the value of rigs sold.

11. Borr Drilling will take delivery of the rigs progressively over 14 months from 4Q17, and has made an upfront payment of US$500 million. The balance of about US$800 million will be paid at any time within five years from the respective rig delivery dates.

To-date, we have delivered two rigs with a further six to be delivered in 2018 and one in early 2019.

12. On December 26, 2017, we announced an agreement for the sale of the semi-submersible drilling rig West Rigel to a buyer for US$500 million. Under the terms of the agreement, the buyer will take delivery of the rig once the conditions precedent are fulfilled by both parties.

13. The sale of these 10 rigs, despite challenging market conditions is a testament to the market's confidence in the quality and capabilities of Sembcorp Marine's premium and high-specification drilling units.

14. These transactions, when fully completed will significantly improve our cash flows and liquidity position, further strengthen our balance sheet and ability to tap on more opportunities as the industry recovers.

Project Deliveries

15. For 2017, we successfully delivered :
    - Pioneiro de Libra FPSO, Sembcorp Marine's first full EPC (Engineering, Procurement and Construction) FPSO conversion, delivered to Odebrecht and Teekay in March 2017. The project achieved more than 19 million man-hours worked without any Lost Time Incidents, which reflects the collective effort and achievements on safety by Odebrecht, Teekay, and Sembcorp Marine. The FPSO was deployed to Brazil's giant Libra field and achieved first oil in November 2017;
    - Randgrid FSO, which was completed and delivered in July to Teekay for a charter under Statoil. The project team achieved 4.98 million man-hours worked without any Lost Time Incidents, an outstanding joint effort by Teekay, Statoil and Sembcorp Marine;
    - Yamal LNG Modules, which were fabricated and delivered by our subsidiary PT SMOE Indonesia; and
    - Pacific Class 400 premium jack-up rig to Borr Drilling.

Projects in Progress

16. We continue to make good progress for our ongoing projects. These include:
    - Engineering and construction of the world's largest semi-submersible crane vessel for Heerema;
    - Design and construction of a new harsh-environment Floating Storage and Offloading (FSO) vessel for MODEC for deployment in the Culzean field in the UK North Sea;
    - Engineering, procurement and construction of Maersk Oil's Central Processing Facility, Wellhead Platform and Utilities & Living Quarters Platform Topsides for harsh-environment operations in the Culzean field in the UK North Sea;
    - Conversion of FPSO Kaombo Norte and FPSO Kaombo Sul for Saipem for operations in offshore Angola;
    - Construction of two units of proprietary Jurong Espadon III high-specification ultra-deepwater drillships for Transocean; and
    - Four newbuild Pacific Class 400 jack-up drilling rigs under construction for delivery to Borr Drilling (3 units) and BOT Lease Co., Ltd (1 unit).

17. Projects in progress at our overseas yards include:
    - Construction of a power generation module and other infrastructure (part of our EPC project with Maersk Oil) at our SLP yard in the UK;
    - Hull carry-over works as well as topside modules construction and integration for the FPSO P-68 Tupi Project in our EJA Brazil yard.

Repairs and Upgrades

18. For our Repairs and Upgrades business, we performed a total of 390 dry-dockings, repairs and upgrades during FY 2017. Revenue per vessel for 2017 was higher than 2016, attributed to higher value works and improved vessel mix.

19. Sembcorp Marine repaired and upgraded a record number of 16 cruise ships in 2017, including the completion of Star Legend from Star Cruises in December. We have forged exclusive Favoured Customer Contract (FCC) partnerships with Carnival Corporation and Royal Caribbean Cruises – the world's top two cruise companies – as well as Star Cruises, Asia's leading cruise line, and leading cruise company. With the strong growth in global cruise tourism especially in Asia, we are well-positioned to capitalise on the boom in this niche market.

20. In the area of LNG carrier repairs, Sembcorp Marine tops the list globally for the fifth time with a total of 34 LNG ships repaired and upgraded in 2017. We have continuously enhanced and broadened our LNG engineering solutions, repair and upgrade capabilities and facilities to provide holistic solutions to LNG owners and managers.

21. We completed a total of 11 ballast water treatment systems installation and retrofits in 2017 for various owners, using different types of treatment systems to meet unique customers' requirements. Despite the deferment of implementation of the Ballast Water Management Convention to 2019, there remains an ongoing requirement for the installation of ballast water treatment systems by IMO for newbuilds and under US Coast Guard regulations for vessels navigating through US waters.

Sete Brasil Drillships

22. Discussions are ongoing between Sete Brasil and its creditors on its judicial recovery plan. We are following the developments closely and will continue to engage Sete Brasil as necessary to advance the restructuring plan.

23. We believe that the $329 million provisions made in FY 2015 for the Sete Brasil contracts remain sufficient under the present circumstances.

New Orders & Order Book Development

24. On December 6, 2017 we announced the award of a US$490 million contract from Statoil Petroleum AS for the turnkey engineering, procurement and construction (EPC) of the hull and living quarters for a newbuild FPSO (floating, production, storage and offloading) vessel.

25. Scheduled for completion in the first quarter of 2020, the FPSO will be deployed to the Johan Castberg field development in the Barents Sea, offshore Hammerfest, Norway. With a hull about 55m wide and 295m long, the FPSO will be self-contained for harsh-environment operations, with living quarters for up to 140 personnel.

26. We also made good progress in our order book development with Letters of Intent (LOI) signed for potential projects.

27. On December 5, 2017, we signed a LOI with Shell Offshore for the construction of the hull and topside as well as the integration of the Vito floating production unit (FPU). Comprising a single topside module supported by a four-column semi-submersible floating hull, the Vito FPU is designed with a throughput capacity of 100,000 bpd of oil and 100 MMSCFD of gas. The Vito FPU will be located offshore Louisiana, USA, in water depths of 4,050 ft. Final contract award will depend on Shell and its partners sanctioning the project.

28. We have also signed an LOI with US-based SeaOne Caribbean (SeaOne) in 3Q 2017 for the design and construction of at least two large Compressed Gas Liquid (CGL®) carriers. Incorporating proprietary ship component ideas from Sembcorp Marine's subsidiary LMG Marin, the neo-panamax CGL carriers is designed with a storage capacity of 2 billion cubic feet. The 366m-long carriers will be equipped with SeaOne's patented CGL® technology and systems. Front-end engineering design (FEED) studies are currently in progress.

29. We continue to make steady progress in the development of projects for our proprietary Gravifloat technologies for a range of near-shore gas infrastructure solutions, including liquefaction, regasification, storage and power generation. We are hopeful that our advanced discussions with several potential customers will translate to initial orders.

30. We have also developed a suite of green solutions for the shipping industry. An example is our award-winning Semb-Eco LUV Ballast Water Management System which utilises ultra-violet and patented bio-fouling control technology to effectively disinfect invasive aquatic species in challenging water conditions.

31. These projects demonstrate Sembcorp Marine's capabilities to provide a broad spectrum of innovative solutions to serve the gas value chain as well as chart new frontiers into emerging markets with green and sustainable solutions.

Net Order Book

32. The sale of the nine jack-up rigs to Borr Drilling contributed a total of $1.77 billion to our order book for the year 2017. With the US$490m Statoil FPSO project and

another $270 million in new orders for non-drilling solutions (which include the US$145 million contract for hull carry over works recently awarded by Petrobras), total new orders secured in 2017 was $2.74 billion.

33. With deliveries till 2020, our net order book currently stands at $7.58 billion. Excluding the Sete Brasil drillships, our net order book stands at $4.45 billion.

34. Enquiries for projects in the floaters, production platforms, gas solutions and specialised shipbuilding segments continue to be active. We are actively responding to queries and tenders and pursuing various project leads to further grow our order book.

Harnessing Innovation for Sustainability

35. To ensure long-term competitiveness, Sembcorp Marine has embarked on several partnerships to leverage on innovation for sustainable growth.

36. Sembcorp Marine has forged joint industry collaborations with DNV GL, A*STAR's Singapore Institute of Manufacturing Technology (SIMTech) and National Additive Manufacturing Innovation Cluster (NAMIC) to develop disruptive applications that could revolutionise solutions for Singapore's offshore and marine (O&M) sector and boost its global competitiveness.

37. To be test-bedded in our Tuas Boulevard Yard, these innovation projects involve:
    - Researching Laser Aided Additive Manufacturing technology to produce reliable and cost-competitive components for fabricating large-scale structures for newbuild vessels;
    - Developing close-up ship structure inspection by drones, in particular to complement surveyor inspections at height or in dangerous and relatively inaccessible areas; and
    - Investigating the use of Digital Twin technology to create a digital replica and through simulation determine the ship's specific design and operational requirements for attaining optimal performance.

38. These collaborations augment Sembcorp Marine's Tuas Boulevard Yard as a living lab for incubating and verifying smart, sustainable and disruptive applications that will unlock exciting possibilities for us to stay ahead of the curve.

39. To further our sustainability goals and those of our customers, Sembcorp Marine has also partnered the SP Group to jointly develop a smart renewable energy-based Digital Energy-saving System (DES) for our Tuas Boulevard Yard. Involving the installation of solar panels on the rooftop of our steel fabrication facility, the DES will harness solar power to reduce our carbon footprint, optimise energy usage and generate power savings. With the implementation, output from our steel fabrication facility will be powered 30% by renewable energy.

40. In recognition of our commitment towards sustainability and corporate social responsibility, Sembcorp Marine was accorded the prestigious Sustainable Business Award (Multinational Corporation category) by Global Compact Network Singapore at the Singapore Apex Corporate Sustainability Awards 2017.

Human Resources

41. During 2017, we continue to implement cost-management strategies to enhance productivity and optimise our headcount. They include reduction in manpower cost through wage cuts and wage freeze, productivity improvement measures to enhance competitiveness, and right sizing, re-training and re-organising our employees to cater to evolving changes in our product mix, especially in non-drilling solutions and the gas value chain. For 2018, we will focus on re-skilling and up-skilling our workforce, including selective recruitment of specialist talents to position the Group for new opportunities, diversification and growth.

Singapore Shipyards

42. As part of our sustainable growth strategy, we completed Phase II of our new-generation Tuas Boulevard Yard (TBY) in Q1 2017. Equipped with berthing and docking facilities for mega-sized vessels and deep-draft rigs as well as one of the largest and most advanced steel fabrication facilities in the region, TBY has enabled us to unlock fresh opportunities and ensure our long-term competitiveness in this fast-evolving industry. With our enhanced capabilities and enlarged capacity, we are able to venture into the turnkey Engineering, Procurement, Construction of mega offshore projects and forge new frontiers across the offshore & marine and energy value chain.

43. Our ongoing plans to progressively return our older yard facilities and moving to our core operations to TBY remain on track. This will enable us to further optimise our resources, synergise our operations and enhance cost-efficiency and overall competitiveness.

Brazil

44. The Company made an announcement to the SGX on 30 March 2015 relating to allegations of illegal payments in connection with contracts entered into in Brazil by certain subsidiaries of the Company.

45. The Company disclosed in the announcement that the Company had initiated an internal investigation on the allegations.

46. That investigation is ongoing and remains legally privileged. The Company is not aware of any of its employees being implicated by any authorities.

47. The Company notes that Mr Guilherme Esteves de Jesus has been charged with various offences by the Brazilian authorities in connection with the above mentioned allegations. These charges are connected to drillship construction contracts entered into by the Company's subsidiaries. The Company notes that Mr de Jesus is defending the charges against him. The date of the court hearing of the charges against Mr de Jesus is not yet known.

48. The Company will continue to monitor developments in Brazil and other jurisdictions with respect to this matter.

Cash Flow and Liquidity Management

49. Financial discipline continues to guide our liquidity management with a view to conserve cash and strengthen our balance sheet. The successful monetizing of our rigs inventory will significantly contribute to improving our liquidity position over time.

50. The majority of our order book contracts and new orders continue to be on progress payment terms to minimise our need for significant working capital. .

51. Capex for FY 2017 was about $178 million. We expect capex to trend slightly upwards as we execute the development of TBY in response to business needs. Capex will be incurred for execution of our secured contracts or which will realise cost-savings.

52. Operating cash flow generated in FY 2017 was $144 million. As at end FY2017, net gearing improved to 1.11 times (compared with 1.31 times at end 3Q 2017 and 1.13x as at end Dec 2016), with initial receipt from divestment of our jack-up rigs inventory a major contributor.

53. We believe our debt headroom is sufficient and remain confident that we will be able to execute our orders and meet our liquidity needs with our existing facilities and continued support of our financiers.

54. In summary, Sembcorp Marine remain focused on operational excellence to execute our orders efficiently, disciplined investment in new capabilities and technological innovation, and active customer engagement and business development to grow and ensure the sustainability of our business

Dividends

55. To recognise our valued shareholders for their loyalty and support, the Board of Directors is recommending a final cash dividend of 1.0 cent per share which is scheduled to be paid on 11 May 2018. Including the interim dividend of 1.0 cents per share, total dividend is 2.0 cents per share for FY2017.

Outlook

56. Global exploration and production (E&P) capex spending continues to show signs of improvement, underpinned by higher oil prices.

57. Offshore rigs utilization and day rates have stabilized, but rig orders recovery may take some time as the oversupply in most drilling segments have yet to re-balance.

58. The production segment remains encouraging and we are responding to increasing enquiries and tenders for innovative engineering solutions.

59. We continue to make progress in our efforts to develop and commercialize our Gravifloat technology for near-shore gas infrastructure solutions.

60. Demand for repairs and upgrades, especially for LNG carriers and cruise ships remains strong. Regulations on ballast water treatment requirements coming into force in the foreseeable future will further underpin the potential of this segment.

61. However, the immediate outlook remains challenging. It will take some time for capex spending to translate into new orders. Industry activities remain low and competition for orders remains intense. Sembcorp Marine will continue to further strengthen its balance sheet and actively pursue the conversion of enquires into new orders.

62. Our CFO Tan Cheng Tat will now take you through the Group's detailed financial performance.

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.