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Responses to shareholders on substantial and relevant questions raised for Keppel Corporation's 55th Annual General Meeting

Singapore, 15 April 2023 – Keppel Corporation Limited ("**Keppel**" and the "**Company**") would like to thank shareholders for submitting questions ahead of the Company's 55th Annual General Meeting to be held on Friday, 21 April 2023 at 3.00 p.m. (Singapore time).

Due to overlaps in several of the questions received, the Company will not be providing individual responses to every question. Instead, responses to substantial and relevant questions have been set out via the following topics:

1. Vision 2030 Transformation
2. Business and Operations
3. Shareholder Returns, Dividends and Share Buyback Programme

Please refer to the Company's responses set out in **Appendix 1**. Unless otherwise defined, all capitalised terms shall bear the same meanings ascribed to them in the circular issued by the Company dated 23 November 2022 (the "**Circular**").

By Order of the Board

Caroline Chang/Samantha Teong
Company Secretaries
15 April 2023

Appendix 1

VISION 2030 TRANSFORMATION

S/N	Question	Response
1	Can Keppel provide an update of the Company's progress in its Vision 2030 plans?	In 2022, we accelerated the execution of our Vision 2030 plans, simplifying and focusing our business as we advanced on our asset-light strategy. We successfully divested Keppel Logistics[1] and Keppel Offshore & Marine (KOM), and reached a resolution of our legacy rigs and associated receivables. We have also progressively monetised our landbank and non-core assets. The Group has made significant progress in asset monetisation, with over S$4.6 billion in asset monetisation announced by end-December 2022, since the start of the programme in October 2020. Several more divestments have been announced in 1Q 2023 and we are on track to exceed the S$5 billion target in 2023. Harnessing synergies as one integrated business and in line with our asset-light model, we announced about S$2.8 billion worth of energy & environment and sustainable urban renewal-related investments in 2022, jointly undertaken by Keppel together with the private funds and/or business trust managed by Keppel Capital. We continue to pivot away from lumpy profits in the orderbook and property development business to focus on expanding recurring income. In FY 2022, the Company more than doubled its recurring income on a year-on-year basis to S$560 million, compared to S$262 million in FY 2021. We have announced that in the next phase of Keppel's Vision 2030 transformation, we will evolve into a global asset manager with strong operating capabilities, focused on creating sustainability-related solutions.
2	Keppel's discontinued offshore & marine (O&M) business turned in a net profit of S$88 million in FY 2022 compared to a net loss of S$225 million in FY 2021. Why did Keppel decide to exit the O&M business given the improving market conditions?	Although Keppel recognised S$88 million in net profit from its discontinued O&M operations in FY 2022, this was mainly due to gains from the divestment of certain assets, a partial write-back of impairments on certain legacy rigs, and after ceasing depreciation of relevant assets that have been classified under disposal group held for sale. The restructured KOM, which has since been combined with Sembcorp Marine (SCM), registered a net loss in FY 2022, due mainly to provisions for cost overruns on certain projects in the United States. Earnings from Keppel's O&M business had been very volatile in recent years[2]. Over the past five years, it ranged from a net profit of S$157 million in 2019, to a net loss of S$768 million in 2020. On average, the O&M business sustained an annual net loss of S$178 million from FY 2018 to FY 2022.

[1] Includes Keppel Logistics' businesses in Singapore, Malaysia, Vietnam and Australia, as well as UrbanFox.

[2] Does not include effects of out-of-scope assets as well as intercompany loan interest expense and fee charges.

		Through the combination of KOM and SCM, Keppel recognised a disposal gain of approximately S$3.3 billion[3]. Together with the vendor notes issued to Keppel from the sale of the legacy rigs to Asset Co, for which we will be repaid over time, as well as the out-of-scope assets, Keppel is unlocking close to S$9.4 billion of value from the O&M transactions. Keppel delivered a total shareholder return (TSR) of 49.3% for the whole of 2022, compared to Straits Times Index's (STI) 8.4%. Significantly, Keppel's TSR reached 77.7%, compared to STI's 9.2%, over a 15-month period from January 2022 to end-March 2023, following the completion of the O&M transactions and the distribution *in specie* of SCM shares to Keppel shareholders. In addition, we are able to replace the volatile earnings of the O&M business with stable interest income from the vendor notes issued by Asset Co for KOM's legacy rigs and associated receivables. The vendor notes come with a coupon rate of 4% that translates into approximately S$170 million of interest income per annum. We will also benefit from a redemption premium equal to 5% of the outstanding principal amount if and when the vendor notes are redeemed. More importantly, notwithstanding improving market conditions, we do not think the O&M business has a good fit with Keppel's Vision 2030 plans, which sees us moving away from lumpy orderbook and property development businesses and focusing on growing recurring income and building scalable businesses that leverage our asset-light model.
3	With the KOM divestment completed, what will Keppel's key business be in future? Can you share more details of Keppel's transformation plans?	In our next phase of growth, we are driving Keppel's transformation to be a global asset manager and operator, which harnesses our strong capabilities in the areas of energy & environment, urban development and connectivity. Building on the Group's strong domain knowledge and operational expertise, we will continue expanding in areas such as renewables, clean energy, decarbonisation solutions, sustainable urban renewal as well as connectivity, by leveraging our asset-light model. With the growing global focus on sustainable development and climate change, we believe that Keppel is in the right space at the right time. We will continue to make sustainability our business by investing in and creating sustainability solutions that can help our customers and other stakeholders on their progress towards Net Zero.

[3] Arising from the combination of KOM and SCM, based on the value of assets and liabilities of KOM (as Disposal Group) as of 28 February 2023, the gain on disposal recognised in the profit or loss on the date of completion is approximately S$3,300 million. The gain on disposal is subject to adjustment for any reimbursement by the Company to KOM for certain expenditures incurred by KOM before the completion of the combination, relating to assets sold by KOM to Asset Co to the extent that such expenditures are in excess of an agreed sum.

4	How will Keppel differentiate itself and compete with other global asset managers?	Keppel has a strong track record for managing funds and playing a fiduciary role in looking after investors' interests. This, coupled with our strong operating capabilities in energy and environment, urban development and connectivity solutions, present a strong value proposition to investors of our private funds and listed REITs and business trust. As one integrated business, we are adopting a horizontal 'cradle-to-maturity' approach in evaluating opportunities, from the initial investment in both greenfield and brownfield projects, to the design and development followed by the operation and maintenance phases, to their possible injection upon maturity into a REIT or business trust managed by Keppel. Our business model allows us to enjoy multiple bites of the cherry from different earning streams, and also enables us to scale up without relying just on our balance sheet.

BUSINESS AND OPERATIONS

S/N	Question	Response
5	How will Keppel navigate the current volatile geopolitical and economic environment?	Despite the volatile macro environment, there continues to be strong demand for the assets that Keppel invests in, or which we develop and operate, such as renewables, clean energy, decarbonisation solutions, sustainable urban renewal and connectivity solutions. With the growing global focus on sustainable development, climate change and digitalisation, we believe Keppel is in the right space and at the right time to provide solutions which are good for the planet, people and the Company. Nevertheless, we are monitoring the geopolitical and macroeconomic situation closely, as they can adversely affect the global economy and international operating environment. In the meantime, we continue to strengthen our business resilience amidst rising interest rates. As at end-March 2023, about 69% of the Group's borrowings were on fixed rates, with an average interest cost of 3.39% and weighted tenor of about 3 years. We believe that Keppel is in a strong position to weather the challenging international environment as we press ahead with our Vision 2030 transformation plans.
6	Given the high interest rate and cost of capital, how will Keppel acquire assets for its funds at good value?	Higher interest rates are a challenge that all companies face. We remain cautious and disciplined in evaluating deals, and will ensure that all acquisitions meet our hurdle rates. Importantly, unlike pure financial investors, Keppel brings to the table our strong operating capabilities and technical know-how, harnessing the strengths of the Keppel ecosystem to add value to the assets and platforms that we create or acquire. To meet the needs of different investors, we are also able to create funds with various risk profiles, ranging from Core funds with mature cash flow generating assets that

		have lower risks and cost of capital to Value-Added funds that provide the additional returns at moderate levels of risk. Our strong track record as an asset manager and operator makes Keppel a compelling partner for providers of capital.
7	With the lifting of COVID-19 restrictions in China, is Keppel seeing its performance in China improving? How is the management navigating the challenging property segment in China, especially as Keppel still has a lot of property developments and investments in China? What are the expectations for the earnings in China this year and moving forward?	With the relaxation of China's zero-COVID policy as well as the announcement of policies supportive of the real estate sector, we are optimistic about the long-term potential of the Chinese market, especially in the key cities where we operate. In the first few months of 2023, Keppel Land has already seen more positive signs, including an improvement in enquiries and home sales. As market conditions improve, we expect both home sales and asset monetisation of our landbank to gain further traction. Importantly, Keppel Land is pivoting away from the traditional developer model. Building on Keppel's strong track record in the real estate business, we see opportunities to offer Real Estate-as-a-Service to enhance our relevance in a world characterised by flexible work arrangements, climate action and where digitalisation is redefining the built environment. We are expanding into sustainable urban renewal and senior living, which are relatively resilient, compared to the residential real estate sector. While we do not provide forecasts of earnings, we remain confident about the long-term potential in the Chinese market, especially in the key cities where Keppel operates.
8	Keppel embarked on its first senior living community in China. Will this be a profitable venture? What do the potential earnings look like?	Increasing life expectancy and rising affluence continue to drive the expansion of ageing populations and deepen focus on well-being and healthy ageing, boosting demand for senior living facilities with community-based services. Keppel has built in-house capabilities across the senior living segment, including development and operational expertise, coupled with the experience from our investment in Watermark Retirement Communities in the United States. We are on track to commence operations in our senior living facility in Nanjing by end-2023, having finalised our facility design and are making good progress on the set-up of our operating team and systems. We believe that the senior living sector presents growth opportunities and is aligned with Keppel's Vision 2030 strategy to be asset-light and focus on growing recurring income.
9	Is the performance of Keppel's infrastructure business sustainable with energy prices trending lower?	The Group's recurring income from infrastructure services tripled from S$99 million in FY 2021 to S$309 million in FY 2022. In addition to electricity and gas sales, Keppel Infrastructure also derives recurring income from the operation and maintenance of essential infrastructure as well as through offering Energy-as-a-Service (EaaS) on long-term service contracts with building owners and customers.

		The above services would help to sustain the earnings from our infrastructure business even if energy prices trend lower. While we are unable to provide forecasts of earnings, we remain committed to and confident of growing our recurring income over the long run.
10	After the divestment of KOM, does Keppel still have the capabilities to execute projects such as the floating data centres?	Keppel continues to retain strong domain knowledge, and engineering and operational expertise in energy & environment, urban development and connectivity. Beyond leveraging in-house capabilities, Keppel also works with various industry partners to execute our solutions. We continue to make progress on our Floating Data Centre Module. We have received approval from the regulatory authorities to proceed, and are currently in negotiations with the site owner for project deployment. In addition, we are also exploring the development of Datapark+, a nearshore data centre campus project envisioned to be scalable, state-of-the-art, and low-carbon, bringing together the Group's diverse expertise in developing and operating data centres as well as clean energy and infrastructure solutions.
11	What is Keppel's outlook for the legacy rig assets under Asset Co? Can you discuss Keppel's investment exposure in Asset Co, including the perpetual securities, and how it will be compensated over time? What is the NAV per Keppel share of its equity stake in Asset Co?	Asset Co is actively engaging clients on potential contracts for the legacy rigs. Amidst the improving offshore rig market, we are hopeful that the monetisation of the legacy rigs can take place sooner, leading to an earlier repayment of the vendor notes issued by Asset Co to Keppel. As consideration for the transfer of certain KOM assets including the legacy rigs and associated receivables to Asset Co, Keppel received S$4.25 billion in vendor notes, S$120 million in perpetual securities and a 10% equity stake in Asset Co with a value of about S$499,000. The perpetual securities bear interest at a fixed rate of 10% per annum. The perpetual securities have no fixed redemption date, and Asset Co has a right to redeem the perpetual securities after at least five years from their date of issue. As mentioned above, the vendor notes come with a coupon rate of 4% that translates into approximately S$170 million of interest income per annum. We will also benefit from a redemption premium equal to 5% of the outstanding principal amount if and when the vendor notes are redeemed. The overall value of our investment in Asset Co, comprising the vendor notes, perpetual securities and equity stake, amounts to S$2.50 per Keppel share[4].

[4] Based on the Company's issued and paid-up share capital as at the date of Closing of 1,751,959,918 shares (excluding treasury shares).

SHAREHOLDER RETURNS, DIVIDENDS AND SHARE BUYBACK PROGRAMME

S/N	Question	Response
12	When can overseas shareholders expect to receive the cash proceeds from the sale of their entitled distribution *in specie* (DIS) of SCM shares?	We have completed the sale of all overseas shareholders' DIS shares as at 30 March 2023. The sale process took some time to complete after merger completion as it was undertaken with a view to optimise the sale proceeds. Overseas shareholders who are depositors can expect to receive the cash proceeds in their respective Securities Accounts before 21 April 2023. Overseas shareholders who are scrip shareholders can expect to receive the cash proceeds in the form of a cheque before 21 April 2023.
13	Why is Keppel selling the SCM shares from the segregated account now?	In line with the terms disclosed in the Circular, Keppel and SCM have jointly selected an institutional financial services provider to manage the Segregated Account and also sell the retained KOM consideration shares based on specific sale parameters that were pre-defined and agreed upon by Keppel and SCM, prior to the completion of the Combination. Neither SCM nor Keppel will have day-to-day authority over the encashment of the Retained KOM Consideration Shares in the Segregated Account. The cash proceeds of the sales will be retained in the Segregated Account for 48 months after completion of the Combination, and used to satisfy any Identified Contingent Liabilities, which SCM may have against Keppel in connection with the Combination during this period. The balance amount in the Segregated Account will be returned to Keppel, after making payments to the SCM, if any, no later than 48 months from the completion of the Combination.
14	Keppel has been paying out a total cash dividend of 33.0 cents per share for the past two years. Can we expect this level of dividends moving forward?	While we do not have a specific dividend policy, the Board and the management are cognisant that dividends are an important consideration for our shareholders. We have in recent years endeavoured to pay out about 50-60% of our earnings. The total cash dividend of 33.0 cents makes up about 63% of our earnings for FY 2022. In addition to our asset monetisation strategy, growing recurring income is a key tenet of Keppel's Vision 2030 plans. As the Group's recurring income increases, it will give us greater confidence to pay out more of our earnings as dividends.
15	Will Keppel be resuming its share buyback programme? If so, how much will be set aside for the programme?	Keppel announced the conclusion of its S$500 million share buyback programme on 16 September 2022. We do not have any plans currently to launch a further share buyback programme. We will make an announcement if there are any new developments.