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Media Release

Keppel delivers strong 1Q 2023 results through execution of Vision 2030

- *Revenue and net profit improved year-on-year in 1Q 2023, with better performance from Energy & Environment, Urban Development and Connectivity*

- *Delivered strong value through successful completion of offshore and marine (O&M) transactions:*

  - *Recognised disposal gain of S$3.3 billion[1] and received cash of S$500 million in 1Q 2023 following Keppel Offshore & Marine (KOM) and Sembcorp Marine (SCM) combination*

  - *Replaced volatile O&M earnings with about S$170 million in stable annual interest income from Asset Co vendor notes*

- *Delivered Total Shareholder Return of 77.7%, more than 8x Straits Times Index's 9.2%, over 15 months from January 2022 to end-March 2023*

- *Achieved asset monetisation target of S$3-S$5 billion with S$4.9 billion [2] announced to date, on track to exceed S$5 billion in 2023*

Singapore, 20 April 2023 – Keppel Corporation Limited (Keppel) has released its voluntary business update for 1Q 2023, reporting a significantly higher year-on-year (yoy) net profit, bolstered by a significant disposal gain from the combination of KOM with SCM.

Excluding Discontinued Operations and the disposal gain of about S$3.3 billion[1], 1Q 2023's net profit was slightly higher yoy, underpinned by stronger performance across the Energy & Environment, Urban Development and Connectivity segments.

[1] 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.
[2] Since the start of asset monetisation programme in Oct 2020; Does not include the realisable value from the O&M transactions.

The Group's revenue[3] was S$2,255 million for 1Q 2023, about 9% higher than S$2,068 million a year ago, with the Energy & Environment, Urban Development and Connectivity segments reporting higher contributions.

With the successful KOM-SCM combination, Keppel recognised a disposal gain of approximately S$3.3 billion[1], received S$500 million in cash, and distributed about S$3.85 billion[4] to Keppel shareholders via a distribution *in specie* (DIS) of SCM shares in 1Q 2023[5]. Reflecting the substantial DIS of SCM shares, which had a value of S$2.19 per Keppel share[6], Keppel's share price closed at an ex-distribution price of S$5.40 on 23 February 2023. As at 19 April 2023, Keppel's share price closed at S$6.19 while SCM's share price closed at S$0.118. For shareholders who continued to hold both Keppel and the SCM DIS shares, the combined value of their holdings would be S$8.44.

In addition, through the Asset Co transaction[7], the volatile earnings of the O&M business, which registered an average annual net loss of S$178 million over the past five years[8], have also been replaced with stable interest income from the vendor notes of about S$170 million per annum. Furthermore, Keppel will also benefit from a redemption premium equal to 5% of the outstanding principal amount if and when the vendor notes are redeemed.

Notwithstanding the substantial DIS of SCM shares, the Group's net gearing only increased slightly to 0.83x as at end-March 2023, from 0.78x as at end-2022, on the back of the significant disposal gain. Amid rising interest rates, the Group continued to strengthen its business resilience. As at end-March 2023, 69% of the Group's borrowings were on fixed rates, with average interest cost of 3.39% and weighted tenor of about 3 years.

In 1Q 2023, the Group announced the further unlocking of S$373 million in capital, bringing the cumulative asset monetisation to more than S$4.9 billion[2] since the asset monetisation programme commenced in October 2020.

Mr Loh Chin Hua, CEO of Keppel Corporation, said, "Keppel continues to deliver strong value for shareholders as we execute our Vision 2030 plans. Including the completion of the O&M transactions and the distribution *in specie* of Sembcorp Marine shares, Keppel has delivered a Total Shareholder Return of 77.7%, more than eight times STI's 9.2%, over a 15-month period from the start of 2022 to end-March 2023.

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[3] Includes contributions from Discontinued Operations. Excluding Discontinued Operations, revenue from Continuing Operations in 1Q 2023 was S$1,624m, up 4% from S$1,565m for 1Q 2022.
[4] Based on the closing price of SCM shares as at 1 March 2023 of S$0.115.
[5] Keppel also received 5% of SCM shares retained in the segregated account.
[6] S$2.19 is rounded to the nearest two decimal places; calculated based on a division of (i) the cash equivalent amount of the dividend declared by the Company of S$3,845,164,646.11, by (ii) the Company's issued and paid-up share capital as at the Record Date of 1,751,959,918 Keppel Shares (excluding treasury shares).
[7] 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.
[8] From FY 2018 to FY 2022; does not include effects of out-of-scope assets as well as intercompany loan interest expense and fee charges.

“We have achieved our 3-year asset monetisation target ahead of schedule, with over S$4.9 billion announced since October 2020. We expect to exceed the upper bound of the S$3-S$5 billion range by year end, and will announce a new interim monetisation target shortly, with the final goal of reaching the full S$17.5 billion announced earlier.

“The Board and Management are excited about what the future holds for Keppel, as we steer the Group’s transformation into a global asset manager and operator, focused on investing in and creating solutions for a sustainable future. We will share more details on the next phase of Keppel's transformation plans in May 2023.”

In the Asset Management segment, the absence of fees from acquisitions made by Keppel Infrastructure Trust and Keppel DC REIT in 1Q 2022 led to a lower profit in the current quarter. Keppel Capital continues to garner investor interest for the Keppel Sustainable Urban Renewal Fund and Keppel Core Infrastructure Fund launched in late-2022, and is looking to launch the Keppel Asia Infrastructure Fund II, following the successful deployment of Fund I and its co-investment vehicles.

In the Energy & Environment segment, Keppel Infrastructure’s net profit improved strongly in 1Q 2023 compared to 1Q 2022, while its revenue rose by 3% to S$1.03 billion, driven by higher sales from the Power & Renewables and Energy-as-a-Service businesses. Keppel’s renewable energy portfolio[9] has also grown to about 2.8 GW as at end-March 2023, up from 2.6 GW at the end of 2022.

In the Urban Development segment, Keppel Land’s net profit was significantly higher yoy with more contributions from trading projects. In China, Keppel Land’s home sales increased by 2.8x yoy, following the lifting of COVID-19 restrictions and introduction of encouraging government policies. During the quarter, Keppel Land announced the unlocking of about S$280 million in capital from assets in the Philippines, Myanmar and Vietnam.

In the Connectivity segment, Keppel Data Centres reported a yoy decline in 1Q 2023 performance mainly due to costs incurred to support new projects and its expansion in new markets. Meanwhile, M1 recorded a significantly higher yoy net profit in 1Q 2023, while its revenue rose 14% yoy to S$295 million. Notably, the enterprise business topline grew 60% yoy to S$107 million, and made up about 36% of M1’s total revenue in 1Q 2023, compared to 26% in 1Q 2022.

More details on the updates for the business segments for 1Q 2023 can be found in the addendum to this media release.

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[9] On a gross basis and includes projects under development.

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About Keppel Corporation

Keppel Corporation is a global asset manager and operator with strong expertise in sustainability-related solutions spanning the areas of energy & environment, urban development and connectivity. Headquartered in Singapore, Keppel operates in more than 20 countries worldwide, providing critical infrastructure and services for renewables, clean energy, decarbonisation, sustainable urban renewal and digital connectivity. Through its quality investment platforms and asset portfolios, Keppel contributes to advancing sustainable development, the energy transition and the digital economy, while creating enduring value for stakeholders.

Addendum

Asset Management

In the Asset Management segment, net profit for 1Q 2023 was lower yoy mainly due to an absence of fees from acquisitions made by Keppel Infrastructure Trust and Keppel DC REIT in 1Q 2022.

Harnessing the synergies of the Keppel ecosystem and the Group's strong operating capabilities, Keppel Capital continues to garner investor interest for its new flagship funds Keppel Sustainable Urban Renewal Fund and Keppel Core Infrastructure Fund launched at the end of 2022. It is also working on launching Keppel Asia Infrastructure Fund II, following the successful allocation of Fund I and its co-investment vehicles.

Energy & Environment

Keppel Infrastructure's net profit improved strongly in 1Q 2023 compared to 1Q 2022, while its revenue rose by 3% to S$1.03 billion, driven by higher sales from the Power & Renewables and Energy-as-a-service businesses. Since the launch of Keppel Infrastructure's Energy-as-a-Service business in late-2021, it has secured more than S$320 million worth of subscriptions across energy supply, cooling services, energy optimisation & analytics and electric vehicle charging stations, thereby growing its future recurring income sources.

Meanwhile, Keppel continues to explore the development of green hydrogen and ammonia value chains with international partners. During the quarter, Keppel Infrastructure reached financial close for the Keppel Sakra Cogen Plant, whose ground-breaking is expected to be held by mid-2023.

As at end-March 2023, Keppel's diverse renewable energy portfolio[9] grew to about 2.8 GW from 2.6 GW as at end-December 2022. Notably, the Group's renewable energy portfolio generated S$35 million in profit in FY 2022, including contributions from the first multilateral power trade from Lao PDR to Singapore, under the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project, which commenced in June 2022.

Building on Keppel's first-mover advantage in the importation of renewables and multi-lateral electricity trade, Keppel Infrastructure through its subsidiary, was the first entity to receive conditional approval from the Energy Market Authority of Singapore in 1Q 2023 for the import and sale of 1 GW of low carbon electricity from some 4 GW of renewable energy sources in Cambodia, and potentially Lao PDR. It also signed a memorandum of understanding as part of a consortium comprising members of Sustainable Energy Association of Singapore to develop Indonesia's Green Corridor Project, both for domestic use and export to Singapore.

Urban Development

Keppel Land registered significantly higher yoy net profit, with more contributions from trading projects. In China, Keppel Land's home sales increased by 2.8x yoy from 220 units to 830 units in 1Q 2023, following the lifting of COVID-19 restrictions in China and introduction of encouraging government policies. Advancing its transformation into an asset-light urban solutions provider, it continued to unlock value from capital recycling, announcing about S$280 million of assets monetised across the Philippines, Myanmar and Vietnam.

In line with its pivot towards Real Estate-as-a-Service, it is expanding its sustainable urban renewal business across Singapore, China, Korea, India and Vietnam. Keppel Land is also progressing its senior living business in China, having finalised the design of its 400-bed senior living facility in Nanjing and preparing for launch by the fourth quarter of 2023.

Connectivity

Keppel Data Centres reported a yoy decline in 1Q 2023 performance mainly due to costs incurred to support new projects and its expansion in new markets. The first two of three buildings in the Keppel Data Centre Campus at Genting Lane have been fully leased, with the first phase of Building 1 ready for service. Plans to develop Building 3 of the Campus are in progress.

With manufacturing substantially completed, the Bifrost Cable System will start cable-laying operations in 3Q 2023 and is expected to be ready for service in 2024.

M1 recorded a significantly higher yoy net profit, while its revenue rose 14% yoy to S$295 million. Revenue contribution from the enterprise business grew 60% yoy to S$107 million in 1Q 2023, making up about 36% of M1's total revenue for the quarter. M1 continues to build up industry-specific 5G expertise and is rolling out tailored enterprise solutions to boost 5G adoption and grow new revenue streams both locally and abroad. As at end-March 2023, M1 grew its postpaid customer base by 9% yoy to over 1.9 million subscribers, and achieved nationwide 5G standalone network coverage ahead of schedule.