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SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)
Company Registration No.: 196300098Z

ANNOUNCEMENT EXTRAORDINARY GENERAL MEETING IN RELATION TO PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE TO RAISE GROSS PROCEEDS OF APPROXIMATELY S\$1.5 BILLION RESPONSE TO ADDITIONAL 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 (the "**Company**") and together with its subsidiaries, the "**Group**") dated 24 June 2021, 3 August 2021, 4 August 2021, 18 August 2021 and 19 August 2021, and the Circular to Shareholders dated 4 August 2021 (the "**Circular**"), in relation to the proposed renounceable underwritten rights issue by the Company (the "**Rights Issue**") to raise gross proceeds of approximately S\$1.5 billion. Pursuant to the Rights Issue, up to 18,833,468,826 Rights Shares will be offered at the Issue Price of S\$0.08 for each Rights Share, on the basis of three (3) Rights Shares for every two (2) existing Shares held by Entitled Shareholders as at the Record Date, fractional entitlements to be disregarded.

2. RESPONSE TO QUESTIONS FROM SHAREHOLDERS

Subsequent to the Company's announcement dated 19 August 2021 where the Company had provided responses to questions received from Shareholders in relation to the EGM, the Company has received additional questions from Shareholders on the EGM. The Company has prepared and is releasing with this announcement, responses to the substantial and relevant additional questions received.

BY ORDER OF THE BOARD

Tan Yah Sze/Kem Huey Lee Sharon
Joint Company Secretaries

23 August 2021
Singapore

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

SEMBCORP MARINE LTD
EXTRAORDINARY GENERAL MEETING IN RELATION TO
PROPOSED RENOUNCEABLE UNDERWRITTEN RIGHTS ISSUE TO
RAISE GROSS PROCEEDS OF APPROXIMATELY S\$1.5 BILLION

Questions & Answers

(23 August 2021)

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I. RIGHTS ISSUE, TRANSACTION STRUCTURE AND RATIONALE

- 1. Please disclose the average price of the shareholdings of the Company's Directors and Temasek so that Shareholders will be able to make informed decisions about the number of Excess Rights Shares to apply.**

The shareholdings of the Company's Directors and Temasek as at the Latest Practicable Date on 29 July 2021 can be found in the Circular to Shareholders dated 4 August 2021, paragraph 14 on Page 31.

The Directors and Substantial Shareholders of the Company are required to disclose their interests in the Shares in accordance with the Securities and Futures Act, Chapter 289 of Singapore and on the forms prescribed by the Monetary Authority of Singapore. These disclosures are available on SGXNet. The Company does not maintain records of the average price as it is not required to collate information on the average price of the aggregate shareholding interests of each of the Directors and Temasek.

- 2. Please clarify why the company cannot set the Rights Issue at a higher price and at a smaller ratio? What is the thinking and logic behind such determination? Please advise if the objective is to suppress the share price to be relatively low? How does another round of Rights Issue protect the interest of the minority Shareholders?**

Please refer to the responses to Questions 1 and 2 in the Company's announcement dated 19 August 2021, which explain the considerations in determining the Rights Issue price, discount and ratio as well as the need for the proposed Rights Issue and its benefits to the Group and all its Shareholders. The size of the Rights Issue is essentially determined by the recapitalisation requirements of the Company and it is priced to encourage subscription by our Shareholders.

- 3. Would all Directors on the Board be subscribing to their entire rights entitlement?**

The Directors who have interests in the Shares have indicated to the Company that they intend to subscribe to their Rights entitlements, in accordance with the terms and conditions of the Rights Issue.

- 4. Could financial help be sought from Temasek instead, in view of their indirect substantial shareholding of 42.6%? Instead of the Rights Issue, why does Temasek not buy over the entire company?**

We are not in a position to comment on behalf of Temasek. Please refer to the responses to Questions 1 and 2 in the Company's announcement dated 19 August 2021, which explain the rationale on why the Group is proposing the Rights Issue.

The proposed Rights Issue, with the undertaking by Startree, an indirect wholly-owned subsidiary of Temasek, and underwriting by DBS, provides certainty to the Company to raise the S\$1.5 billion it critically requires.

5. Are minority Shareholders able to sell back their shares to Startree or Temasek at \$0.08 if there is no upside on the rights price of \$0.08? If so, is there a timeframe that Minority Shareholders can sell back their shares?

If a Compliance Offer is required under Rule 14.1 of the Singapore Code on Take-over and Mergers, as a result of the fulfilment by Startree of its obligations under the Undertaking Agreement, all Shareholders are free to retain or sell at the offer price all or part of their Shares to Temasek at their discretion.

For more information, please refer to the response to Question 6 in the Company's announcement dated 19 August 2021.

Further details will be announced in due course on the results of the Rights Issue and, where applicable, details of and the timetable for a Compliance Offer if it is required to be made.

II. BUSINESS MANAGEMENT AND OUTLOOK

6. **What is the current monthly cash burn rate for the Company? Has the Company embarked on expenses management exercise to reduce cash burn to ensure that the funds raised are used for crucial revenue generating purposes? Has the Company implemented salary and bonus freeze/cuts and Board fee reductions to help conserve cash?**

Is going asset-light part of the Company's strategy going forward? Moving forward what are the plans of the company to right-size?

Please refer to the information on the audited consolidated statements of cash flows of the Group from FY2018 to FY2020 and the unaudited consolidated statement of cash flows of the Group for 1H2021, which can be found in Appendix 3 of the Circular to Shareholders dated 4 August 2021 on Pages 50 to 53.

The ongoing active measures by the Group to reduce the operational cash burn rate, carefully manage working capital and defer all non-essential capital expenditure, include measures to manage staff costs and directors' fees/remuneration. Salary freezes and reductions were implemented for middle and senior management between 2017 and 2021. In 2020, the President & CEO volunteered a 50% pay cut which remains to-date. Since 2016, the Directors have taken a voluntary 10% reduction in Directors' fees and since 2018, the Directors have further volunteered a reduction of their attendance fees which remains to-date. The Group has provided related remuneration updates including salary freezes and reductions, and Board fee reductions in its results announcements and annual reports from 2016 to 2020. Besides these measures, the Group continues to review and right-size its resources in response to the level of activities.

Additionally, the Group has also worked with external consultants to develop a holistic Performance Improvement Plan 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 overall reduction of overheads, to deliver significant savings and increase the competitiveness and profitability of the Group.

7. **In relation to the recent employee share awards, how many staff received these share based awards?**

Please provide more details and colour regarding the share-based compensation/incentive plans that the Company offers its employees. Are these share awards tied to the Company's financial performance and are these share awards guaranteed regardless of the Company's financial performance? Or are these share awards tied to some other factors? Please elaborate.

What are these share-based staff incentive plans? Are these share options part of an Employee Share Option Plan (ESOP) that allows employees to buy shares at a discount to market price? Are these free shares that the company awards its employees, totally free of charge, and at no cost to the employees? Why is the Company still obliged to reward these staff with share based awards?

Details of the share-based incentive plans for Directors and employees can be found in the Sembcorp Marine 2020 Annual Report on Pages 84 to 89 and Page 165 respectively, as well as the Letter to Shareholders dated 28 April 2020.

Under the SCM PSP 2020, the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. Under the RSP, the awards granted conditional on performance targets will be set based on corporate objectives at the start of the one-year performance qualifying period. Previously, the performance criteria for the SCM RSP 2010 were calibrated based on Earnings before Interest and Taxes. SCM RSP 2020 will be calibrated based on Earnings before Interest and Taxes and Return of Capital Employed.

In 2019 and 2020, no awards under the PSP 2020 and RSP 2020 were granted to senior management. For the performance period from 2016 to 2018 (2018: performance period 2015 to 2017), there were no shares released to satisfy awards under the PSP 2010. In 2019, there were 1,470,000 (2018: 1,215,000) awards under the PSP2010 that lapsed for under-achievement of the performance targets for the performance period 2016 to 2018 (2018: 2015 to 2017). From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (Mr Wong Weng Sun, who is the President & CEO, does not receive any directors' fees). The Group provides remuneration updates including share-based incentive plans for the Directors and employees in the Directors' Statement of its annual reports.

As mentioned in the Company's announcement dated 24 June 2021, up to 1,167,017 Awards (which had been granted in previous years and which had vested) may be released on or prior to the Record Date and the Company intends to satisfy the release of the Awards by way of transfer of treasury shares, and no new Shares will be allotted and issued to satisfy the release of these Awards. As announced by the Company on 20 August 2021, 1,154,717 treasury shares were released to satisfy the Awards. Please refer to the response to Question 20 in the Company's announcement dated 19 August 2021, for more details.

8. When will the three major contracts won listed in the 2021 Rights Issue background information start generating positive cash flows for the Company?

The Group has a total of 16 projects under execution with five scheduled for completion in 2021 and another nine in 2022. The remaining two will progressively be completed by 2025. As the Group executes, completes and delivers the projects, it expects to collect progressive payments over the next 6 to 18 months. In general, the Group's trade and other receivables decrease as receipts from customers are obtained for completed projects.

For the Hornsea Two Offshore Wind Farm project, the Group has successfully completed the Offshore Substation (OSS) and Reactive Compensation Station (RCS) (collectively, "Substations") to Ørsted Wind Power subsidiary Optimus Wind Limited. The OSS, the largest AC offshore substation, and the RCS have set sail from Sembcorp Marine Admiralty Yard on 15 August 2021 for the Hornsea Two Offshore Wind Farm, located in the North Sea. In addition to fabrication, Sembcorp Marine spearheaded the engineering, procurement, hook-up and commissioning works for the Substations. The Substations are expected to reach their destination at end-September 2021 for integration with their jackets.

The fabrication of 15 wind turbine jacket foundations for the Jan De Nul Formosa 2 Offshore Wind Farm Project is expected to be completed in the second half of 2021.

The RWE Renewables' Sofia Offshore Wind Farm Project, involving the design, construction and installation of the Offshore Converter Platform, the most remote of its kind, for the wind farm located 220km from the nearest shore on Dogger Bank in the UK North Sea, is scheduled for completion in 2025.

9. What percentage of the Company's contracts/projects are under the engineering, procurement and construction (EPC) model and what are these projects?

The majority of the Group's S\$1.78 billion net order book as at 30 June 2021 are under the EPC model. They include:

- Ørsted Hornsea 2 Offshore Wind Farm Project – Engineering, procurement, construction, integration, onshore commissioning, sea-fastening, loadout and offshore hook-up and commissioning of the OSS and the RCS (see response to Question 8);
- Sofia Offshore Wind Farm Project – Design, construction, installation and commissioning of the Offshore Converter Platform (OCP);
- Equinor Johan Castberg FPSO – Turnkey engineering, procurement and construction of newbuild FPSO hull and living quarters;
- Technip Energies Karish FPSO – EPC construction and integration of a newbuild FPSO hull, living quarters and topside modules, including owner-furnished equipment;
- Shell Vito FPU – Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible FPU, including installation of owner-furnished equipment;
- Shell Whale FPU – Construction and integration of hull, topsides and living quarters for Shell's Whale semi-submersible FPU, including installation of owner-furnished equipment;
- National Oil Company Gallaf Batch 2 Wellhead Platforms – Engineering, procurement, construction, installation and commissioning of jackets, topsides, bridges and offshore integration of two wellhead platforms and bridges;
- MOL LNG Bunker Vessel Newbuild – Design and construction of 12,000 cbm dual-fuel LNG bunker vessel with GTT Mark III Flex membrane tank system;
- Norled Roll-on/Roll-off Passenger Ferries (ROPAX) Ferries Project – Design and construction of three full battery-operating ROPAX ferries based on a proprietary design by Sembcorp Marine's wholly-owned subsidiary LMG Marin; and
- Transocean Drillships – Construction of two high-specification ultra-deepwater drillships for Transocean based on Sembcorp Marine's proprietary Jurong Espadon 3T drillship design.

10. Can Sembcorp Marine recover in two years from the current low share price?

We are not able to comment on the share price as it is market driven. The proposed Rights Issue, together with active measures to reduce overheads, optimise cost structure and drive operational improvements, will better position the Group to ride through the current challenging business environment and accelerate its strategic transition towards the high-growth renewable and clean energy segment. We hope that this will translate to improved financial performance, sustainable business growth and long-term value for shareholders.

11. On the Potential Combination with Keppel O&M, does Sembcorp Marine have any intention of letting go your rigs to Asset Co, something which Keppel will be doing for its rigs?

Does SembMarine view its rigs as legacy assets or will the rigs component of the business continue to be a key part of the company?

The Group would like to emphasise that discussions between parties on the Potential Combination are currently at a preliminary stage with no certainty that the Potential Combination will take place. The Potential Combination is subject to among others, satisfactory due diligence, further negotiations between parties, execution of definitive agreements, receipt of the relevant regulatory approvals and the approval of Shareholders (if and where required) of the respective parties.

Notwithstanding the ongoing developments in energy transition, the Group will continue to support the existing global energy needs premised on a lower carbon footprint. There are increasing opportunities to provide sustainable solutions for the oil and gas exploration and production sector, with potential demand in the industry for next-generation drilling rigs and floaters differentiated by greater energy efficiency, lower emissions and greener features.