



Company Registration Number: 196300098Z

SEMBCORP MARINE TO EFFECT PROPOSED COMBINATION WITH KEPPEL O&M VIA A DIRECT ACQUISITION WITH IMPROVED TERMS

Key Highlights:

- **Simplified transaction structure via a direct acquisition of Keppel O&M by Sembcorp Marine reduces consent and approval requirements and may reduce time to completion by up to two months**
- **Acquisition of Keppel O&M at 8% lower consideration with revised equity value exchange ratio of 46:54 (SCM:KOM) from earlier 44:56 ratio (SCM:KOM)**
- **Revised Structure and Terms underscore the parties' commitment to establish the enlarged entity at the earliest possible time to better seize opportunities in the improving industry landscape**

Singapore, 27 October 2022 – Sembcorp Marine Ltd ("**Sembcorp Marine**" or the "**Company**") announced today that it has entered into an Amended and Restated Combination Framework Agreement (the "**Amended Framework Agreement**") with Keppel Corporation Limited ("**Keppel**") which sets out the revised transaction structure and terms ("**Revised Structure and Terms**") on which the Proposed Combination of Sembcorp Marine and Keppel Offshore & Marine ("**Keppel O&M**") (the "**Proposed Combination**") will be effected.

REVISED STRUCTURE AND TERMS

The key elements of the Revised Structure and Terms are as follows:

Simplified Transaction Structure

Under the Revised Structure and Terms, Sembcorp Marine will now directly acquire 100% of Keppel O&M from Keppel. There will no longer be a Combined Entity, and the proposed one-for-one share exchange between the Combined Entity and Sembcorp Marine, and the transfer of Sembcorp Marine's listing status to the Combined Entity (collectively, the earlier "**Sembcorp Marine Scheme**" which required consent from certain third parties and approval from voting shareholders representing a majority in headcount holding at least 75% in value) will no longer apply.

Sembcorp Marine will retain its listing status on the Mainboard of the Singapore Exchange and directly issue new Sembcorp Marine shares to Keppel, if approved by minority shareholders. Post completion of the Transaction, Keppel O&M will become a wholly-owned subsidiary of Sembcorp Marine. The Transaction closing time may also be reduced by up to two months.

Improvement in Equity Value Exchange Ratio

Under the Revised Terms, Sembcorp Marine has achieved an improvement in the equity value exchange ratio to **46:54** (SCM:KOM) from the earlier 44:56 (SCM:KOM). This means that upon completion of the Transaction, Sembcorp Marine shareholders will own 46% of the enlarged Sembcorp Marine, and Keppel and its shareholders will own 54%.

Significant Upfront Improvement in Shareholder Value

The improved equity value exchange ratio translates to an 8% improvement from the previous Keppel O&M purchase consideration announced on 27 April 2022. This amounts to a S\$378 million reduction in the acquisition consideration for Keppel O&M to S\$4.50 billion from the earlier S\$4.87 billion. The number of new Sembcorp Marine shares to be issued will be reduced by 3.1 billion, which is equivalent to about 10% of Sembcorp Marine's market capitalisation¹.

Change in Retained Stake

Keppel will retain 5% of the enlarged Sembcorp Marine shares as its Retained Stake, instead of 10% in the Combined Entity based on the previous terms. Keppel will distribute 49% of the enlarged Sembcorp Marine shares (instead of 46% in the Combined Entity) in-specie to its shareholders (the "**Distribution-in-Specie**").

RATIONALE FOR THE REVISED STRUCTURE AND TERMS

Uncertain Macroeconomic Environment

Since announcing the Proposed Combination on 27 April 2022, conditions in the O&M sector have improved, as evidenced by the recent orders won by both companies. However, macroeconomic conditions have deteriorated at the same time amidst elevated levels of inflation and continued interest rate increases by major Central Banks.

Amidst these volatile and uncertain times, the parties believe that it is critical for the Proposed Combination to be completed as soon as possible so that the benefits of an enlarged entity can be realised sooner. Besides the expected synergies, an enlarged Sembcorp Marine will be in a better position to deal with the above challenges and compete against the global competition.

¹ Based on 3.1 billion reduction in Sembcorp Marine shares to be issued, at an Issue Price of S\$0.122 per share, which is based on the 10-Trading Day VWAP of Sembcorp Marine shares as of 26 April 2022.

Simplified Transaction Structure and Process

The simplified Transaction Structure substantially lessens transaction complexity and minimises certain third party consent requirements, including from lenders. This could reduce the time to completion by up to two months.

Significant Improvement in Value for Sembcorp Marine Shareholders

The revised equity value exchange ratio delivers significant improved value upfront to existing Sembcorp Marine shareholders as fewer shares will be issued for the acquisition of Keppel O&M. Besides delivering S\$378 million in value improvement for Sembcorp Marine shareholders (which translates to about 10% of Sembcorp Marine's market capitalisation), existing shareholders of Sembcorp Marine will also retain a larger stake in the enlarged Sembcorp Marine on completion.

Following completion of the Transaction and post Keppel's Distribution-in-Specie, Temasek will remain the largest shareholder in Sembcorp Marine holding a 35.5% stake, compared to 54.6% currently².

Greater Value for all Stakeholders

The enlarged Sembcorp Marine will create greater value for all 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.

Tan Sri Mohd Hassan Marican, Chairman of Sembcorp Marine, said, "With the Proposed Combination, we hope to preserve Singapore's marine and offshore engineering ecosystem and the industry's core capabilities developed over the decades by two home grown companies that have become established global players."

"An enlarged Sembcorp Marine is better positioned to advance Singapore's O&M and maritime interests and augment the sector's potential as a growth engine for the economy, providing jobs and business opportunities; as well as spearhead the nation's expansion into the adjacent offshore renewables and new energy markets, in tandem with the global transition to a low-carbon economy."

DETAILS OF THE PROPOSED COMBINATION

Under the Revised Structure and Terms which are final, Sembcorp Marine will directly acquire Keppel O&M from Keppel. As stated in the 27 April 2022 announcement, the acquired Keppel O&M will exclude (i) Keppel O&M legacy rigs and associated receivables, which will be sold to a separate Asset Co, and (ii) certain out-of-scope assets comprising

² 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 Keppel shares held directly by Temasek as at the date of this press release. This figure excludes interests held by Temasek's independently managed portfolio companies. For the avoidance of doubt, Temasek's holding in the enlarged Sembcorp Marine presented above is post-Distribution-in-Specie.

mainly Keppel O&M's interests in Floatel International Ltd and Dyna-Mac Holdings Ltd, which will be retained by Keppel.

Also, immediately prior to the completion of the Transaction, Keppel O&M will pay S\$500 million in cash to settle outstanding interest and make a partial redemption of certain perpetual securities previously issued to Keppel.

As consideration for its acquisition of Keppel O&M, Sembcorp Marine will issue new shares to Keppel and its shareholders representing 54% of the shares in the enlarged Sembcorp Marine. Upon completion of the Proposed Combination, Keppel will distribute shares representing 49% in the enlarged Sembcorp Marine in-specie to its shareholders and retain a 5% stake (the "**Retained Stake**") in the enlarged Sembcorp Marine.

As stated in the 27 April 2022 announcement, the Retained Stake will be placed in a segregated account to fund claims, if any, relating to certain identified contingent liabilities for a period of up to 48 months from the completion of the Proposed Combination. This segregated account will be managed by an independent third party who will have authority to monetise the Retained Stake based on pre-defined parameters.

Sembcorp Marine has agreed to indemnify Keppel for certain identified contingent liabilities for a period of up to 24 months from the completion of the Proposed Combination.

Other Concurrent Agreements

As stated in the 27 April 2022 announcement, concurrent with the Proposed Combination, Keppel will enter into a definitive agreement with Baluran Limited ("**Baluran**") and Kyanite Investment Holdings Pte Ltd ("**Kyanite**"), an indirect wholly-owned subsidiary of Temasek, for the sale of Keppel O&M's legacy rigs and associated receivables to a new and separate entity ("**Asset Co**") (the "**Asset Co Transaction**").

Asset Co and Keppel O&M will also enter into a master services agreement under which the enlarged Sembcorp Marine, through Keppel O&M, will provide construction, berthing and maintenance, and other associated services for the legacy rigs held by Asset Co for an initial period of 10 years.

Sembcorp Marine and Keppel will continue to explore opportunities for future collaboration in areas such as floating data centres and floating infrastructure solutions.

Timing and Approvals

The independent directors of Sembcorp Marine have separately engaged an independent valuer and an independent financial advisor in relation to the Proposed Combination (collectively, the "**Sembcorp Marine Independent Advisors**").

The reports of the Sembcorp Marine Independent Advisors will be presented to the shareholders of Sembcorp Marine when approval is sought for the Proposed Combination.

Sembcorp Marine will be seeking its shareholders' approval for the Proposed Combination via a direct acquisition of Keppel O&M.

Keppel will also be seeking its shareholders' approvals for the Disposal of Keppel O&M, the Asset Co Transaction, and the in-specie distribution of shares in the enlarged Sembcorp Marine that Keppel receives.

Subject to all regulatory approvals and other consents being obtained, Sembcorp Marine intends to hold its extraordinary general meeting in December 2022 or January 2023. If there are delays in obtaining such approvals and consents, there will be consequential delays in the date of the extraordinary general meeting.

Temasek, which is a controlling shareholder of Sembcorp Marine and Keppel, will abstain from voting in all the resolutions relating to the above.

The Proposed Combination is also subject to other customary closing conditions and approvals.

Further details on the Proposed Combination can be found in Sembcorp Marine's announcements, which are available on www.sgx.com and on the companies' respective websites.

Financial Advisors

Credit Suisse (Singapore) Limited is the Financial Advisor to Sembcorp Marine in respect of the Proposed Combination.

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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.