



Company Registration Number: 196300098Z

## **Sembcorp Marine Interim Business Update for 1Q2022**

- Completion of multiple key projects with successful deliveries to customers
- Landmark win in renewable energy sector with newbuild contract for Wind Turbine Installation Vessel with proprietary design by Sembcorp Marine
- Actively working on multiple new project opportunities in cleaner offshore & marine (“O&M”) solutions, renewables and new energy
- Signing of definitive agreements with Keppel for the Proposed Combination with Keppel O&M to create a premier global player focusing on offshore renewables, new energy and cleaner solutions in the O&M sector

**Singapore, 18 May 2022:** Sembcorp Marine Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) is today issuing its interim business update for the first quarter of 2022 (“**1Q2022**”).

### **Successive Completion and Deliveries**

1. The Group achieved multiple project completions with successful deliveries to customers, notwithstanding pandemic-related resource constraints and shortages of skilled workers which extended into the reported quarter.
2. The Group started the year with a total of 17 projects under execution, with 12 projects scheduled for completion and delivery in FY2022. Six of the 12 projects have been completed year-to-date.

### **Operations Review**

#### Successful Delivery / Completion of Projects

3. In 1Q2022 and to date, Sembcorp Marine successfully delivered the following projects:
  - Fabrication of six production topsides and four bridges for TotalEnergies EP for the Tyra Redevelopment Project off the coast of Denmark;

- Newbuild FPSO, the Johan Castberg, to Equinor for harsh-environment operation in the Barents Sea, Norway;
- Fabrication of 15 wind turbine jacket foundations for Jan De Nul's Formosa 2 Offshore Wind Farm.
- Offshore hook-up and commissioning of the Offshore Substation and Reactive Compensation Station for Orsted's Hornsea 2 Offshore Wind Farm in the UK North Sea;
- Conversion of FSRU Karmol LNGT Powership Asia delivered to KARMOL in March 2022 for deployment in Brazil;
- A zero-emission full battery-operated Roll-on/Roll-off passenger (Ropax) ferry for deployment in Norway (with two additional units to be delivered in 2022 to complete the project); and
- Multiple major repair and upgrade projects including naval vessels, cruise liners, LNG carriers, crude oil tankers and bulk carriers.

#### Ongoing Project Executions

4. With the progressive completion of projects, the Group redeployed the freed-up resources for other projects under execution, as well as to take on new projects. The Group remains fully focused on and committed to completing the remaining projects for its customers.
5. The Group continues to do its utmost to safeguard the wellness, health and safety of our staff, our customers and vendors while maintaining efficient project execution and performance.
6. Notable year-to-date project developments include:
  - Commencement of design work on a Wind Turbine Installation Vessel (WTIV) based on the Group's in-house design in collaboration with Maersk Supply Service (Maersk) in full compliance with the US Jones Act. A steel-cutting ceremony is planned for 4Q2022;
  - Successful launch of Brassavola in April 2022, a newbuild 12,000m<sup>3</sup> LNG bunker vessel for Mitsui O.S.K. Lines (MOL) and charterer Pavilion Energy. The bunker vessel, the largest to be constructed in Singapore, is set to undergo sea and gas trials in the coming months;
  - Design of the world's first green ammonia-fueled tanker for Grieg Edge of Grieg Maritime Group with 135 years of shipping experience. The zero-emission vessel, developed by Sembcorp Marine's wholly-owned subsidiary LMG Marin, has received approval-in-principle ("AiP") from DNV (Det Norske Veritas);
  - Development of a first-of-its-kind ammonia bunkering vessel, which has secured AiP from the American Bureau of Shipping, for MOL and ITOCHU Corporation;

- Design, fabrication and integration of a hydrogen fuel cell system onto a Ropax vessel chartered by Shell and owned and operated by Penguin; and
  - Development of sustainable ocean data centres in collaboration with Big Data Exchange and the National University of Singapore.
7. The Group has also commenced work on the Front-end Engineering Design (FEED) contract awarded by Altera in September 2021 for the development of a FPSO facility for the Dorado FPSO project. The Group hopes to secure the engineering, procurement and construction (EPC) contract for this project soon.

Projects Under Execution as at 31 March 2022
<p><b>Renewables Solutions</b></p> <ul style="list-style-type: none"> <li>• Maersk Supply Service – Wind Turbine Installation Vessel</li> <li>• RWE Renewables – Sofia Offshore Wind Farm: Offshore Converter Platform</li> </ul>
<p><b>Process Solutions</b></p> <ul style="list-style-type: none"> <li>• NOC – Gallaf Batch 2: Wellhead Platforms</li> <li>• Shapoorji: FPSO Conversion</li> <li>• Shell – Whale Project: Newbuild FPU</li> <li>• Tupi P-71: FPSO Modification, Integration and Topside Modules Fabrication</li> </ul>
<p><b>Gas Solutions</b></p> <ul style="list-style-type: none"> <li>• Bechtel – Pluto Train 2 Project: Modules Assembly of LNG Gas Processing Trains</li> <li>• MOL – LNG Bunker Vessel</li> <li>• Technip Energies – Karish: Newbuild FPSO</li> <li>• KARMOL – Karmol LNGT Powership Europe: FSRU Conversion and Upgrading</li> </ul>
<p><b>Ocean Living Solutions</b></p> <ul style="list-style-type: none"> <li>• Norled – Full Battery-operating Ropax Ferries (Two of three units, one unit already delivered)</li> </ul>
<p><b>Advanced Drilling Rig Solutions</b></p> <ul style="list-style-type: none"> <li>• Transocean Deepwater Atlas Drillship</li> <li>• Transocean Deepwater Titan Drillship</li> </ul>

#### New Contract and Order Developments

8. In March 2022, Sembcorp Marine secured a landmark contract from Maersk for the construction of a WTIV. The WTIV brings breakthrough design to the wind market with the vessel designed to operate at a high level of efficiency and to handle the next generation of larger wind turbines.
9. Negotiations are ongoing with the Brazilian Navy on the construction of the Antarctic Support Vessel “NapAnt”, a Brazil Navy Research Vessel Project, with a contract award expected in 2Q2022.

10. The Group secured multiple contracts for major repairs and upgrades, including three US navy vessels; damage work on **Samjohn Vision** for John Samonas & Sons Ltd (UK); fabrication work on barge vessel **Magnetic Barge IV** for Australian owner Cape Preston; and repair on **Polar Endeavour** and **Polar Adventure** for FCC partner ConocoPhillip. The Group also won a block booking of nine Maersk container vessels for repairs, with several requiring installation of Ballast Water Treatment Systems.
11. The improving industry outlook, underpinned by rising oil prices, supports ongoing reviews by oil and gas companies of their plans for resumption of deferred activities, final investment decisions and capital expenditures. The Group is actively working on several tender opportunities in the O&M segment, as well as enquiries for offshore vessels upgrading projects. The Group is also actively pursuing multiple tender opportunities in the offshore renewables and new energy segments as the industry continues to see improving prospects with the global transition towards cleaner energy and sustainable solutions.

#### Net Order Book

12. As at end-1Q2022, the Group has a net order book of S\$1.75 billion. This consists of S\$1.51 billion of projects under execution (with a total original contract sum of S\$5.45 billion) and S\$0.24 billion of ongoing Repairs & Upgrades projects. Renewables and cleaner/green solutions comprise approximately 65% of the Group's net order book.

#### **Cash Flow and Liquidity Management**

13. Following the completion and successful deliveries of several projects in 1Q2022, the resulting project payments received have improved the Group's operating cash flows and overall cash balance. As a result, the Group's net debt/equity ratio has improved to 0.38 times at end 1Q2022 from 0.49 times at end 4Q2021.
14. Since the FY2021 results update, there has been no further disbursement of the proceeds from the September 2021 S\$1.5 billion Rights Issue. The balance of the net proceeds remains at approximately S\$720 million to be used for general corporate purposes, including working capital. The Group expects to have the necessary liquidity to fund its operations for the foreseeable future.

#### **Proposed Combination**

15. On 27 April 2022, the Group announced that it has entered into definitive agreements for the proposed combination of Sembcorp Marine and a restructured Keppel Offshore & Marine Ltd ("**Keppel O&M**") (the "**Proposed Combination**").
16. The Proposed Combination will involve the creation of a new combined entity (the "**Combined Entity**") and two schemes of arrangement: (i) a one-for-one exchange of Sembcorp Marine shares for Combined Entity shares and the transfer of Sembcorp Marine's listing status to the Combined Entity (the "**Sembcorp Marine Scheme**"); and (ii) the acquisition of Keppel O&M by the Combined Entity to be paid for via issuance of new shares of the Combined Entity (the "**Keppel O&M Scheme**").

17. The Group believes that the Proposed Combination, if approved by its shareholders, will be the best pathway to create a premier global player that will unlock long term value for all stakeholders.
18. Since 2015, the Group has made strategic investments and acquisitions to begin aligning its businesses to the global energy transition to a low carbon economy. It has also strengthened its core engineering capabilities and aligned its R&D programmes to key market verticals, namely, offshore renewables, new energy, and clean solutions for the O&M sector.
19. The Proposed Combination will boost these initiatives and accelerate the advancement into the cleaner and greener O&M and energy markets. The creation of a pure play Combined Entity in this sector will give it sharper strategic and operational focus.
20. On the terms of the Proposed Combination, the Group and Keppel O&M agreed to jointly appoint DBS Bank Ltd to perform a relative valuation assessment of the two companies. This exercise – which was based on a discounted cash flow (DCF) methodology agreed to in a June 2021 memorandum of understanding between the two companies – resulted in a 50:50 enterprise value ratio for Sembcorp Marine and Keppel O&M. The final equity exchange ratio of 44% to Sembcorp Marine and 56% to Keppel O&M was agreed after due diligence and intensive and lengthy negotiations that took into account the respective capital structures (especially the different debt levels) of the two companies, as well as other adjustments, including a S\$500 million payment by Keppel O&M to its parent, Keppel Corporation Ltd (“**Keppel**”), as part of its restructuring.
21. Sembcorp Marine was also advised by Credit Suisse (Singapore) Ltd and Allen & Gledhill LLP, who are the sole financial advisor and legal counsel to Sembcorp Marine respectively. The Group's Board proceeded with entering into the Proposed Combination after consulting with its advisors and taking into consideration the compelling longer-term benefits of the Proposed Combination. The Board believes that the Proposed Combination will strategically position the Group in the O&M, renewable and clean energy sectors, while delivering long-term value creation for all stakeholders.
22. In particular, amidst a challenging and competitive global operating environment, the Combined Entity will bring together the world-class engineering capabilities, well-established track records, and reputations for quality and reliability of two companies which have complementary competencies and operations. With a combined order book comprising more than 50 projects worth about S\$6.4 billion (as at 31 December 2021), and FY2021 revenue of S\$3.9 billion, as well as improving prospects for new orders, the Combined Entity will have significantly broader geographical footprint and scale to support customers on decarbonisation, offshore renewables and new energy solutions.

23. As a significant shareholder of both Sembcorp Marine and Keppel, Temasek has given its full support for the Proposed Combination. Temasek agrees that the Proposed Combination will be transformational for both O&M companies, while reinforcing Singapore's position as both a maritime and O&M hub. Temasek joins both companies in asking for the support of their shareholders as the Proposed Combination is the best way to deliver long-term value creation for shareholders and other stakeholders.
24. The extraordinary general meeting (EGM) for Sembcorp Marine shareholders to vote on the Sembcorp Marine Scheme and the Proposed Combination via the Keppel O&M Scheme is expected to be convened in 4Q2022. Temasek will abstain from voting in both Schemes and all other resolutions relating to the Proposed Combination, so that minority shareholders will decide.

### **Sustainability Developments**

25. Sembcorp Marine, through its wholly-owned subsidiary Sembcorp Marine Integrated Yard Pte. Ltd., has achieved its inaugural ISO 50001 certification, which recognises the successful implementation of a structured Energy Management System. The attainment of ISO 50001 certification underpins Sembcorp Marine's continual drive for sustainability and energy efficiency.
26. This certification affirms the Group's efforts in reducing the overall carbon footprint for its operations. Key initiatives include increasing the solar energy capacity at the Tuas Boulevard Yard steel fabrication facility by four MWp to 8.5 MWp to generate approximately five million kWh per year of renewable energy. This in turn will provide cost savings and further enhance the sustainability of the Group's operations.

### **Outlook**

27. In 1Q2022 and to date, the completion of six key projects will contribute positively to the Group's 1H2022 results. The Group remains focused on executing well to complete and deliver all its existing projects scheduled for completion in FY2022 to FY2025.
28. The industry outlook for the oil & gas, renewables and other green solutions continues to improve. The Group is actively responding to new opportunities and is focused on converting its orders pipeline into firm contracts in FY2022.
29. The Group expects its financial performance in 1H2022 to be significantly better than 1H2021.

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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.

Discover more at [www.sembmarine.com](http://www.sembmarine.com).

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*This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, exchange rate movement, cost of capital and capital availability, competition from other companies and venues for sale and distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. The forward-looking statements reflect the current views of Management on future trends and developments.*

*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 release 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 of Sembcorp Marine Limited ("Directors") 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, this release 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 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.*