OPENING REMARKS BY MR LOH CHIN HUA, CEO OF KEPPEL CORPORATION, AT THE BRIEFING ORGANISED BY SIAS FOR KEPPEL CORPORATION'S RETAIL SHAREHOLDERS ON 30 NOVEMBER 2021 AT 6.00 PM

I would like to thank David and Securities Investors Association (Singapore) (SIAS) for organizing this briefing for Keppel's retail shareholders on the Keppel EGM on the proposed acquisition of SPH through a scheme of arrangement.

We had a dialogue with SIAS members in August, and on that occasion, I outlined the rationale for the proposed transaction for Keppel. Our thinking has not changed.

Nevertheless, let me quickly recap the rationale for this transaction from the perspective of Keppel's shareholders.

Rationale for Keppel's shareholders

First, this transaction is a part of Keppel's Vision 2030 plans to transform and grow as one integrated company providing solutions for sustainable urbanisation.

We believe this is a strategic opportunity for Keppel to acquire a quality platform that is strongly aligned and complementary to Keppel's business model and capabilities.

Some of the key facts and figures are on the slide, and I will not repeat them point by point.

The transaction is earnings accretive for Keppel on a pro forma basis and would contribute to growing our recurring income.

Our balance sheet will remain healthy post-transaction. While there will be a short-term increase in net gearing post-transaction, it will remain below 1.0x.

Over time, our net gearing is expected to reduce as we continue our active asset monetisation programme.

Through the transaction, Keppel will be able to scale up in our existing businesses and also acquire new growth engines.

Keppel Capital's assets under management (AUM) would potentially grow by 27% from S$37 billion to S$47 billion, allowing us to further grow our fee income.

Very importantly, there is a very good, natural fit between SPH's portfolio with Keppel's business, across our Asset Management, Urban Development and Connectivity segments.

SPH's businesses, including SPH REIT, its retail assets, purpose-built student accommodation, senior living solutions, M1 and the Genting Lane Data Centre, all fit well with Keppel's business model and growth plans.

Keppel is one integrated company, and not a consortium. If Keppel is successful in privatising SPH, we look forward to growing SPH's business as part of the current business of the Keppel Group.

Win-Win Proposition

This is a briefing for Keppel shareholders, so I will not address the SPH shareholders' perspective in detail. But let me briefly reiterate why we believe this is a win-win proposition for both Keppel and SPH shareholders.

First, Keppel's offer is firm. Keppel has waived its walk away right under the Material Adverse Effects (MAE) clause.

Based on market precedents, it is not common for an offeror with a MAE clause to waive it before shareholders have decided on the offer.

It is a deliberate decision on Keppel's part to improve the attractiveness of Keppel's offer.

This is particularly significant at this point, given the volatility in the international economic environment amidst the pandemic.

Keppel's offer also provides the shortest time to pay-out, by mid-January 2022 for SPH's shareholders if our deal is approved by shareholders and the High Court before the end of December 2021.

Our Final Consideration of $2.351, based on the closing prices of Keppel REIT and SPH REIT as of 9 November 2021, offers an attractive 57% premium over SPH's unaffected price.

If our deal is completed, SPH's shareholders will get future cash distributions from SPH REIT and Keppel REIT. In addition, they will be able to receive Keppel REIT units at a 10% discount to its NAV as of 30 September 2021.

The Keppel REIT units and SPH REIT units that SPH shareholders will receive in mid-January 2022 will have accrued distributions, which unitholders of Keppel REIT and SPH REIT will be entitled to receive, after the transaction is completed.

Proposed acquisition remains attractive to Keppel at Final Consideration

Keppel shareholders may wonder, how does the increased consideration affect Keppel?

The increase in cash consideration of $0.20 per SPH share was carefully considered, and is underpinned by strengthening global economic conditions and SPH's improved performance, as disclosed at its full year results briefing. Moreover, from the pre-integration discussions we have had with the SPH team in recent months, since the deal was first announced, business synergies have become even clearer.

We continue to see value in the SPH portfolio. With the Final Consideration, the proposed transaction remains attractive and earnings accretive on a pro forma basis for Keppel.

The increase in cash consideration would result in only a marginal increase in pro forma net gearing post-transaction of 0.03x. As I have said earlier, pro forma net gearing will remain below 1.0x.

We would therefore have the capacity to pursue other Vision 2030 growth opportunities in areas such as renewables and decarbonisation solutions, as well as continue rewarding shareholders for their confidence in Keppel.

Finally, while we believe this is an attractive acquisition, we have emphasized that Keppel will remain very disciplined and will not acquire SPH at any cost. We also do not believe it would be in any party's interest to drag out this process for too long.

Hence, we have made it clear that the increased consideration is final and would not be further increased.

The final slide provides an indicative timeline of the transaction.

To sum up, we believe this is an attractive acquisition for Keppel and a win-win proposition for Keppel and SPH. The next key milestone for us is Keppel's EGM on 9 December, where the proposed acquisition will be put to Keppel's shareholders for a decision. We hope to receive your support.

Hon Chew and I would be glad to respond to questions after this. But before we begin, I must emphasise that we are not legally permitted to say more than what has already been disclosed. But we will try to respond to shareholders' questions wherever possible.

Thank you.