



SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)

Company Registration No.: 196300098Z

ANNOUNCEMENT

EXTRAORDINARY GENERAL MEETING IN RELATION TO (A) RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE; AND (B) THE WHITEWASH RESOLUTION

ADDITIONAL INFORMATION IN RESPONSE TO QUESTIONS FROM SHAREHOLDERS

Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the Circular (as defined below).

1. INTRODUCTION

The Directors refer to the announcements of Sembcorp Marine Ltd (“**SCM**” or the “**Company**”) and Sembcorp Industries Ltd (“**SCI**”) dated 8 June 2020 and the Company’s circular to Shareholders (the “**Circular**”) dated 22 July 2020, in relation to:

- (a) the proposed renounceable underwritten rights issue by the Company (“**Rights Issue**”) to raise gross proceeds of approximately S\$2.1 billion. Pursuant to the Rights Issue, 10,462,690,870 Rights Shares will be offered at the Issue Price of S\$0.20 for each Rights Share, on the basis of five (5) Rights Shares for every one (1) existing Share held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded; and
- (b) the Whitewash Resolution for Independent Shareholders to waive their rights to receive a mandatory take-over offer (“**Whitewash Waiver**”) from Temasek Holdings (Private) Limited (“**Temasek**”) (currently the single largest shareholder of SCI) and parties acting in concert with it in relation to the proposed distribution *in specie* by SCI (the “**SCI Distribution**”) of up to all of the Shares held by it to SCI Entitled Shareholders, on a *pro rata* basis, to be undertaken after the completion of the Rights Issue.

2. RESPONSE TO QUESTIONS FROM SHAREHOLDERS

The Company has received certain substantial questions from Shareholders in relation to the Rights Issue, the SCI Distribution, the Whitewash Waiver and the EGM, and has prepared and is releasing with this announcement, responses to the said questions. The Company has also received certain questions relating to the SCI Distribution and de-merger of the Company from Sembcorp Industries; however the Company is not in a position to comment on such questions, which would be more appropriately responded to by Sembcorp Industries.

The Company expects to continue to receive further questions up to the EGM, and, to the extent substantial and relevant, will endeavour to respond to them by way of further announcement(s) on the SGXNet.

By Order of the Board

Tan Yah Sze
Company Secretary
6 August 2020
Singapore

IMPORTANT NOTICE

This announcement is not an offer of securities for sale into the United States (including its territories and possessions, any state of the United States and the District of Columbia), Canada or Japan. The provisional allotments of Rights Shares, the Rights Shares and the Excess Rights Shares referred to in this announcement have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act), except pursuant to an applicable exemption from registration. No public offering of securities is being made in the United States.

This announcement is for information only and does not constitute or form part of any offer or invitation to sell or issue or subscribe for, or any solicitation of any offer to acquire, any Shares or Rights Shares or to take up any entitlements to Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. No person should acquire any Rights Shares except on the basis of the information contained in an offer information statement to be lodged by the Company with the Monetary Authority of Singapore. The information contained in this announcement should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations. The issue, exercise or sale of Rights Shares and the acquisition or purchase of the Rights Shares are subject to specific legal or regulatory restrictions in certain jurisdictions. The Company assumes no responsibility in the event there is a violation by any person of such restrictions.

The distribution of this announcement into jurisdictions other than Singapore may be restricted by law. Persons into whose possession this announcement and such other documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement, and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Rights Issue Resolution and the Whitewash Resolution (including the Transaction) and the Group which are relevant to the Rights Issue Resolution and the Whitewash Resolution (including the Transaction), 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 announcement 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.

RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE AND THE WHITEWASH RESOLUTION – SCM EGM

Key Questions & Answers

(6 August 2020)

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I. TRANSACTION STRUCTURE AND RATIONALE

1. How is the rights ratio of 5 Rights Shares for every 1 existing Share and Issue Price of S\$0.20 determined? Why does the Rights Issue need to be so dilutive?

- The rights ratio and Issue Price are functions of the size of funds required as well as the discount to TERP¹ based on market precedents.
- The Rights Issue size is S\$2.1 billion. The immediate recapitalisation of SCM by this S\$2.1 billion will raise additional cash of approximately of S\$0.6 billion to enable us to meet our immediate and foreseeable liquidity needs to fund ongoing operations and ride out the industry downturn. It will also deleverage our balance sheet and reduce interest expense through the conversion of the S\$1.5 billion subordinated loan from SCI into equity in SCM's balance sheet. Our strengthened balance sheet will enable us to be better positioned for the industry recovery and seize new opportunities.
- The rights ratio, Issue Price and discount to TERP were determined after considering precedent transactions, the transaction size and discussions with DBS, as sole financial adviser, lead manager and underwriter for the Rights Issue.
- The Rights Issue will be offered on a *pro rata* basis to allow all existing Shareholders to participate and to maintain their *pro rata* shareholdings.
- As the Rights Issue is renounceable, Entitled Shareholders may accept (partially or fully), decline, renounce or (in the case of Entitled Depositors only) trade on the SGX-ST (during the Rights trading period prescribed by the SGX-ST) their Rights.

Footnotes

¹ TERP – Theoretical ex rights price

2. Why will Sembcorp Industries shareholders be given Sembcorp Marine shares?

- SCI is currently the parent company of SCM and owns approximately 61.0% of SCM Shares. SCI shareholders therefore have an existing indirect ownership in SCM.
- Pursuant to the Transaction, SCI has irrevocably undertaken to subscribe for its pro-rata entitlement of Rights Shares and excess Rights Shares, up to a total of S\$1.5 billion.
- SCI proposes to effect a demerger of SCM from SCI after the completion of the Rights Issue, via a distribution *in specie* of all the Shares held by SCI to SCI Shareholders on a *pro rata* basis. As a result of the Proposed Distribution, SCI Shareholders will receive Shares.

3. Will all Directors of Sembcorp Marine accept their Rights? Will the Directors apply for Excess Rights Shares?

- All SCM Directors including the CEO who are Shareholders have indicated that they will subscribe for their Rights entitlement in full. As Shareholders, SCM Directors are also able to apply for excess Rights Shares. However, we are not able to comment on their behalf whether they wish to do so.

4. Has any Board member sold their shares since the Rights Issue was announced? Has any Board member increased their shareholdings considerably during the same period?

- None of the Directors on SCM's Board sold their shares following the Rights Issue announcement on 8 June 2020.
- On 29 June 2020, there was an announcement on a grant of share awards to certain non-executive directors pursuant to the Sembcorp Marine Restricted Share Plan 2020. These share awards form part of the payment of directors' fees for the year ended 31 December 2019. For more information, please refer to the announcement that can be found at the following URL: https://www.sembmarine.com/scm2016/wp-content/uploads/2019/05/20200629_Grant-Share-Awards_SCM-RSP-2020.pdf.

5. What is the expected Share price of Sembcorp Marine after the Rights Issue?

- As the price of the Shares is market driven, we are not able to comment on the expected Share price of SCM after the Rights Issue.

6. Why should Shareholders support the Transaction? What are the pros and cons of the Rights Issue for ordinary shareholders? What is the outcome of subscribing / not subscribing to the Rights Shares?

- The Rights Issue will provide SCM with the much needed recapitalisation to ride out the industry downturn, to strengthen its balance sheet and reposition the Company for its long term viability. It is beneficial to the Company and all Shareholders.
- As recapitalisation is vital to the Company, SCI has given its undertaking to subscribe for up to S\$1.5 billion of Rights Shares and Temasek will sub-underwrite the remaining S\$0.6 billion. SCM Directors who are also Shareholders have indicated they will subscribe for their Rights entitlement.
- In order to meet SCM's critical need for liquidity, we hope that all Shareholders can submit their Proxy Forms to vote in favour of the Resolutions tabled at the EGM in order for the Transaction to proceed, and to subscribe to the Rights Shares.

- A vote for the Resolutions does not obligate a Shareholder to participate in the Rights Issue, so one can support the essential plan to recapitalise the Company without having to subscribe to the Rights Shares. However, Shareholders who choose not to take up their Rights entitlement should be aware that their shareholdings will be diluted post the Rights Issue.

7. What will happen to Sembcorp Marine if Shareholders do not approve the recapitalisation transaction? What are the contingency or alternative financing plans?

- If Shareholders do not approve the Transaction, SCM's strenuous efforts to recapitalise and strengthen its balance sheet will be negated and the critical need to address our liquidity requirements will fail. SCM will need to re-evaluate other financing options to obtain the critical funding it needs.
- The various capital raising alternatives considered include debt financing, equity-linked debt and equity issuance.
- However, the availability, timing and transaction execution risks of the potential alternative sources of funding mentioned above are uncertain.
- Faced with the urgency of the situation to recapitalise SCM, the Rights Issue is the most optimal solution and is in the best interests of Shareholders. The Rights Issue has the support of both SCM's parent company, SCI, which has undertaken to subscribe for up to S\$1.5 billion of Rights Shares under the Rights Issue, and its ultimate holding company, Temasek, which has sub-underwritten the balance S\$0.6 billion of Rights Shares under the Rights Issue.

8. How does having Temasek as a significant shareholder after the SCI Distribution help the Company?

- Upon completion of the SCI Distribution, Temasek (currently the single largest shareholder of SCI) will become a direct and significant Shareholder of SCM with a stake (including holdings of its wholly-owned subsidiaries) of more than 30% and potentially up to approximately 58%. We see Temasek as a strong shareholder that will support our Group's strategy and future growth.

9. Noted from your announcement on 5th June 2020 that there are S\$6.025 billion of loan and trade facilities (including bank guarantees and letters of credit) that may be affected by a Change of Control (as defined in such announcement). Is that under threat? Have you started to reach out to them? If not, could you give an update on this?

- Only a few of our bank facilities are affected by a change in control. We have since contacted the banks. They are supportive of the Transaction and have indicated the continuation of bank facilities extended to SCM.

10. Assuming the demerger is not successful, what will be Sembcorp Industries' future plan for Sembcorp Marine?

- In the event that the Transaction is not successful, we will remain a subsidiary of SCI. We believe SCI will remain supportive of SCM.

11. What is Temasek's vision for Sembcorp Marine after the demerger? Will Temasek commit to turn the Company around and let Shareholders recoup the loss in share price over the years?

- We are not in a position to comment on behalf of Temasek.
- You will note Temasek's commitment and support for SCM via Temasek's sub-underwriting of up to S\$0.6 billion of the Rights Issue. Post the Transaction, SCM can look to Temasek, which will be the largest Shareholder of SCM, as a strong shareholder to support its future growth.

12. Will Sembcorp Marine be merged with Keppel or be privatised?

- We are not aware of any proposals to merge or privatise SCM.

13. According to the 1H2020 Financial Statements, Sembcorp Marine's cash and cash equivalents increased from S\$389 million as at 31 December 2019 to the current S\$1.1 billion as at 30 June 2020.

Sembcorp Marine had stated in its 1Q 2020 Business Update and 1H2020 Financial Statements that it expects to have adequate existing loan facilities to refinance current borrowings as they fall due. However, in a response to questions from SIAS, Sembcorp Marine contradicted its earlier assertion with the statement "to request banks to provide additional loan facilities is therefore not realistic and also unlikely to be sufficient to meet our liquidity needs". Please explain.

- We would like to clarify that there is no contradiction between the statements highlighted. The first statement is on maintaining existing loan facilities and the second is on additional bank facilities.
- With the proposed recapitalisation, SCM expects banks to refinance existing borrowings and provide additional facilities. Without the recapitalisation, we expect banks to refinance existing borrowings but not provide additional financing.

II. ACTIONS AND STEPS FOR SHAREHOLDERS

14. I do not wish to participate in the Rights Issue. How can I go about selling my Rights and when will I be allowed to do so? And at what price can I sell my Rights?

- This is a renounceable Rights Issue and Entitled Shareholders (who are Entitled Depositors) who do not wish to accept their Rights may trade their Rights on the SGX-ST during the Rights trading period prescribed by the SGX-ST.
- Indicatively, the Rights trading period is expected to be from 19 August 2020 to 27 August 2020 (both dates inclusive). More information will be provided in the Offer Information Statement that will be despatched to Entitled Shareholders in due course.
- The price of the Rights will be determined by buying and selling market transactions on the SGX-ST during the Rights trading period.

15. After accepting my Rights, will I be able to trade my Rights Shares immediately or do I need to hold onto them for a certain period?

- There is no requirement for anyone to hold onto the Rights Shares.
- Once the Rights Shares are issued and listed on the SGX-ST, Shareholders will be able to trade their Rights Shares, similar to their existing Shares.

16. I hold Shares through my Supplementary Retirement Scheme (SRS) account. I have already contributed the maximum possible amount into my SRS account for this year (2020) but still do not have sufficient funds to accept my Rights. What can I do?

- Subject to applicable SRS rules and regulations, SRS Investors can only use monies standing to the credit of their respective SRS accounts to pay for the acceptance of their Rights and (if applicable) application for Excess Rights Shares.
- We advise SRS Shareholders with specific questions to consult their SRS Approved Banks or professional advisers.

III. BUSINESS MANAGEMENT AND OUTLOOK

17. Not long ago, Sembcorp Marine CEO was still drawing high income and bonus despite the downturn and Sembcorp Marine not being profitable. Why?

- Since 2017, SCM had implemented a salary freeze with a salary deduction for middle and senior management. This continued into 2018 and 2019. All long term staff incentives were also suspended. In 2019, the aggregate compensation of our CEO and top 5 key management personnel was 59% lower than 2018.

- For the current year, the Company has implemented salary cuts ranging from 15% to 5% for senior management with Mr Wong Weng Sun, our President & CEO, volunteering a 50% pay cut.
- The Board of SCM is also continuing with a 10% reduction in directors' fees this year, similar to 2019.

18. What long-term plans does the Board have for Sembcorp Marine following the deleveraging exercise? Does it intend to keep Sembcorp Marine in the oil & gas space? What needs to be done to increase Sembcorp Marine's competitiveness and ability to survive under such challenging conditions?

- Our current priority is to ensure that we have adequate liquidity to sustain operations and ride through this severe downturn. We will take this opportunity to optimise our resources in response to the activities outlook, and to better position ourselves for when the industry recovers.
- While all our business segments have been affected by the current challenging business conditions, our Repairs & Upgrades segment, which generated revenue of over S\$600 million in FY2019, has remained profitable. We will continue to allocate sufficient resources to help maintain and grow this business segment.
- To compete effectively in the global arena and strengthen our position for the future, we have deployed three key strategies. Even before the industry downturn started in 2015, we had already begun implementing these strategies as part of a Group-wide transformation for long-term sustainable growth. The current market challenges have given us added impetus to push these strategies ahead to de-risk our business from an over-reliance on the oil and gas sector, and to create new revenue streams.
- The three key strategies are:
 - Proactive diversification and expansion into new and existing markets;
 - Strategic strengthening of our yard capabilities; and
 - Innovation development through investment in intellectual property, technology and solutions that give us a differentiated edge.
- Together, these three key business strategies will fortify the Group's resilience and competitive edge in the global arena, which will enable us to ride on the industry's eventual recovery and also seize new opportunities in other business sectors.
- In the past several economic cycles, we had adapted and reinvented ourselves successfully to stay relevant and thrive in our ever-changing market environment. We believe we can achieve the same when the industry recovers from the current downturn and new opportunities emerge from the continuing global transition towards clean energy and other green solutions.

19. What is the industry outlook and business prospect of Sembcorp Marine in the near and mid-term? Is the Company still securing business or contracts? When does the management project that the Company will be profitable again?

- SCM has a track record of close to 60 years. Up until 2015 when this downturn started, we have been consistently profitable. In the 10 years preceding the downturn, we earned S\$5 billion of net profit after tax and distributed over S\$3 billion of dividends to our Shareholders.
- While the entire oil and gas industry has been affected since the downturn in 2015, and COVID-19 in recent months, we believe that the industry would recover in the foreseeable years.
- There are also emerging opportunities from the continuing global transition towards clean energy and other green solutions. For example, the global offshore wind market alone is forecast to grow to an estimated US\$1.5 trillion by 2050, with the North Sea being one of its key geographies. SCM is currently constructing two substation platform topsides and accompanying jackets for Hornsea 2, the world's largest offshore wind farm with a 1.4 gigawatt (GW) capacity, located in the United Kingdom North Sea.
- As at 30 June 2020, SCM has a net order book of about S\$2.2 billion. To date, there has been no cancellation of any of our existing projects.
- We have resumed discussions on several project opportunities. On 9 July 2020, SCM, together with our consortium partner GE's Grid Solutions, was appointed by RWE Renewables as the preferred supplier of the HVDC electrical transmission system for the 1.4 GW Sofia Offshore Wind Farm in the UK North Sea.
- Our Repairs & Upgrades business has also resumed ongoing jobs and is negotiating for new projects.
- SCM has been actively tapping into opportunities from the global shift towards cleaner energy use. Last year, some S\$530 million of our new orders – about one-third of the total in 2019 – came from cleaner energy projects. This effectively shows our increasing traction in green energy solutions.
- Please refer to the strategic initiatives that we have taken to diversify into the offshore wind and other businesses. This will strengthen our ability to secure more orders to help contribute to our top and bottom line. We are hopeful that all these measures will help bring us to breakeven and profitability sooner.