



Company Registration Number: 196300098Z

Sembcorp Marine 57th Annual General Meeting Responses to Substantial and Relevant Questions

Singapore, 20 May 2020 – Sembcorp Marine (the “Company”) would like to thank shareholders for submitting their questions in advance of the 57th Annual General Meeting (“AGM”) to be held by electronic means on 20 May 2020 at 11.00 am.

The Company’s responses to substantial questions, which are relevant to the resolutions tabled at the AGM, are set out in the Appendix according to the following themes:

- i Business
- ii Financials
- iii COVID-19 Impact
- iv Others

On 13 May 2020, the Company issued an interim Business Update for the first quarter of 2020, which addressed the business outlook as well as the impact of COVID-19 and the collapse in oil prices. Shareholders with questions relating to these topics can access the Business Update at <https://www.sembmarine.com/stock-exchange-announcements/sembcorp-marine-interim-business-update-for-first-quarter-2020>.

Sembcorp Marine President & CEO Mr Wong Weng Sun will provide an overview on the Company’s business, strategies and outlook, management of the COVID-19 impact, and sustainability initiatives during his presentation at the AGM.

Appendix

Business		
No.	Question	Responses
1.	What is the plan for Sembcorp Marine to return to profitability?	<p>Our current priority is to ensure that we have adequate liquidity to sustain operations and ride through this severe downturn.</p> <p>We will focus our efforts to progress with the safe and timely execution of our existing order book of over \$2.1 billion.</p> <p>We will use this downturn to right-size our resources in response to the activities outlook, and to better position ourselves when the industry recovers.</p> <p>While all our business segments have been affected by the current challenging business conditions, our Repairs & Upgrades segment, which generated revenue of over \$600m in FY 2019, has remained profitable. We will continue to allocate sufficient resources to help maintain and grow this business segment.</p> <p>Our broader strategy and plans to return to profitability include:</p> <ul style="list-style-type: none"> • Diversifying into non-drilling products and solutions; • Focusing on projects related to the gas value chain, including LNG powered vessels etc.; • Growing our new business segments such as the provision of renewable energy solutions and other green solutions; • Moving up the value chain to capture a larger part of the profit pool for our targeted products and solutions; and • Leveraging ongoing R&D efforts to develop new products and solutions aligned with global trends and our customers' needs. <p>We will work to build our order book to contribute positively to our profitability over the longer term.</p>

2.	<p>What is the long-term strategy for oil rig builders amid competition from fracking and shallow water drilling?</p>	<p>Our strategy is to expand into new product segments and provide innovative solutions across the offshore, marine and energy value chains, both within and outside the oil and gas sector.</p> <p>We have diversified into non-drilling solutions and ventured into new business segments, including gas value chain as well as renewable and clean energy solutions, such as offshore wind, battery and hydrogen fuel cells.</p> <p>While a large part of the Group's order book used to be in building offshore oil rigs, that is no longer the case. Our current order book comprises a fairly broad spectrum of product types, including several new-build floating production, storage and offloading vessels, offshore production platforms, offshore wind farm topsides and jackets as well as battery-operated roll-on, roll-off passenger (ROPAX) vessels and an LNG bunker vessel.</p> <p>Sembcorp Marine is consistently ranked among the leading facilities in the world for cruise ship and LNG vessel repairs & upgrades.</p>
3.	<p>It appears that the price of oil is going to be low for a long time. Are there perhaps plans to move into other related business?</p>	<p>In response to the rapidly changing dynamics of the offshore, marine and energy industries, we are aligning our businesses with global trends and developing new products and solutions that will strengthen shareholder value.</p> <p>Our goal is to move Sembcorp Marine's businesses towards cleaner fuel sources and solutions that support the global economy's adoption of a greener energy mix.</p>
4.	<p>Is there a break-even price for oil and for gas for Sembcorp Marine to be profitable?</p> <p>How can we get out of this excess supply glut?</p>	<p>Sembcorp Marine is a provider of innovative and sustainable engineering solutions, products and services for the offshore, marine and energy industries. Our profitability is driven mainly by the value of our contracts or jobs, versus the cost of executing them.</p> <p>Please refer to our responses to Questions 1 to 3 above for our strategies and plans that will reduce the impact of demand and supply for oil on our businesses.</p>

5.	With the move into renewables (wind turbine sector), does the company have any competitive edge against existing wind turbine builders?	<p>Sembcorp Marine has successfully moved into the offshore windfarm segment since 2015. We have established a track record in the design, engineering, construction and installation of offshore platforms and jackets for the offshore energy segment.</p> <p>Our competitive edge stems from our ability to leverage our integrated marine and offshore engineering capabilities to provide a full value chain of offshore wind products and solutions.</p> <p>We build the platforms on which wind turbines are installed as well as windfarm substations platform and other such key structures. We also offer proprietary designs for specialised vessels supporting offshore wind turbine installations.</p>
6.	Does Sembcorp Marine need to diversify or merge to be stronger?	We have diversified our business by moving into new market segments since 2011, including non-drilling solutions, gas value chain as well as renewable and clean energy solutions, such as offshore wind, battery and hydrogen fuel cells.

Financials		
No.	Question	Responses
7.	<p>Sembcorp Marine has given notice that it has recorded pre-tax losses for recent three consecutive years.</p> <p>In view of the current global COVID-19 pandemic and the drastic fall in oil prices, which has affected your yards' performance and businesses greatly, what active steps or plans have been taken or will be taken in anticipation to satisfy the financial requirements to avoid being placed on the Singapore Exchange's (SGX) watch list?</p>	<p>Sembcorp Marine is not on the SGX watch list.</p> <p>Please refer to our responses to Question 8 below on our response to COVID-19 and Questions 1 to 3 above on our strategy and plans to generate sustainable returns to our stakeholders.</p>

COVID-19 Impact		
No.	Question	Responses
8.	What are Sembcorp Marine's plans for the coming year in light of COVID-19?	<p>Our current priority is to ensure that we have adequate liquidity to sustain operations and ride through this severe downturn.</p> <p>We will focus our efforts to progress with the safe and timely execution of our existing order book of over \$2.1 billion.</p> <p>While our yard activities have been curtailed by COVID-19 measures, we are actively assessing the impact on our project schedules and are working closely with our customers to manage the ongoing projects during this challenging period. This will also enable us to resume work safely and efficiently when the measures are lifted.</p> <p>We will continue to right-size our resources in response to the activities outlook. We will also defer all non-essential CAPEX to preserve our cash flow and manage our overall liquidity with prudence and discipline.</p> <p>We will continue to actively seek out opportunities to replenish our order book.</p>

Others		
No.	Question	Responses
9.	Can you address the rumour that there might be a potential merger between Keppel and Sembcorp Marine?	We do not comment on market speculations and rumours.