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JOINT MEDIA RELEASE

SEMBCORP INDUSTRIES AND SEMBCORP MARINE PROPOSE S\$2.1 BILLION RECAPITALISATION OF SEMBCORP MARINE, AND DEMERGER TO FOCUS COMPANIES ON THEIR GROWTH SEGMENTS

- ***S\$2.1 billion renounceable Rights Issue by Sembcorp Marine will strengthen its cash position and balance sheet***
 - o ***Sembcorp Marine will undertake a 5-for-1 Rights Issue (5 Rights Shares for every 1 Sembcorp Marine share held) at a Rights Issue Price of S\$0.20 per share***
 - o ***Rights Price represents a 31.0% discount to the TERP¹ based on 5-day² VWAP³ of S\$0.74***
 - o ***Sembcorp Industries has undertaken to subscribe for up to S\$1.5 billion of Rights Shares by setting off the S\$1.5 billion outstanding under its Subordinated Loan extended to Sembcorp Marine. Temasek has agreed to sub-underwrite the remaining S\$0.6 billion***

- ***Proposed demerger of Sembcorp Industries and Sembcorp Marine via a distribution in specie of Sembcorp Industries' stake in the recapitalised Sembcorp Marine to Sembcorp Industries shareholders as dividends***
 - o ***Sembcorp Industries shareholders to receive between 427 and 491 Sembcorp Marine shares for every 100 Sembcorp Industries shares owned, with no cash outlay required***

Singapore, 8 June, 2020 – Sembcorp Industries and Sembcorp Marine are today proposing the recapitalisation of Sembcorp Marine through a S\$2.1 billion renounceable rights issue (the "**Rights Issue**"), followed by a proposed demerger of the two companies via a distribution *in specie* (the "**Proposed Distribution**") of Sembcorp Industries' stake in the recapitalised Sembcorp Marine to Sembcorp Industries shareholders.

¹ TERP – Theoretical ex rights price

² Based on the 5-day period up to and including the last close as of 3 June 2020

³ VWAP – Volume weighted average price

The boards and management teams of Sembcorp Industries and Sembcorp Marine believe that the proposed Rights Issue and the Proposed Distribution (collectively, the “**Transaction**”) will strengthen the two companies’ financial positions and will unlock shareholder value, and is in the best interests of their respective shareholders.

In addition, the Transaction will enable Sembcorp Industries and Sembcorp Marine to better focus on their respective industries. With greater flexibility following the demerger, both companies can pursue their own sustainable growth paths on the back of changes to their industries in recent years.

Upon completion of the proposed Transaction, both Sembcorp Industries and Sembcorp Marine will have strong shareholder bases to support the respective companies’ strategies and business models for the long term.

Sembcorp Industries will continue to be focused on its core areas of energy and urban development, and be poised to capture opportunities in sustainable energy transition, while Sembcorp Marine builds on its core engineering solutions for the offshore, marine and energy industries.

Sembcorp Marine, which has been doubly hit by the COVID-19 pandemic and recent collapse in oil prices, will also be able to better address its urgent need to recapitalise, meet liquidity requirements, and strengthen its balance sheet to ride through the prolonged downturn in the offshore and marine industry.

Sembcorp Industries and Sembcorp Marine will be seeking their respective shareholders’ approval for the Transaction at Extraordinary General Meetings (“**EGMs**”) which are expected to be convened around end August / early September 2020. The Rights Issue is also conditional on Sembcorp Marine shareholders passing a resolution to waive their rights to receive a general offer from Temasek and its concert parties in connection with the Proposed Distribution.

Sembcorp Industries has given an undertaking to vote in favour of the Rights Issue resolution at Sembcorp Marine’s EGM. The Proposed Distribution and the Rights Issue are inter-conditional, and will only proceed if shareholder approvals are received for all resolutions at both companies’ EGMs.

Wong Weng Sun, President & CEO of Sembcorp Marine, said: “We believe that the Rights Issue will give us much needed financial strength to ride through the prolonged industry downturn and prepare for recovery. This recapitalisation will improve our cash position, fund ongoing financial commitments, strengthen our balance sheet and ensure long-term viability. We thank the board, management and staff of Sembcorp Industries for their steadfast support through the years and look forward to working with all shareholders to generate sustainable returns.”

Neil McGregor, Group President & CEO of Sembcorp Industries, said: “We believe that the proposed demerger will unlock shareholder value by transforming Sembcorp Industries into a focused business that can compete and capture growth opportunities in the energy and

urban sectors. In addition, our shareholders will also receive value in the form of shares in a stronger recapitalised Sembcorp Marine through the proposed distribution *in specie*.”

Upon completion of the proposed Transaction, Temasek will be a direct and significant shareholder of both Sembcorp Industries (approximately 49.3%⁴) and Sembcorp Marine (stake exceeding 29%).

Nagi Hamiyeh, Joint Head, Investment Group, and Head, Portfolio Development of Temasek, said: “We recognise these are difficult times and the companies are operating in an uncertain and volatile world. There are challenges to the business environments in which both companies operate. However, we will work actively with the boards and management teams of both companies as they address these current challenges, and with an eye to the future, as they identify pathways for long term growth. We especially see opportunities for each of the companies to apply focus and their skills to sustainable solutions, which are of increasing importance to all stakeholders as our companies strive for Purpose, Profit and Planet.”

Key highlights of the proposed Transaction

1. S\$2.1 billion renounceable Rights Issue

- Sembcorp Marine to undertake a S\$2.1 billion renounceable Rights Issue
- 5 for 1 at S\$0.20 per share
 - 31.0% discount to TERP based on 5-day VWAP of S\$0.74⁵
 - 35.1% discount to TERP based on last close of S\$0.85
 - 76.5% discount to last close of S\$0.85 on 3 June 2020
- Sembcorp Industries has irrevocably undertaken to subscribe for its pro rata entitlement of S\$1.27 billion and take up an additional S\$0.23 billion if necessary – a total commitment of up to S\$1.5 billion
- Sembcorp Industries will set off its outstanding S\$1.5 billion subordinated loan extended to Sembcorp Marine in June 2019 (the “**Subordinated Loan**”), to subscribe for the Rights Issue; the Subordinated Loan will convert into equity on Sembcorp Marine’s balance sheet
- Temasek has agreed to sub-underwrite the remaining S\$0.6 billion of the Rights Issue with no sub-underwriting fees

⁴ Held by Temasek and its wholly-owned subsidiaries

⁵ 73.0% discount to the 5-day VWAP, based on the 5-day period up to and including the last close as of 3 June 2020

2. Proposed Distribution of Sembcorp Marine shares to Sembcorp Industries shareholders

- After the completion of the Rights Issue, Sembcorp Industries proposes to undertake a distribution of its stake in the recapitalised Sembcorp Marine to Sembcorp Industries shareholders on a pro rata basis as dividends
- Sembcorp Industries shareholders will receive between 427 and 491 Sembcorp Marine shares for every 100 Sembcorp Industries shares owned, with no cash outlay, depending on the total number of Sembcorp Marine shares held by Sembcorp Industries after the Rights Issue
- The transaction will result in the demerger of Sembcorp Marine from Sembcorp Industries

The full Transaction Rationales for Sembcorp Industries and Sembcorp Marine, as given in their respective SGX announcements, are attached as appendices.

Further details of the Proposed Distribution and Rights Issue can be found in Sembcorp Industries' and Sembcorp Marine's SGX announcements which are available on the SGX-ST website and the respective companies' websites.

Circulars outlining the details of the Proposed Distribution and Rights Issue are expected to be despatched 14 clear days before both companies convene their EGMs around end August / early September 2020. The Record Dates are expected to follow thereafter.

DBS Bank Ltd is the Sole Financial Adviser to Sembcorp Industries in respect of the Proposed Distribution. DBS Bank Ltd is the Sole Financial Adviser, Lead Manager and Underwriter to Sembcorp Marine in respect of the Rights Issue. Credit Suisse (Singapore) Limited is the Sole Financial Adviser to Temasek.

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About Sembcorp Industries

(Company registration: 199802418D)

Sembcorp Industries is a leading energy, marine and urban development group, operating across multiple markets worldwide.

As an integrated energy player, Sembcorp Industries is uniquely positioned to support the global energy transition. Leveraging technology and digital innovation, Sembcorp Industries provides solutions across the energy and utilities value chain. Sembcorp Industries has a balanced thermal and renewable energy portfolio of over 12,600MW, with over 2,800MW of renewables, battery storage and energy-from-waste capacity.

Sembcorp Industries' urban arm is a recognised leading Asian developer with a strong track record in transforming raw land into sustainable urban developments. In addition, Sembcorp Industries is a global leader in providing innovative engineering solutions to the offshore, marine and energy industries.

Sembcorp Industries has total assets of over S\$23 billion and over 7,000 employees. Listed on the main board of the Singapore Exchange, it is a component stock of the Straits Times Index and sustainability indices including the FTSE4Good Index, the Dow Jones Sustainability Asia Pacific Index and the iEdge SG ESG indices. For more information, please visit www.sembcorp.com.

About Sembcorp Marine

(Company registration: 196300098Z)

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 in the repair, upgrading and conversion of different ship types. Its solutions focus on the Gas Value Chain, Process, Renewable Energy, Advanced Drilling Rigs, Ocean Living and Maritime Security.

Sembcorp Marine 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 strategically located in Singapore, Indonesia, the United Kingdom, Norway and Brazil.

About Temasek

Temasek is an investment company with a net portfolio value of S\$313 billion as at 31 March 2019. Its three roles as an Investor, Institution and Steward shape an ethos to do well, do right and do good. Temasek actively seeks sustainable solutions to address present and future challenges, capturing investment and other opportunities that help to bring about a better, smarter and more sustainable world. Temasek has had overall corporate credit ratings of Aaa/AAA by rating agencies Moody's Investors Service and S&P Global Ratings respectively, since its inaugural credit ratings in 2004. Headquartered in Singapore, Temasek has 11 offices around the world, including China, India, Vietnam, the USA, UK, Brazil and Mexico.

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Appendix 1: Sembcorp Industries' transaction background and rationale

1. Transaction Background

Background. Sembcorp Industries regularly reviews options to maximise value for its shareholders taking into account its long term strategy and business environment including the strategic fit of each of its businesses. Sembcorp Industries' board and management believe that it is in the best interests of its shareholders to separate its core businesses from its Marine interests. This would unlock shareholder value by creating two focused companies.

There is a need for Sembcorp Industries to deepen its capabilities and reshape its portfolio for the global energy transition. New demand patterns emerging in the energy sector require Sembcorp Industries to be focused on competing effectively, and adapt towards more sustainable business models. With Singapore as its home base, its core businesses are well-placed to serve markets especially in Asia where population growth is driving rising demand for sustainable solutions that enable rapid industrialisation, urbanisation and electrification. However, while there continues to be opportunities in the energy and urban sectors, Sembcorp Industries' future growth may be constrained by the current Sembcorp Industries Group balance sheet which consolidates Sembcorp Marine's debt.

The offshore and marine industry has seen a prolonged and severe downturn since 2015 due to profound structural changes in the energy industry and intensifying international competition. With reduced order books, Sembcorp Marine's financial performance has suffered a steep slide, resulting in pre-tax losses in 2017, 2018 and 2019, putting significant pressure on its liquidity and working capital requirements. In 2020, Sembcorp Marine was unexpectedly hit by the COVID-19 pandemic and the sudden collapse in oil prices. With new orders likely to remain depressed for a prolonged period, the company now foresees that recovery will be pushed out further to 2021 and beyond. Sembcorp Marine's cash flow and financial flexibility continue to be impacted by the worsening market dynamics and outlook. Sembcorp Marine urgently needs to recapitalise, address liquidity requirements, and strengthen its balance sheet.

Given the development in the macro environment as described above and the limited overlap of businesses between Sembcorp Industries and Sembcorp Marine, the boards and management of both companies believe that the proposed Transaction would be in the best interests of their respective shareholders. The creation of two focused companies will allow each company to be in a stronger position to press ahead to adapt to new and emerging market realities, and reposition towards sustainable business models in their respective industry sectors.

For Sembcorp Industries: The demerger will transform Sembcorp Industries into a focused Energy and Urban business that can be competitive in its sector amid the global energy transition and offer distinct advantages to its stakeholders. After the demerger, the removal of exposure to the offshore oil and gas sector is expected to contribute towards an improvement in the financial metrics of Sembcorp Industries. Through the Proposed

Distribution, Sembcorp Industries shareholders will receive shares in a recapitalised Sembcorp Marine with Temasek as a direct and significant shareholder.

For Sembcorp Marine: The proposed recapitalisation of Sembcorp Marine will immediately improve its cash position, fund ongoing financial and project commitments, and strengthen its balance sheet. The demerger from Sembcorp Industries will enable Sembcorp Marine to pursue a focused strategy and build further its core engineering and execution capabilities.

2. Transaction Rationale

(i) Enhancing Shareholder Value

(a) **Improved returns and a stronger balance sheet.** After the Proposed Distribution and the demerger of Sembcorp Marine from Sembcorp Industries, the removal of exposure to the offshore oil and gas sector is expected to contribute towards an improvement in the financial metrics of Sembcorp Industries illustrated below on a pro-forma basis⁶:

(1) **Sembcorp Industries' ROE and ROA are expected to improve on a pro forma basis**

- FY2019 ROE⁷ will increase from 3.5% to 7.9%
- FY2019 ROA⁸ will increase from 3.5% to 5.6%

(2) **A significant reduction in Sembcorp Industries' debt levels**

Sembcorp Industries will benefit from a material reduction in its debt levels after the demerger of Sembcorp Marine. On a pro forma basis, Sembcorp Industries' total debt⁹ as at 31 December 2019 will decrease from S\$11.6 billion to S\$8.7 billion due to the deconsolidation of Sembcorp Marine's total debt in Sembcorp Industries' balance sheet. This will result in an improvement in the following pro forma leverage ratios:

⁶ Assumes Sembcorp Industries subscribes for the Undertaking Sembcorp Marine Rights Shares of S\$1.5 billion

⁷ Computed as Profit attributable to owners of the Company (excluding non-recurring potential fair value gains or losses recognised at the completion of the Proposed Distribution) divided by equity attributable to owners of the Company. Ratios have been prepared using equity attributable to owners of the Company as at 31 Dec 2019

⁸ Computed as the sum of (i) Net Profit (excluding non-recurring potential fair value gains or losses recognised at the completion of the Proposed Distribution) and (ii) finance costs divided by Sembcorp Industries Group's total assets. Ratios have been prepared using Sembcorp Industries Group's total assets as at 31 Dec 2019

⁹ Includes the perpetual securities, but excludes lease liabilities

- Net debt / FY2019 EBITDA¹⁰ will improve from 6.4x to 5.0x
 - Gross debt / FY2019 EBITDA¹¹ will improve from 7.6x to 6.0x
- (b) **Increased strategic focus: Sembcorp Industries will focus on growing its Energy and Urban Business.** Sembcorp Industries will be able to focus its resources and efforts on repositioning its Energy and Urban businesses, and capturing growth opportunities to provide solutions that support the energy transition and sustainable development. The Energy and Urban businesses generate relatively stable long-term cash flow streams and the Proposed Distribution will allow Sembcorp Industries to allocate capital solely to its core businesses. Demerger allows for Sembcorp Industries to execute its strategy independently of Sembcorp Marine, given the limited business synergies between Sembcorp Industries and Sembcorp Marine. Following completion of the Transaction, each company can be evaluated more transparently, based on their specific investment merits, financial returns and strategic progress.
- (c) **Unlocking value for shareholders: Delivers clearer investment proposition and may lead to a re-rating of Sembcorp Industries' equity value.** The demerger would deliver a clearer investment proposition to Sembcorp Industries equity holders and make Sembcorp Industries more comparable to industry peers. This may lead to a positive re-rating of Sembcorp Industries' equity value and appeal to equity investors focused on the Energy and Urban space.
- (ii) **Sembcorp Industries shareholders will receive Sembcorp Marine shares, providing investment flexibility**
- (a) **Direct control over interests in the two focused businesses.** Sembcorp Industries shareholders will have direct shareholdings in two distinct entities. Sembcorp Industries shareholders will gain the flexibility to deal with Sembcorp Marine shares independently of their Sembcorp Industries shares and calibrate their holdings of Sembcorp Industries and Sembcorp Marine in accordance with their individual investment objectives.

¹⁰ Computed as total borrowings (including the perpetual securities) less total cash balance divided by earnings before interest, tax, depreciation and amortisation ("EBITDA"). Total borrowings exclude lease liabilities

¹¹ Computed as total borrowings (including the perpetual securities) divided by EBITDA. Total borrowings exclude lease liabilities

- (b) **Receiving shares in a recapitalised Sembcorp Marine with Temasek as a direct and significant shareholder.** Sembcorp Industries shareholders will receive shares, with no cash outlay, in a recapitalised Sembcorp Marine. Upon completion of the Transaction, both Sembcorp Industries and Sembcorp Marine will have strong shareholder bases to support the respective companies' strategies and business models for the long term. Temasek will be a direct and significant shareholder of both Sembcorp Industries (approximately 49.3%¹²) and Sembcorp Marine (stake exceeding 29%).

To ensure that Sembcorp Marine is sufficiently capitalised before Sembcorp Industries shareholders receive their pro rata distribution of shares in Sembcorp Marine, Sembcorp Marine will undertake the Rights Issue to strengthen its equity base by S\$2.1 billion. This will place Sembcorp Marine on a stronger footing to sustain operations through the global downturn and enhance its competitive position in the sector.

Sembcorp Industries commits to support Sembcorp Marine's recapitalisation efforts by undertaking to subscribe for up to S\$1.5 billion of the Proposed Sembcorp Marine Rights Issue. Sembcorp Industries will set off its outstanding S\$1.5 billion Subordinated Loan extended to Sembcorp Marine in 2019 to subscribe for the Rights Issue. Sembcorp Industries will not need to contribute cash as part of its rights subscription. Temasek will backstop the remaining S\$0.6 billion to ensure cash injection.

The settlement of Sembcorp Marine's Subordinated Loan and the Proposed Distribution deliver a clean demerger with an immediate deleveraging of Sembcorp Marine for the benefit of all Sembcorp Marine's shareholders. Sembcorp Industries shareholders will receive Sembcorp Marine shares, with no cash outlay, in a recapitalised Sembcorp Marine with a significantly reduced net gearing¹³ from 1.82x to 0.45x, due to the settlement of the Subordinated Loan and improved cash position arising from the Proposed Sembcorp Marine Rights Issue.

¹² Held by Temasek and its wholly-owned subsidiaries

¹³ Net Gearing = (Gross Borrowings – Cash) / Equity attributable to owners

Appendix 2: Sembcorp Marine's transaction background and rationale

Transaction Rationale

- 1. Industry context and background**
 - 2. S\$2.1 billion recapitalisation: Strengthening liquidity and balance sheet**
 - 3. Demerger of Sembcorp Marine and Sembcorp Industries via distribution in specie**
 - 4. Summary of benefits to Sembcorp Marine shareholders**
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Industry context and background

The Offshore and Marine industry has seen a prolonged and severe downturn since 2015 due to profound structural changes in the energy industry and intensifying international competition. In the three years prior to the downturn, Sembcorp Marine earned healthy pre-tax profits of over S\$600 million per year, on the back of strong order books for drilling rigs and other major offshore projects. Since then, with reduced order books, the Company's financial performance has suffered a steep slide, resulting in pre-tax losses of S\$16 million in 2017, S\$101 million in 2018 and S\$177 million in 2019. This puts significant pressure on the Company's liquidity and working capital requirements.

In July 2019, Sembcorp Industries injected S\$1.5 billion in cash into Sembcorp Marine via a Subordinated Loan to strengthen Sembcorp Marine's financial position. The Subordinated Loan was used to retire around S\$1.5 billion of borrowings to improve the Company's balance sheet.

In 2020, having positioned itself for recovery, the Company was unexpectedly hit by the COVID-19 pandemic and the sudden collapse in oil prices. This has led to massive capital expenditure cuts by oil and gas companies and deferrals of investment decisions. The Government's COVID-19 directives to temporarily stand down yard activities have caused project execution delays. COVID-19 has also disrupted supply chains and added further serious uncertainties going forward. With new orders likely to remain depressed for a prolonged period, the Company now foresees that recovery will be pushed out further to 2021 and beyond.

These developments have hit Sembcorp Marine's operating cash flows and financial situation. The Company has taken steps to right-size its resources in response to the business outlook, and deferred all non-essential capital expenditure. However, these measures will not be sufficient. Sembcorp Marine's cash flow and financial flexibility continue to be impacted by the worsening market dynamics and outlook. The Company urgently needs to recapitalise, address liquidity requirements, and strengthen its balance sheet.

S\$2.1 billion recapitalisation: Strengthening liquidity and balance sheet

The Sembcorp Marine Board has considered various financing options and believes that an equity rights issue at this point is critically needed to maintain sufficient liquidity to ride out the current industry downturn. The key aim of the S\$2.1 billion Rights Issue is to strengthen Sembcorp Marine's balance sheet and improve its liquidity position by converting the S\$1.5 billion Subordinated Loan into equity in Sembcorp Marine and raising additional cash of approximately S\$0.6 billion, to fund its ongoing operations.

To ensure deal certainty, the Rights Issue is "backstopped" (i.e. supported) by an undertaking from Sembcorp Industries to subscribe for up to S\$1.5 billion of the Rights Shares, with the remaining S\$0.6 billion fully backstopped by Temasek via a sub-underwriting agreement entered into between Temasek and the Financial Adviser, Lead Manager and Underwriter, DBS. Under the terms of the sub-underwriting agreement, no sub-underwriting fees will be paid to Temasek.

Post the Rights Issue, the Company's net gearing as at 31 December 2019 will be reduced from 1.82x to 0.45x on a pro-forma basis, and its cash position will be improved by approximately S\$0.6 billion. The settlement of the Subordinated Loan as consideration for Sembcorp Industries' undertaking will deleverage Sembcorp Marine and reduce its interest expense.

If approved, the Rights Issue will improve the Company's cash position, fund ongoing commitments, strengthen its balance sheet, and help it compete for new high-value projects and ensure long-term viability.

Demerger of Sembcorp Marine and Sembcorp Industries via Distribution In Specie

Following the Rights Issue and settlement of its Subordinated Loan, Sembcorp Industries proposes to effect a demerger of its core businesses from its Marine interests through the Proposed Distribution of its shareholding in Sembcorp Marine. Sembcorp Industries shareholders will hence own Sembcorp Marine shares directly, in addition to their existing ordinary shares in the capital of Sembcorp Industries.

Because of changing industry dynamics and reduced synergies between Sembcorp Industries and Sembcorp Marine, a clean separation will create two separate, focused companies. Sembcorp Marine will be in a stronger position to achieve further sustainable growth.

As a result of Sembcorp Industries' Proposed Distribution, Temasek (which is currently the single largest shareholder of Sembcorp Industries) will become a direct shareholder of Sembcorp Marine and may have a stake of more than 30% in the Company. As such, the approval by Sembcorp Marine shareholders of the Whitewash Resolution is required to waive their rights to receive a mandatory takeover offer from Temasek. The Rights Issue and the Proposed Distribution are inter-conditional upon each other. DBS's underwriting, and consequently, Temasek's sub-underwriting of S\$0.6 billion of the Rights Issue is also

subject to and conditional upon, *inter alia*, the Rights Issue and Whitewash Resolution being approved by Sembcorp Marine shareholders.

Summary of benefits to Sembcorp Marine shareholders

In summary, Sembcorp Marine shareholders will benefit from the Rights Issue in the following ways:

1. Sembcorp Marine will strengthen its liquidity position and balance sheet, enabling it to execute its existing projects and compete for high-value projects going forward.
2. The demerger with Sembcorp Industries will enable the Company to pursue a focused strategy and build further its core engineering and execution capabilities.
3. Sembcorp Marine will have a strong long-term future as a global leader in innovative engineering solutions for the offshore, marine and energy industries, with an increasing focus on clean energy.
4. Following Sembcorp Industries' Proposed Distribution, Sembcorp Marine will have Temasek as a direct and significant shareholder.

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