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MEDIA RELEASE



Company Registration Number: 196300098Z

(1) SEMBCORP MARINE PROPOSES A FURTHER S\$1.5 BILLION RIGHTS ISSUE TO STRENGTHEN FINANCIAL POSITION AMID CONTINUING COVID-19 DISRUPTIONS

(2) SEMBCORP MARINE AND KEPPEL CORPORATION AGREE TO EXPLORE POTENTIAL COMBINATION OF SEMBCORP MARINE AND KEPPEL OFFSHORE & MARINE

- ***S\$1.5 billion fully committed Rights Issue will strengthen Sembcorp Marine's financial position and accelerate its strategic pivot towards renewable and clean energy***
- ***Recapitalisation will de-lever Sembcorp Marine and address temporary working capital depletion***
- ***3 renounceable Rights Shares for every 2 existing shares held at a Rights Issue price of S\$0.08 per share, representing a 35.7% discount to TERP¹***
- ***Startree Investments Pte. Ltd., a wholly owned subsidiary of Temasek, has committed to subscribe for its pro-rata 42.6% entitlement and excess rights such that its total subscription will be up to 67.0% of the Rights Issue; DBS is underwriting the remaining 33.0% of the Rights Issue***
- ***Separately, Sembcorp Marine and Keppel Corporation have entered into a non-binding memorandum of understanding to explore a potential combination of Sembcorp Marine and Keppel Offshore & Marine***

¹ Theoretical ex-rights price

Singapore, 24 June 2021 – Sembcorp Marine Limited (“**Sembcorp Marine**” or the “**Group**”) today announced two developments:

- 1) A proposal to further raise approximately S\$1.5 billion through a fully committed, renounceable Rights Issue of up to 18,833,468,826 new ordinary shares in the capital of the Company (“**Rights Shares**”) on the basis of 3 new shares for every 2 existing shares held (the “**Rights Issue**”), which is expected to be completed in the third quarter of 2021; and
- 2) The signing of a non-binding memorandum of understanding with Keppel Corporation Limited (“**Keppel**”) to explore the potential combination of Sembcorp Marine and Keppel Offshore & Marine Ltd (“**KOM**”) (the “**Potential Combination**”).

(1) The Rights Issue

The offshore and marine (“**O&M**”) sector has experienced a prolonged and severe downturn since 2015, following major structural changes in the sector, a collapse in oil prices, and the global energy transition away from oil. The onset of the COVID-19 pandemic in 2020 further delayed the industry recovery and created severe disruptions, including reductions in capital expenditure by oil majors and skilled manpower shortages. These disruptions have extended into 2021 with the re-imposition of COVID-19 restrictions to combat new waves of localised infections. For the Group, disruptions to yard operations have impacted the execution and completion of projects, along with deferrals of deliveries and payments by customers. This has created a short-term but significant draw on the Group’s working capital position.

The earlier rights issue completed in September 2020 had strengthened the Group’s financial position and allowed the Group to successfully pursue its strategic pivot towards the renewable and clean energy segments. The proceeds were used to reduce the Group’s leverage and debt servicing obligations by converting the S\$1.5 billion Subordinated Loan owing to Sembcorp Industries Ltd into equity in Sembcorp Marine with the balance of approximately S\$600 million to fund ongoing operations. However, the prolonged disruptions from COVID-19 have created near-term challenges for the Group.

The Board and Management of Sembcorp Marine believe that the further recapitalisation via the Rights Issue is required to strengthen the Group’s balance sheet, address the temporary working capital depletion and replenish liquidity to meet the projected operational funding requirements through to end 2022. Specifically, proceeds from the S\$1.5 billion Rights Issue will be used for working capital and other general corporate purposes, including debt servicing.

The Rights Issue will also improve the Group’s net gearing from 0.75x to 0.25x on a pro-forma basis as of 31 December 2020. This will better position the Group to successfully execute existing projects, competitively bid for new high-value, large-scale projects, continue to augment its technological capabilities, and secure sustainable long-term growth

by accelerating its strategic pivot towards the fast-growing renewable and clean energy segments, including offshore renewables.

While the outlook for oil exploration remains uncertain, the outlook for energy transition is robust, with large and growing addressable markets in areas such as renewable and clean energy. The Group has already won several contracts in this segment, including:

- the Siemens' Dudgeon Offshore Wind Farm Project which has been successfully completed and delivered;
- the offshore substation and reactive compensation station topsides for the Ørsted's Hornsea 2 Offshore Wind Farm; and
- the High Voltage Direct Current (HVDC) offshore converter platform for the landmark RWE Renewables Sofia Offshore Wind Farm.

The Group's continued expansion into these areas requires a robust balance sheet and working capital position, which the Rights Issue will facilitate.

The Board and Management have actively undertaken measures to improve the Group's operating and financial performance. Specifically, the Group has engaged an external consultant to develop a Performance Improvement Plan ("**PIP**") to drive operational improvements and optimise its cost structure. The PIP will include strategic cost management initiatives, improved project execution and procurement processes, digitisation and an overall reduction of overheads. This will deliver significant savings and increase the competitiveness of the Group.

Commenting on the Rights Issue, Wong Weng Sun, President & CEO of Sembcorp Marine, said: "Since the last rights issue completed in September 2020, our operations have been severely impacted by the continuing COVID-19 disruptions. The liquidity from the proposed S\$1.5 billion Rights Issue will be vital in fortifying our financial position. It will ensure we emerge from this crisis as a strong and innovative player, with an increasing strategic focus on clean, sustainable and renewable energy solutions."

The Group will be seeking shareholders' approval for the Rights Issue at an Extraordinary General Meeting ("**EGM**") which is expected to be convened in August 2021. Startree Investments Pte. Ltd. ("**Startree**"), a wholly owned subsidiary of Temasek, has given an irrevocable undertaking to vote in favour of the Rights Issue resolution at the Group's EGM.

Please refer to the Key Highlights after Section (2) for the main terms of the proposed Rights Issue.

(2) The Potential Combination

Separately, Sembcorp Marine and Keppel have entered into a non-binding memorandum of understanding to explore a potential combination of Sembcorp Marine and KOM ("**Potential Combination**"), with the objective of creating sustainable value over the long

term for Sembcorp Marine and KOM and their respective stakeholders. This is in response to dramatic changes in the global O&M engineering and energy sectors, which are seeing a major transition away from oil globally. Several global peers of Sembcorp Marine and KOM have pursued consolidations to create scale, retain talent, more effectively use their asset bases, and position themselves for new opportunities arising from the energy transition.

If completed, the Potential Combination would create a stronger player to capitalise on growing opportunities in the O&M, renewable and clean energy sectors. The combined entity would accelerate both companies' pivot towards O&M renewables opportunities and it will be better positioned to compete for larger contracts, whilst pursuing synergies that can arise from the increased operational scale, broader geographic footprint and enhanced capabilities of a larger entity.

After this announcement, Sembcorp Marine and Keppel will undertake mutual due diligence and discuss the terms of the potential combination which is expected to take several months. Further updates will be provided in due course.

The Group 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 shareholders. This statement should be read in conjunction with the SGXNET announcements released today.

Commenting on the Potential Combination, Wong Weng Sun, President & CEO of Sembcorp Marine, said: "Our industry is undergoing rapid change and becoming increasingly complex as a result of the accelerated pace of transition to a green economy. In this current landscape, we recognise that there could be significant benefits to explore a Potential Combination. We will be undertaking a comprehensive due diligence process to help us determine if the Potential Combination will create significant synergies, secure and enhance the value of our business, promote green growth and is in the best interest of our shareholders."

"We are proud of the talent that has been built in Sembcorp Marine over the years, and while the Potential Combination will require examination of the future development of our workforce, we are committed to addressing these matters by consulting our labour representatives closely during the discussions as we work to achieve the synergies required."

Commenting on Sembcorp Marine's two new developments, Nagi Hamiyeh, Joint Head, Investment Group, and Head, Portfolio Development of Temasek, said: "We recognise that Sembcorp Marine continues to face supply chain and manpower constraints due to the prolonged COVID-19 pandemic, which have impacted the execution and scheduled completion of the Group's ongoing projects. However, we are encouraged by the robust outlook and growing opportunities in the renewable and other clean energy segments. As a major shareholder of Sembcorp Marine, we believe that the recapitalisation efforts will

further enhance Sembcorp Marine's ability to secure large-scale contracts and support its strategic pivot towards the renewable and clean energy."

"We believe that the Potential Combination, if it occurs, will help the combined entity accelerate its pivot to the energy transition, including offshore renewables and hydrogen related opportunities, while maintaining and further developing the talent and capabilities that have been built over the years by both companies in the O&M sector."

Key Highlights of the Proposed Rights Issue

- S\$1.5 billion fully committed renounceable Rights Issue
- Rights Issue size of up to 18.8 billion new shares
- 3 rights shares for 2 existing shares at S\$0.08 per share
 - 35.7% discount to TERP based on last close of S\$0.191
 - 58.1% discount to last close of S\$0.191 on 23 June 2021
- Proceeds from Rights Issue to be utilised for working capital and general corporate purposes, including debt servicing.
- Key benefits of rights issue:
 - Recapitalises Sembcorp Marine to continue to execute existing projects and to enhance its ability to win large scale contracts
 - Replenishes working capital position to provide funding flexibility to accelerate strategic pivot into growing and profitable segments, in particular renewable and clean energy
 - Meets projected operational funding requirements until at least the end of 2022 and strengthening lenders' and customers' confidence in their continued partnerships with Sembcorp Marine
- Irrevocable undertaking by Startree, a wholly owned subsidiary of Temasek, to subscribe for its 42.6% pro-rata entitlement and apply for excess rights shares, such that in aggregate it subscribes for up to 67.0% of the Rights Issue. No commission or fee will be paid to Temasek or Startree in connection with the irrevocable undertaking. DBS to underwrite the remaining 33.0% of the Rights Issue. As a result of the undertaking from Startree and underwriting from DBS, the Group will have certainty of raising the full S\$1.5 billion contemplated from the Rights Issue.

Upon receipt of applicable approvals from the SGX-ST, the Group will seek shareholders' approval for the Rights Issue at an EGM. The circular outlining the details of the Rights Issue and Notice of EGM will be despatched in due course. The Record Date will be announced in due course. Startree has given an irrevocable undertaking to vote in favour of the resolution to approve the Rights Issue. Further details on the transaction rationale,

details of the Rights Issue and the implications which may arise therefrom² can be found in the Sembcorp Marine's SGXNet announcements which are available on the SGX-ST website and Sembcorp Marine's website.

DBS Bank Ltd. is the Sole Financial Adviser, Manager and Underwriter in respect of the Rights Issue to Sembcorp Marine. Credit Suisse (Singapore) Limited is the Sole Financial Adviser to Sembcorp Marine in respect of the Potential Combination.

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For media and analyst queries, please contact:

Media:

Ms Ang Shih-Huei / Ms Pearl Lam
Tel No: +65 9189 1039 / +65 9724 0521
Email: SAng@klarecocomms.com /
plam@klarecocomms.com

Analysts:

Ms Chua Mun Yuen
Tel No: +65 6971 7039
Email: munyuen.chua@sembmarine.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 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.

² The fulfilment by Startree of its obligations under the irrevocable undertaking may result in Temasek and its concert parties incurring an obligation to make a mandatory general offer (the "Compliance Offer") for the remaining Shares, in compliance with Rule 14 of the Singapore Code on Take-overs and Mergers. If the Compliance Offer is required to be made, (a) based on information available to Temasek to date, the offer price the Temasek Concert Party Group will be obliged to offer will be the Rights Issue Price; and (b) Temasek's current intention is to maintain the listing status of the Company.

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The Directors collectively and individually accept full responsibility for the accuracy of the information given in this document, 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 document misleading. Where information in this document 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 document in its proper form and context.