



Company Registration Number: 196300098Z

Proposed Combination of Sembcorp Marine Ltd and Keppel Offshore & Marine Ltd

Response to Shareholders' Queries

Unless otherwise stated, capitalised terms used herein shall have the same meaning ascribed to them in the Circular dated 31 January 2023 on the Proposed Combination.

Singapore, 13 February 2023: Sembcorp Marine Ltd (the “**Company**” or “**Sembcorp Marine**”, and together with its subsidiaries, the “**SCM Group**”) has received questions from its shareholders in relation to its Circular dated 31 January 2023 (the “**Circular**”) on the Proposed Combination and the SCM EGM. The Company’s responses to the substantial and relevant questions are set out below.

Questions related to the SCM Group, the Enlarged Group, and the SCM EGM

Q1. Does the SCM Group have enough liquidity to sustain its near-term operations, and are there plans for another Rights Issue in the near term?

With the completion and deliveries of projects and related delivery payments, offset by working capital needs for projects under execution, the SCM Group anticipates its operating cash flows and overall cash balance to continue to stabilise. With the ongoing support from its lenders, the SCM Group expects to have the necessary liquidity to fund its operations for the foreseeable future.

As disclosed in the Company’s announcement dated 6 February 2023 titled “*Sembcorp Marine responds to comments on its Circular in connection with the Proposed Combination*”, the Company’s net debt to equity ratio as at 31 December 2022 has improved further to 0.26 times from the ratio of 0.53 times as at 30 September 2022. Such improvement is mainly attributed to cash collections in 4Q2022 from long term receivables and progress and delivery payments for projects from the SCM Group’s customers. These will be used to pay payables and other working capital needs in FY2023.

There are currently no plans for the Company to undertake another rights issue. If there is a need for additional liquidity, the Board will review the financing options including debt, equity-linked financing and/or other equity financing. Each of these financing options will be evaluated taking into consideration its availability, quantum, timing and transaction execution risk.

Q2. Are SCM Shareholders allowed to vote ahead of the SCM EGM if there are scheduling conflicts and they are unable to attend the SCM EGM?

SCM Shareholders may cast their votes at the SCM EGM (i) live by SCM Shareholders themselves or their duly appointed proxy/proxies (other than the Chairman of the SCM EGM) via electronic means; or (ii) by appointing the Chairman of the SCM EGM as proxy to vote on their behalf at the SCM EGM. Therefore, SCM Shareholders may vote on the resolution relating to the Proposed Combination ahead of the SCM EGM via proxy.

SCM Shareholders should note that the EGM Proxy Form must be submitted to the Company in the following manner:

- a) if submitted by post, be lodged at the office of the Company's Share Registrar, KCK CorpServe Pte. Ltd., at 1 Raffles Place, One Raffles Place (Tower 2) #04-63, Singapore 048616; or
- b) if submitted electronically, be submitted via (1) email to the Company's Share Registrar at sembmarine-egm@kckcs.com.sg; or (2) the online process through the pre-registration website which is accessible from the URL <https://conveneagm.sg/SEMBMARINE-EGM2023>

in each case by 11.00 a.m. on 13 February 2023.

SCM Shareholders should refer to the Notice of EGM and the Company's accompanying announcement dated 31 January 2023 for more information on the SCM EGM.

Q3. Will Temasek continue to be a major long-term shareholder after this merger? Has it or any lenders expressed or implied that they would not participate in any financial support for or extend loans should the merger not proceed?

As stated in Paragraph 9.3 of the Letter to Shareholders of the Circular, following the completion of the Proposed Combination and based on the shareholding of the Company and KCL as at the Latest Practicable Date, Temasek, through Startree, will remain the single largest shareholder of the Company holding 35.5 per cent. of the Company¹.

The Company is not in a position to comment on whether Temasek will continue to be a major long-term shareholder of the Enlarged Group after the completion of the Proposed Combination.

SCM Shareholders may wish to note that Startree has undertaken to maintain (i) for a period of six months following the Closing Date, 100 per cent. of its effective interest in the Company as at completion of the Proposed Combination; and (ii) for the six month period thereafter, 50 per cent. of its effective interest in the Company as at completion of the Proposed Combination.

As a significant shareholder of both the Company and KCL, 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 has also joined both companies in asking for the

¹ Based on 17,131,025,958 SCM Shares held by Startree Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek, and 371,408,292 KCL Shares held directly by Temasek as at the Latest Practicable Date. This figure excludes interests held by Temasek's independently-managed portfolio companies. Based on 371,408,292 KCL Shares held directly by Temasek as at the Latest Practicable Date and details of the KCL Distribution set out in the KCL Circular, Temasek is expected to receive 7,088,339,820 SCM Shares pursuant to the KCL Distribution, which are expected to be transferred to Startree on the completion of the KCL Distribution.

support of their shareholders for the Proposed Combination as they believe that it is the best way to deliver long term value creation for shareholders and other stakeholders.

The Board and Management of the Company regularly engage with the SCM Group's banks, financiers and its significant shareholder, Temasek, whether in relation to the Proposed Combination or otherwise. SCM Shareholders should read Paragraph 3.3 of the Letter to Shareholders of the Circular:

"If the Proposed Combination does not proceed, as a standalone entity, SCM can continue to pursue its normal course of business and operations. However, it will not be able to benefit from greater scale and synergies from the larger operational scale, broader geographical footprint and enhanced capabilities that the Proposed Combination is expected to bring. Instead, as a standalone entity, SCM would have to navigate an even more competitive landscape where many offshore players have sought consolidation or were otherwise challenged by the radically changed fundamentals of the business and needs of customers. The challenging and competitive global operating environment coupled with additional upward pressure on inflation and various other factors, including the pace of recovery in the O&M sector and the continued impact of COVID-19, may weigh on the SCM Group's overall liquidity, and there is no assurance that as a standalone entity, the SCM Group would continue to receive the necessary support from its banks, financiers and significant shareholder, Temasek."

Q4. When will the KOM Consideration Shares be issued?

The KOM Consideration Shares are to be allotted and issued on the completion of the Proposed Combination. If SCM Shareholders approve the resolution for the Proposed Combination at the SCM EGM, completion of the Proposed Combination is expected to be on or prior to 28 February 2023².

Please refer to "Indicative Timetable" of the Circular.

Q5. Can the Company provide guidance on how the Enlarged Group's market capitalisation is expected to compare to the SCM Group's, and how the share price is expected to perform?

The Company is not in a position to provide guidance on the market capitalisation of the Enlarged Group, which will depend on the price of the SCM Shares following the completion of the Proposed Combination.

The SCM Shares have never been traded on an enlarged group basis and there can be no assurance that an active trading market for the SCM Shares will develop or, if developed, will be sustained.

Also, the price of the SCM Shares following completion of the Proposed Combination may fluctuate and may be affected by factors different from those currently affecting SCM Shares.

Please refer to the Risk Factor "*The Price of the SCM Shares following completion of the Proposed Combination may fluctuate and may be affected by factors different from those currently affecting SCM Shares*" in Appendix C to the Circular.

² Subject to timing for SGX-ST and CDP logistics for the issuance of the KOM Consideration Shares. The Asset Co Transaction, KOM Restructuring and completion of the Proposed Combination form part of a series of composite steps to be undertaken in sequence. If the Asset Co Transaction and the KOM Restructuring are not completed, the Proposed Combination cannot proceed.

Q6. Why should minority shareholders support the Proposed Combination?

The Proposed Combination will create a premier global player with deep engineering heritage to offer offshore renewables, new energy and cleaner solutions in the O&M sector. The Enlarged Group is envisaged to unlock synergies from the integration of two established industry players.

It is expected that the Enlarged Group will create greater value for stakeholders. As a single organisation, the collective workforce will benefit from expanded opportunities for career development and growth in the areas of renewables, new energy and cleaner O&M solutions. It will also strengthen Singapore's position as both a maritime and offshore and marine hub.

SCM Shareholders should, before deciding whether to support the Proposed Combination, carefully read the Circular in its entirety. SCM Shareholders should rely on their own independent enquiries and investigations, and make their own appraisal and determination of the merits of supporting the Proposed Combination. Persons in doubt as to the action they should take should consult their business, financial, legal, tax or other professional adviser.

SCM Shareholders may wish to note that as a significant shareholder of both the Company and KCL, 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 has joined both companies in asking for the support of their shareholders for the Proposed Combination as they believe that it is the best way to deliver long term value creation for shareholders and other stakeholders.

Q7. If the Proposed Combination does not work out, is there expected to be a reverse split?

The Company is not able to comment on this.

Q8. Will the Company be renamed post-completion of the Proposed Combination?

The Proposed Combination will create a premier global player offering offshore renewables, new energy and cleaner offshore & marine solutions.

Whether the Company will be renamed is a decision for the board of the Company following the completion of the Proposed Combination. However, a name change requires prior approval from the shareholders of the Company and until such approval is sought at a general meeting, the Company will continue to operate under its current trade name.

Q9. Will there be any restructurings and/or workforce rationalisations after the Proposed Combination?

Post-completion of the Proposed Combination, the Company expects to conduct a comprehensive strategic business and organisational review to unlock synergies from the integration of two established industry players, while taking into account the needs of the Enlarged Group to execute and deliver on the increased order book.

Q10. How is the Enlarged Group's net order book expected to look like post-completion of the Proposed Combination?

Based on the latest publicly disclosed data³, the net order book of the Enlarged Group is expected to amount to approximately S\$18 billion.

Q11. Please provide more information on how the Enlarged Group's financials are expected to look like post-completion of the Proposed Combination.

Please refer to Appendix L to the Circular for the Report on the Compilation of Unaudited Pro Forma Financial Information of the Enlarged Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022.

The information in Appendix L has been presented for illustrative purposes and is based on certain assumptions and adjustments made. SCM Shareholders are encouraged to review Appendix L in conjunction with the full Circular.

Questions related to the Restructured KOM Group

Q12. Please provide more information on the KOM corruption case, its implications for the SCM Group, and how such occurrences will be prevented in the future?

SCM Shareholders may refer to: (i) the Risk Factor "*The Enlarged Group is subject to operational, business and political risks in Brazil, where it operates*" in Appendix C to the Circular; (ii) Paragraph 13.3 of Appendix E to the Circular; and (iii) KCL's announcement dated 19 December 2022 titled "*Keppel Offshore & Marine Reaches Joint Resolution With Brazilian Attorney-General And Comptroller General*" and its follow up announcement dated 30 January 2023 titled "*Keppel Offshore & Marine's Joint Resolution With Brazilian Authorities*", where it is stated that "*With the two leniency agreements in place, KOM does not expect there to be any further grounds for liability in Brazil in relation to these issues.*"

The SCM Group has a strict compliance programme and continuously works to ensure that policies and procedures are in place to prevent any violation of any anti-corruption laws applicable to its operations.

Q13. In light of recent developments such as the KOM corruption case, is the Board prepared to go back to KCL to renegotiate the terms of the Proposed Combination?

On 27 April 2022, the Company announced that it had entered into the Combination Framework Agreement in relation to the Proposed Combination. On 27 October 2022, the Company announced it had entered into an amendment and restatement deed amending and restating the Combination Framework Agreement and setting out the revised terms on which the Proposed Combination will be effected. A summary of the key revised terms in the Amended and Restated Combination Framework Agreement is set out in Paragraph 1.2 of the Letter to Shareholders of the Circular. These terms are final.

Q14. Will KCL be a competitor to the Enlarged Group post-completion of the Proposed Combination?

³ Please refer to the Company's announcement dated 15 November 2022 titled "Sembcorp Marine Interim Business Update for 3Q/9M 2022" and KCL's 2H & FY 22 Financial Results announced on 2 February 2023.

As outlined in Paragraph 5.6 of the Letter to Shareholders of the Circular, subject to the completion of the Proposed Combination, KCL has undertaken to the Company that it shall not for three years following the completion of the Proposed Combination, directly or indirectly carry on any of the following businesses:

- a) provision of design, engineering, procurement, construction (including full EPC or EPCIC), installation and/or commissioning of all vessels, rigs, platforms, modules and structures for use nearshore or offshore;
- b) repair, upgrades, conversion of all vessel types, rigs, platforms, or units and structures for use nearshore or offshore; and
- c) shipyard operations and the provision of ancillary services to shipyards generally,

provided that KCL is not prohibited from any development, design, engineering procurement, operation and maintenance, and/or investment in near-shore infrastructure, such as near-shore power solutions, waste-to-energy, water treatment and desalination plants, data centres, floating cities and coastal defence. In addition, KCL has also agreed to non-solicit undertakings for a period of three years relating to certain identified customers, suppliers and employees.

The Company and KCL will continue to explore opportunities for future collaboration in areas such as floating data centres and floating infrastructure solutions.

Questions related to Asset Co

Q15. Will the SCM Group be able to inject its own rigs into the Asset Co post-completion of the Proposed Combination?

The Company is not a party to the Asset Co transaction and is unable to comment on such speculative matters. There is no current intention for the Company to inject its own rigs into the Asset Co post-completion of the Proposed Combination.

If such a transaction materialises, the Company will disclose information on the SGXNET in accordance with the requirements of the Listing Manual.

Q16. Is Asset Co expected to contribute any cashflow to the Enlarged Group?

As stated in Paragraph 8 of the Letter to Shareholders of the Circular, Asset Co and KOM will enter into the Master Services Agreement under which KOM will provide construction, berthing and maintenance, and other associated services for the legacy vessels held by Asset Co for an initial period of ten years. In this regard, Asset Co will pay KOM for the services provided by KOM under the Master Services Agreement, and consequently, contribute to the cash flows of the Enlarged Group.

Q17. In relation to the ongoing O&M contracts under KOM, is there any cut-off date for the receipt of payments that will be made to KCL?

Under the terms of the Proposed Combination, from the Closing Date, all existing contracts entered into by the Restructured KOM Group and associated cash flows will belong to the Enlarged Group, and not KCL.

Questions related to the Yards

Q18. Please share if there are any yard reinstatement costs expected to be incurred for either the SCM Group's or the Restructured KOM Group's yards, and if there is a sense of how much this might amount to.

The SCM Group has made the necessary provisions for reinstatement of its yards. These are disclosed in its financial statements.

Please refer to the Risk Factor "*The yard reinstatement costs associated with certain of the Restructured KOM Group's yards may be material*" in Appendix C to the Circular for more information on potential yard reinstatement costs that might be incurred as part of the Enlarged Group's course of normal operations.

The Restructured KOM Group is currently party to several lease contracts in respect of the yards which it operates, which contain reinstatement provisions requiring the relevant Restructured KOM Group Company to restore the yard or property in question to a specified condition on the expiry of the lease. For some of these lease contracts with a remaining lease tenure of less than 15 years, no provisions have been made despite there being reinstatement provisions in such lease contracts.