

Marine



A leading industry player providing innovative engineering solutions to the global offshore, marine and energy industries, drawing on more than 50 years of experience

Competitive Edge

- A global leader in integrated offshore, marine and energy solutions with a proven track record and more than 50 years of experience
- Able to offer diversified and innovative engineering solutions across the offshore, marine and energy value chain
- Established capabilities in rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding, and enhanced capabilities to serve the gas value chain
- Strategically located shipyards and facilities in Singapore, Indonesia, Norway, the United Kingdom and Brazil



Net Orderbook*
S\$2.4 billion



New Contracts Secured
S\$1.5 billion

Performance Scorecard

Financial Indicators (S\$ million)

	2019	2018	Change (%)
Turnover	2,883	4,888	(41)
EBITDA	108	148	(27)
Profit / (Loss) from operations	(140)	(55)	(155)
– Earnings / (Loss) before interest and tax	(138)	(53)	(160)
– Share of results: Associates & JVs, net of tax	(2)	(2)	–
Net profit / (loss)	(137)	(74)	(85)
– Net profit / (loss) before exceptional items	(142)	(74)	(92)
– Exceptional items ¹	5	–	NM
Return on equity (%)	(6.1)	(3.1)	(97)

Note: Figures taken at Sembcorp Marine level

¹ 2019 exceptional item relates to negative goodwill from the fair value adjustment on the completion of valuation and final purchase price allocation for the acquisition of interests and titles to the intellectual property rights of Sevan Marine and HiLoad LNG

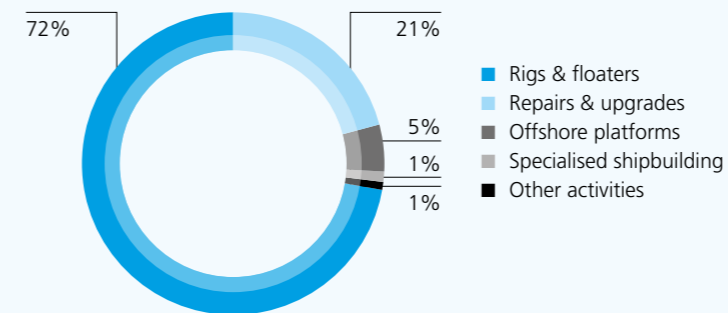
Key Developments

- Secured S\$1.5 billion of new contracts, of which S\$530 million pertained to greener solutions
- Added new 30,000-tonne capacity gantry cranes at the Tuas Boulevard Yard which enhance the yard's value proposition as a one-stop production centre for large, heavy and complex projects
- Reached a full and final settlement on the claims under all seven drillship contracts with Sete Brasil Group

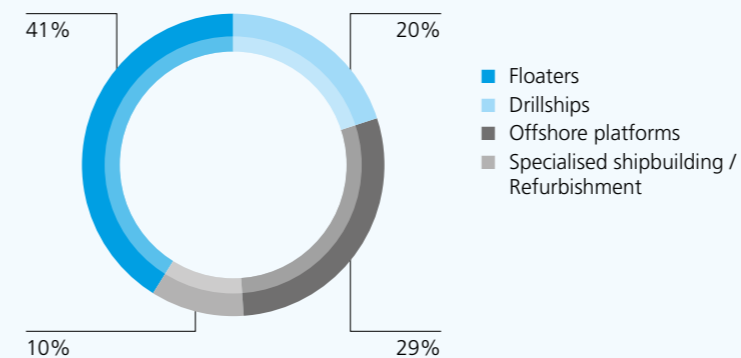
Looking Ahead

- Gearing up for the global economy's shift towards cleaner energy use, with long-term investments in innovation, technologies and expertise for developing new engineering solutions
- Growing order volume in offshore wind by raising brand awareness in market regions unfamiliar with the business' solutions and track record
- Developing new design solutions for the battery- and hydrogen fuel cell-powered ship segments

Turnover by Segment



Orderbook Composition*



* Excluding the Sete Brasil drillship contracts. As at December 31, 2019

Challenges persist, competition remains intense

2019 was a challenging year for the Marine business with intense competition and continued low work volume.

Turnover was S\$2,883 million compared to S\$4,888 million in 2018. On a segmental basis, turnover for rigs & floaters was lower compared to 2018. The higher turnover in 2018 was due to revenue recognition from the delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease and the sale of a semi-submersible rig in 2018, revenue would have been S\$2,670 million, an increase of 6% compared to S\$2,530 million in 2018. Turnover from offshore platforms was reduced due to lower revenue recognition of the Hornsea 2 wind farm substations and Tangguh gas module projects compared to that of the Culzean platform projects in 2018. Turnover for the repairs & upgrades segment grew 27% to S\$605 million due to higher revenue per vessel on an improved vessel mix.

Operational Indicators (S\$ million)

	2019	2018
Net orderbook*	2,436	3,088
New contracts secured	1,487	1,184

* Excluding the Sete Brasil drillship contracts

Excluding the effects of the delivery of one jack-up rig to Borr Drilling in 2019 and the delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease and the sale of a semi-submersible rig in 2018, revenue would have been S\$2,670 million, an increase of 6% compared to S\$2,530 million in 2018.

The Marine business recorded a loss from operations of S\$140 million compared to a loss from operations of S\$55 million in 2018. The business posted a net loss of S\$137 million compared to a net loss of S\$74 million in 2018 mainly due to the accelerated depreciation of Tanjong Kling Yard

Turnover (S\$ million)

	2019	2018	Change(%)
Rigs & floaters	2,069	4,148	(50)
Repairs & upgrades	605	476	27
Offshore platforms	131	184	(29)
Specialised shipbuilding	35	–	NM
Other activities	43	80	(46)
Total	2,883	4,888	(41)



The construction of two high specification ultra-deepwater drillships for Transocean is based on Sembcorp Marine's proprietary Jurong Espadon 3T drillship design

and continued low overall business volume. It was partly offset by profits from the repairs & upgrades business, which rose on improved margins and a better product mix. Return on equity for the business was a negative 6.1%.

Actively pursuing new orders in new and existing markets

In 2019, the business secured S\$1.5 billion in new orders, despite difficult market conditions. This is an improvement over the total orders of S\$1.2 billion received in 2018.

The new orders included the construction and integration of a topside and hull of a floating production unit (FPU) for Shell Offshore for the Whale field in the Gulf of Mexico. The business also secured two offshore platform projects from North Oil Company and Total E&P Danmark, valued at S\$550 million for the fabrication and integration of two well-head platforms for North Oil Company and platforms and bridges for Total.

During the year, the Marine business successfully entered the highly competitive Taiwanese offshore wind sector with a project for first-time customer, Jan De Nul, to fabricate 15 jacket foundations for Formosa 2, the biggest offshore wind farm in Taiwan as well as various contracts with repeat and new customers. These included a floating production storage and offloading (FPSO) conversion with Shapoorji Pallonji and Bumi Armada, the conversion or upgrade of several floating storage and regasification unit (FSRU) or floating storage unit (FSU) projects as well as the makeover of *Asuka II* for NYK Cruises.

The business also entered into contracts worth about S\$175 million for the design and construction of a liquefied natural gas (LNG) bunker vessel for Mitsui O.S.K. Lines as well as repair and modernisation works for 13 cruise ships. The LNG bunker vessel will have a capacity of 12,000m³, making it the biggest of its kind to be constructed in Singapore.

Notable deliveries in 2019



Sleipnir, the world's largest and strongest semi-submersible crane vessel, delivered to Heerema Marine Contractors



Topside modules construction and integration for the FPSO P-68 delivered to Petrobras, a testament to Estaleiro Jurong Aracruz's engineering, procurement, construction and commissioning capabilities



Q7000 well-intervention semi-submersible rig delivered to Helix Energy Solutions

Marine Review

At the end of 2019, net orderbook stood at S\$2.4 billion, excluding the Sete Brasil drillship contracts.

The business continues to actively pursue new orders in both new and existing markets amid the challenging environment. Going into 2020, Sembcorp Marine is optimistic about its negotiations for several major projects, including the Siccar Point Cambo FPSO, for which it has concluded an exclusive front-end engineering design (FEED) using the proprietary Sevan design and will be moving into the next phase.

Settlement of all seven drillship contracts with Sete Brasil

In October 2019, Sembcorp Marine reached a full and final settlement with Sete Brasil Group on the claims under all seven drillship contracts, subject to

certain conditions precedent which have since been fulfilled.

Under the settlement agreement, the titles to five of the seven drillships are retained by Sembcorp Marine, while the titles to the remaining two drillships in advanced construction stages are apportioned between the business and Sete Brasil according to the payments already received. Sembcorp Marine will terminate its arbitration proceedings against Sete Brasil Group and is in talks with a potential purchaser on the completion of two of the seven drillships.

Embracing new innovation and building future-ready capabilities

Amid the global economy's shift towards cleaner energy sources, the business recognises that the major oil and gas companies, which constitute

its traditional customer base, are diversifying their product mix to include clean and renewable energy products such as offshore wind. Increasingly, Sembcorp Marine's customers are repositioning themselves as producers of energy, rather than oil or gas.

In response, the business has been gearing up for this shift with long-term investments in innovation, technologies and expertise for developing new engineering solutions. Out of the S\$1.5 billion of new orders received in 2019, S\$530 million of orders pertained to greener solutions such as scrubber and ballast water management system retrofits as well as gas and renewable energy projects.

Although offshore oil and gas remains Marine's key market, offshore wind is a growing sector that is opening up possibilities for the business. To grow order volume in this segment, the business will focus on enhancing its brand visibility, especially in market regions that are unfamiliar with its solutions and track record. In addition, new design solutions for the battery- and hydrogen fuel cell-powered ship segments are also being developed as the business works towards completing three zero-emission battery-powered RoPax ferries for Norled.

As the business embraces new innovation and develops future-ready capabilities, this may mean that certain functions like engineering are becoming fixed costs as the business responds to tenders and enquiries for various engineering solutions and participates in FEED and pre-FEED work requested by potential customers. As such, these investments are crucial to help boost the business' ability to cater to the increasingly complex field development needs of customers.

Innovation at Sembcorp Marine Tuas Boulevard Yard

The Marine business continued to incorporate innovation and technologies in its shipyards. Operations at Tuas



The Tuas Boulevard Yard enhances Sembcorp Marine's competitive edge by enabling the business to achieve greater productivity and efficiency in delivering innovative, value-added and cost-effective solutions to customers

Good progress on ongoing construction project pipeline

Rigs & Floaters

- The construction of two high specification ultra-deepwater drillships for Transocean
- The construction of topside modules for FPSO P-71 for Petrobras
- The construction and integration of the newbuild FPSO hull and living quarters for Equinor (formerly Statoil) for the Johan Castberg field development
- The construction and integration of the hull, topsides and living quarters for Shell's Vito FPU
- The engineering, procurement, construction and integration of vessel hull, living quarters and topside modules for TechnipFMC's newbuild Karish FPSO
- The FPSO conversion project with Shapoorji Pallonji and Bumi Armada
- The construction and integration of the hull and topside of Shell's Whale FPU

Offshore Platforms

- The construction of Tangguh LNG modules
- The engineering, procurement and construction, hook-up and commissioning works of two topsides for the Hornsea 2 offshore wind farm for Ørsted Wind Power
- The fabrication of 15 jacket foundations for Formosa 2 offshore wind farm for Jan De Nul
- The fabrication and integration of two well-head platforms for North Oil Company and platforms and bridges for Total E&P Denmark

Specialised Shipbuilding

- The design and construction of three identical battery-powered RoPax ferries for Norled
- The construction of an LNG bunker vessel for Mitsui O.S.K. Lines

Boulevard Yard have been strengthened with state-of-the-art facilities. The yard's new 30,000-tonne capacity gantry cranes will support a number of projects in 2020, including the installation of the 9,200-tonne assembled topside onto the hull of the Shell Vito FPU. The cranes will greatly enhance Tuas Boulevard Yard's value proposition as a one-stop production centre for fabricating, assembling and installing larger, heavier and more complex projects. Mega-structures can be completely integrated on-site, instead of being transported in several smaller parts for further assembly, providing a more cost-effective solution for customers.

Strengthening financial position

During the year, the Marine business obtained a S\$2 billion five-year

subordinated loan facility from Sembcorp Industries, of which S\$1.5 billion has been drawn down to repay the business' existing borrowings. A further S\$500 million is available for working capital and general corporate purposes. The facility has helped the Marine business to re-profile its debt longer-term and provided additional working capital that will help put the business in good stead to capture opportunities to anchor its future performance and growth.

The Marine business continues to focus on maintaining cost prudence, while balancing investments in innovation, capability retention and manpower development. These will enable the business to better position itself for higher-value projects in new and existing markets.

Outlook

Business activity levels remain low for all segments except for repairs and upgrades, which continues to improve, underpinned by International Maritime Organization regulations that require the installation of ballast water treatment systems and gas scrubbers.

Challenges remain, in particular supply chain disruptions due to the COVID-19 virus outbreak, which could affect the execution of Sembcorp Marine's projects. Competition remains intense for all segments of the business. Sembcorp Marine expects the trend of losses to continue into 2020.