

# MARINE REVIEW



The state-of-the-art Sembmarine Integrated Yard @ Tuas, Singapore

## Competitive Edge

- A leading global marine & offshore engineering group, offering a full spectrum of integrated solutions from ship repair, specialised shipbuilding, ship conversion, rig building and repair to offshore engineering and construction
- Proven capabilities in managing complex turnkey projects and delivering timely and innovative solutions
- Global network of yards strategically located in Singapore, Brazil, Indonesia, India, the UK and China
- Development and ownership of proprietary designs and technology for rigs, drillships as well as floating production and drilling solutions

## Performance Scorecard

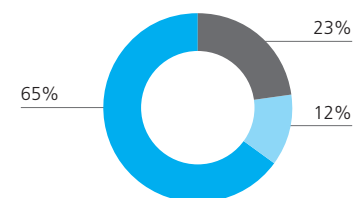
Financial Indicators (\$ million)	2014	2013	Change (%)
Turnover	<b>5,830.7</b>	5,525.9	6
EBITDA	<b>823.6</b>	749.6	10
PFO	<b>717.8</b>	660.0	9
- EBIT	<b>708.0</b>	648.8	9
- Share of results: Associates & JVs, net of tax	<b>9.8</b>	11.2	(12)
Net profit	<b>560.1</b>	555.7	1
ROE (%)	<b>19.9</b>	21.7	(8)

Note: Figures taken at Sembcorp Marine level

Operational Indicators (\$ billion)	2014	2013
Net orderbook	<b>11.4</b>	12.3

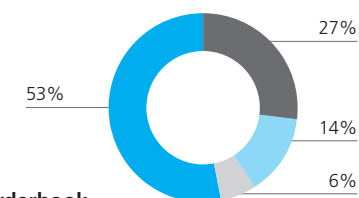
## Turnover by Segment

- Rig building
- Offshore conversions & platforms
- Repair & others



## Orderbook Composition

- Drillships
- Offshore conversions & platforms
- Jack-up rigs
- Semi-submersibles



**Net orderbook \$11.4 billion**  
as at December 31, 2014

**Key Developments**



Secured contract orders worth S\$4.2 billion in 2014. As at end 2014, net orderbook stood at S\$11.4 billion with completion and deliveries till 2019



Estaleiro Jurong Aracruz commenced initial operation in the second half of 2014. The yard also received its first drillship unit, Arpoador



Sembcorp Marine named Shipyard of the Year at the 2014 Lloyd's List Asia Awards

**OPERATIONS AND FINANCIAL REVIEW**

**Turnover grows on increased contribution from rig building and offshore platform projects**

The Marine business achieved growth in turnover and net profit despite challenging market conditions.

Turnover increased 6% to S\$5.8 billion, mainly from higher contribution from rig building and offshore platform projects.

Turnover (S\$ million)	2014	2013	Change (%)
Rig building	<b>3,779</b>	3,564	6
Offshore conversions & platforms	<b>1,353</b>	1,204	12
Repair	<b>622</b>	681	(9)
Others	<b>79</b>	77	2
<b>Total turnover</b>	<b>5,833</b>	5,526	6

Profit from operations (PFO) rose 9% to S\$717.8 million, while net profit grew 1% to S\$560.1 million. Return on equity stood at 20%.

**Rig building**

In the rig building segment, turnover increased 6% to S\$3.8 billion, contributing 65% to the overall Marine business' revenue, similar to the previous year. Eight jack-up rigs were delivered in 2014, including four rigs for Noble Corporation, two rigs for Oro Negro and one each for Seadrill and Perisai.

**Offshore conversions and platforms**

The offshore conversion and platform segment posted a 12% increase in earnings to S\$1.4 billion. During the year, we completed and delivered six projects, with three major project deliveries from the fixed platform segment and another three comprising offshore and conversion projects.

	2014	2013
Number of projects completed and delivered	<b>6</b>	4
- Offshore and conversion	<b>3</b>	2
- Fixed platforms	<b>3</b>	2

**Repair**

Turnover for the repair segment declined 9% to S\$622 million, reflecting the weak conditions in the shipping market. Volume, however, remained strong, as the larger drydocks and additional capacity at the Sembmarine Integrated Yard @ Tuas opened up new customer segments for the business, such as repairs for larger vessels. 439 ships were repaired in 2014 compared to 373 in 2013, but the average repair value per ship fell to S\$1.4 million compared to S\$1.8 million last year. This was due to ship owners opting for smaller repair packages amidst a weak shipping market.

Despite this, the segment continued to secure significant repair projects during the year. In November, we completed the S\$25 million extensive revitalisation of Royal Caribbean International's 137,276-gross tonnage passenger cruise ship *Voyager of the Seas*. In addition, we secured a long-term favoured customer contract from GasLog LNG Services to provide ship repair, refurbishment, upgrading and related marine services for its fleet of 20 liquefied natural gas (LNG) carriers. Under this contract, three to five of GasLog's LNG carriers are expected to dock at our yard for refitting each year.

**Healthy S\$11.4 billion orderbook underpins earnings till 2019**

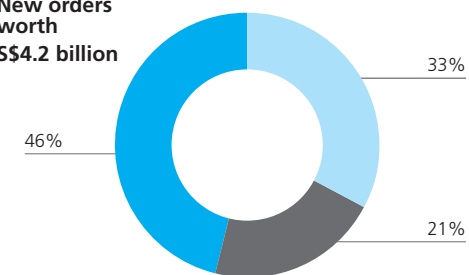
As at December 31, 2014, our net orderbook stood at S\$11.4 billion, excluding repair and upgrade contracts. This includes a total of S\$4.2 billion in new rig building, offshore conversion & platform contracts and drillships secured in 2014. Completions and deliveries stretch into 2019, underpinning earnings for the next five years.

Our strategy to broaden our product offering and enhance our competitiveness with the development and ownership of proprietary designs continues to

bear fruit. During the year, we won contracts to build two drillships worth US\$1.1 billion, from a subsidiary of US-based Transocean. These contracts for the construction of our proprietary Jurong Espadon III drillships are a strong endorsement of our drillship design and execution capabilities.

**Contracts Secured in 2014**

**New orders worth S\$4.2 billion**



- Offshore conversions & platforms
  - S\$600 million FPSO conversions for Saipem
  - US\$190 million LNG process modules assembly for Bechtel
  - US\$696 million FPSO conversion for OOGTK Libra
  - Two contracts worth S\$222 million to build an offshore substation platform for Siemens and convert a VLCC into an FPSO vessel for MODEC Offshore Production Systems
- Drillships
  - Two Jurong Espadon III drillships worth US\$1.1 billion for Transocean
- Jack-up rigs
  - US\$214.3 million Pacific Class 400 deep drilling jack-up rig for Marco Polo Marine
  - US\$236 million Friede & Goldman JU 2000E rig for Hercules North Sea
  - US\$240 million Pacific Class 400 high-specification jack-up rig for BOT Lease Co

Meanwhile, contracts secured in the offshore conversion and platform segment reached an all-time high of S\$1.9 billion. Contracts secured included a S\$600 million project from Saipem to convert two very large crude carriers (VLCCs) into floating, production, storage and offloading (FPSO) units for the Kaombo project in Angola; and a US\$696 million project from OOGTK Libra (a joint venture between Brazil's Odebrecht Oil & Gas and Teekay Offshore) to convert a shuttle tanker into an FPSO vessel for Brazil's Libra Field. The latter will be the first conversion project to be carried out at the Sembmarine Integrated Yard @ Tuas.

**LAYING THE FOUNDATION FOR LONG-TERM SUSTAINABLE GROWTH**

**Sembmarine Integrated Yard @ Tuas**  
Developing a next-generation fully integrated marine & offshore engineering hub

During the year, we announced details of the next phase of development for our Sembmarine Integrated Yard @ Tuas. To be developed into a leading next-generation fully integrated marine & offshore engineering hub, the yard will enhance our long-term competitive position in the global offshore & marine industry.

Firstly, a new steel fabrication facility will be built to serve as the central kitchen for steel fabrication for the entire Tuas yard. The S\$222 million multi-functional facility will offer a streamlined, seamless and extensively automated production process from

steel stock yard to final assembly and finishing shop once it is completed in the third quarter of 2015.

Secondly, on the back of robust demand for the yard's four VLCC drydocks, we began construction for a S\$489 million second phase extension to the yard. With marine works scheduled for completion in 2017, this 34.5-hectare second phase will add on three new drydocks, including a dedicated drydock for offshore facilities and rig building, upgrades and repairs. When completed, the yard, with its total of seven drydocks, will be well-placed to benefit from anticipated growth in demand for modern docking capacity. It will also be positioned to deliver value-added and cost-competitive solutions to better meet the needs of our growing list of global customers and alliance partners.

**Estaleiro Jurong Aracruz**  
Integrated yard in Brazil commences operation

In the second half of 2014, our wholly-owned shipyard Estaleiro Jurong Aracruz commenced operation. This important achievement marked a new chapter for our Marine business. Equipped with a 3,600-tonne heavy lift floating crane, which is the largest of its kind in Latin America, the yard has opened its doors to receive *Arpoador*, the first of seven drillships ordered by Sete Brasil.

With its prime location close to Brazil's pre-salt basins and active exploration and production areas in the Gulf of Mexico and West Africa, Estaleiro Jurong Aracruz will position our Marine business to capture further opportunities in these areas.

**Sembmarine Integrated Yard @ Tuas, SINGAPORE**

**PHASE I**  
73.3 hectares  
Four VLCC drydocks: 1.55 million dwt



**VLCC drydock**  
350m x 66m x (-8.5m)

**Longest and deepest repair dock in Asia**  
412m x 66m x (-11m)  
Capable of docking containerships of up to 18,000 TEU

**VLCC drydock**  
350m x 66m x (-8.5m)

**Widest drydock in Singapore**  
360m x 89m x (-8.5m)  
Accommodates jack-up and semi-submersible rigs

**PHASE II**  
34.5 hectares  
Expected completion in 2017



**Dedicated drydock for mega-offshore facilities**  
255m x 110m x (-12m)

**Steel fabrication shop**  
New facility to offer a streamlined and extensively automated production process. Set to be the central kitchen for steel fabrication for all three phases of the yard, greatly improving efficiency  
*To be completed in 3Q2015*

**Two drydocks catering to mid-size Suezmax commercial ships**  
255m x 52m x (-8m)

**Features include:**

**Natural deep waters**

Enables installation of semi-submersible thrusters without towing rigs to sea

**Special reinforced load-out areas for offshore modules of up to 20,000 tonnes**

Enables direct lifting and deployment of topside modules onto hulls without requiring the hulls to be towed out to sea

**Three finger piers and a basin ranging from 210m to 400m with maximum draft from 9m to 15m**

Enables ultra-deepwater semi-submersibles and cruise ships to be berthed without restrictions

*dwt:* deadweight tonnes; *m:* metres; *TEU:* twenty-foot equivalent units; *3Q:* third quarter

**Estaleiro Jurong Aracruz, BRAZIL**

Commenced initial operation in 2H2014  
Full completion expected end 2015



82.5-hectare integrated yard located in Aracruz, state of Espírito Santo

**An integrated yard capable of undertaking a wide range of services:**

- Construction of drillships, semi-submersibles and jack-up rigs
- Construction of platforms and supply vessels
- FPSO integration
- Topside modules fabrication
- Drilling rig repair, ship repair and modification works



**Equipped with the biggest floating crane in Latin America**

Model: L3602 floating crane  
Weight: approximately 10,000 tonnes  
Dimensions: 110m x 46m x 7.5m  
Lifting capacity: 3,600 metric tonnes

2H: second half; m: metres

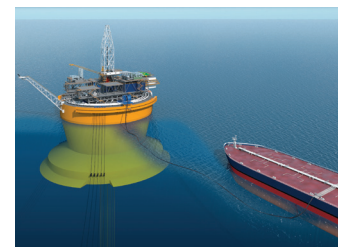
**Investing in technology to stay ahead**

In line with our ongoing efforts to stay ahead and offer new and innovative solutions to our customers, we

acquired a 12% stake in GraviFloat of Norway and purchased the business assets of Houston-based SSP Offshore, including its flagship SSP Floater technology and entire portfolio of proprietary SSP® solutions.

**New Technologies and Solutions**

**Sembmarine SSP**



Proprietary technologies and solutions including the flagship SSP Floater technology for next-generation circular hull forms



**GraviFloat**



Modularised LNG and LPG terminals for installation in shallow waters

A spin-off from one of Europe's leading naval architecture and maritime engineering firms LMG Marin, GraviFloat was formed to design, deliver and operate modularised LNG and liquefied petroleum gas (LPG) terminals for installation in shallow waters. The terminals, which are re-deployable, offer a more cost-competitive solution compared with floating storage and regasification units and land terminals. GraviFloat's technology also allows LNG terminals to be fully built and completed at a shipyard. Our total investment for 12% of GraviFloat was US\$4 million and we have the right to increase our stake up to 20% through further equity injection.

Meanwhile, our US\$21 million acquisition of SSP Offshore's assets allows us to expand into circular-based floaters and own the full range of the company's intellectual property, including proprietary products related to its next-generation SSP floaters. The SSP floater technology has a wide range of applications from deepwater drilling, production and storage units, to logistics support hubs, and can be customised for region-specific operating requirements such as harsh environments and

arctic conditions. SSP floaters offer cost savings to customers by eliminating the need for turret, swivel or catenary anchor leg mooring buoy facilities in production and storage operations and offloading. They also offer fabrication flexibility, as they can be built with simple block construction methods without the need for a drydock.

**OUTLOOK**

With the steep decline in oil prices in the second half of 2014, major oil and gas companies have announced reduced capital expenditure and deferred some of their planned projects. The Marine business continues to face tough competition in upcoming tenders in the offshore exploration and production sectors.

For the ship repair sector, demand for the business' large docks remains strong which would help to cushion the impact of weaker demand in the offshore rig building segment.

The business' performance in 2015 will be supported by its orderbook.