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DIVESTMENT OF 51% INTEREST IN KEPPEL MERLIMAU COGEN PTE. LTD. TO KEPPEL INFRASTRUCTURE TRUST

Keppel Corporation Limited (the "**Company**" or "**KCL**") wishes to inform that its wholly-owned subsidiary, Keppel Infrastructure Holdings Pte. Ltd. ("**KI**") (the sponsor of Keppel Infrastructure Trust ("**KIT**")) has, through its wholly-owned subsidiary, Keppel Energy Pte. Ltd. ("**Keppel Energy**"), today entered into a conditional sale and purchase agreement (the "**KMC SPA**") with Keppel Infrastructure Fund Management Pte. Ltd. ("**KIFM**"), in its capacity as trustee-manager of KIT, to divest 102 ordinary shares ("**Sale Shares**"), representing 51% of the issued and paid-up share capital of Keppel Merlimau Cogen Pte. Ltd. ("**KMC**") to KIT (the "**Relevant Stake**" and such transaction, the "**KMC Transaction**"). KMC, which owns a 1,300 MW combined cycle gas turbine power generation facility on Jurong Island, Singapore, is an asset under the rights of first refusal granted by KI to KIFM on 16 April 2014 in respect of the sale, transfer or disposal of certain infrastructure assets.

The purchase consideration for the Relevant Stake is S$510 million, comprising S$255 million for the Sale Shares and S$255 million for interest-bearing notes ("**Notes**") to be issued by KMC to KIT. The purchase consideration is payable wholly in cash and was negotiated on a willing-buyer and willing-seller basis between Keppel Energy and KIFM based on an enterprise value of S$1.7 billion for KMC, less a S$700 million loan[1], having regard to the future cash-flows to be generated by KMC after the restructuring exercise (as further explained below) and the risk profile of KMC as an entity post-restructuring. As at 31 December 2013, the book value and net tangible asset value of the Sale Shares were both S$77.36 million.

To facilitate the KMC Transaction, KMC will enter into a 15-year capacity tolling agreement with Keppel Electric Pte Ltd ("**Keppel Electric**"), a wholly-owned subsidiary of KI. Under the capacity tolling agreement, KMC will contract its full capacity with Keppel Electric. The maximum capacity fee is S$108 million per annum as long as KMC meets the availability and capacity test targets, with most of KMC's operating costs being passed through. With this arrangement, volatility caused by movements in electricity prices and demand in the Singapore merchant power market typically experienced by independent power producers will be mitigated for KMC. KI will guarantee Keppel Electric's payment obligations to KMC. To ensure continuity of operations, KMC will enter into a long-term service agreement with KMC O&M Pte. Ltd, a wholly-owned subsidiary of KI, and will continue to be operated and maintained by the same team which has operated the plant since 2007.

The completion of the KMC Transaction is conditional upon, amongst others, the approval of KIT unitholders for the KMC Transaction and the equity fund raising to fund the KMC Transaction, and regulatory consents and approvals being obtained. The completion date of the KMC Transaction is expected to be in the second quarter of 2015.

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[1] The S$700 million loan is to replace existing loans from KMC's related corporations.

Upon the completion of the KMC Transaction, Keppel Energy will hold the remaining 49% direct interest in KMC and KMC will become an associated company of KCL. Keppel Energy and KIT, together with KMC, will also be entering into a shareholders' agreement upon completion of the KMC Transaction to govern their relationship as shareholders of KMC.

The Company and KI are deemed to have an interest in 309,683,005 units in KIT, representing 49.17% of the issued units in KIT, held through a wholly-owned subsidiary, Keppel Integrated Engineering Ltd. Mr Loh Chin Hua, CEO and Executive Director of the Company, is the Chairman on the Board of KI.

As at the date of this Announcement, the following directors of the Company have interests in KIT as follows:

	Direct Interest		**Deemed Interest**	
Name of Director	No. of KIT Units	%[1]	No. of KIT Units	%[1]
Dr. Lee Boon Yang	4,000	n.m.[2]	-	-
Mrs Oon Kum Loon	9,800	n.m.[2]	8,000[3]	n.m.[2]
Mr Tow Heng Tan	1,800	n.m.[2]	304,934[3]	0.05
Mr Tan Puay Chiang	4,000	n.m.[2]	2,000[3]	n.m.[2]

Notes:

1. Based on the total number of 629,781,279 issued and fully paid units in KIT as at the date of this Announcement.
2. Not meaningful.
3. Deemed to have an interest in KIT units held by spouse.

As at the date of this Announcement, Temasek Holdings (Private) Limited, a controlling shareholder of the Company, has interest in KIT as follows:

	Direct Interest		**Deemed Interest**	
	No. of KIT Units	%[1]	No. of KIT Units	%[1]
Temasek Holdings (Private) Limited	-	-	309,683,081[2]	49.17[2]

Notes:

1. Based on the total number of 629,781,279 issued and fully paid units in KIT as at the date of this Announcement.
2. Temasek Holdings (Private) Limited is deemed to have an interest in the KIT units in which its associated companies, namely the Company and DBS Group Holdings Limited, have interests.

Save as aforementioned, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the KMC Transaction, other than through their shareholding in the Company.

The KMC Transaction is not expected to have any significant impact on the earnings per share and net tangible asset per share of the Company for the financial year ending 31 December 2014.

Separately, KIFM has announced today that it has entered into an agreement with CitySpring Infrastructure Trust Management Pte. Ltd. ("**CSIM**") (in its capacity as trustee-manager of CitySpring Infrastructure Trust ("**CIT**")) in relation to CSIM acquiring the business undertaking and assets of KIT. Upon completion, KIFM (or another related entity of KIFM) would replace CSIM as trustee-manager of CIT, which is intended to be renamed as "Keppel Infrastructure Trust". Please refer to the announcement and joint press release made today by KIFM for more details.