Company Registration Number: 196300098Z

Responses to Investor and Media Queries

Singapore, 19 July 2021: Sembcorp Marine Ltd (the "**Company**", together with its subsidiaries, the "**Group**" or "**Sembcorp Marine**") would like to respond to investor queries, questions from SIAS and recent media reports on the Company's announcements on 24 June 2021 and 12 July 2021 in relation to:

(1) the proposed renounceable underwritten rights issue to raise gross proceeds of approximately S$1.5 billion (the "**Rights Issue Announcement**");

(2) the non-binding memorandum of understanding between Keppel Corporation Limited ("**Keppel**") and the Company to enter into exclusive negotiations to explore a potential combination of the Company and Keppel Offshore & Marine Ltd (the "**MOU Announcement**"); and

(3) updates and profit guidance for the unaudited consolidated financial results for the half year ended 30 June 2021 ("**1H2021**").

Unless otherwise stated, capitalised terms used herein shall have the same meaning ascribed to them in the abovementioned announcements.

Unprecedented Times

These are unprecedented times for Sembcorp Marine in its close to 60-year track record.

The challenges faced by the Group are real and severe, and have lasted longer than anticipated due to the protracted effects from COVID-19. If Sembcorp Marine does not take decisive action on multiple fronts, it could have potentially serious consequences for all stakeholders.

The Group is taking concrete steps to address the challenging operating environment and to reposition the business. These include the proposed Rights Issue, continuous working capital management, development of a comprehensive Performance Improvement Plan ("**PIP**"), and the strategic business transformation with an increasing focus on renewables and other green solutions. This is further explained in the Questions & Answers below.

To address the urgent need to meet the Group's liquidity needs, the Board of Directors considered various financing options and believes that an equity rights issue at this point is critically required.

The proposed Rights Issue will also enable the Group to capitalise on its strengths and further expand into the clean and renewable energy space.

It is the Group's hope that the proposed Rights Issue will receive the support of all shareholders. The Board of Directors is pleased that the Group's largest shareholder, Startree, an indirect wholly-owned subsidiary of Temasek, recognises the need for a recapitalisation and has committed to participate in the Rights Issue. In addition to Startree's participation, DBS has also committed to underwrite the remaining 33% of the Rights Issue.

While addressing its immediate challenges, the Group still has its sights set on a better and brighter future for itself, its shareholders, employees and other stakeholders, as it emerges from the pandemic and as the O&M sector recovers.

Questions & Answers

1. **Can the Group explain the necessity and criticality of this rights issue – especially when other O&M players are not doing so?**

   Are we right to say that the strengthening of SMM's financials (through this rights issue) is of utmost importance and urgency at this juncture?

   What risks are the Group currently facing and/or are expecting to face that might have given rise to this proposed rights issuance?

   In the Company's latest announcement related to your profit guidance for 1H2020, the Group expects that losses for 1H2021 are likely to be in the region of the full year losses incurred for FY2020 given the material adverse impact of its provisions. Is that why the Company is raising this Rights Issue?

   Allow us to briefly recap the background. Since 2015, the O&M industry has seen a prolonged and severe downturn due to a collapse in oil prices and major structural changes. In 2020, when it was poised for recovery, the industry was unexpectedly and severely affected by the onset of the COVID-19 pandemic.

   Over the course of 2021, major economies are still combating new waves of localised COVID-19 infections and the reopening of international borders has been delayed. Global growth is anticipated to remain subdued, with continued weakness in demand conditions for the O&M industry. The financial performance and health of some of the Group's customers have been severely impacted and this will continue to impact the Group's business.

   The re-introduction of COVID-19 measures in 2021, including tighter border controls, has disrupted supply chains and exacerbated the shortage of skilled manpower. This further impacted the Group's yard operations and scheduled completion of projects.

Although there has been no cancellation to-date of any of the Group's existing projects, project delays have been extended, with increased risk of terminations. To mitigate the risk of project cancellations, the Group has been coordinating with customers to reach mutually beneficial outcomes of project re-scheduling and deferment in payments. Deferral of cash collections from projects will impact the near-term liquidity position of the Group. The Group also expects an increasing need to repay more debt upon their maturity over the next 18 months.

While the Group completed a S$2.1 billion rights issue in 2020, it is important to keep in mind that only S$0.6 billion net cash proceeds was raised and the remaining S$1.5 billion was used to set-off the loan from Sembcorp Industries. Of the S$0.6 billion net cash proceeds, S$0.3 billion has been used for working capital purposes. The remaining S$0.3 billion net proceeds from last year's rights issue is now insufficient, as it has progressively become evident that the impact of COVID-19 and the industry downturn has been more protracted than originally anticipated.

In particular, the recent acute shortages of skilled labour have caused further delays in project execution. This has resulted in higher negative operating cash flows due to a significant reduction in revenue receipts and an increase in costs.

However, given the uncertain recovery trajectory and prolonged cash burn, a recapitalisation is of utmost importance and urgency at this juncture, and is critically required to meet immediate funding needs and strengthen the Group's balance sheet, replenish temporary working capital depletion and enhance the Group's liquidity position to meet its projected operational funding requirements until at least the end of 2022.

The Board of Directors has considered various financing options and believes that another equity rights issue at this point is the most optimal solution. The fully committed nature of the proposed Rights Issue means that the Group and its stakeholders, including investors and customers, have the assurance that the Group will raise approximately S$1.5 billion that it critically requires.

In addition to addressing the Group's immediate funding needs, the Rights Issue will allow the Group to keep its sights on its future strategic goals (Please refer to Question 12).

In summary, the Rights Issue will have the following merits:

a. Strengthens the Group's financial position and replenishes temporary working capital depletion amidst continuing COVID-19 disruptions;
b. Reinforces lenders' and customers' confidence in their continued partnerships with the Group;
c. Enables the Group to continue to successfully execute existing projects and competitively bid for high-value and large-scale projects;
d. Allows the Group to pursue strategic investments to further augment its technological capabilities; and
e. Accelerates the Group's strategic transition towards the high-growth renewable and clean energy segment, to secure sustainable long-term growth.

2. What action has been taken by Sembcorp Marine in light of the prolonged industry downturn and impact from COVID-19?

The Group is taking concrete steps to address the challenging operating environment, and to reposition the business to drive improved performance for its stakeholders over the long-term.

Given the ongoing challenges, there is an urgent need to meet the Group's liquidity needs. The Group has been taking decisive action to reduce its monthly operational cash burn rate and carefully manage its working capital. The Group has also deferred all non-essential capital expenditure and will incur only maintenance spending to ensure yard safety and operability.

The Board of Directors has also actively undertaken measures to improve the Group's operating and financial performance. Specifically, the Group has engaged an external consultant to develop a PIP to drive operational improvements and optimise its cost structure. The PIP will include strategic cost management initiatives, improved project execution and procurement processes, digitisation and an overall reduction of overheads. This aims to deliver significant savings and increase the competitiveness of the Group.

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, underpinned by its operational and technology strengths. Such diversification and expansion into non-oil products and solutions will diminish the future impact of oil prices on the Group's business, while also allowing the Group to capitalise on the significant growth expected in the renewable and clean energy segment over the long-term.

Please refer to Question 12 for further elaboration of the Group's strategy.

3. In particular, can the Group explain the basis for (i) the rights issue price of S$0.08 per share, and (ii) the total rights proceeds and utilisation of S$1.5 billion?

The Rights Issue price of S$0.08 per share and the Rights ratio were determined in consultation with DBS as the Sole Financial Adviser, Manager and Underwriter, taking into account various factors, including recent market precedents. The 35.7% discount to TERP[1] for the current Rights Issue is similar to the 35.1% discount to TERP[2] for the 2020 rights issue price.

The Group determined that the proposed Rights Issue proceeds of S$1.5 billion are required to meet immediate funding needs and also to strengthen the Group's liquidity position to meet its projected operational funding requirements until at least the end of 2022. The S$1.5 billion will be used for the Company's working capital and other general corporate purposes, including debt servicing.

[1] Theoretical Ex-Rights Price is the theoretical market price of each Share assuming the completion of the Rights Issue, and is calculated based on the last transacted price of the Shares on the Mainboard of the SGX-ST of S$0.191 on the Last Trading Day, and the number of Shares following the completion of the Rights Issue.

[2] TERP based on the Company's closing share price before announcing the 2020 rights issue.

The Company will make periodic announcements on the utilisation of the proceeds from the Rights Issue, as and when the funds from the Rights Issue are materially disbursed, and provide a status report on the use of the proceeds from the Rights Issue in the Company's annual report.

4. **The proposed rights issuance is conceptualised with the Group's projected operational funding needs to end-2022 in mind.**

   Does this mean that shareholders may be subjected to further fund-raising exercises post-2022? Under what circumstances, would further capital calls be required? Given SMM's sensitivity to oil prices, what would be the Group's assumption for oil prices up to end-2022?

   The proposed Rights Issue proceeds of S$1.5 billion is intended to meet the Group's projected operational funding requirements until at least the end of 2022. Whether a further fund-raising exercise will be required post-2022 would depend on the circumstances at that time. The Group would need to consider various factors, including its funding requirements then, the pace of recovery in the O&M sector, the continued impact of COVID-19 and its own business transition to the high-growth renewable and clean energy segment.

   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, underpinned by its operational and technology strengths. Such diversification and expansion into non-oil products and solutions will diminish the future impact of oil prices on the Group's business, while also allowing the Group to capitalise on the significant growth expected in the renewables and clean energy segment over the long-term.

5. **When do you expect to actualise the reported order book size of S$1.89 billion to cash flows?**

   The Group has a net order book of S$1.89 billion as at 31 March 2021, which includes 17 projects under execution. The majority of these projects are expected to be completed by end 2022 with cash collection to follow.

6. **Can the Group, provide an update on its current financial position and operating conditions?**

   On 12 July 2021, the Company released a profit guidance for the 1H2021.

   The profit guidance highlighted that the Group continues to face challenges related to the ongoing COVID-19 disruptions, including labour shortages and supply chain constraints resulting in further delays in the completion of its projects. Since the onset of the COVID-19 pandemic, a majority of the Group's projects have been delayed by at least 12 months.

The profit guidance also highlighted the additional costs to be incurred over the next 6 to 18 months to complete the projects with minimum further delay. These include:

- Higher manpower costs - On average, recruitment from non-traditional sources costs more than twice that from the Group's traditional sources; and

- Additional costs due to work re-scheduling, extra sub-contract work, additional material usage and other staff turnover related costs.

These provisions will have a material adverse impact on the Group's 1H2021 financial performance. The Group expects losses for 1H2021 are likely to be in the region of the full year losses incurred for FY2020.

7. Has the Group explored other fund-raising means – especially considering the Group's net debt to equity at 0.74x; and having previously raised S$500 million through sustainability-linked financial facilities?

Why is the Company conducting this Rights Issue exercise instead of raising more debt?

The Board of Directors has considered various financing options, including debt, equity-linked financing and/or other equity financing. Each of these financing options were evaluated taking into consideration the availability, quantum, timing and transaction execution risks.

With regards to debt financing, although the Group's net debt to equity ratio is around 0.74x, the challenging business conditions have created increasing pressure on the Group in refinancing its existing maturing debt facilities. As such, obtaining additional debt financing from lenders is unlikely to be available nor sufficient to meet the Group's funding needs. Adding debt would also increase the pressure on cash flow through higher debt servicing needs, which is not ideal in the current prolonged industry downturn and uncertainty due to COVID-19 pandemic.

Given the above, the Board of Directors believes that an equity rights issue at this point is critically required to meet immediate funding needs and strengthen the Group's balance sheet to help achieve its long-term goals.

8. Why is another deeply discounted rights issue in the best interest of Sembcorp Marine's minority shareholders?

Has the Group evaluated the reasons for such a tepid response by minority shareholders to the 2020 rights issue? What are the lessons learnt, and how has been done differently this time round?

What are the steps taken/to be taken to ensure and protect the rights of the minority shareholders?

Please refer to Question 1 which explains the need for the proposed S$1.5 billion Rights Issue and its benefits to the Group and all its Shareholders.

The Group has kept it sights set on the future, even as it addresses its immediate challenges. Please refer to Question 12 for the Group's strategies and future plans.

With respect to the 2020 rights issue, close to half of the minority shareholders participated in the right issue.

The Board of Directors hopes that all Shareholders will understand that this proposed Rights Issue is critically needed to address the Group's liquidity requirements and better position it to ride through the current challenging business environment, as well as accelerate the Group's strategic transition towards the high-growth renewable and clean energy segment to secure sustainable long-term growth.

The proposed Rights Issue is available to all Shareholders. It is subject to the approval of Shareholders at an EGM to be convened and all Shareholders can vote at the EGM. By accepting their pro-rata entitlements to the Rights Shares, Shareholders will maintain their percentage shareholding interests in the Company.

Entitlements to subscribe for the Rights Shares will be renounceable and are expected to be tradeable on the Main Board of the SGX-ST. Shareholders will be at liberty to accept, decline, renounce or trade, in whole or in part, their provisional allotments of the Rights Shares. They will also be eligible to apply for Rights Shares in excess of their respective provisional allotments under the Rights Issue.

In the allotment of Excess Rights Shares, Minority Shareholders will be given preference. Startree and the Company's substantial Shareholders[3] and Directors will rank last in priority for the rounding of odd lots and allotment of Excess Rights Shares.

[3] Substantial shareholders include shareholders who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue, or have representation (direct or through a nominee) on the Board

9. **What is the consequence if the rights issue is not approved by shareholders at the EGM? How would it impact the potential combination?**

   Will the S$1.5 billion raised from the Rights Issue be used to pay the cash consideration of up to S$500 million for the Potential Combination mentioned in the MOU announcement?

   On what terms will Sembcorp Marine and Keppel O&M be combined?

   If Shareholders do not approve the Rights Issue, the most immediate impact is that the critical need to address the Group's liquidity requirements will not be met.

   The Group will need to re-evaluate other financing options, including debt, equity-linked financing and/or other equity financing. The Group would need to study the availability, quantum, timing and transaction execution risks that relate to such financing options. In the absence of a recapitalisation, the Group will face challenges to continue operating as a going concern.

   With the approval of the proposed S$1.5 billion Rights Issue, there is certainty that the Group will be able to raise the full S$1.5 billion to meet its critical funding needs and strengthen its financial position to help achieve sustainable long-term growth.

   It must be emphasised that the proposed S$1.5 billion Rights Issue is a separate and independent transaction from the Potential Combination with Keppel O&M. It should also be noted that the MOU entered in relation to the Potential Combination is non-binding, and discussions are at a preliminary stage with no certainty that the Potential Combination will take place. The Potential Combination is subject to among others, satisfactory due diligence, further negotiations between parties, execution of definitive agreements, receipt of the relevant regulatory approvals and the approval of shareholders (if and where required) of the respective parties.

   The Company has announced that the entire net proceeds from the Rights Issue of S$1.5 billion will be used for working capital and general corporate purposes, including debt servicing. The net proceeds from the Rights Issue will not be used to fund any payment in relation to the Potential Combination.

10. **If the cash consideration of up to S$500 million for the Potential Combination mentioned in the MOU Announcement is not coming from the Rights Issue, where will it come from?**

    Please refer to the response to Question 9.

    If the Potential Combination is completed, it is currently envisaged that Keppel will receive shares in the Combined Entity and a cash consideration of up to S$500 million (or a cash component with the economic equivalent effect) from the Combined Entity.

    The Company would like to emphasise that discussions between parties on the Potential Combination are currently at a preliminary stage with no certainty that the Potential Combination will take place. The Potential Combination is subject to among others, satisfactory due diligence, further negotiations between parties, execution of definitive agreements, receipt of the relevant regulatory approvals and the approval of shareholders (if and where required) of the respective parties.

The Company will update Shareholders in due course in the event of any material developments in relation to the Potential Combination.

11. Is an MGO likely to happen? If so, will the offer price be at a premium to the rights issue price or market prices?

Startree's irrevocable undertaking to subscribe for its pro-rata entitlement and to apply for excess rights shares, as described above, may result in Temasek and its concert parties increasing their shareholding in the Company by more than 1%[4]. If so, Temasek and its concert parties would incur an obligation to make a mandatory general offer for the remaining shares, in compliance with Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Compliance Offer**").

If a Compliance Offer is required, based on information available to Temasek as at the date of the Rights Issue Announcement, the offer price that Temasek and its concert parties will be obliged to offer under the Compliance Offer (if any) will be the Rights Issue price[5].

Temasek has also informed the Company that in the event a Compliance Offer is required, its current intention is to maintain the listing status of the Company on the SGX-ST, but it reserves the right to re-evaluate its position on the Company's listing status in the future.

12. Can the Company please share your future plans?

How will the Rights Issue help the Company achieve its plans?

The Group has close to 60 years of track record in the design and construction of rigs, floaters, offshore platforms and specialised vessels, as well as in the repair, upgrading and conversion of different ship types.

Sembcorp Marine is taking concrete steps to reposition the business and ultimately deliver stronger returns for its stakeholders over the long term.

Since 2015, the Group has embarked on a strategic business transformation to re-balance its product solutions portfolio, underpinned by its operational and technology bench strengths.

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4 In the last six-month period

5 As prescribed by Singapore Code on Take-overs and Mergers.

To remain relevant and stay resilient, the Group will continue to augment three key pillars of its strategic thrusts to take it further on its transformation journey, including:

i. Proactive diversification and expansion into new and existing markets;
ii. Strategic strengthening of yard capabilities; and
iii. Innovation development through investment in intellectual property, technology and solutions that provide a differentiated edge.

While oil and gas remain a focus, the Group has proactively diversified its business and product segments towards the provision of clean energy solutions, leveraging its integrated O&M engineering capabilities.

Green energy solutions comprise approximately 40% of the Group's net order book as at 31 March 2021, and the Group's range of cleaner product solutions include Wind Farm Solutions, Small Waterplane Area Cylindrical Hull Solutions, Zero-emission battery-powered & Hydrogen Fuel Cell Powered Vessels, LNG-Battery Hybrid Tugs and Gravifloat LNG Terminals.

The Group has also made significant inroads into the renewable energy sector with its first win of a design and build contract for the offshore substation platform for Siemen's Dudgeon Offshore Wind Farm located in the United Kingdom North Sea, which has since been successfully completed and delivered in 2016. Other wind farm projects currently being undertaken by the Group include:

- fabrication of two wind farm substation topsides for Ørsted to be deployed at the UK Hornsea 2 Offshore Wind Farm;

- fabrication of 15 jacket foundations for the Formosa 2 Offshore Wind Farm; and

- the design, construction, installation and commissioning of the offshore converter platform, comprising a 18,000-tonne topside and jacket foundation structure for the landmark RWE Renewables Sofia Offshore Wind Farm.

With significant growth expected in renewables and other clean energy over the next decade and beyond because of the global energy shift towards cleaner products and solutions, the Group will focus on accelerating its transformation to gain further traction in this segment, and strengthen its market share.

Within its existing markets, the Group continues to build on its integrated O&M engineering capabilities to move up the value chain and provide a wider suite of products and solutions for its existing business segments. This strategy is aimed at strengthening the Group's competitiveness in winning more orders and improving its overall profitability over the longer-term.

The Group also will continue to strategically augment its yard facilities and make other strategic infrastructure investments to enhance its proposition as a one-stop production centre capable of fabricating, assembling and installing larger and heavier integrated structures.

To boost innovation development, the Group collaborates with government agencies, research institutions, classification societies and other stakeholders to develop its engineering bench strength. Through such alliances, the Group hopes to create breakthrough innovative solutions and unparalleled collaborative outcomes. Recent collaborations include:

- Signing a Master Research Collaboration Agreement with the Agency for Science, Technology and Research to set up a Joint Lab @TBY to facilitate test-bedding and commercialisation of Digital Design and Advanced Manufacturing capabilities and other Industry 4.0 technologies;

- Development of large-scale maritime hydrogen fuel cell systems for the international market; and

- Development of commercially-viable carbon capture solutions for maritime transport, offshore discharge, floating storage and CO2 injection for permanent storage in subsea reservoirs.

These key strategies will continue to enhance the Group's competitive edge and enable it to seize opportunities in oil and gas segment, as well as in renewable and clean energy solutions which is expected to grow exponentially.

Pursuing these strategies requires a robust balance sheet and working capital position which the Rights Issue will facilitate. This will enable the Group to accelerate its strategic expansion into the high-growth renewable and clean energy segment, better position the Group to fulfil existing commitments, win new high-value, large-scale projects, continue to augment its technological capabilities, and secure sustainable long-term growth.

---End of Report---

About Sembcorp Marine

Sembcorp Marine provides innovative engineering solutions to the global offshore, marine and energy industries. Headquartered in Singapore, the Group has close to 60 years of track record in the design and construction of rigs, floaters, offshore platforms and specialised vessels, as well as in the repair, upgrading and conversion of different ship types. Sembcorp Marine's solutions focus on the following areas: Renewables, Process, Gas, Ocean Living and Advanced Drilling Rigs.

Sembcorp Marine's customers include major energy companies, owners of floating production units, shipping companies and cruise and ferry operators. They are supported by four commercial units: Rigs & Floaters; Repairs & Upgrades; Offshore Platforms and Specialised Shipbuilding.

Sembcorp Marine operates shipyards and other facilities in Singapore, Indonesia, the United Kingdom, Norway and Brazil.

Discover more at www.sembmarine.com.

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The Directors of Sembcorp Marine Limited ("Directors") (including any Director who has delegated detailed supervision of this release) collectively and individually accept full responsibility for the accuracy of the information given in this release and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, the facts stated and all opinions expressed in this release are fair and accurate and the Directors are not aware of any facts the omission of which would make any statement in this release misleading. Where information in this release has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this release in its proper form and context.