

JOINT PRESS RELEASE

Keppel Corporation and Sembcorp Marine Commence Talks on Potential Combination of Keppel O&M and Sembcorp Marine, to Create Stronger Player and Accelerate Pivot to the Energy Transition

- ***Combined Entity better placed to compete for larger contracts and to pursue synergies arising from combined scale, footprint and capabilities***
- ***Opportunity to accelerate pivot to the energy transition, including offshore renewables, while capitalizing on gas and other production facilities***
- ***Keppel O&M's legacy rigs and associated receivables will be sold to a separate Asset Co that would be majority owned by external investors, and omitted from the Combined Entity***
- ***Combination would allow companies to bring together their best talent, engineering skills and know-how***
- ***Keppel O&M and Sembcorp Marine to engage with workplace unions, to address labour considerations for the Combined Entity, and to continue to attract and retain O&M engineering talent***

Singapore, 24 June 2021 – Keppel Corporation Limited (“**Keppel**”) and Sembcorp Marine Ltd (“**Sembcorp Marine**”) have entered today into a non-binding memorandum of understanding (“**MOU**”) to enter into exclusive negotiations with a view to combining Keppel O&M and Sembcorp Marine (“**Combined Entity**”). The objective of these discussions is to create a stronger Combined Entity and sustainable value over the long term for Keppel O&M and Sembcorp Marine and their respective stakeholders, in response to dramatic changes in the global offshore and marine (O&M) engineering and energy sectors.

In recent years, there has been a sustained reduction in oil exploration and development activities, which caused a significant reduction in business for the O&M sector. The prolonged downturn has been exacerbated by the impact of COVID-19, the fall in oil demand and prices in 2020, and the global energy transition away from oil. In response, several global peers of Keppel O&M and Sembcorp Marine have pursued consolidations to create scale, retain talent,

and more effectively use their asset bases. In particular, such actions aim to position these peers for new opportunities arising from the energy transition.

While the outlook for oil exploration and related activities remains uncertain, the outlook for energy transition is robust, including areas such as offshore wind and hydrogen. The International Energy Agency recently called for worldwide investment in clean energy to more than triple by 2030, to nearly US\$5 trillion per annum. As peers orientate themselves to capture these opportunities, so too must Keppel O&M and Sembcorp Marine. Both companies are also pivoting to the renewables sector. Keppel O&M has secured multiple orders from leading players including two converter stations for TenneT Offshore, two offshore windfarm substations for Ørsted, as well as one of the world's largest offshore wind turbine installation vessels for Dominion Energy. Sembcorp Marine's wins include contracts for the Siemens' Dudgeon Offshore Wind Farm Project (which has been successfully delivered), offshore substation and topsides for the Ørsted's Hornsea 2 Offshore Wind Farm, and the HVDC offshore converter platform for the landmark RWE Renewables Sofia Offshore Wind Farm.

If completed, the potential combination would create a stronger player to capitalise on growing opportunities in the O&M, renewable and clean energy sectors. By combining the complementary strengths of both businesses, the Combined Entity would be able to accelerate the companies' pivot towards O&M renewables opportunities. The Combined Entity would be better positioned to compete for larger contracts, whilst pursuing the synergies that can arise from the increased operational scale, broader geographic footprint and enhanced capabilities of a larger entity.

Keppel O&M and Sembcorp Marine recognise that the capabilities and experience of engineering talent built over many years have been a hallmark of their operations, and instrumental in their historical successes. The Combined Entity will bring together their best talent, engineering skills, intellectual property, technical know-how, and complementary yard capabilities. This will enhance the strength and resilience of the Combined Entity to better compete in target market segments globally.

Keppel O&M and Sembcorp Marine have committed to taking a constructive and consultative approach toward the labour considerations of the Combined Entity during their further discussions. There will be a focus on preserving operational strengths, and on continuing to attract and retain local talent, supplemented by international expertise in these specialised engineering fields.

Both Keppel O&M and Sembcorp Marine have also pledged to work cooperatively with their workplace unions on the future plans for the labour force, including continuing workforce development and training and the creation of higher value-adding jobs.

Concurrent with the MOU on the potential combination, Keppel has also signed a non-binding MOU with Kyanite Investment Holdings Pte Ltd, a wholly owned subsidiary of Temasek, for Keppel O&M's legacy rigs and associated receivables to be sold to a separate Asset Co that would be majority owned by external investors. The two proposed transactions will be inter-

conditional and pursued concurrently. Further details on Asset Co will be provided in a separate SGXNET announcement issued by Keppel.

Under the MOU between Keppel and Sembcorp Marine, it is envisaged that Keppel and the Combined Entity will enter into a strategic partnership, pursuant to which Keppel will hold 50% of a 50-50 joint venture that will be established between Keppel and the Combined Entity (“**Strategic Partnership JV**”). This would allow Keppel to continue accessing Keppel O&M’s capabilities required for its projects, on terms to be agreed. The scope of the Strategic Partnership JV will be subject to final agreement between the parties concerned. In addition, subject to regulatory review, the Combined Entity will be the preferred EPC partner for Keppel’s projects where the Combined Entity has the relevant expertise.

After this announcement, Keppel and Sembcorp Marine will undertake mutual due diligence and discuss the terms of the potential combination, which is expected to take several months. If the potential combination is completed, it is envisaged that the Combined Entity will be a listed entity, and Sembcorp Marine’s shareholders will hold shares in the Combined Entity, while 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).

Both companies will provide further updates in due course and would like to emphasise that discussions are at a preliminary stage and there is no certainty that the potential combination will take place. Furthermore, any definitive agreements that the companies may agree upon may also be conditional in nature and are likely to be subject to the approval of both Keppel’s and Sembcorp Marine’s shareholders. This statement should be read in conjunction with the SGXNET announcements released by the companies today.

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About Keppel Corporation

Keppel Corporation is one of Singapore's flagship multinational companies with a global footprint in more than 20 countries. Keppel provides solutions for sustainable urbanisation, focusing on four key areas comprising energy & environment, urban development, connectivity and asset management. With sustainability at the core of its strategy, Keppel harnesses the strengths and expertise of its business units to develop, operate and maintain real assets, which provide diverse solutions that are good for the planet, for people and for the Company.

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.