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Media Release

Keppel Corporation signs non-binding MOUs in connection with proposed combination of Keppel O&M and Sembcorp Marine

- *Proposed transactions, if successfully completed:*
  - *Will create a stronger player in the offshore & marine sector, and provide a solution for Keppel O&M's legacy assets, which will be monetised over time.*
  - *Are expected to be earnings accretive to Keppel Corporation for the current financial year on a pro forma basis*
- *If successfully completed, Keppel Corporation will receive shares in the Combined Entity and a cash consideration.*
- *Keppel Corporation intends to distribute to shareholders all the Combined Entity shares that it receives by way of distribution in specie.*

Singapore, 24 June 2021 – Keppel Corporation Limited (Keppel) announced today that it has signed a non-binding Memorandum of Understanding (MOU) with Sembcorp Marine Ltd (Sembcorp Marine) to enter into exclusive negotiations with a view to combining Keppel Offshore & Marine (Keppel O&M) and Sembcorp Marine (the Combined Entity).

Keppel has also signed a non-binding MOU with Kyanite Investment Holdings Pte Ltd (Kyanite), a wholly owned subsidiary of Temasek, with a view to sell Keppel O&M's legacy completed and uncompleted rigs and associated receivables to a separate Asset Co, which would be majority owned by external investors.

These two proposed transactions will be inter-conditional and pursued concurrently.

The transactions are in line with Keppel's Vision 2030 plans to be more focused and disciplined as it executes its mission to provide solutions for sustainable urbanisation. The proposed transactions, together with Keppel's increasing focus on renewables, will accelerate the Group's pivot towards new energy and decarbonisation solutions.

The Combined Entity will be better positioned to capitalise on the energy transition including areas such as offshore wind and address the opportunities and challenges in the evolving and consolidating offshore & marine industry.

If the proposed transaction is successfully completed, the Combined Entity will be a listed entity and Keppel will receive shares in the Combined Entity and a cash consideration of up to S$500 million. Keppel intends to distribute to its shareholders all the Combined Entity shares that it receives, thus allowing shareholders to enjoy the upside from (i) synergies created through resource optimisation and capital allocation and (ii) the recovery of the O&M business and the opportunities in the energy transition, through their stakes in the strengthened Combined Entity.

The key terms of the transaction are under discussion, and the shareholding of the Combined Entity is subject to negotiation, due diligence and detailed valuation to be performed by Keppel, Sembcorp Marine and their respective advisers.

Keppel O&M's interests in Floatel International Ltd and Dyna-Mac Holdings Ltd as well as Keppel O&M's legacy completed and uncompleted rigs and associated receivables will be excluded from the combination. Keppel O&M's interests in Floatel International Ltd and Dyna-Mac Holdings Ltd will be retained by Keppel Corporation.

Under the second MOU, Keppel O&M's legacy rigs and associated receivables will be sold to a separate Asset Co that will be formed. Keppel will retain not more than a 20% stake in Asset Co as an investment, while external investors, which Kyanite intends to procure, will hold the balance of at least 80%. Keppel will receive the consideration for the legacy rigs and associated receivables substantially in the form of credit notes. Asset Co shall be independently managed from the Combined Entity and the General Partner of this Asset Co will maintain, complete and monetise the rigs over time. Asset Co will enter into a service agreement with the Combined Entity for the completion of certain uncompleted rigs and the provision of other services.

The external investors will provide capital which can be used for finishing these uncompleted rigs, which would no longer be funded by Keppel. Keppel's economic exposure in Asset Co will be reduced over time, as the rigs or Asset Co are sold or securitised when conditions in the rig chartering market improve.

Under the MOU between Keppel and Sembcorp Marine, it is envisaged that Keppel and the Combined Entity will enter into a strategic partnership, pursuant to which Keppel will hold 50% of a 50-50 joint venture that will be established between Keppel and the Combined Entity (Strategic Partnership JV). This would allow Keppel to continue accessing Keppel O&M's capabilities required for its projects, on terms to be agreed. The scope of the Strategic Partnership JV will be subject to final agreement between the parties concerned. In addition, subject to regulatory review, the Combined Entity will be the preferred EPC partner for Keppel's projects where the Combined Entity has the relevant expertise.

Mr Loh Chin Hua, CEO of Keppel Corporation said, "Over the past few decades, Keppel has been regularly transforming itself to stay competitive and seize new opportunities. As part of Vision 2030, we have announced that we are sharpening our focus, and working towards being one integrated business, providing solutions for sustainable urbanisation, and focused on four business segments: Energy & Environment, Urban Development, Connectivity and Asset Management. The proposed restructuring will allow us to further enhance the alignment and synergy across our business segments, as we focus on realising Vision 2030. Together with the

planned divestment of our logistics business, Keppel will be much more streamlined, asset-light and focused in the execution of our mission. We will accelerate the Group's growth in areas such as smart cities, renewables, environmental solutions, connectivity and asset management, and work towards our target ROE of 15%."

Mr Loh continued, "Keppel started out more than five decades ago as a small ship repair yard. We are very proud of our O&M heritage and business, which had yielded almost S$8 billion in net profits for the Group over the decade from 2006-2015. The proposed combination would create a stronger player that can compete more effectively. It builds on the organic transformation of Keppel O&M, which we had announced at the start of the year, to enhance its competitiveness and relevance in the evolving international landscape. If the proposed transactions are successfully completed, it is intended that shareholders of Keppel Corporation will receive in specie all of the Combined Entity shares received by the Company and can continue to benefit from growth opportunities in the O&M business as the sector recovers."

"Notwithstanding the proposed combination, Keppel will continue to retain the core engineering, project management and operations and maintenance capabilities we would need to seize opportunities in our chosen areas of business. Through the Strategic Partnership JV, we will also continue to have access to Keppel O&M's capabilities, intellectual property and technology in areas such as offshore renewables and nearshore developments, which will be within the Combined Entity."

As part of the discussions on the Combined Entity, Keppel O&M will also engage with workplace unions to address labour considerations for the Combined Entity and to continue to attract, develop and retain O&M engineering talent for the Combined Entity.

The proposed transactions are expected to be earnings accretive to Keppel Corporation for the current financial year on a pro forma basis, although there is no anticipation that any transaction, if agreed, will complete this year. The Keppel Group's net debt will fall as a result of the deconsolidation of Keppel O&M and the receipt of a part of the consideration from the Combined Entity in cash. The distribution in specie of shares in the Combined Entity will however reduce Keppel's shareholders' funds. Overall, the Group's net gearing is not expected to be significantly affected following the transactions.

The proposed transactions are subject to among others, satisfactory due diligence, negotiation and execution of definitive agreements, relevant regulatory approvals and shareholders' approval of the respective parties. There is no guarantee that a final agreement will be reached or that any transaction will materialise.

In the meantime, Keppel O&M will remain focused on executing and delivering its existing contracts and seizing new opportunities. Keppel will make the necessary announcements if and when there are material developments.

J.P. Morgan is the financial advisor to Keppel Corporation.

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