



Company Registration Number: 196300098Z

Sembcorp Marine Trading and Liquidity Update as at 24 June 2021

Singapore, 24 June 2021 - Sembcorp Marine Ltd (the “**Company**” or the “**Group**”) released its 1Q2021 Interim Business Update on 3 May 2021 and issued two further updates (Update Announcements: Sembcorp Marine Enters into Amendment Agreements with Transocean Offshore Deepwater Holdings Limited dated 7 June 2021; and Update on Impact of COVID-19 Phase 2 (Heightened Alert) Restrictions dated 8 June 2021) where it highlighted the following ongoing developments:

- Supply chain constraints and shortages of skilled workers, which have impacted the execution and scheduled completion of some of the Group’s projects; and
- Re-introduction of COVID-19 measures, including tighter border controls, resulting in further delays in project completions.

The Group is taking active steps to resolve the skilled manpower shortages on a timely basis and address the increased risk of project delays or terminations.

Pandemic-led Supply Chain Constraints & Acute Manpower Shortages

1. The Group continues to face COVID-19 supply chain constraints and shortages of skilled workers. Foreign workers who left Singapore over the past year could not return due to ongoing border controls in countries such as India and Bangladesh. The improving Singapore economy also led to increased competition for foreign labour already here, resulting in attrition of labour to competing industries. The shortages of skilled workers have further delayed the completion of projects.
2. The re-introduction of COVID-19 measures in Singapore in May 2021, including tighter border controls and Phase 2 (Heightened Alert) restrictions, has exacerbated the shortages of skilled manpower. The Group also continues to face challenges in recruiting new skilled workers. The Group has been exploring alternative sources for skilled workers, which will result in increased manpower and other related costs for some of its ongoing projects.
3. 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. Current and any future restrictions related to COVID-19 will continue to exert pressure on project scheduling and completion. The Group will continue to maintain dialogue with our customers to work towards mutually beneficial outcomes.

Financial Impact of Project Deferrals

4. The Group has been in ongoing coordination with its customers to re-schedule project completions. Many owners of newbuild vessels and offshore structures have accepted deferred deliveries in light of the COVID-19 impact.
5. In June 2021, the Group entered into Amendment Agreements with Transocean Offshore Deepwater Holdings Limited (“**Transocean**”) to reschedule the delivery of two drillship construction contracts. The completion of the Amendment Agreements is a significant step forward and underlines the collaborative spirit of all parties to ensure that the projects take off in such challenging environment. However, it resulted in the deferral of cash collection of approximately S\$610 million in FY2021/22 to FY2023 and beyond, adversely impacting the Group’s near-term cash flows.
6. The ongoing delays arising especially from skilled labour shortages, together with increased provisions for higher labour costs and other related costs to complete its projects, will continue to adversely impact the Group’s FY2021 financial performance. Deferral of cash collections from projects will also impact the near-term liquidity position of the Group.

Operations Review

7. The consequences of the COVID-19 restrictions have been drastic for the Group. Project executions have been delayed and revenue receipts significantly impacted. This has materially and adversely affected the Group’s financial performance. In FY2020, the Group recorded a net loss of S\$583 million, a deterioration of S\$446 million against the net loss of S\$137 million recorded for the prior year.
8. Although overall sentiment showed signs of improving at the start of 2021, operating conditions in the offshore and marine sector have remained extremely challenging. The major economies are still combating localised COVID-19 outbreaks and the delayed reopening of international borders. Global growth is anticipated to remain under pressure and this will continue to impact business negatively.
9. The Group is cognizant of the need to drive operational improvement by optimising its cost structure and improve its financial position. The Board and Management have engaged an external consultant to develop a Performance Improvement Plan (“PIP”) to drive operational improvements and optimise the Group’s cost structure. The PIP will include strategic cost management initiatives, improved project execution and procurement processes, digitisation and overall reduction of overheads.
10. The Group continues to actively engage its customers on potential orders. There are increasing signs of active reviews of FIDs (final investment decisions) and visibility on orders has improved. However, competition for new projects remains intense, while project development periods remain prolonged.
11. The Group is actively tendering for more than 10 projects, especially in the Renewable Energy and Gas Solutions segment. A similar number of tenders are in progress for the Process Solutions segment covering FPSOs, FSOs and FPU. The Group has also secured more orders for its Repairs and Upgrades business, including a long-term

contract with a European owner and operator of luxury cruise ships and yachts early this year.

12. The Group's turnover since January 2021 has been lower than expected, mainly due to skilled labour shortages causing delays in construction progress, and delays in securing new orders.
13. The Group continues to focus on the safe and timely execution of its current order book of S\$1.89 billion (as at 31 March 2021), including S\$0.29 billion of ongoing repairs and upgrades for delivery in 2021 and 2022.

Projects Under Execution as at 25 June 2021
<p>Renewables Solutions</p> <ul style="list-style-type: none"> • Ørsted - Hornsea 2 Offshore Wind Farm: Offshore Substation and Reactive Compensation Station Topsides • Jan De Nul - Formosa 2 Offshore Wind Farm: Wind Turbine Jacket Foundations • RWE Renewables - Sofia Offshore Wind Farm: Offshore Converter Platform
<p>Process Solutions</p> <ul style="list-style-type: none"> • Equinor - Johan Castberg: Newbuild Floating Production, Storage and Offloading Vessel (FPSO) • Shell Vito: Newbuild Floating Production Unit (FPU) • Shell Whale: Newbuild FPU • NOC - Gallaf Batch 2: Wellhead Platforms • Tupi P-71: Fabrication and Integration of FPSO • Shapoorji: FPSO Conversion
<p>Gas Solutions</p> <ul style="list-style-type: none"> • MOL - LNG Bunker Vessel • TOTAL - Tyra Redevelopment Project: – Topsides and Bridges • Technip Energies - Karish: Newbuild FPSO • KARMOL - Karmol LNGT Powership Asia: Floating Storage & Regasification Unit (FSRU) Conversion and Upgrade • Gasfin/NYK - Torman II: Floating Storage Unit (FSU) Conversion and Upgrade
<p>Ocean Living Solutions</p> <ul style="list-style-type: none"> • Full Battery-operating Roll-on/Roll-off Passenger Ferries (Three units)
<p>Advanced Drilling Rig Solutions</p> <ul style="list-style-type: none"> • Transocean Deepwater Atlas Drillship • Transocean Deepwater Titan Drillship

Strategic Pivot towards Renewables and Clean Energy

14. Despite the challenging business environment, the Group stayed on course and continued to pivot strategically to provide innovative engineering solutions for the global offshore, marine and energy industries, with a key focus on greener and renewable solutions.

15. Since 2015, the Group has embarked on a strategic business transformation to rebalance its product solutions portfolio, underpinned by its operational and technology strengths. As part of its strategic pivot, the Group has made progress in gas and renewables since 2015. Most notable is the landmark win with its partner GE Renewable Energy's Grid Solutions, of a S\$1.12 billion contract for the supply of the high-voltage direct current (HVDC) electrical transmission system for RWE Renewables' 1.4 gigawatt Sofia Offshore Wind Farm. The Group is also fabricating two wind farm substation topsides for Ørsted Wind Power for deployment at the UK Hornsea 2 Offshore Wind Farm.
16. The Group's strategic investments have positioned it well for the global transition to a low-carbon economy and the pivot towards cleaner and greener energy. Its acquisition of LMG Marin, a leading naval architecture and design house specialising in zero-emissions design, won the Group a contract to design and build three zero-emission battery-powered roll-on/roll-off passenger (Ropax) ships for Norwegian ferry operator Norled.
17. The Group will continue to further diversify its business portfolio from drilling-focused activities and extend into new areas of renewable energy, electrification, gas value chain, ocean living, as well as carbon capture and storage solutions.

Cash Flow and Liquidity Management

18. The delays in construction progress and project completion have resulted in lower operating cash inflows. The deferred payment arrangements under the Transocean Amendment Agreements have also resulted in reduced cash collections in the near term. Conversely, project payables have increased due to the increased labour and other related costs to complete projects. While some project payables may be deferred in tandem to project progress, there are limits to such payment deferrals to ensure smooth operations. The above has adversely affected the net operating cash flow of the Group, especially in the near term.
19. Arising from the ongoing challenging business environment and the weakening near-term liquidity outlook, full refinancing of maturing borrowings has become increasingly challenging. This will result in higher net financing cash outflows in the current and foreseeable quarters.
20. Reflecting the challenging operating environment, the Group will continue to take decisive actions to reduce its monthly operational cash burn rate and to 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.
21. The Group completed a S\$2.1 billion Rights Issue in 2020 of which S\$0.6 billion net cash proceeds was raised. Of this, S\$0.3 billion has been used for working capital purposes. This includes approximately S\$0.1 billion used during 2Q2021, comprising payment for materials and equipment of S\$79 million, payment for subcontractors' labour services of S\$10 million and payment for employees' payroll expenses of S\$11 million.

22. The impact of COVID-19 has been more protracted than anticipated. In particular, the recent acute shortages of skilled labour have caused further delays in our project execution. This has resulted in higher negative operating cash flows due to a significant reduction in revenue receipts and an increase in costs. As such, the remaining S\$0.3 billion net proceeds from last year's Rights Issue is insufficient to enable the Group to ride through the ongoing industry downturn and other COVID-19 impact.
23. The Group will have to identify potential sources of capital to support and strengthen its liquidity and financial position.

Outlook

24. While the offshore and marine industry outlook has improved, overall business volume for the Group will depend on how fast it can recruit additional skilled workers to facilitate completion of its ongoing projects.
25. Visibility on new orders has improved but competition remains intense and margins compressed.
26. Notwithstanding the challenging operating environment, the Group's strategic investments have positioned it well for the global transition to a low carbon economy and the pivot towards cleaner and greener energy.
27. In light of the challenging business environment, the Group's current priorities are the safe and timely execution of our projects and ensuring adequate liquidity to sustain operations and be better positioned for the future.

Renounceable Underwritten Rights Issue

28. The Board of Directors of the Company has considered various financing options and believes that another equity rights issue at this point is critically needed to strengthen the Group's balance sheet and improve its liquidity position.
29. Shareholders are advised to refer to the Company's latest announcement (dated 24 June 2021) in relation to the proposed renounceable underwritten rights issue of new ordinary shares in the capital of Sembcorp Marine.

Potential Combination of Sembcorp Marine and Keppel Offshore & Marine ("KOM")

30. The Group has entered into a non-binding Memorandum of Understanding with Keppel Corporation Limited ("KCL") on 24 June 2021 to explore a potential combination of the Group and KOM, a subsidiary of KCL, to create a more competitive global pure-play offshore and marine engineering company. Further details can be found in a joint announcement issued on 24 June 2021.

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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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In view of the possible mandatory general offer described in the Company's announcement dated 24 June 2021 in relation to the proposed renounceable underwritten rights issue of new ordinary shares in the capital of Sembcorp Marine Limited (the "Rights Issue"), any statement of prospects in this announcement will need to be reported on in accordance with the requirements of Rule 25 of the Singapore Code on Take-overs and Mergers. Such report will be given in due course in the circular to be issued to shareholders in connection with the Rights Issue.

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this release, and confirm, after taking all reasonable care and making all reasonable enquiries that, the facts stated and the opinions expressed herein are fair and accurate and constitutes full and true disclosure of all material facts about the rights issue and the Group which are relevant to the rights issue and the Directors are not aware of any facts the omission of which would make any statement in this announcement 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 announcement in its proper form and context.