

Address by Mr Loh Chin Hua, CEO of Keppel Corporation

FIRST HALF ENDED 30 JUNE 2022

Introduction

The global economic outlook has weakened over the past few months, with the conflict in Ukraine, heightened geopolitical tensions, climate change, supply chain disruptions, and the lingering impact of COVID-19 imposing challenges on the operating environment. Inflation, interest rates and energy prices are expected to stay higher for longer, while prospects for economic growth have dimmed in many key economies.

As Keppel navigates the myriad challenges, we are also taking steps to enhance the resilience of Keppel's operations and business. As at the end of June 2022, we have locked in interest rates for 75% of our loans, with an average interest cost of 2.56% and weighted tenure of about three years. This will help ensure that Keppel remains in a strong financial position to weather the headwinds.

The essential services that Keppel provides are relatively resilient during economic slowdowns, as they had been during the pandemic. In an environment where inflation is expected to persist for some time, demand for real assets with cash flow, such as infrastructure, data centres and real estate, will continue to grow. These are precisely the areas in which Keppel has strong track records and which we are focusing on as part of Vision 2030.

Accelerating execution of Vision 2030

1H 2022 saw Keppel accelerate the execution of our Vision, as we continued to simplify and focus our business, monetise our assets and grow our presence in renewables and decarbonisation solutions.

We have completed the divestment of Keppel Logistics¹ and also signed definitive agreements for the proposed combination of Keppel Offshore & Marine (Keppel O&M) and Sembcorp Marine and resolution of our legacy rigs and associated receivables.

When the Offshore & Marine (O&M) transactions are completed, the new Keppel will be a very different entity from what we were before.

We will be a focused provider of sustainable urbanisation solutions, with an asset management arm, complemented by strong engineering, operations and maintenance capabilities in Energy & Environment, Urban Development and Connectivity.

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

As we continue to execute our Vision 2030 strategy, I am confident that we will not only enhance the Group's earnings but also help the market to better understand and appreciate Keppel's value.

Delivering strong performance in 1H 2022

Keppel delivered strong results in 1H 2022 with the Group achieving a net profit of S\$498 million, 66% higher compared to S\$300 million in 1H 2021. Annualised Return on Equity improved to 8.4% for 1H 2022, compared to 5.5% for 1H 2021. Free cash outflow was S\$127 million in 1H 2022, compared to the inflow of S\$499 million in 1H 2021, due mainly to lower divestment proceeds. Net gearing remained unchanged at 0.68x as at end-June 2022, compared to end-December 2021.

Since the launch of our S\$500 million Share Buyback Programme in January this year, we have repurchased 57 million shares at an average share price of S\$6.39, amounting to S\$364 million in 1H 2022.

In appreciation of the support and confidence of our shareholders, the Board of Directors has approved an interim cash dividend of 15.0 cents per share for 1H 2022. This interim dividend, which will be paid to shareholders on 19 August 2022, is higher than last year's interim dividend of 12.0 cents, reflecting the Board and management's confidence in the Group's performance and execution of Vision 2030.

Growing recurring income

We have emphasised our commitment to grow recurring income. For 1H 2022, recurring income contributed S\$202 million to the Group's earnings, an increase of 43% from S\$141 million in 1H 2021.

Strong progress with asset monetisation

Since the start of our asset monetisation programme in October 2020, we have announced about S\$3.6 billion of asset monetisation, and received about S\$2.9 billion of this in cash.

The most recent announcement was the non-binding term sheet on the sale of our interest in the entity which owns the Keppel Marina East Desalination Plant (KMEDP) to Keppel Infrastructure Trust (KIT). As the developer of the KMEDP, Keppel Infrastructure will continue to operate and maintain the plant, which will add to the Group's recurring fee income. At the same time, the asset will enhance the strength and resilience of KIT's portfolio, providing greater cash flow visibility.

With the good progress that we have achieved, and the line-up of assets for monetisation, we remain confident of exceeding our S\$5 billion target by end-2023.

Growing Asia's leading asset management platform

Our asset management business is not only a growing contributor to the Group but also an increasingly important and strategic horizontal that pulls the Group together.

We are growing our asset management business and expanding its focus and track record from real estate to infrastructure, data centres, senior living, and a variety of alternative asset classes. The Group's capabilities in developing and operating real assets across these asset classes are well appreciated by investors. This unique value proposition is something we have and will continue to leverage as we grow our asset management business. We are not just a financial investor like most asset managers. Keppel has a long history and track record of building and operating many of these real assets that investors are increasingly targeting – assets with predictable cash flow and protection against inflation.

In the first half of 2022, our asset management fees² rose steadily, growing 14% year-on-year to S\$126 million, further boosting the Group's recurring income. Plans are in progress to launch new flagship funds such as the Keppel Core Infrastructure Fund and the Keppel Sustainable Urban Renewal Fund, in line with the Group's focus on sustainable urbanisation solutions.

At the end of 2021, Keppel Capital's AUM was S\$42 billion. Of this, Keppel has put in about S\$3.5 billion from our balance sheet.

We said earlier that as at end-June 2020, the Group had S\$17.5 billion of monetisable assets, based on carrying value. These assets include our land bank carried at historical costs. Should we monetise these assets at say, a market value of about S\$20 billion, and if we were to use S\$5 billion of the proceeds to reward shareholders through dividends and through the repurchase of shares, and also pay down debt, then we would have some S\$15 billion to re-invest for growth.

Using our asset-light model and investing alongside investors in our chosen new growth initiatives, our AUM could potentially grow to over S\$200 billion, assuming that a similar multiplier applies.

Seizing opportunities in Energy & Environment

Amidst growing concerns about climate change, Keppel is leveraging our asset-light model to seize opportunities in renewables, clean energy, decarbonisation and environmental solutions, as OneKeppel.

In July, we announced a joint initiative between Keppel Corporation and KIT to invest S\$234 million in onshore wind assets with a capacity of 258MW across Europe. This

² Includes 100% fees from subsidiary managers, joint ventures and associated entities, as well as share of fees based on shareholding stake in associate with which Keppel has strategic alliance.

investment will provide Keppel not only with stable recurring income from the operating assets but also a strong deal flow pipeline in well-established markets, with best-in-class operators and co-investors. Including this latest announcement, the Group has about 1.8GW of renewable energy assets in our portfolio³.

This and other recent initiatives demonstrate how Keppel can quickly scale up in our growth areas and expand our sources of recurring income, without relying just on our own balance sheet.

Scaling up in renewables, clean energy & decarbonisation solutions

Keppel Infrastructure delivered very strong performance in 1H 2022, with earnings rising 77% year-on-year⁴, as we continued to make progress in supporting our communities and customers on their journeys to net zero.

In June, Keppel Electric became the first entity in Singapore to be issued an electricity importer licence by Energy Market Authority and commenced its first renewable energy import under a two-year power purchase agreement for up to 100MW of renewable hydropower from Laos. We aim to leverage this inaugural cross-border renewable power trade experience and track record to scale renewables importation over the longer term, to provide low-carbon energy to our customers in support of their net zero plans.

Keppel Infrastructure continues to push the envelope for the development of more renewables and decarbonisation solutions. These include an MOU with the National Environment Agency to jointly study the feasibility and explore the implementation of carbon capture at Singapore's waste-to-energy plants, and a grant from the Energy Market Authority and JTC to pilot Singapore's first membrane-based nearshore floating solar photovoltaic system at Jurong Island.

Advancing transformation of Keppel Land

The property market in China faces significant headwinds, as market sentiments have been affected by debt issues faced by certain Chinese developers, the slowdown in the Chinese economy and the COVID-19-related lockdowns. Despite the short-term economic challenges, we remain confident about the long-term potential of China, especially in the key Tier 1 and 2 cities where we operate, underpinned by continued economic development and growing affluence among the Chinese people.

In the past few years, we have been increasingly monetising Keppel Land's sizeable landbank, as we transform Keppel Land from a traditional developer into an asset-light provider of urban space solutions. To further accelerate our asset-light strategy, we are actively exploring opportunities to significantly monetise Keppel Land's landbank in China and Vietnam over the next one to two years. This includes the possibility of injecting our

³ On a gross basis and includes projects under development.

⁴ Does not include contribution from the business trust.

landbank into funds managed by Keppel. It would not only allow us to realise the potential value of our landbank, which continues to be held at cost, but also expand our AUM. Investors in these landbank funds would also be able to tap into the proven capabilities of the Keppel Land teams who have been operating in China and Vietnam for the past three decades.

Looking ahead, Keppel Land will continue to accelerate its pivot towards providing real estate-as-a-service and is also exploring a pipeline of sustainable urban renewal and senior living projects across key markets.

To be clear, whilst income-generating real estate and real estate services will remain a key focus for the group, the future Keppel will not be just a real estate company after the logistics sale and proposed Keppel O&M spinoff. As part of Vision 2030, Keppel will also focus on flagship offerings in energy transition and decarbonisation, environmental engineering solutions and connectivity, with a symbiotic asset management business to turbo charge growth and create value for the Group. Such flagship offerings will increasingly be integrated horizontally such as in our data centre business. We will seek to provide our clients with not just data storage services but also green electrons to support their net zero ambitions, energy efficient district cooling services as well as an efficient capital funding and recycling model through our private data centre funds and Keppel DC REIT.

Expanding connectivity solutions

We continue to grow our portfolio of data centres in key markets. We have just announced our sixth data centre project in mainland China, to cater to the strong demand for data centres, driven by the country's continuing digitalisation and data localisation requirements. In Singapore, we are also actively working with the government and partners to introduce green power and energy efficient infrastructure for both our new and existing data centres.

M1's earnings grew significantly, rising 62% year-on-year in 1H 2022, underpinned by strong execution of its transformation plans and continuing growth in the enterprise business, coupled with the increase in roaming and prepaid revenues following the progressive reopening of economies. M1 continues to make good progress in its 5G Standalone Network rollout. We have achieved more than 80% outdoor coverage as at end-June 2022 and are on track to achieve nation-wide outdoor coverage by early-2023. M1 is also actively collaborating with other Keppel business units and industry partners to create smarter, future-ready solutions and more 5G use cases. A case in point is M1's collaboration with Keppel Land to transform i12 Katong into a 5G-enabled shopping mall.

Improving outlook for O&M business

The outlook for the O&M sector continues to improve with the increase in oil price. In the first six months of 2022, Keppel O&M secured S\$256 million of new orders, bringing its net orderbook to S\$4.4 billion as at the end of June.

In the latest Petrobras tender, Keppel O&M was selected as the only qualified bidder for the P-80 FPSO project. Keppel O&M is presently in advanced discussions for the P-80 contract as well as an option for a second FPSO. The two FPSO projects, if awarded, would add over S\$8 billion to Keppel O&M's orderbook. Both FPSO projects will have milestone payments with a 10% deposit upfront from the customer when the contracts are executed.

Keppel O&M was profitable in 1H 2022. Op Co⁵, which will travel across to merge with the new Combined Entity, minus the legacy rigs and the out-of-scope businesses, made a net profit of S\$94 million in the first half of 2022.

Preparations to complete the proposed O&M transactions are progressing well. Anti-trust filings have been lodged in different markets and we are hopeful that approvals will be obtained within our expected timeline. Both Keppel and Sembcorp Marine are also concurrently working on submitting the relevant applications to SGX for the respective shareholder meetings to approve the Proposed Combination.

In the meantime, Keppel O&M is making encouraging progress with its legacy rigs. The near-term shortage of modern rigs has led to an increase in enquiries, as well as utilisation and day rates for benign environment jackups and floaters. In May, Keppel O&M announced some S\$255 million worth of bareboat charter contracts for four of its legacy jackups, with charter periods of three to five years. Keppel O&M is also engaging potential buyers for some of its rig assets.

Given the improved market sentiments and traction achieved thus far, we are confident the legacy rigs can be substantially monetised over the next three to five years.

⁵ Op Co comprises Keppel O&M excluding the legacy completed and uncompleted rigs and associated receivables and its interests in Floatel and Dyna-Mac.

Realisable value from proposed O&M transactions

We continue to work towards completing the proposed O&M transactions by the end of 2022. As announced, when completed, we will distribute substantially all the shares of the Combined Entity that we will receive, as a distribution in-specie to Keppel Corporation's shareholders. The distribution of this 46% stake in the Combined Entity to our shareholders will be approximately 18.5 shares⁶ of the Combined Entity for each share of Keppel Corporation that our shareholders hold. The final value of this distribution will depend on the actual traded price of the Combined Entity after the completion of the deal. For illustrative purposes, based on the volume weighted average price of Sembcorp Marine at the time of the signing of the definitive agreements, the value of shares of the Combined Entity that each Keppel Corporation shareholder will be entitled to for every share held is approximately S\$2.26⁶.

Together with S\$4.05 billion⁷ comprising vendor notes, perpetual securities and a 10% stake in Asset Co, as well as the S\$500 million which we will receive in cash, Keppel can realise approximately S\$9.42 billion in value from the proposed O&M transactions, which is equivalent to S\$5.32 in value per share of Keppel Corporation. This does not include approximately S\$300 million in out-of-scope assets which will continue to be held by Keppel Corporation.

Conclusion

To conclude, climate action and the energy transition are expected to gather pace. At the same time, considerations related to energy security would become increasingly critical to governments, driving demand for sustainable energy infrastructure. With the global push towards net zero, sustainability-related products and services will be a major growth sector, auguring well for Keppel's energy efficiency, carbon abatement and clean energy solutions.

These are thus very exciting times for Keppel as we prepare for a new phase in the Company's growth journey. Keppel is in the right space, at the right time. We have the ability to create, operate and maintain not only real assets with stable cash flow, but also assets that are highly sought after amidst the global emphasis on sustainable development. Through our focus on sustainability, being asset-light and harnessing

⁶ The value of the proposed distribution is calculated based on 1,770,895,935 Keppel Corporation shares in issue (excluding treasury shares) as at 30 June 2022 and an assumed issue price of the Combined Entity Shares of S\$0.122 per share, being the volume weighted average price of Sembcorp Marine shares for the last 10 trading days up to and including 26 April 2022, and assuming a total of 39,949,762,557 new Combined Entity Shares (representing 56% of the issued and paid-up share capital of the Combined Entity) to be issued to Keppel on completion of the proposed transaction. The actual issue price of the Combined Entity Shares would be determined subsequently by the Combined Entity and may differ from the aforementioned issue price of S\$0.122 per share.

⁷ This is computed on a pro forma basis, based on carrying values of the legacy rigs and associated receivables as at 31 December 2021. The actual value of the consideration will be based on the carrying values of these assets at the date of completion of the sale.

technology, we will deliver solutions that contribute to sustainable urbanisation and climate action, and create value for all our stakeholders.

**ADDRESS BY MR CHAN HON CHEW, CHIEF FINANCIAL OFFICER,
KEPPEL CORPORATION**

FIRST HALF ENDED 30 JUNE 2022

Group Performance (Slide 17)

1. Thank you, Chin Hua, and a very good evening to all.
2. Before I take you through the Group's financial performance, I would like to bring to your attention that, in accordance with the relevant accounting standards, the results of Keppel O&M, excluding certain out-of-scope assets, are presented as discontinued operations, with comparative information re-presented accordingly. The Group has also ceased depreciation of the relevant assets that have been classified under disposal group held for sale. These follow the definitive agreements for the proposed combination of Keppel O&M and Sembcorp Marine, as well as the definitive agreement with Baluran Limited and Kyanite Investment Holdings Pte Ltd, for the sale of Keppel O&M's legacy rigs and associated receivables to a new and separate entity.
3. For the first half of 2022, the Group's net profit including discontinued operations was \$498 million, representing a 66% or \$198 million growth year-on-year. If we exclude the results of discontinued operations, the Group's net profit from continuing operations grew 26% to \$434 million as compared to \$344 million in the same period last year.
4. All segments were profitable with improved year-on-year performance from Energy & Environment and Asset Management.
5. Consequently, annualised ROE improved strongly from 5.5% to 8.4%.
6. In the first half, our Urban Development and Asset Management businesses continued to contribute significantly to the Group, accounting for 65% of the Group's profits. Corporate & Others, which continued to record strong returns from our investments in start-ups and venture capital funds, contributed \$56 million in earnings, representing 11% of the Group's profit. Energy & Environment contributed a net profit of \$45 million, or 9% of the Group's bottom-line, reversing its net loss in the prior year. Discontinued operations registered a net profit of \$64 million, reversing the net loss of \$44 million in the first half of 2021.
7. I will further elaborate on the performance of each segment later on.
8. Beyond the growth in profitability, the Group has maintained a healthy balance sheet. Net gearing was stable at 0.68x as at end of June 2022 as compared to end of 2021, despite the slight increase in net debt. Capital employed has increased due to the earnings growth and movements in other reserves during the half year.
9. Free cash outflow was \$127 million as compared to free cash inflow of \$499 million in the same period last year. This was largely due to lower divestment proceeds from asset

monetisations completed and higher investments made during the current half year, partly offset by improved working capital changes.

Multiple Income Streams (Slide 18)

10. In addition to the increase in recurring income as highlighted by CEO earlier on, other income streams such as revaluation and fair value gain on investments have also performed better year-on-year. Recurring income improved 43% to \$202 million in the first half of 2022, underpinned by stronger share of results from an associated company involved in the integrated power, gas and renewable energy business under Keppel Infrastructure, lower share of losses from Floatel, as well as higher net profits achieved by M1.
11. Fair value gains on investments were driven by the strong returns from our investments in new technology and start-ups such as Envision AESC Global Investment L.P. and Vertex Ventures.
12. The Group also continued to record revaluation gains from investment properties and data centres in the current half year.
13. Earnings from Development for Sale were lower year-on-year mainly due to lower contributions from trading projects in China and the absence of enbloc sales.

Energy & Environment (Slide 19)

14. Moving on to the performance by segment.
15. Energy & Environment's net profit for the first half was \$109 million, a sharp reversal from the net loss of \$179 million in 2021, which had included an impairment of \$318 million related to the Group's exposures to KrisEnergy, partially offset by share of Floatel's net restructuring gain of \$215 million.
16. Our infrastructure business achieved a 77% increase in net profit to \$106 million. All key sub-segments of Keppel Infrastructure recorded higher year-on-year net profits, backed by the strong execution of ongoing operations and projects, and a higher share of results from an associated company as mentioned earlier.
17. Discontinued operations recorded a net profit of \$64 million, reversing the net loss of \$44 million in 2021, underpinned by Keppel O&M's improved performance. In addition to revenue recognition from new projects, Keppel O&M also recorded higher investment income, improved results from associated companies, as well as gains from the divestment of Keppel Smit Towage and Maju Maritime. As mentioned earlier, the Group has also ceased depreciation for the relevant assets that have been classified under disposal group held for sale.

Urban Development (Slide 20)

18. Urban Development's net profit was lower year-on-year at \$168 million mainly due to lower contributions from China trading projects and fair value gains from investment properties. There was also an absence of gain from enbloc sales in 1H 2022, as compared to a \$53 million gain recognised from the sale of our interests in the Dong Nai project in Vietnam last year.
19. Contribution from the Sino-Singapore Tianjin Eco-City was lower as there were no land sales in the current period, compared to the sale of a commercial and residential plot achieved in 1H 2021.

Connectivity (Slide 21)

20. Connectivity's net profit was lower year-on-year at \$10 million mainly due to the absence of a gain from the disposal of interests in Keppel Logistics (Foshan) in 2021. This was partly offset by gains from divestment of Keppel Logistics Pte Ltd and Indo Trans Keppel Logistics Vietnam Ltd.
21. M1's mobile and enterprise revenue grew as it continues to expand the enterprise business and 5G offerings. Net profit from M1 was 62% higher at \$34 million on the back of better operating results underpinned by higher revenue and lower depreciation and amortisation expenses, which were partly offset by network service fee expenses.
22. Performance of the data centre business was lower as compared to first half of 2021. This was mainly due to the absence of fair value gain from Keppel DC Frankfurt 1 that was divested in September last year. Earnings from our data centre business shown on this slide do not include about \$20 million earnings from Keppel DC REIT and the data centre private funds, which are reported under the Asset Management segment.

Asset Management (Slide 22)

23. Asset Management achieved an increase of 32% in net profit to \$155 million in the first half of the year. The strong performance was underpinned by higher fee income arising from successful acquisitions by the REITs & Trust during the period, as well as higher fair value gains on investment properties and data centres recorded by the REITs and private funds. These were partly offset by the absence of mark-to-market gains from investments recognised in 2021.
24. The lower net profit from the private funds was mainly due to the absence of contribution from a fund that was liquidated in 2021.

Corporate & Others (Slide 23)

25. Contribution from Corporate & Others remained stable at \$56 million despite the absence of distribution income from iGlobe Partners Platinum Fund I recognised in the first half of 2021.
26. As shared earlier, our investments in new technology and start-ups continued to yield good returns that supported the \$94 million of fair value gains recorded in the first half of 2022, mainly from investments such as Envision AESC Global Investment L.P. and Vertex Ventures.
27. The positive variance was partly offset by higher interest expense attributable to this segment and the absence of gain from the disposal of a non-core asset recognised last year.

Conclusion (Slide 24)

28. To round up, the Group has delivered strong financial performance for the first half of 2022, as evidenced by the sharp ROE improvement, healthy net gearing and higher recurring income.
29. With that, we have come to the end of the presentation, and I shall hand the time back to CEO, for the Q&A section. Thank you.