

Media Release

Keppel reports over S\$3.6 billion net profit as it transforms to be a global asset manager and operator

- *Booked gains of S\$3.3 billion from disposal of O&M business in 1H23.*
- *Excluding discontinued O&M operations, recurring income surged 62% yoy to S\$340 million in 1H23, making up 76% of S\$445 million 1H23 net profit.*
- *Delivered Total Shareholder Returns of 118.0% from 1 Jan 2022 to 30 Jun 2023, outperforming STI's 9.62% by over 12x.*
- *Rewarding shareholders with strong dividends:*

- *1H23 interim cash dividend:*
Declares 15.0 cts/share to be paid on 18 Aug 2023.

Including FY22 final cash dividend of 18.0 cts/share paid in May 2023, shareholders will receive total cash dividends of 33.0 cts/share in 2023, representing 4.7% yield¹.

- *55th anniversary special dividend in-specie:*
Proposes distribution of 1 Keppel REIT unit², for every 5 Keppel Corporation shares held.

Singapore, 27 July 2023 – Keppel Corporation Limited (Keppel) reported a net profit of over S\$3.6 billion for the half year ended 30 June 2023, the highest profit on record in the Company's 55-year history. 1H23's net profit was significantly higher than the S\$498 million reported in 1H22, underpinned by a S\$3.3 billion disposal gain from the divestment of the offshore and marine (O&M) business. Annualised Return on Equity (ROE) was 36.8% in 1H23, compared to 8.4% in 1H22.

¹ Based on Keppel's closing share price of S\$6.99 on 26 July 2023.

² The final value of the dividend in-specie will be based on the price of Keppel REIT units on the date the Proposed Distribution is completed, which is subject to the approval of Keppel Corporation's shareholders at an EGM to be held in due course.

Excluding the discontinued O&M operations in both periods, Keppel delivered a robust net profit of S\$445 million in 1H23, which was about 3% higher year on year (yoy), bolstered by stronger performance by the Infrastructure and Connectivity segments. About 76% of 1H23's net profit from continuing operations comprised recurring income, which surged 62% yoy to S\$340 million from S\$210 million in 1H22.

The Company's revenue from continuing operations in 1H23 grew 11% to S\$3,716 million from S\$3,356 million in 1H22, underpinned by higher contributions from the Infrastructure and Connectivity segments.

Amid inflation and a high interest rate environment, Keppel continued to strengthen its business resilience. As at end-June 2023, about 65% of Keppel's borrowings were on fixed rates, with an average interest cost of 3.53% and weighted tenor of about three years, while the Company's Adjusted Net Debt to EBITDA³ was 4.7x.

Mr Loh Chin Hua, CEO of Keppel Corporation, said, "The first six months of 2023 were transformational and productive for Keppel. Following the successful divestment of the O&M business, we embarked on a monumental shift to remove our conglomerate structure and become a global alternative real asset manager, with deep operating capabilities in Infrastructure, Real Estate and Connectivity. The strong execution of our transformation plans has allowed us to create superior, tangible value for shareholders. Over the 18-month period from 1 January 2022 to 30 June 2023, Keppel's total shareholder return reached 118.0%, outperforming STI's 9.62% by more than 12 times."

In 1H23, Keppel achieved asset management fees of S\$116 million⁴, translating into an annualised Fee-to-FUM ratio of 50 basis points⁵. Over this period, the Company raised about S\$1.0 billion in equity, completed S\$1.1 billion in acquisitions and divested S\$0.5 billion of assets. As at end-June 2023, Keppel's Assets Under Management⁶ (AUM) was S\$65.6 billion, which included about S\$12.4 billion of real assets on Keppel's balance sheet that can be potentially converted into fee-bearing Funds Under Management (FUM) over time. FUM as at the end of June 2023, was about S\$53.2 billion, which Keppel aims to grow to S\$100 billion by 2026, and S\$200 billion by 2030.

Mr Loh, said, "Looking ahead, we believe that 2H23 will present more interesting investment opportunities as the market adjusts to the new pricing paradigm, which better reflects the tighter credit markets, higher interest rates and more subdued economic

³ Adjusted net debt is defined as net debt less carrying value of non-income producing undeveloped land and properties held for sale (completed and under development). EBITDA is defined as annualised profit before depreciation, amortisation, net interest expense and tax.

⁴ 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.

⁵ 1H23 Fee-to-FUM ratio is on a run-rate basis. The ratio is computed based on average FUM for the year.

⁶ Includes carrying values of identified assets on the balance sheet, as well as gross asset values of certain identified underlying assets held in joint ventures, that can be potentially converted into fee-bearing Funds Under Management (FUM). Notes receivables (vendor notes issued by Asset Co) amounting to c.S\$4.3 billion is included.

growth outlook. Amidst the volatile environment, we will continue working with our limited partners to provide differentiated products that capitalise on Keppel's strong operating capabilities, including our proprietary assets, which can produce strong inflation-protected cash flows."

Notwithstanding more cautious investor sentiments, Keppel announced the monetisation of about S\$420 million of assets in the year to date, raising its cumulative total to over S\$4.8 billion, and releasing S\$3.8 billion⁷ in cash, since the asset monetisation programme began in October 2020. Proceeds from asset monetisation are being invested in new growth engines, leveraging Keppel's asset-light model, and also used to reward shareholders.

As an appreciation of the support and confidence of Keppel shareholders, the Board of Keppel Corporation has approved an interim cash dividend of 15.0 cents per share for 1H23. This interim dividend, which will be paid to shareholders on 18 August 2023, is comparable to last year's interim dividend of 15.0 cents.

With the latest interim cash dividend of 15.0 cents for 1H23, coupled with the FY22 final cash dividend of 18.0 cents per share paid in May 2023, shareholders will be receiving a total cash dividend of 33.0 cents in 2023 for every Keppel share held. This translates into a cash dividend yield of 4.7% based on Keppel's closing share price of S\$6.99 on 26 July 2023.

In addition to the interim cash dividend, the Board of Keppel Corporation has also proposed the distribution of a special dividend in-specie of Keppel REIT (KREIT) units to commemorate Keppel's 55th anniversary. For every five Keppel Corporation shares held, Keppel's shareholders will receive one KREIT unit⁸. Keppel REIT traded at S\$0.915 per unit on its closing on 26 July 2023.

The proposed dividend in-specie is a part of Keppel's capital management initiatives, and will further allow shareholders to own a stable investment with steady yield. The proposed dividend in-specie will be subject to Keppel shareholders' approval at an Extraordinary General Meeting (EGM) to be held later this year. Further details on the EGM will be announced in due course.

Post distribution, Keppel will remain the largest unitholder of KREIT with an interest of about 37.1%, and remains committed to drive KREIT's growth in alignment with the interests of unitholders. Keppel's proposed distribution will further increase KREIT's public float, allowing it to widen its investor base and enjoy higher liquidity which are beneficial to KREIT unitholders in the longer run.

⁷ Includes S\$0.3 billion which was received from the sale of 1 Borr rig which has gone to Asset Co to form its initial working capital, and from the sale of the 55 Gul Road facility which has been transferred to SCM.

⁸ The final value of the dividend in-specie will be based on the price of Keppel REIT units on the date the Proposed Distribution is completed, which is subject to the approval of Keppel Corporation's shareholders at an EGM to be held in due course.

For more details on the proposed special dividend in-specie, please refer to the separate announcement released today.

Financial Highlights

	1H23 (S\$ m)	1H22 (S\$ m)	Change (%)
Revenue	3,716	3,356	11
Operating Profit	572	355	61
Net Profit	3,627	498	>500
– Profit from Continuing Operations	445	434	3
– Profit from Discontinued Operations	3,182	64	>500
Earnings per Share	203.0 cents	27.9 cents	>500

- Annualised ROE was 36.8% in 1H23 compared to 8.4% in 1H22.
- Net gearing was 0.86x, while Adjusted Net Debt to EBITDA⁹ was 4.7x as at end-June 2023.
- Free cash outflow was S\$732 million¹⁰ in 1H23 compared to S\$127 million in 1H22.
- Declared interim cash dividend of 15.0 cents per share for 1H23 and proposed special anniversary dividend in-specie of 1 Keppel REIT unit for every 5 Keppel Corporation shares held.

– END –

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⁹ Adjusted net debt is defined as net debt less carrying value of non-income producing undeveloped land and properties held for sale (completed and under development). EBITDA is defined as annualised profit before depreciation, amortisation, net interest expense and tax.

¹⁰ Includes S\$500 million cash component realised as part of the divestment of discontinued operations, which will be presented as cash inflow from financing activities in the financial statements. The inclusion herein is for better comparability and understanding of the free cash flow.

Business Segments

Infrastructure

The Infrastructure segment's net profit more than doubled to S\$291 million in 1H23, compared to S\$139 million in 1H22, driven by stronger contributions from the integrated power business. More than 99% of customers are locked in on fixed or indexed electricity price plans, providing a cushion against power price fluctuations.

Keppel also expanded its end-to-end Energy-as-a-Service (EaaS) offerings in Singapore and into new geographies, securing S\$1.2 billion of EaaS subscriptions in the year to date, including those in Thailand and Vietnam. As at end-June 2023, Keppel's long-term contracts, comprising EaaS and Operations and Maintenance, reached S\$4.1 billion, and will provide income visibility for the next 10-15 years.

In 1H23, Keppel's renewable energy portfolio grew to 3.0 GW, making up over 60% of its total energy portfolio of 4.9 GW¹¹, with projects across the spectrum of solar, wind and hydro power.

Real Estate

The Real Estate segment reported a net profit of S\$186 million, which was S\$76 million lower yoy, due mainly to lower revaluation gains from investment properties and lower operating income. This was offset by higher asset management fee income, development profits and gains from capital recycling.

In China, home sales in China increased 2.5x yoy to 1,200 units in 1H23. In the Sino-Singapore Tianjin Eco-City, Keppel's master developer sold two residential plots in 1H23, underscoring the continuing demand for quality land parcels despite the broader economic slowdown.

In line with Keppel's pivot away from lumpy development profits to more recurring income, the Real Estate Division has monetised over S\$3 billion of assets in China since 2017, and recognised a profit of more than S\$1 billion. Some of the unlocked capital is being reallocated to opportunities in different countries, such as India and Vietnam, as well as different asset classes, leveraging Keppel's asset-light model.

Meanwhile, the Real Estate segment continues to expand its sustainable urban renewal (SUR) solutions across Asia Pacific and is also working with Keppel's private funds to offer SUR capabilities as part of asset enhancement initiatives.

¹¹ On a gross basis and includes projects under development; 64% of capacity is operational while 36% under development.

Connectivity

The Connectivity segment's net profit of S\$37 million was higher yoy, compared to S\$33 million in 1H22, due mainly to higher operating income from M1, offset by lower contributions from the Data Centres and Networks Division due to costs of entering into new markets and initiatives.

In 1H23, Keppel achieved financial close for the Bifrost project, with Keppel's co-investors holding a 60% stake in Keppel's share of the fibre pairs. Keppel will earn operating and maintenance fees in a span of over 25 years once the system is completed in 2024. The Data Centres and Networks Division has secured over S\$400 million in long-term operating and maintenance fees for the first two committed fibre pairs. Meanwhile, the first two buildings of the Keppel Data Centre Campus at Genting Lane have been fully contracted.

M1 continued to expand its solutions and services to both business and consumers. Revenue from the enterprise business grew 50% yoy to S\$222 million in 1H23, making up about 37% of M1's revenue for this period, compared to 28% in 1H22. In the consumer business, M1's mobile customer base grew 12.5% yoy. Its consumer migration to its new cloud native connectivity platform, to be completed in 2H23, is expected to contribute further profits with better customer acquisition and lower costs to serve.

KEPPEL CORPORATION LIMITED
Co Reg No. 196800351N
(Incorporated in the Republic of Singapore)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS & DIVIDEND
ANNOUNCEMENT**

FOR THE HALF YEAR ENDED 30 JUNE 2023

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KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

CONDENSED CONSOLIDATED PROFIT OR LOSS ACCOUNT

For the half year ended 30 June 2023

On 27 February 2023 and 28 February 2023, the Asset Co Transaction and the Proposed Combination were completed respectively (please refer to Note 14 for more details). Consequent to the completion, in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, the performance of Keppel O&M, as a separate reportable operating segment, excluding certain out-of-scope assets, for the period from 1 January to 28 February 2023 and the comparative half year ended 30 June 2022, were reported as discontinued operations. Refer to Note 14 for further details.

		Half Year			
	Note	30.06.2023 \$'000	30.06.2022# \$'000	+/- %	
Continuing operations					
Revenue	7	3,715,625	3,355,730	+10.7	
Materials, subcontract and other costs		(2,677,772)	(2,644,124)	+1.3	(i)
Staff costs		(361,595)	(346,130)	+4.5	(ii)
Depreciation and amortisation		(100,476)	(101,840)	-1.3	
Expected credit loss on financial assets	8	(7,623)	(2,058)	+270.4	
Other operating income – net	8	3,565	93,236	-96.2	
Operating profit		571,724	354,814	+61.1	
Investment income		31,366	24,206	+29.6	(iii)
Interest income		25,418	46,714	-45.6	(iv)
Interest expenses		(147,882)	(78,113)	+89.3	(v)
Share of results of associated companies and joint ventures	2	121,851	203,148	-40.0	(vi)
Profit before tax		602,477	550,769	+9.4	
Taxation		(139,604)	(110,017)	+26.9	(vii)
Profit from continuing operations for the period		462,873	440,752	+5.0	
Discontinued operations					
Profit from discontinued operations for the period	14	3,181,561	62,531	>+500	
Profit for the period		3,644,434	503,283	>+500	
Attributable to:					
Shareholders of the Company:					
- from continuing operations		444,945	434,142	+2.5	
- from discontinued operations		3,181,762	63,363	>+500	
		3,626,707	497,505	>+500	
Perpetual securities holders		5,752	5,752	n.m.f.	
Non-controlling interests		11,975	26	>+500	
		3,644,434	503,283	>+500	
Earnings per ordinary share					
- basic		203.0 cts	27.9 cts	>+500	(viii)
- diluted		200.8 cts	27.6 cts	>+500	
Earnings per ordinary share - Continuing operations					
- basic		24.9 cts	24.3 cts	+2.5	
- diluted		24.6 cts	24.1 cts	+2.1	

n.m.f. - No Meaningful Figure

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- (i) Materials, subcontract and other costs increased for the half year ended 30 June 2023 in line with higher revenue from the Infrastructure and Connectivity segments, partly offset by Real Estate segment. The extent of increase in materials, subcontract and other costs was lower than the increase in revenue mainly due to higher gross margins from the Infrastructure segment arising from higher contracted spread.
- (ii) Staff costs increased for the half year ended 30 June 2023 mainly due to increase in headcount to support growth in existing businesses and new initiatives.
- (iii) Investment income for the half year ended 30 June 2023 was higher mainly due to stub distributions received by the Infrastructure segment from a business trust.
- (iv) Lower interest income for the half year ended 30 June 2023 was largely attributable to the Infrastructure segment.
- (v) Higher interest expense was mainly attributable to higher weighted average interest rates on borrowings.
- (vi) All three segments recorded lower share of results from associated companies and joint ventures for the half year ended 30 June 2023, in particular, there was recognition of share of fair value losses on investment properties as compared to fair value gains in the prior year.
- (vii) Taxation expenses for the half year ended 30 June 2023 were higher mainly due to higher taxable profits in the Infrastructure segment.
- (viii) Earnings per ordinary share

	Half Year		
	30.06.2023	30.06.2022#	+/-%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:			
(i) Based on weighted average number of shares:			
- Profit for the period from continuing operations	24.9 cts	24.3 cts	+2.5
- Profit for the period from discontinued operations	178.1 cts	3.6 cts	>+500
Profit for the period	203.0 cts	27.9 cts	>+500
- Weighted average number of shares (excluding treasury shares) ('000)	1,786,579	1,785,596	+0.1
(ii) On a fully diluted basis			
- Profit for the period from continuing operations	24.6 cts	24.1 cts	+2.1
- Profit for the period from discontinued operations	176.2 cts	3.5 cts	>+500
Profit for the period	200.8 cts	27.6 cts	>+500
- Adjusted weighted average number of shares (excluding treasury shares) ('000)	1,805,944	1,803,675	+0.1

n.m.f. - No Meaningful Figure

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 June 2023

	Half Year		
	30.06.2023	30.06.2022 [#]	+/-
	\$'000	\$'000	%
Profit for the period	3,644,434	503,283	>+500
<u>Items that may be reclassified subsequently to profit or loss account:</u>			
Cash flow hedges			
- Fair value changes arising during the period, net of tax	(3,462)	372,456	n.m.f. (i)
- Realised and transferred to profit or loss account	(44,515)	129,873	n.m.f. (ii)
Foreign exchange translation			
- Exchange differences arising during the period	87,529	(147,075)	n.m.f. (iii)
- Realised and transferred to profit or loss account	103,292	3,930	>+500
Share of other comprehensive income of associated companies and joint ventures			
- Cash flow hedges	(4,547)	56,518	n.m.f.
- Foreign exchange translation	(26,894)	(61,490)	-56.3
	111,403	354,212	-68.5
<u>Items that will not be reclassified subsequently to profit or loss account:</u>			
Financial assets, at FVOCI			
- Fair value changes arising during the period	(10,083)	37,604	n.m.f. (iv)
Foreign exchange translation			
- Exchange differences arising during the period	(3,966)	(6,275)	-36.8 (iii)
Share of other comprehensive income of associated companies and joint ventures			
- Financial assets, at FVOCI	(1,130)	(173)	>+500
	(15,179)	31,156	n.m.f.
Other comprehensive income for the period, net of tax	96,224	385,368	-75.0
Total comprehensive income for the period	3,740,658	888,651	+320.9
Attributable to:			
Shareholders of the Company:			
- from continuing operations	482,736	742,986	-35.0
- from discontinued operations	3,244,746	147,881	>+500
	3,727,482	890,867	+318.4
Perpetual securities holders	5,752	5,752	-
Non-controlling interests	7,424	(7,968)	n.m.f.
	3,740,658	888,651	+320.9

n.m.f. - No Meaningful Figure

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- (i) Fair value differences were due mainly to the hedging differential on forward exchange contracts and fuel oil forward contracts.
- (ii) These represented cash flow hedges, which were transferred to profit or loss account upon realisation.
- (iii) These exchange differences arose from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as from the translation of foreign currency loans that form part of the Group's net investment in foreign operations. The translation gain in the current period arose largely from the strengthening of foreign currencies, such as United States dollar against Singapore dollar.

The translation losses in the prior period arose largely from the weakening of foreign currencies, such as Renminbi against Singapore dollar.

- (iv) Fair value changes were attributable to movements in prices of financial assets measured at fair value with fair value changes recognised in other comprehensive income.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
As at 30 June 2023

		Group		Company	
	Note	30.06.2023	31.12.2022	30.06.2023	31.12.2022
		\$'000	\$'000	\$'000	\$'000
Share capital	6	1,305,668	1,305,668	1,305,668	1,305,668
Treasury shares		(387,960)	(456,015)	(387,960)	(456,015)
Reserves		9,846,926	10,328,606	7,318,709	9,578,146
Share capital & reserves		10,764,634	11,178,259	8,236,417	10,427,799
Perpetual securities		401,521	401,521	401,521	401,521
Non-controlling interests		317,502	333,560	-	-
Total equity		11,483,657	11,913,340	8,637,938	10,829,320
Represented by:					
Fixed assets		1,003,038	976,797	3,825	5,641
Investment properties		4,429,268	4,283,093	-	-
Right-of-use assets		223,410	241,052	9,795	11,659
Subsidiaries		-	-	7,185,374	7,188,393
Associated companies and joint ventures	2	6,930,454	6,791,862	-	-
Investments		1,617,911	1,482,719	21,531	19,430
Deferred tax assets		84,256	87,624	8,858	8,853
Derivative assets		204,503	203,200	167,330	163,978
Contract assets		106,785	86,411	-	-
Notes receivables	3	4,319,720	-	-	-
Long term assets		465,165	498,536	70,121	70,252
Intangibles		1,543,273	1,564,714	-	-
Current assets		20,927,783	16,216,008	7,466,834	7,468,206
Stocks		2,167,680	2,300,950	-	-
Contract assets		345,118	255,900	-	-
Amounts due from:					
- subsidiaries		-	-	8,930,815	7,546,620
- associated companies and joint ventures		293,854	262,068	335	202
Debtors		1,700,592	1,239,298	66,829	58,911
Derivative assets		39,871	69,851	19,110	9,664
Short term investments	4	333,760	48,782	237,649	-
Bank balances, deposits & cash		1,306,957	1,142,344	188,087	1,232
Disposal group and assets classified as held for sale	14	6,187,832	5,319,193	9,442,825	7,616,629
		506,095	9,529,776	-	3,166,596
		6,693,927	14,848,969	9,442,825	10,783,225
Current liabilities					
Creditors		2,852,624	2,768,820	160,393	89,085
Derivative liabilities		168,009	156,355	81,628	49,048
Contract liabilities		158,645	209,770	-	-
Provisions		51,583	58,445	-	-
Amounts due to:					
- subsidiaries		-	-	286,586	273,063
- associated companies and joint ventures		99,689	69,863	29	900
Term loans	5	2,416,477	3,577,658	1,726,046	2,789,301
Lease liabilities	5	37,263	36,426	4,213	4,216
Taxation		307,120	258,990	51,862	43,513
		6,091,410	7,136,327	2,310,757	3,249,126
Liabilities directly associated with disposal group and assets classified as held for sale	14	319,866	4,224,003	-	-
		6,411,276	11,360,330	2,310,757	3,249,126
Net current assets		282,651	3,488,639	7,132,068	7,534,099
Non-current liabilities					
Term loans	5	8,552,532	6,603,186	5,844,818	4,043,984
Lease liabilities	5	148,896	162,703	6,502	8,467
Deferred tax liabilities		378,146	368,031	-	-
Derivative liabilities		93,998	99,849	80,082	91,306
Other non-current liabilities		553,205	557,538	29,562	29,228
		9,726,777	7,791,307	5,960,964	4,172,985
Net assets		11,483,657	11,913,340	8,637,938	10,829,320
<i>Group net debt</i>		9,848,211	9,237,629	<i>n.a.</i>	<i>n.a.</i>
<i>Group net gearing ratio</i>		0.86x	0.78x	<i>n.a.</i>	<i>n.a.</i>

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(i) Net asset value

	Group			Company		
	30.06.2023	31.12.2022	+/-%	30.06.2023	31.12.2022	+/-%
Net asset value per ordinary share *	\$6.11	\$6.38	-4.2	\$4.67	\$5.95	-21.5
Net tangible asset per ordinary share *	\$5.23	\$5.49	-4.7	\$4.67	\$5.95	-21.5

* Based on share capital of 1,762,197,344 ordinary shares (excluding treasury shares) as at the end of the financial period (31 December 2022: 1,751,959,918 ordinary shares (excluding treasury shares)).

(ii) Balance sheet analysis

Group shareholder's funds decreased by \$0.41 billion to \$10.76 billion as at 30 June 2023. The decrease was mainly attributable to payment of final dividend of 18.0 cents per share in respect of financial year 2022, distribution of dividend *in specie* of Sembcorp Marine (now known as Seatrium) shares and decrease in fair value on cash flow hedges, partly offset by retained profits (including the gain on disposal of Keppel Offshore & Marine) and foreign exchange translation gains for the half year ended 30 June 2023.

Group total assets were \$27.62 billion as at 30 June 2023, \$3.44 billion lower than the previous year end. This was mainly attributable to the disposal of assets arising from the completion of the Asset Co Transaction and the Proposed Combination, partly offset by addition of notes receivables (Note 3), increase in debtors and short term investments.

Group total liabilities of \$16.14 billion as at 30 June 2023 were \$3.01 billion lower than the previous year end. This was largely attributable to the disposal of liabilities arising from the completion of the Asset Co Transaction and the Proposed Combination, partly offset by the net drawdown of term loans.

Group net debt increased by \$0.61 billion to \$9.85 billion as at 30 June 2023. Total equity decreased by \$0.43 billion mainly due to decrease in shareholders' funds as explained above. As a result, group net gearing ratio as at 30 June 2023 was 86%, an increase from 78% as at 31 December 2022.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the half year ended 30 June 2023

Group 2023	Attributable to owners of the Company								
	Share Capital \$'000	Treasury Shares \$'000	Capital Reserves* \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Perpetual Securities \$'000	Non- controlling Interests \$'000	Total Equity \$'000
As at 1 January 2023	1,305,668	(456,015)	544,909	10,632,860	(849,163)	11,178,259	401,521	333,560	11,913,340
Total comprehensive income for first half									
Profit for first half	-	-	-	3,626,707	-	3,626,707	5,752	11,975	3,644,434
Other comprehensive income **	-	-	(63,152)	-	163,927	100,775	-	(4,551)	96,224
Total comprehensive income for first half	-	-	(63,152)	3,626,707	163,927	3,727,482	5,752	7,424	3,740,658
Transactions with owners, recognised directly in equity									
<u>Contributions by and distributions to owners</u>									
Dividends paid	-	-	-	(317,190)	-	(317,190)	-	-	(317,190)
Dividend <i>in specie</i>	-	-	-	(3,845,162)	-	(3,845,162)	-	-	(3,845,162)
Share-based payment	-	-	22,050	-	-	22,050	-	-	22,050
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	(15,719)	(15,719)
Treasury shares reissued pursuant to share plans	-	68,055	(68,055)	-	-	-	-	-	-
Transfer of statutory, capital and other reserves from revenue reserves	-	-	6,930	(5,559)	(1,371)	-	-	-	-
Distribution paid to perpetual securities holders	-	-	-	-	-	-	(5,752)	-	(5,752)
Contributions to defined benefits plans	-	-	236	-	-	236	-	-	236
Other adjustments	-	-	(1,041)	-	-	(1,041)	-	-	(1,041)
Total contributions by and distributions to owners	-	68,055	(39,880)	(4,167,911)	(1,371)	(4,141,107)	(5,752)	(15,719)	(4,162,578)
<u>Changes in ownership interests in subsidiaries</u>									
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	(7,763)	(7,763)
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	-	(7,763)	(7,763)
Total transactions with owners	-	68,055	(39,880)	(4,167,911)	(1,371)	(4,141,107)	(5,752)	(23,482)	(4,170,341)
As at 30 June 2023	1,305,668	(387,960)	441,877	10,091,656	(686,607)	10,764,634	401,521	317,502	11,483,657

* Includes share option and share plans reserve, fair value reserve, hedging reserve, bonus issue by subsidiaries and other reserves.

** Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

Group 2022	Attributable to owners of the Company								
	Share Capital	Treasury Shares	Capital Reserves*	Revenue Reserves	Foreign Exchange Translation Account	Share Capital & Reserves	Perpetual Securities	Non- controlling Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 January 2022	1,305,668	(4,624)	129,619	10,365,733	(141,256)	11,655,140	401,521	384,700	12,441,361
Total comprehensive income for first half									
Profit for first half	–	–	–	497,505	–	497,505	5,752	26	503,283
Other comprehensive income **	–	–	597,997	–	(204,635)	393,362	–	(7,994)	385,368
Total comprehensive income for first half	–	–	597,997	497,505	(204,635)	890,867	5,752	(7,968)	888,651
Transactions with owners, recognised directly in equity									
<u>Contributions by and distributions to owners</u>									
Dividends paid	–	–	–	(378,094)	–	(378,094)	–	–	(378,094)
Share-based payment	–	–	22,998	–	–	22,998	–	–	22,998
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	(32,495)	(32,495)
Purchase of treasury shares	–	(363,806)	–	–	–	(363,806)	–	–	(363,806)
Treasury shares reissued pursuant to share plans	–	48,023	(48,023)	–	–	–	–	–	–
Transfer of statutory, capital and other reserves from revenue reserves	–	–	5,210	(3,835)	(1,375)	–	–	–	–
Contribution by non-controlling shareholders	–	–	–	–	–	–	–	2,876	2,876
Distribution paid to perpetual securities holders	–	–	–	–	–	–	(5,752)	–	(5,752)
Contributions to defined benefits plans	–	–	(42)	–	–	(42)	–	–	(42)
Total contributions by and distributions to owners	–	(315,783)	(19,857)	(381,929)	(1,375)	(718,944)	(5,752)	(29,619)	(754,315)
<u>Changes in ownership interests in subsidiaries</u>									
Acquisition of additional interest in subsidiaries	–	–	(5,485)	–	–	(5,485)	–	(14,503)	(19,988)
Disposal of interest in subsidiaries	–	–	–	26	–	26	–	(4,056)	(4,030)
Effects of acquiring part of non-controlling interests in a subsidiary	–	–	–	–	–	–	–	16,608	16,608
Total change in ownership interests in subsidiaries	–	–	(5,485)	26	–	(5,459)	–	(1,951)	(7,410)
Total transactions with owners	–	(315,783)	(25,342)	(381,903)	(1,375)	(724,403)	(5,752)	(31,570)	(761,725)
As at 30 June 2022	1,305,668	(320,407)	702,274	10,481,335	(347,266)	11,821,604	401,521	345,162	12,568,287

* Includes share option and share plans reserve, fair value reserve, hedging reserve, bonus issue by subsidiaries and other reserves.

** Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

	Attributable to owners of the Company						Total
	Share Capital \$'000	Treasury Shares \$'000	Capital Reserves* \$'000	Revenue Reserves \$'000	Share Capital & Reserves \$'000	Perpetual Securities \$'000	
Company							
2023							
As at 1 January 2023	1,305,668	(456,015)	217,036	9,361,110	10,427,799	401,521	10,829,320
Total comprehensive income for first half							
Profit for first half	-	-	-	1,946,818	1,946,818	5,752	1,952,570
Other comprehensive income	-	-	2,102	-	2,102	-	2,102
Total comprehensive income for first half	-	-	2,102	1,946,818	1,948,920	5,752	1,954,672
Transactions with owners, recognised directly in equity							
Dividends paid	-	-	-	(317,190)	(317,190)	-	(317,190)
Dividend <i>in specie</i>	-	-	-	(3,845,162)	(3,845,162)	-	(3,845,162)
Share-based payment	-	-	22,050	-	22,050	-	22,050
Treasury shares reissued pursuant to share plans	-	68,055	(68,055)	-	-	-	-
Distribution paid to perpetual securities holders	-	-	-	-	-	(5,752)	(5,752)
Total transactions with owners	-	68,055	(46,005)	(4,162,352)	(4,140,302)	(5,752)	(4,146,054)
As at 30 June 2023	1,305,668	(387,960)	173,133	7,145,576	8,236,417	401,521	8,637,938
2022							
As at 1 January 2022	1,305,668	(4,624)	224,759	8,271,057	9,796,860	401,521	10,198,381
Total comprehensive income for first half							
Profit for first half	-	-	-	1,316,677	1,316,677	5,752	1,322,429
Other comprehensive income	-	-	1,791	-	1,791	-	1,791
Total comprehensive income for first half	-	-	1,791	1,316,677	1,318,468	5,752	1,324,220
Transactions with owners, recognised directly in equity							
Dividends paid	-	-	-	(378,094)	(378,094)	-	(378,094)
Share-based payment	-	-	22,998	-	22,998	-	22,998
Purchase of treasury shares	-	(363,806)	-	-	(363,806)	-	(363,806)
Treasury shares reissued pursuant to share plans	-	48,023	(48,023)	-	-	-	-
Distribution paid to perpetual securities holders	-	-	-	-	-	(5,752)	(5,752)
Total transactions with owners	-	(315,783)	(25,025)	(378,094)	(718,902)	(5,752)	(724,654)
As at 30 June 2022	1,305,668	(320,407)	201,525	9,209,640	10,396,426	401,521	10,797,947

* Includes share option and share plans reserve, fair value reserve, hedging reserve and other reserves.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 30 June 2023

	Note	Half Year	
		30.06.2023 \$'000	30.06.2022 \$'000 (Reclassified)*
OPERATING ACTIVITIES			
Operating profit		3,768,845	426,691
Adjustments:			
Depreciation and amortisation		100,476	137,240
Share-based payment expenses		18,608	21,319
Gain on sale of fixed assets		(38,065)	(7,911)
Gain on disposal of subsidiaries		(3,299,407)	(4,984)
Gain on disposal of associated companies and joint ventures		(45)	(74,287)
Gain from sale of investments		(5,099)	–
Loss/(Gain) from sale of interests in associated companies		125	(43)
Impairment/write-off/(write back) of fixed assets		700	(200)
Impairment of joint venture and associated company		–	1,000
Fair value gain on investment properties		(43,161)	(46,763)
Loss/(Gain) from change in interest in associated companies		2,148	(5,140)
Fair value gain on investments and associated companies		(51,234)	(93,978)
Fair value gain on notes receivables		(158)	–
Unrealised foreign exchange differences		(119,950)	(51,321)
Operational cash flow before changes in working capital		333,783	301,623
Working capital changes:			
Stocks		211,359	309,487
Contract assets		(306,872)	(348,586)
Debtors		(271,381)	(135,976)
Creditors		165,606	438,997
Contract liabilities		(114,317)	(426,648)
Trade amount due (to)/from associated companies and joint ventures		(107,180)	36,657
Interest received		(89,002)	175,554
Interest paid		30,763	52,583
Income taxes paid, net of refunds received		(187,243)	(128,563)
Net cash used in operating activities		(68,812)	(220,728)
INVESTING ACTIVITIES			
Acquisition of a subsidiary	A	–	(6,084)
Acquisition and further investment in associated companies and joint ventures		(173,914)	(335,529)
Acquisition of fixed assets, investment properties, intangible assets and investments		(362,872)	(219,973)
Disposal of subsidiaries	B	(960,887)	1,223
Proceeds from disposal of fixed assets, investment properties and investments		296,392	31,152
Proceeds from disposal of associated companies and joint venture and return of capital		72,592	231,861
Repayment from associated companies and joint ventures		95,661	102,983
Dividends received from investments, associated companies and joint ventures		115,141	188,738
Net cash used in investing activities		(917,887)	(5,629)

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

	Half Year	
	30.06.2023	30.06.2022
	\$'000	\$'000
		(Reclassified)*
FINANCING ACTIVITIES		
Acquisition of additional interest in subsidiaries	-	(23,984)
Proceeds from non-controlling shareholders of subsidiaries	-	2,876
Proceeds from term loans	2,233,925	2,321,191
Repayment of term loans	(822,410)	(2,766,325)
Principal element of lease payments	(21,595)	(39,284)
Purchase of treasury shares	-	(363,806)
Dividend paid to shareholders of the Company	(317,190)	(378,094)
Dividend paid to non-controlling shareholders of subsidiaries	(15,719)	(32,495)
Net repayment to non-controlling shareholders of certain subsidiaries	(90)	(53)
Distribution to perpetual securities holders	(5,752)	(5,752)
Net cash from/(used in) financing activities	1,051,169	(1,285,726)
Net decrease in cash and cash equivalents	(181,012)	(1,412,509)
Cash and cash equivalents as at beginning of period	1,444,773	3,543,642
Effects of exchange rate changes on the balance of cash held in foreign currencies	(3,078)	(50,068)
Cash and cash equivalents as at end of period	1,260,683	2,081,065

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* For the half year ended 30 June 2023, the Group reclassified certain comparatives in the consolidated statement of cash flows for the half year ended 30 June 2022 to align to the current consolidated statement of cash flows presentation.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

A. Acquisition of a subsidiary

During the financial period, net assets of subsidiary acquired at their fair values were as follows:

	Half Year	
	30.06.2023	30.06.2022
	\$'000	\$'000
Fixed assets and investment properties	-	3,635
Intangible assets	-	32
Stocks	-	9,174
Debtors and other assets	-	29,118
Bank balances and cash	-	13,737
Creditors and other liabilities	-	(11,585)
Borrowings and lease liabilities	-	(9,445)
Current and deferred taxation	-	(765)
Total identifiable net assets at fair value	-	33,901
Non-controlling interests measured at fair value	-	(16,612)
Amount previously accounted for as an associated company	-	(89)
Goodwill arising from acquisition	-	2,621
Total purchase consideration	-	19,821
Less: Bank balances and cash acquired	-	(13,737)
Cash outflow on acquisition	-	6,084

In 1H22, acquisition relates to acquisition of 51% of the total issued share capital of Glocomp Systems (M) Sdn Bhd over two tranches. For the period ended 30 June 2023, there were no acquisitions.

B. Disposal of subsidiaries

During the financial period, the book values of net assets of subsidiaries disposed were as follows:

	Half Year	
	30.06.2023	30.06.2022
	\$'000	\$'000
Fixed assets and investment properties	(61,927)	(98,630)
Right-of-use assets	-	(33,480)
Intangible assets	-	(1,275)
Stocks	-	(1,013)
Debtors and other assets	(960)	(56,161)
Bank balances and cash	(3)	(6,503)
Disposal group classified as held for sale*	(9,710,455)	-
Creditors and other liabilities	72,193	24,372
Current and deferred taxation	-	1,066
Borrowings and lease liabilities	-	84,724
Liabilities directly associated with disposal group classified as held for sale*	4,438,520	-
Non-controlling interests deconsolidated	5,513	4,030
Net assets disposed, less provision for transaction costs and other liabilities	(5,257,119)	(82,870)
Net gain on disposal	(3,299,407)	(4,984)
Realisation of cashflow hedge reserve	42,719	-
Realisation of foreign currency translation reserve	(102,506)	(572)
Sale proceeds	(8,616,313)	(88,426)
Less: Bank balances and cash disposed	968,029	6,503
Less: Proceeds receivable	-	80,700
Less: Consideration in relation to disposal of discontinued operations (Note 14)	8,609,171	-
Cash outflow/(inflow) on disposal	960,887	(1,223)

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

* Refer to Note 14 for the breakdown of disposal group classified as held for sale and liabilities directly associated with disposal group classified as held for sale disposed during the half year ended 30 June 2023.

During the six months ended 30 June 2023, disposal relates to the Asset Co Transaction and the Proposed Combination (Note 14), Willowville Pte Ltd and Keppel Sakra Cogen Pte Ltd.

Disposals during the prior year relates to Keppel Logistics Pte. Ltd. and Indo-Trans Keppel Logistics Vietnam Co Ltd.

C. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents in the condensed consolidated statement of cash flows comprise the following balance sheet amounts:

	30.06.2023	30.06.2022
	\$'000	\$'000
Bank balances, deposits and cash	1,111,719	1,790,878
Amounts held under a segregated account in relation to the proceeds from sale of the Retained Consideration Shares (as defined in Note 14)	195,238	–
	1,306,957	1,790,878
Disposal group classified as held for sale - bank balances, deposits & cash (Note 14)	–	368,526
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and other liabilities	(46,274)	(78,339)
	1,260,683	2,081,065

D. Cash flow analysis

Half year ended 30 June 2023

Net cash used in operating activities was \$314 million as compared to \$121 million used in the prior period mainly due to higher working capital requirements partly offset by lower income tax paid. The working capital changes increased by \$265 million while income tax and interest paid reduced by \$71 million as compared to the first half of 2022.

Net cash used in investing activities was \$918 million. This was mainly due to divestment of discontinued operations of \$968 million and investments & capex of \$537 million partly offset by divestments & dividend income of \$484 million.

Net cash from financing activities was \$1,051 million. This was mainly attributable to the net drawdown of term loans of \$1,412 million offset by dividend of \$333 million paid to shareholders of the Company and non-controlling shareholders of subsidiaries during the period.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

This condensed consolidated interim financial statements for the half year ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) 34 *Interim Financial Reporting* (SFRS(I) 1-34). This condensed consolidated interim financial statements do not include all the disclosures included in the Group's financial report. Accordingly, this report should be read in conjunction with the Group's Annual Report for the financial year ended 31 December 2022 and any public announcements made by Keppel Corporation Limited during the interim reporting period.

1.2 Changes in Accounting Policies

The accounting policies adopted by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's Annual Report for the financial year ended 31 December 2022, except for the adoption of new and revised standards effective as of 1 January 2023 and those as disclosed below.

The following are the new or amended SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s, that are relevant to the Group:

- SFRS(I) 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2023)
- Amendments to SFRS(I) 1-12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective for annual periods beginning on or after 1 January 2023)
- Amendments to SFRS(I) 1-12 *Income Taxes: International Tax Reform - Pillar Two Model Rules* (effective for annual periods beginning on or after 1 January 2023)

The adoption of the above new or amended SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the condensed consolidated interim financial statements of the Group.

For the half year ended 30 June 2023, the Group had applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

1.3 Critical Accounting Judgments and Estimates

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements as at and for the year ended 31 December 2022.

The key assumptions, applied by management as at and for the half year ended 30 June 2023, concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are as follows:

(i) Revaluation of investment properties

The Group carries its investment properties at fair value with changes in fair value being recognised in the profit or loss account, determined annually by independent professional valuers on the highest and best use basis except for significant investment properties which are revalued on a half-yearly basis.

For the purpose of this condensed consolidated interim financial statements for the half year ended 30 June 2023, valuations were obtained from the valuers for certain significant investment properties, and the resultant fair value changes were recognised in the profit or loss account.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

In determining the fair values, the valuers have used valuation techniques which involve certain estimates. The key assumptions to determine the fair value of investment properties include market-corroborated capitalisation rate, price of comparable plots and properties, net initial yield and discount rate.

In relying on the valuation reports, management has exercised its judgment to ensure that the valuation methods and estimates are reflective of current market conditions.

(ii) Revenue recognition and contract cost

The Group recognises contract revenue over time for rigbuilding contracts, and shipbuilding and repair contracts by reference to the estimation of the physical proportion of the contract work completed for the contracts with reference to engineers' estimates. The Group also recognises contract revenue over time for long term engineering contracts by reference to the proportion of contract costs incurred to-date to the estimated total contract costs. The stage of completion is measured in accordance with the Group's revenue recognition accounting policy as stated in the audited financial statements for the year ended 31 December 2022. When it is probable that the total contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately. Significant assumptions are required in determining the stage of completion and significant judgment is required in the estimation of the physical proportion of the contract work completed for the contracts; and the estimation of total costs on the contracts, including contingencies that could arise from variations to original contract terms and claims. In making the assumption, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 7.

(iii) Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

Any claims, litigations and reviews relating to the disposal group have been disposed with the completion of the Proposed Combination as described in Note 14. There were no other significant updates since the audited financial statements as at 31 December 2022.

(iv) Fair value measurement of unquoted investment funds

In determining the fair value of unquoted investment funds, the Group relies on the net asset values as reported in the latest available capital account statements provided by third-party fund managers.

The fund managers measure the fair value of underlying investments of the funds based on:

- a. Last quoted bid price for all quoted investments;
- b. Valuation technique for unquoted investments where there is no active market.

Valuation techniques used by the third-party fund managers include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, comparable company approach, discounted cash flow analyses, option pricing models, and latest round of fund raising.

The availability of observable inputs can vary from investment to investment. For certain investments classified under Level 3 of the fair value hierarchy, the valuation could be based

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

on models or inputs that are less observable or unobservable in the market and the determination of the fair values require significant judgement. Those estimated values do not necessarily represent the amounts that may be ultimately realised due to the occurrence of future events which could not be reasonably determined as at the balance sheet date.

These unobservable inputs that require significant judgement have been disclosed in Note 12.

(v) Fair value measurement of notes receivables

Arising from the completion of the Asset Co Transaction on 27 February 2023, the Group subscribed to notes (“vendor notes”) amounting to approximately \$4,251,144,000 issued by Rigco Holding Pte Ltd (“Rigco”). Details of the Asset Co Transaction are disclosed in Note 14.

Given the unique business and risk profile of Rigco, the transaction price was assessed to be not representing the fair value of the vendor notes. As the fair value of vendor notes is neither evidenced by a quoted price in an active market (i.e. Level 1 input) nor based on a valuation technique that uses only data from observable markets and as such, the difference between the fair value at initial recognition and the transaction price was deferred and shall be recognised as a loss on a systematic basis over time.

Management engaged an independent professional advisor to assist in the determination of the fair value of the vendor notes issued by Rigco, which is based on the Discounted Cash Flow (“DCF”) calculations using the estimated cash flows available for repayment of the vendor notes based on Rigco’s business plan and financial projections. In addition to the independent professional firm responsible for estimating the fair value based on the DCF calculations and calculating the discount rates, management also engaged a separate independent industry expert to provide inputs used in the financial projections, taking into consideration the market outlook, assumptions and industry parameters.

As at 30 June 2023, the carrying value of the vendor notes, measured at fair value, amounted to \$4,319,720,000 which included an unamortised deferred loss amounting to \$1,206,070,000 (Note 3).

The determination of the fair value of the vendor notes require significant judgement as the inputs to the DCF calculations are not market observable. Such inputs used in the valuation include estimated future asset sale values, dayrates, cost assumptions, utilisation rates, discount rates, duration of charters and estimated timing of future asset sales. The valuation of the vendor notes based on the DCF calculations was most sensitive to discount rate and the estimated future asset sale values.

- Discount rates of 4.59% to 13.21% were used in the valuation as at 30 June 2023. A 1% increase in discount rate would lead to approximately \$121,334,000 decrease in fair value.
- Estimated future asset sale values of \$163 million to \$488 million were used in the valuation as at 30 June 2023. A 5% decrease in estimated future asset sale values would lead to approximately \$118,590,000 decrease in fair value.

Further details on these unobservable key inputs that require significant judgement are disclosed in Note 12.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half year ended 30 June 2023

2. ASSOCIATED COMPANIES AND JOINT VENTURES

	2023
	\$'000
At 1 January	6,791,862
Share of profits for the period – continuing operations	121,851
Share of profits for the period – discontinued operations	1,398
Dividends received	(79,482)
Share of reserves	(32,571)
Additions	217,273
Advances to associated companies and joint ventures	409
Disposals	(49,922)
Gain from change in interest in associated companies	(2,148)
Reclassification from/(to)	
- Amounts due from associated companies and joint ventures	15,552
- Disposal group and assets classified as held for sale (Note 14)	(69,954)
Others	16,186
	<hr/>
At 30 June	6,930,454

Movements in the provision for impairment of associated companies and joint ventures are as follows:

	2023
	\$'000
At 1 January	112,004
Write-off	(950)
	<hr/>
At 30 June	111,054

The carrying amount of the Group's material associated companies, all of which are equity accounted for, are as follows:

	30.06.2023	31.12.2022
	\$'000	\$'000
Keppel REIT	2,033,519	2,085,919
Keppel DC REIT	496,317	496,454
Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited	631,022	618,968
Other associated companies and joint ventures	3,769,596	3,590,521
	<hr/>	<hr/>
	6,930,454	6,791,862

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2023

3. NOTES RECEIVABLES

Arising from the completion of the Asset Co Transaction on 27 February 2023 (Note 14), the Group subscribed to notes (“vendor notes”) issued by Rigco Holding Pte Ltd (“Rigco”) which bear interest of 4.0% per annum and is payable annually in arrears for a tenure of 12 years, with an option held by Rigco to extend the maturity date by an additional 3 years. The vendor notes amounting to S\$4,251,144,000 included USD denominated notes of US\$1,878,388,000 with the remaining notes being SGD denominated. Rigco could elect to pay interest due entirely in cash, entirely in additional vendor notes or a combination of cash and additional vendor notes. The vendor notes may be redeemed at the outstanding principal amount together with unpaid accrued interest and a redemption premium equal to 5.0% of the outstanding principal amount of vendor notes being redeemed.

Vendor notes issued by Rigco are debt instruments that do not meet the criteria for classification as amortised cost or fair value through other comprehensive income and are classified as financial assets carried at fair value through profit or loss.

Given the unique business and risk profile of Rigco, the transaction price was assessed to be not representing the fair value of the vendor notes. At initial recognition on 27 February 2023, the vendor notes were measured at fair value of \$3,003,599,000 which was determined using DCF calculations, as described in Note 1.3(v), based on Rigco’s business plan and financial projections, and also factoring the inputs on market outlook, assumptions and industry parameters provided by the industry expert. The difference of \$1,247,545,000 between the fair value at initial recognition and the transaction price was accounted as a deferred loss. The deferred loss shall be amortised using a straight-line method over the expected tenor of 7 years based on the projected repayment of the vendor notes in Rigco’s business plan, or recognised in the profit or loss when there are observable market inputs, or when there is a redemption of vendor notes. If the valuation of the vendor notes continue to be based on data that is not observable in the market and there is no redemption of vendor notes until the end of 7 years, the amortisation of deferred loss would amount to approximately \$178,220,000 per annum. Interest income is recognised using an effective interest rate method on the latest fair value.

As of 30 June 2023, the carrying amount of the vendor notes, measured at fair value, was \$4,319,720,000 which included an unamortised deferred loss amounting to \$1,206,070,000.

Movements in the note receivables are as follows:

	<u>Fair value</u> \$'000	<u>Deferred loss</u> \$'000	<u>Carrying value</u> \$'000
At 27 February 2023	3,003,599	1,247,545	4,251,144
Interest income ¹	79,645	–	79,645
Amortisation to profit or loss ¹ (from 27 Feb to 30 Jun 23)	–	(59,407)	(59,407)
Fair value loss ¹	(20,080)	–	(20,080)
Exchange differences ²	50,486	17,932	68,418
At 30 June 2023	<u>3,113,650</u>	<u>1,206,070</u>	<u>4,319,720</u>

¹ The interest income, the amortisation of the deferred loss and fair value loss are recognised in the profit or loss and presented as “fair value (gain)/loss – Notes receivables” in Note 8.

² The foreign exchange gain arising from the USD denominated vendor notes and the USD denominated unamortised deferred loss are recognised in the profit or loss and presented as “foreign exchange loss/(gain)” in Note 8.

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4. SHORT TERM INVESTMENTS

Arising from the completion of the Proposed Combination on 28 February 2023 (as described in Note 14), the Group received 3,411,858,604 Consideration Shares, amounting to approximately \$392 million, as Retained Consideration Shares. The cash proceeds arising from the sale of these Retained Consideration Shares are placed in the segregated account, together with the remaining Retained Consideration Shares, for a duration not exceeding 48 months from 28 February 2023. As at 30 June 2023, the related cash and remaining Retained Consideration Shares amounted to approximately \$195,238,000 and \$232,050,000 and are recorded within "Bank balances, deposits & cash" and "Short term investments" respectively.

For the half year ended 30 June 2023, an amount of approximately \$195,217,000 was received from the sale of 1,555,455,000 Retained Consideration Shares (Note 14) by an institutional financial services provider appointed by the Company to manage the Retained Consideration Shares, pursuant to a programme that has predefined sale parameters.

5. BORROWINGS AND LEASE LIABILITIES

Group's borrowings, debt securities and lease liabilities

	30.06.2023		31.12.2022	
	Due within one year \$'000	Due after one year \$'000	Due within one year \$'000	Due after one year \$'000
Group				
Keppel Corporation Medium Term Notes	350,000	1,661,398	200,000	1,817,864
Keppel Land Medium Term Notes	149,995	409,684	299,979	409,619
Keppel Corporation Commercial Paper	–	–	35,996	–
Bank and other loans				
- secured	16,993	698,057	127,393	554,291
- unsecured	1,899,489	5,783,393	2,914,290	3,821,412
Lease Liabilities	37,263	148,896	36,426	162,703
	<u>2,453,740</u>	<u>8,701,428</u>	<u>3,614,084</u>	<u>6,765,889</u>

(iii) Amount repayable in one year or less, or on demand

As at 30.06.2023		As at 31.12.2022	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
54,256	2,399,484	163,819	3,450,265

(iii) Amount repayable after one year

As at 30.06.2023		As at 31.12.2022	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
846,953	7,854,475	716,994	6,048,895

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(iii) Details of any collateral and securities

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The Group has mortgaged certain properties and assets of up to an aggregate amount of \$2,239,468,000 (31 December 2022: \$2,165,124,000) to banks for loan facilities. Included in secured borrowings as at 30 June 2023 are current lease liabilities of \$37,263,000 and non-current lease liabilities of \$148,896,000 which are secured over the right-of-use assets of \$223,410,000.

(iii) The fair values of term loans for the Group are \$10,236,078,000 (31 December 2022: \$9,805,129,000).

6. SHARE CAPITAL

Issued share capital and treasury shares

	Number of ordinary shares	
	Issued Share Capital	Treasury Shares
As at 1 January 2023	1,820,557,767	68,597,849
Treasury shares transferred pursuant to share plans	–	(10,237,426)
Treasury shares purchased	–	–
As at 30 June 2023	1,820,557,767	58,360,423

Treasury shares

During the six months ended 30 June 2023, the Company transferred 10,237,426 (30 June 2022: 8,120,927) treasury shares to employees upon vesting of shares released under the KCL Share Plans. There were no treasury shares purchased (30 June 2022: 56,839,500) during the period. As at 30 June 2023, the number of treasury shares held by the Company represented 3.31% (30 June 2022: 2.80%) of the total number of issued shares (excluding treasury shares). Except for the transfer, there was no other sale, disposal, cancellation and/or other use of treasury shares during the six months ended 30 June 2023.

KCL Performance Share Plan (“KCL PSP”)

As at 30 June 2023, the number of contingent shares granted but not released were 1,972,017 (30 June 2022: 2,991,880) for KCL PSP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 2,958,026 under KCL PSP.

KCL Performance Share Plan – M1 Transformation Incentive Plan (“KCL PSP-M1 TIP”)

As at 30 June 2023, the number of contingent shares granted but not released were 378,664 (30 June 2022: 423,500) for KCL PSP-M1 TIP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 567,996 under KCL PSP-M1 TIP.

KCL Performance Share Plan 2020 (“KCL PSP 2020”)

As at 30 June 2023, the number of contingent shares granted but not released were 5,934,617 (30 June 2022: 3,265,000) for KCL PSP 2020. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 8,901,926 under KCL PSP 2020.

KCL PSP 2020 Transformation Incentive Plan (“KCL PSP 2020-TIP”)

As at 30 June 2023, the number of contingent shares granted but not released were 13,716,420 (30 June 2022: 11,920,000) for KCL PSP 2020-TIP. Based on the achievement factor, the actual release

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For the half year ended 30 June 2023

of the awards in ordinary shares of the Company could range from zero to a maximum of 20,574,630 under KCL PSP 2020 TIP.

KCL Restricted Share Plan – Deferred Shares (“KCL RSP-Deferred Shares”)

There are no contingent shares granted but not released as at 30 June 2023 and 30 June 2022. As at 30 June 2023, there were no awards released but not vested (30 June 2022: 1,285) for KCL RSP-Deferred Shares.

KCL Restricted Share Plan 2020 – Deferred Shares (“KCL RSP 2020-Deferred Shares”)

There are no contingent shares granted but not released as at 30 June 2023 and 30 June 2022. As at 30 June 2023, the number of awards released but not vested was 7,631,294 (30 June 2022: 5,764,703) for KCL RSP 2020-Deferred Shares.

Movements in the number of shares under the KCL PSP, KCL PSP-M1 TIP, KCL PSP 2020, KCL PSP 2020-TIP and KCL RSP 2020-Deferred Shares are as follows:

Contingent awards:

Date of Grant	Number of shares					
	At 1.1.23	Contingent awards granted	Adjustments	Released	Cancelled	At 30.06.23
<u>KCL PSP</u>						
30.4.2019	1,462,847	–	503,512	(1,966,359)	–	–
31.3.2020	1,379,033	–	592,984	–	–	1,972,017
	<u>2,841,880</u>	<u>–</u>	<u>1,096,496</u>	<u>(1,966,359)</u>	<u>–</u>	<u>1,972,017</u>
<u>KCL PSP-M1 TIP</u>						
17.2.2020	115,100	–	32,524	(147,624)	–	–
17.2.2020	264,800	–	113,864	–	–	378,664
	<u>379,900</u>	<u>–</u>	<u>146,388</u>	<u>(147,624)</u>	<u>–</u>	<u>378,664</u>
<u>KCL PSP 2020</u>						
30.4.2021	1,420,000	–	569,020	–	(96,698)	1,892,322
29.4.2022	1,695,000	–	660,725	–	(158,430)	2,197,295
28.4.2023	–	1,845,000	–	–	–	1,845,000
	<u>3,115,000</u>	<u>1,845,000</u>	<u>1,229,745</u>	<u>–</u>	<u>(255,128)</u>	<u>5,934,617</u>
<u>KCL PSP 2020-TIP</u>						
30.7.2021	10,430,000	–	3,806,318	–	(1,578,098)	12,658,220
29.4.2022	790,000	–	339,700	–	(71,500)	1,058,200
	<u>11,220,000</u>	<u>–</u>	<u>4,146,018</u>	<u>–</u>	<u>(1,649,598)</u>	<u>13,716,420</u>

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Awards released but not vested:	Number of shares						
	Date of Grant	At 1.1.23	Released	Vested	Cancelled	Other adjustments	At 30.06.23
<u>KCL PSP</u>							
30.4.2019	–	1,966,359	(1,966,359)	–	–	–	–
	–	1,966,359	(1,966,359)	–	–	–	–
<u>KCL PSP-M1 TIP</u>							
17.2.2020	–	147,624	(147,624)	–	–	–	–
	–	147,624	(147,624)	–	–	–	–
<u>KCL RSP 2020- Deferred Shares</u>							
15.2.2021	1,442,179	–	(2,048,054)	(6,427)	612,302	–	–
15.2.2022	3,812,169	–	(2,911,310)	(46,404)	1,618,392	2,472,847	–
08.2.2023	–	140,059	(46,686)	–	–	93,373	–
15.2.2023	–	5,345,420	(2,900,189)	(92,863)	2,278,270	4,630,638	–
01.3.2023	–	651,640	(217,204)	–	–	434,436	–
	5,254,348	6,137,119	(8,123,443)	(145,694)	4,508,964	7,631,294	–

Following the dividend *in specie* of the Sembcorp Marine shares (“Consideration Shares”) to the Company’s shareholders, adjustments have been made on 27 March 2023 to certain unvested shares under the KCL Share Plans. The increase in unvested shares due to the adjustments were:

- 1,222,008 unvested shares under the KCL PSP;
- 163,357 unvested shares under the KCL PSP-M1 TIP;
- 1,229,745 unvested shares under the KCL PSP 2020;
- 4,146,018 under the KCL PSP 2020-TIP; and
- 4,510,021 under the KCL RSP 2020-Deferred Shares.

7. REVENUE

	Half Year	
	30.06.2023 \$'000	30.06.2022# \$'000
<u>Revenue from contracts with customers</u>		
Revenue from construction contracts	132,721	201,001
Sale of property	414,382	486,383
Sale of goods	317,300	191,499
Sale of electricity, utilities and gases	2,226,414	1,819,295
Revenue from telecommunication services	281,268	359,724
Revenue from other services rendered	309,774	270,357
	<u>3,681,859</u>	<u>3,328,259</u>
<u>Other sources of revenue</u>		
Rental income from investment properties	33,766	27,471
	<u>3,715,625</u>	<u>3,355,730</u>

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8. OPERATING PROFIT

Operating profit from continuing operations is arrived at after charging/(crediting) the following:

	Half Year		+/- %	
	30.06.2023 \$'000	30.06.2022# \$'000		
Share-based payment expenses	18,608	21,319	-12.7	
Loss/(Gain) on sale of fixed assets	110	(55)	n.m.f.	
Provision for stocks	(85)	489	n.m.f.	
Expected credit loss on debtors & receivables	7,623	2,058	+270.4	(i)
Fair value (gain)/loss				
- Investments	(51,234)	(93,978)	-45.5	(ii)
- Notes receivables	(158)	-	n.m.f.	
- Forward contracts	-	(452)	n.m.f.	
- Financial derivatives	6,662	292	>+500	
Foreign exchange loss/(gain)	6,600	(2,643)	n.m.f.	(iii)
Impairment of joint venture and associated company	-	1,000	n.m.f.	(iv)
Write-off of fixed assets	700	-	n.m.f.	(v)
Gain on disposal of subsidiaries	(7,215)	(4,984)	+44.8	(vi)
(Gain)/Loss on disposal of associated companies and joint ventures	(45)	215	n.m.f.	
Loss/(Gain) from sale of interests in associated companies	125	(43)	n.m.f.	
Fair value gain on investment properties	(43,161)	(46,763)	-7.7	(vii)
Loss/(Gain) from change in interest in associated companies	2,148	(5,140)	n.m.f.	(viii)

n.m.f. - No Meaningful Figure

- (i) Expected credit loss on debtors and receivables for the current period was attributable to the Connectivity and Infrastructure segments. The expected credit loss in the prior period was attributable to the Connectivity segment, partly offset by write-backs in Infrastructure and Real Estate segments.
- (ii) Lower fair value gain on investment portfolio for the half year ended 30 June 2023 was driven largely by lower valuations of unquoted investments such as Envision AESC Global Investment L.P., partly offset by higher fair value gain on quoted investments.
- (iii) The foreign exchange loss for the half year ended 30 June 2023 was mainly attributable to the revaluation of Renminbi denominated bank deposits, with the Renminbi having depreciated against the functional currency of a subsidiary in Infrastructure segment. The foreign exchange gain in the prior period was mainly attributable to the revaluation of Renminbi denominated bank deposits, with the Renminbi having appreciated against the functional currency of a subsidiary in Infrastructure segment.
- (iv) Impairment of a joint venture for prior period was attributable to Connectivity segment.
- (v) Write-off of fixed assets was attributable to Infrastructure segment.
- (vi) Gain on disposal of subsidiary arose from Real Estate segment divestment of Willowville Pte Ltd. In the prior period, gain on disposal of subsidiaries arose from Connectivity segment divestment of Indo-Trans Keppel Logistics Vietnam Co Ltd and Keppel Logistics Pte Ltd.

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- (vii) Fair value gain on investment properties arose from the Group's mid-year revaluation of significant investment properties.
- (viii) Loss from change in interest in associated companies was mainly due to change in interest in Keppel REIT. In the prior period, gain from change in interest in associated companies was mainly due to change in interest in Keppel REIT, gain from change in interest in an associated company in Vietnam due to a private placement, partly offset by loss from change in interest in KDC REIT.

9. SIGNIFICANT COMMITMENTS

	Group 30.06.2023 \$'000
Capital expenditure/commitments not provided for in the financial statements:	
In respect of contracts placed:	
- for purchase/subscription of shares	23,900
- for commitments to associated companies and joint ventures	95,840
	119,740

10. SIGNIFICANT CONTINGENT LIABILITIES AND GUARANTEES

	Group 30.06.2023 \$'000
Guarantees in respect of banks and other loans granted to associated companies and joint ventures	52,814
Bank guarantees	104,637
	157,451

See Note 1.3(iii) for further disclosures relating to the Group's claims and litigations.

11. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial statements, the Group has significant related party transactions as follows:

	Group 30.06.2023 \$'000
Sales of goods, services and/or fixed assets to	
- other related parties	96,102
Purchase of goods and/or services from	
- other related parties	26,020

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12. FINANCIAL RISK MANAGEMENT

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines. These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer of the Company and includes Chief Financial Officers of the Group's key operating companies and Head Office specialists.

There was no instance of significant updates to the Group's financial risk management since the audited financial statements as at 31 December 2022, except for the following:

(a) Cash flow and fair value interest rate risk

IBOR reform

All affected financial instruments that the Group and Company held as at 31 December 2022 have effectively transitioned to the new benchmark rates during the half year ended 30 June 2023, except for:

- S\$200 million of variable-rate borrowings which are still based on Singapore Swap Offer Rate ("SOR"). Interest rate fixing has occurred for this S\$200 million of variable rate borrowings for a duration of 6 months. The Group is in the process of transitioning the borrowings to the new benchmark of Singapore Overnight Rate Average ("SORA").
- S\$1,759,000 variable-rate USD payables which references to the United States Dollar London Interbank Offered Rate ("USD LIBOR"). The Group is in the process of transitioning the payables to the new benchmark of Secured Overnight Financing Rate ("SOFR").

(b) Fair Value of Financial Instruments and Investment Properties

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined by reference to the net tangible assets of the investments.

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The following table presents the assets and liabilities measured at fair value.

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Group				
30 June 2023				
Financial assets				
Derivative financial instruments	-	244,374	-	244,374
Notes receivables	-	-	4,319,720	4,319,720
Call option	-	-	192,522	192,522
Investments				
- Investments at fair value through other comprehensive income	503,993	1,398	396,652	902,043
- Investments at fair value through profit or loss	17,785	-	698,083	715,868
Short term investments				
- Investments at fair value through other comprehensive income	93,326	-	-	93,326
- Investments at fair value through profit or loss	238,547	-	1,887	240,434
	<u>853,651</u>	<u>245,772</u>	<u>5,608,864</u>	<u>6,708,287</u>
Financial liabilities				
Derivative financial instruments	-	262,007	-	262,007
	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Non-financial assets				
Investment properties				
- Commercial, completed	-	-	1,343,681	1,343,681
- Commercial, under construction	-	-	3,085,587	3,085,587
Associates and joint venture at fair value through profit or loss	-	-	318,856	318,856
	<u>-</u>	<u>-</u>	<u>4,748,124</u>	<u>4,748,124</u>

There have been no significant transfers between Level 1, Level 2 and Level 3 for the Group in the first half ended 30 June 2023.

The fair value of financial instruments categorised under Level 1 of the fair value hierarchy is based on published market bid prices at the balance sheet date.

The fair value of financial instruments categorised under Level 2 of the fair value hierarchy are fair valued under valuation techniques with market observable inputs. These include forward pricing and swap models utilising present value calculations using inputs such as observable foreign exchange rates (forward and spot rates), interest rate curves and forward rate curves and discount rates that reflects the credit risks of various counterparties.

The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments and investment properties categorised under Level 3 of the fair value hierarchy.

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Description	Fair value as at 30 June 2023 \$'000	Valuation Techniques	Unobservable Inputs	Range of unobservable Inputs
Investments	1,096,622	Net asset value, discounted cash flow, binomial option pricing method and revenue multiple	Net asset value* Discount rate Growth rate Discount for lack of control	Not applicable 15.71% to 20.00% 1.10% to 4.32% 15.00% to 23.3%
Notes receivables (Vendor notes)	4,319,720	Discounted cash flow method	Discount rate Estimated future asset sale values (\$'million)	4.59% to 13.21% \$163 to \$488
Call option	192,522	Discounted cash flow method and investment method	Transacted price of comparable properties (psf) Capitalisation rate	\$1,586 to \$3,617 3.40%
Associates and joint venture at fair value through profit or loss	318,856	Net asset value	Net asset value	Not applicable
Investment properties				
- Commercial, completed	1,343,681	Discounted cash flow method and/or direct comparison method Income capitalisation method	Discount rate Capitalisation rate Net initial yield Transacted price of comparable properties (psm) Transacted price of comparable properties (psf)	7.25% to 14.50% 4.25% to 10.00% 5.70% \$3,761 to \$5,310 \$225 to \$1,255
- Commercial, under construction	3,085,587	Discounted cash flow method, direct comparison method and/or residual value method	Discount rate Capitalisation rate Transacted price of comparable land plots (psm) Transacted price of comparable properties (psf) Gross development value (\$'million)	7.00% to 17.00% 4.00% to 10.00% \$6,726 to \$8,673 \$2,376 to \$3,617 \$214 to \$1,925

* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investment properties stated at fair value or assets measured using valuation techniques that take into account key inputs such as revenue multiples, long term growth rate and discount rate.

The financial instruments and investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in significant change to the fair value of the respective asset/liability.

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For the half year ended 30 June 2023

The total fair value on investments of \$1,096,622,000 as at 30 June 2023 comprises \$763,450,000 which are valued based on net asset value. A reasonably possible alternative assumption is when the net asset value of investments increase/decrease by 5%, which would lead to a \$38,173,000 increase/decrease in fair value.

The notes receivables under Level 3 of the fair value hierarchy are sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in significant change to the fair value of the notes receivables. A reasonably possible alternative assumption is when the discount rate increase/decrease by 1%, which would lead to \$121,334,000 decrease/\$127,780,000 increase in fair value. Another reasonably possible alternative assumption is when the estimated future asset sale values increase/decrease by 5%, which would lead to \$118,590,000 increase/decrease in fair value.

The Group revalues its investment property portfolio on an annual basis except for significant investment properties which are revalued on a half-yearly basis. The fair value of investment properties is determined by external, independent professional valuers which have appropriate recognised professional qualifications and experience in the location and category of property being valued. Management reviews the appropriateness of the valuation methodologies and assumptions adopted, and the reliability of the inputs used in the valuations.

13. SEGMENT ANALYSIS

On 3 May 2023, the Group announced the next phase of Vision 2030 plans, embarking on a major reorganisation to accelerate the transformation into a global alternative real asset manager and operator. The Group reorganised its operations into a simplified horizontally integrated model with four reportable segments, namely Infrastructure, Real Estate, Connectivity and Corporate Activities. The objective of the reorganisation was for the Group to streamline and be a one integrated company.

(i) **Infrastructure**

The Infrastructure segment business provide energy and environmental solutions and services that are essential for sustainable development. Principal activities include power generation, renewables, environmental engineering and infrastructure operation and maintenance. The operating segment has operations in China, Singapore, Switzerland, the United Kingdom, and other countries.

(ii) **Real Estate**

The Real Estate segment business provide sustainable and innovative urban space solutions, focusing on sustainable urban renewal and senior living. Principal activities include property development and investment, as well as master development. The segment has operations in China, India, Indonesia, Singapore, Vietnam and other countries.

(iii) **Connectivity**

Principal activities include the provision of telecommunications services, retail sales of telecommunications equipment and accessories, development and operation of data centres. The segment has operations in China, Singapore and other countries.

(iv) **Corporate Activities**

The Corporate Activities segment consists mainly of treasury operations, research & development, investment holdings, provision of management and other support services.

Management monitors the results of each of the above segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss. Information regarding the Group's reportable operating segments is presented in the following table, with the segment information for the prior period ended 30 June 2022 restated to reflect the change in the reportable segments.

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Half year ended 30 June 2023

	Infrastructure \$'000	Real Estate \$'000	Connectivity \$'000	Corporate Activities \$'000	Elimination \$'000	Total \$'000
Revenue						
External sales	2,487,512	531,079	694,756	2,278	-	3,715,625
Inter-segment sales	60,442	1,509	7,115	20,712	(89,778)	-
Total	<u>2,547,954</u>	<u>532,588</u>	<u>701,871</u>	<u>22,990</u>	<u>(89,778)</u>	<u>3,715,625</u>
Segment Results						
Operating profit	319,224	198,954	37,243	11,935	4,368	571,724
Investment income	28,635	2,518	158	55	-	31,366
Interest income	18,459	17,718	7,318	320,830	(338,907)	25,418
Interest expenses	(23,901)	(71,898)	(13,755)	(372,867)	334,539	(147,882)
Share of results of associated companies and joint ventures	5,948	102,901	24,802	(11,800)	-	121,851
Profit before tax	348,365	250,193	55,766	(51,847)	-	602,477
Taxation	(62,342)	(51,253)	(14,607)	(11,402)	-	(139,604)
Profit from continuing operations for first half	<u>286,023</u>	<u>198,940</u>	<u>41,159</u>	<u>(63,249)</u>	<u>-</u>	<u>462,873</u>
Attributable to:						
Shareholders of Company	291,005	185,991	36,919	(68,970)	-	444,945
Perpetual securities holders	-	-	-	5,752	-	5,752
Non-controlling interests	(4,982)	12,949	4,240	(31)	-	12,176
	<u>286,023</u>	<u>198,940</u>	<u>41,159</u>	<u>(63,249)</u>	<u>-</u>	<u>462,873</u>
Profit from discontinued operations, net of tax and NCI						<u>3,181,762</u>
Profit for the period attributable to shareholders of the Company						<u>3,626,707</u>
External revenue from contracts with customers						
- At a point in time	11,181	238,046	311,596	-	-	560,823
- Over time	2,476,331	261,027	381,418	2,260	-	3,121,036
	<u>2,487,512</u>	<u>499,073</u>	<u>693,014</u>	<u>2,260</u>	<u>-</u>	<u>3,681,859</u>
Other sources of revenue						
	-	32,006	1,742	18	-	33,766
Total	<u>2,487,512</u>	<u>531,079</u>	<u>694,756</u>	<u>2,278</u>	<u>-</u>	<u>3,715,625</u>

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Other Information

Segment assets	4,702,618	14,033,208	4,069,877	11,492,174	(6,676,167)	27,621,710
Segment liabilities	3,212,202	7,354,353	2,866,695	9,380,970	(6,676,167)	16,138,053
Net assets	1,490,416	6,678,855	1,203,182	2,111,204	-	11,483,657

Investment in associated companies and joint ventures	999,597	4,892,804	798,135	239,918	-	6,930,454
Additions to non-current assets	121,515	292,833	102,700	1,055	-	518,103
Depreciation and amortisation	18,440	15,978	60,018	6,040	-	100,476
Impairment loss/(write-back) on non-financial assets	683	1	(69)	-	-	615
Allowance for expected credit loss and bad debt written-off	2,908	90	4,623	2	-	7,623

GEOGRAPHICAL INFORMATION

	Singapore	China/ Hong Kong	Other Far East & ASEAN Countries	Other Countries	Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External sales	3,291,356	269,528	125,501	29,240	-	3,715,625
Non-current assets	8,045,936	3,490,976	1,913,801	678,730	-	14,129,443

Other than Singapore, no single country accounted for 10% or more of the Group's revenue for the half year ended 30 June 2023.

INFORMATION ABOUT A MAJOR CUSTOMER

Revenue of \$1,236,032,000 is derived from a single external customer and is attributable to the Infrastructure segment for the half year ended 30 June 2023.

Note: Pricing of inter-segment goods and services is at fair market value.

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Half year ended 30 June 2022

	<u>Infrastructure</u> \$'000	<u>Real Estate</u> \$'000	<u>Connectivity</u> \$'000	<u>Corporate Activities</u> \$'000	<u>Elimination</u> \$'000	<u>Total</u> \$'000
Revenue						
External sales	2,143,548	576,827	635,355	–	–	3,355,730
Inter-segment sales	19,957	272	4,250	41,802	(66,281)	–
Total	2,163,505	577,099	639,605	41,802	(66,281)	3,355,730
Segment Results						
Operating profit	83,627	186,900	30,003	45,854	8,430	354,814
Investment income	17,454	6,684	124	(56)	–	24,206
Interest income	30,316	18,989	444	181,586	(184,621)	46,714
Interest expenses	(9,667)	(36,377)	(10,068)	(198,192)	176,191	(78,113)
Share of results of associated companies and joint ventures	33,354	154,517	31,837	(16,560)	–	203,148
Profit before tax	155,084	330,713	52,340	12,632	–	550,769
Taxation	(16,632)	(71,462)	(14,622)	(7,301)	–	(110,017)
Profit from continuing operations for first half	138,452	259,251	37,718	5,331	–	440,752
Attributable to:						
Shareholders of Company	139,271	262,374	32,610	(113)	–	434,142
Perpetual securities holders	–	–	–	5,752	–	5,752
Non-controlling interests	(819)	(3,123)	5,108	(308)	–	858
	138,452	259,251	37,718	5,331	–	440,752
Profit from discontinued operations, net of tax and NCI						63,363
Profit for the period attributable to shareholders of the Company						497,505
External revenue from contracts with customers						
- At a point in time	31,239	426,424	190,373	–	–	648,036
- Over time	2,112,309	124,707	443,207	–	–	2,680,223
	2,143,548	551,131	633,580	–	–	3,328,259
Other sources of revenue	–	25,696	1,775	–	–	27,471
Total	2,143,548	576,827	635,355	–	–	3,355,730

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Segment assets*	3,981,823	14,529,796	3,824,479	14,517,886	(5,225,845)	31,628,139
Segment liabilities*	2,559,098	7,536,359	2,473,285	11,716,955	(5,225,845)	19,059,852
Net assets*	1,422,725	6,993,437	1,351,194	2,800,931	–	12,568,287

* Inclusive of disposal group classified as held for sale

Investment in associated companies and joint ventures	439,449	4,835,303	760,142	246,294	–	6,281,188
Additions to non-current assets	255,899	151,100	125,733	–	–	532,732
Depreciation and amortisation	15,872	15,592	63,376	7,000	–	101,840
Impairment loss on non-financial assets	6	–	1,483	–	–	1,489
Allowance for expected credit loss and bad debt written-off	(2,557)	(1,222)	5,820	17	–	2,058

GEOGRAPHICAL INFORMATION

	<u>Singapore</u>	<u>China/ Hong Kong</u>	<u>Other Far East & ASEAN Countries</u>	<u>Other Countries</u>	<u>Elimination</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External sales	2,604,411	543,672	109,254	98,393	–	3,355,730
Non-current assets	7,409,254	3,695,677	1,706,004	453,399	–	13,264,334

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the half year ended 30 June 2022.

INFORMATION ABOUT A MAJOR CUSTOMER

Revenue of \$1,095,698,000 is derived from a single external customer and is attributable to the Infrastructure segment for the half year ended 30 June 2022.

Note: Pricing of inter-segment goods and services is at fair market value.

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REVIEW OF SEGMENT PERFORMANCE

Revenue by Segments

Group revenue from continuing operations of \$3,716 million was \$360 million or 11% higher than that in the same period in 2022. Revenue from the Infrastructure segment increased by \$344 million or 16% to \$2,488 million. The increase was led by higher electricity sales, partly offset by lower gas sales, lower progressive revenue recognition from environmental projects in 1H 2023. Asset management fee revenue was lower year-on-year mainly due to absence of acquisition fees in 1H 2023, partly offset by higher management fees following the change in the fee structure that took effect in 2H 2022 for a business trust managed under the segment. Revenue from the Real Estate segment decreased by \$46 million to \$531 million largely due to lower revenue from property trading projects in China as a result of fewer units completed and handed over during the period, partly offset by higher contributions from property trading projects in Singapore. Asset management fee revenue was higher year-on-year mainly due to acquisition fees from an office tower in Seoul and higher management fees relating to acquisitions completed in 2022. Revenue from the Connectivity segment increased by \$60 million to \$695 million mainly due to M1 reporting higher mobile and enterprise revenues, including contribution from the newly acquired Glocomp Systems (M) Sdn Bhd, partly offset by lower handset sales, and lower revenue from the logistics business following the divestment of the logistics portfolio in South-East Asia and Australia in July 2022. Asset management fee revenue remained stable year-on-year.

Net profit by Segments

Group net profit from continuing operations of \$445 million was \$11 million or 3% higher than that in the same period in 2022. The Infrastructure segment registered a net profit of \$291 million in 1H 2023, more than double the \$139 million net profit recorded in 1H 2022. This was led by stronger results from higher net generation and margins from the integrated power business. These were partially offset by net interest expense, lower share of results following a dilution of interest in an associated company in 2H 2022, as well as lower contribution from environmental projects abroad partly due to lower progressive revenue recognition in 1H 2023 and unrealised foreign exchange differences. Asset management income was lower year-on-year as there was no acquisitions completed in 1H 2023. Net profit from the Real Estate segment decreased by \$76 million to \$186 million mainly due to lower fair value gains from investment properties, lower contribution from property trading projects in China, as well as higher net interest expense. These were partly offset by higher contributions from property trading projects in Singapore and from the Sino-Singapore Tianjin Eco-City, as well as gains from enbloc sales for a project in Ho Chi Minh City, Vietnam and a project in India. Asset management income rose 54% year-on-year mainly due to acquisition fees from an office tower in Seoul and higher management fees relating to acquisitions completed in 2022. The Connectivity segment's net profit of \$37 million was \$4 million higher than that in 1H 2022, mainly due to improved earnings contribution from M1, and lower losses from the logistics business following the divestment of Keppel Logistics SEA in July 2022. These were partly offset by lower profits from the Data Centre and Network Division as a result of costs incurred for new markets and initiatives. Asset management income remained stable year-on-year. Net loss from Corporate Activities was \$69 million as compared to breakeven in the same period last year. In the prior year, significant fair value gains were recognised from investments in new technology and start-ups, in particular, Envision AESC Global Investment L.P.. The fair value gains from investments were lower, while net interest expense was higher, year-on-year. The Group's taxation increased mainly due to higher taxable profit from the Infrastructure segment, which was partially offset by lower taxable profit from the Real Estate segment. Taking into account income tax expenses, non-controlling interests and profit attributable to holders of perpetual securities, the Group's net profit from continuing operations attributable to shareholders for 1H 2023 was \$445 million. Including discontinued operations, the Group's net profit attributable to shareholders was \$3,627 million, which was \$3,129 million higher than prior year. The discontinued operations recorded a net profit of \$3,182 million, comprising 2 months performance from Keppel Offshore & Marine (KOM), excluding certain out-of-scope assets, for the period 1 January to 28 February 2023, as well as a gain on disposal of approximately \$3.3 billion following the completion of the disposal of

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KOM at the end of February this year. In contrast, the net profit of \$64 million in 1H 2022 had included gains from the divestment of Keppel Smit Towage Pte Limited and Maju Maritime Pte Ltd, as well as the cessation of the depreciation for the relevant assets classified under disposal group held for sale.

Revenue by Geographical Segments

Revenue from Singapore of \$3,291 million was \$687 million higher than that of corresponding period, due largely to higher revenue from all segments.

14. DISCONTINUED OPERATIONS AND DISPOSAL GROUP AND ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH DISPOSAL GROUP AND ASSETS CLASSIFIED AS HELD FOR SALE

- (i) Discontinued operations and disposal group held for sale and liabilities directly associated with disposal group classified as held for sale

Keppel Offshore & Marine Ltd (“Keppel O&M”)

On 27 April 2022, the Company and Sembcorp Marine (“SCM” and now known as Seatrium Ltd “Seatrium”) entered into definitive agreements for the proposed combination of Keppel Offshore & Marine Ltd (“Keppel O&M”) and Sembcorp Marine Ltd (the “Proposed Combination”).

Concurrent with the Proposed Combination, the Company also entered into a definitive agreement with Baluran Limited (“Baluran”) and Kyanite Investment Holdings Pte Ltd (“Kyanite”), for the sale of Keppel O&M’s legacy rigs and associated receivables to a new and separate entity, Rigco Holding Pte Ltd (the “Asset Co Transaction”). On 27 October 2022, the structure and terms of the Proposed Combination and the Asset Co Transfer were amended (details can be found in the Company’s announcement and FY2022 audited financial statements).

Based on the carrying values of Keppel O&M’s legacy rigs and associated receivables, the Asset Co Transaction was completed on 27 February 2023 for a consideration of approximately \$4,372 million satisfied in the following manner:

- (a) issuance of 499,000 new ordinary shares in the capital of Rigco Holding Pte Ltd at the issue price of \$1.00 per share;
- (b) issuance of \$120 million 10.0% perpetual securities by Rigco Holding Pte Ltd; and
- (c) issuance of vendor notes of 4% per annum for a maximum tenure of 12 years in the same aggregate principal amount by Rigco Holding Pte Ltd of approximately \$4,251 million.

No gain or loss was recognised in the profit or loss on the date of completion from the Asset Co Transaction.

The Proposed Combination was completed on 28 February 2023 and the Company has received:

- I. 36,848,072,918 Consideration Shares amounting to approximately \$4,237 million. Of which, 33,436,214,314 Consideration Shares (representing 49% of the enlarged capital of Seatrium) amounting to approximately \$3,845 million has been distributed as dividend *in specie* to the Company’s shareholders and the remaining 3,411,858,604 Consideration Shares (representing 5% of the enlarged capital of Seatrium) amounting to approximately \$392 million, as Retained Consideration Shares placed into a segregated account for purposes of satisfying any of the identified contingent liabilities (as defined below); and
- II. a Cash Component of \$500,000,000 from Keppel O&M in settlement of interests and redemption amount for a partial redemption of intercompany perpetual securities.

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Arising from the completion of the Asset Co Transaction and the Proposed Combination, the effects of the disposal on the Group were:

	Group
	At 28.02.2023
	\$'000
<i>Carrying amounts of assets and liabilities as at the date of disposal:</i>	
Fixed assets	2,564,293
Right-of-use assets	258,302
Intangible assets	11,562
Investments	100,068
Stocks	1,844,759
Contract assets	2,653,674
Debtors and other assets	1,045,393
Associated companies and joint ventures	204,159
Bank balances and cash	968,026
Amount due from associated companies and joint ventures	60,219
Total assets	<u>9,710,455</u>
Creditors and other liabilities	2,449,700
Contract liabilities	703,671
Borrowings	938,399
Lease liabilities	291,266
Taxation	9,060
Deferred tax liabilities	46,424
Total liabilities	<u>4,438,520</u>
Less: Non-controlling interests	(14,295)
Realisation of foreign currency translation reserve and cashflow hedge reserves upon disposal	59,339
Net assets disposed, including transaction costs and adjustments	<u>5,316,979</u>
Consideration	8,609,171
Gain on disposal of discontinued operations - net	<u>3,292,192</u>
<i>Cash flows arising from disposal:</i>	
Cash proceeds on disposal	–
Less: Cash and cash equivalents in subsidiary disposed of	<u>(968,026)</u>
Net cash outflow on disposal	<u>(968,026)</u>

The gain on disposal is subject to necessary adjustments including any reimbursement by the Company to Keppel O&M for certain expenditures incurred by Keppel O&M before the completion of the combination, relating to assets sold by Keppel O&M to Rigco Holding Pte Ltd to the extent that such expenditures are in excess of an agreed sum.

The Company has entered into an agreement pursuant to which Consideration Shares representing 5% of SCM Shares on a fully diluted basis immediately after Closing has been transferred to a segregated account for the purpose of satisfying identified contingent liabilities which Seatrium may have against the Company in connection with the Combination (capitalised terms unless otherwise defined herein shall bear the meanings given to them in the Company's circular to shareholders dated 23 November 2022 in relation to, among other things, the Combination). The Company has not received any claim in this regard. There is no certainty that a claim will be made in this regard. Accordingly, the Company does not consider any settlement amount to be material to the financial statements as at the end of the reporting period.

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The financial performance and cash flow information presented are for the period from 1 January to 28 February 2023 and the half year ended 30 June 2022.

(a) The results of the discontinued operations are as follows:

	Period	Half Year
	28.02.2023	30.06.2022
	\$'000	\$'000
Revenue	630,460	1,158,961
Expenses*	<u>(753,890)</u>	<u>(1,093,100)</u>
(Loss)/Profit before tax from discontinued operations	(123,430)	65,861
Taxation	12,799	(3,330)
Non-controlling interests	<u>201</u>	<u>832</u>
(Loss)/Profit from discontinued operations, net of tax and non-controlling interests	(110,430)	63,363
Gain on disposal of discontinued operations - net	<u>3,292,192</u>	<u>–</u>
Profit from discontinued operations	<u>3,181,762</u>	<u>63,363</u>

* In accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, following the classification as disposal group classified as held for sale, the Group has ceased depreciation since 27 April 2022 for the relevant assets classified under disposal group held for sale up to 28 February 2023. Ceased depreciation amounted to \$17,618,000 (2022: \$17,964,000) for the respective reporting period.

(b) The cash flows attributable to the discontinued operations are as follows:

	Period	Half Year
	28.02.2023	30.06.2022
	\$'000	\$'000
Operating cash flow	(72,050)	(120,091)
Investing cash flow	(12,042)	16,768
Financing cash flow	<u>(47,446)</u>	<u>136,781</u>
Net cash (outflows)/inflows	<u>(131,538)</u>	<u>33,458</u>

(ii) Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

(a) Marina East Water Pte. Ltd. ("MEW")

On 30 June 2022, Keppel Infrastructure Holdings Limited ("Keppel Infrastructure"), a wholly-owned subsidiary of the Company, and Keppel Infrastructure Fund Management Pte Ltd ("KIFM"), as Trustee-Manager of Keppel Infrastructure Trust ("KIT"), have signed a non-binding term sheet with the intention to enter into definitive agreements with respect to the sale and purchase of the Group's interest in MEW ("Proposed Transaction"). The Proposed Transaction is subject to customary closing conditions including approvals by shareholders and PUB, as well as the receipt of applicable regulatory approvals. Post the proposed transaction, MEW will be jointly-controlled by Keppel Infrastructure and KIT, with KIT receiving 100% of the economic interest.

(b) Greenfield Development Pte. Ltd. ("GDPL")

On 6 March 2023, the Company announced that Keppel Land Limited, a wholly-owned subsidiary of the Company, and its wholly-owned subsidiary, Double Peak Holdings Limited, are divesting 100% of the issued share capital of Greenfield Development Pte. Ltd. to Spring Blossom Ventures Pte. Ltd.

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(c) SM Keppel Land, Inc. (“SMKL”)

On 27 March 2023, the Company announced that its subsidiary, Keppel Philippines Properties, Inc. together with Opon-KE Properties, Inc. (collectively, “Vendors”), are divesting 50% of the issued capital stock of SM Keppel Land, Inc. (“SMKL”) to BDO Unibank, Inc. Completion of the divestment is subject to the satisfaction of conditions precedent (including but not limited to the obtaining of the requisite regulatory approvals and shareholders’ approval of the Vendors).

In accordance to SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of MEW and GDPL and the investment in SMKL that is accounted for as an associated company have been presented separately as “assets classified as held for sale” and “liabilities directly associated with assets classified as held for sale” in the condensed consolidated balance sheet as at 30 June 2023.

(iii) Details of the assets classified as held for sale and liabilities directly associated with assets classified as held for sale are as follows:

	As at 30 June 2023
	\$'000
Assets classified as held for sale	
Fixed assets	57,717
Associated companies and joint ventures	69,954
Right-of-use assets	10,458
Long term assets	329,709
Stocks	135
Debtors	12,883
Derivative assets	530
Bank balances, deposits & cash	24,709
	506,095
Liabilities directly associated with assets classified as held for sale	
Creditors	4,110
Derivative liabilities	3,196
Current term loans	9,494
Current lease liabilities	41
Non-current term loans	287,424
Non-current lease liabilities	8,632
Taxation	6,969
	319,866

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OTHER INFORMATION

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1. AUDIT

The financial statements have not been audited nor reviewed by our auditors.

2. AUDITORS' REPORT

Not applicable.

3. REVIEW OF GROUP PERFORMANCE

Half year ended 30 June 2023

Group net profit attributable to shareholders was \$3,627 million as compared to \$498 million for the same period in 2022. Consequently, earnings per share was 203.0 cents for the current half year as compared to 27.9 cents for the corresponding period in the prior year. Annualised return on equity was 36.8%. Excluding discontinued operations, group net profit from continuing operations was \$445 million as compared to \$434 million in 1H 2022, and earnings per share was 24.9 cents as compared to 24.3 cents in the same period last year.

Group revenue from continuing operations of \$3,716 million was \$360 million or 11% higher than that in the same period in 2022. Revenue from the Infrastructure segment increased by \$344 million or 16% to \$2,488 million. The increase was led by higher electricity sales, partly offset by lower gas sales, lower progressive revenue recognition from environmental projects in 1H 2023. Asset management fee revenue was lower year-on-year mainly due to absence of acquisition fees in 1H 2023, partly offset by higher management fees following the change in the fee structure that took effect in 2H 2022 for a business trust managed under the segment. Revenue from the Real Estate segment decreased by \$46 million to \$531 million largely due to lower revenue from property trading projects in China as a result of fewer units completed and handed over during the period, partly offset by higher contributions from property trading projects in Singapore. Asset management fee revenue was higher year-on-year mainly due to acquisition fees from an office tower in Seoul and higher management fees relating to acquisitions completed in 2022. Revenue from the Connectivity segment increased by \$60 million to \$695 million mainly due to M1 reporting higher mobile and enterprise revenues, including contribution from the newly acquired Glocomp Systems (M) Sdn Bhd, partly offset by lower handset sales, and lower revenue from the logistics business following the divestment of the logistics portfolio in South-East Asia and Australia in July 2022. Asset management fee revenue remained stable year-on-year.

Group net profit from continuing operations of \$445 million was \$11 million or 3% higher than that in the same period in 2022. The Infrastructure segment registered a net profit of \$291 million in 1H 2023, more than double the \$139 million net profit recorded in 1H 2022. This was led by stronger results from higher net generation and margins from the integrated power business. These were partially offset by net interest expense, lower share of results following a dilution of interest in an associated company in 2H 2022, as well as lower contribution from environmental projects abroad partly due to lower progressive revenue recognition in 1H 2023 and unrealised foreign exchange differences. Asset management income was lower year-on-year as there was no acquisitions completed in 1H 2023. Net profit from the Real Estate segment decreased by \$76 million to \$186 million mainly due to lower fair value gains from investment properties, lower contribution from property trading projects in China, as well as higher net interest expense. These were partly offset by higher contributions from property trading projects in Singapore and from the Sino-Singapore Tianjin Eco-City, as well as gains from enbloc sales for a project in Ho Chi Minh City, Vietnam and a project in India. Asset management income rose 54% year-on-year mainly due to acquisition fees from an office tower in Seoul and higher management fees relating to acquisitions completed in 2022. The Connectivity segment's net profit of \$37 million was \$4 million higher than that in 1H 2022, mainly due to improved earnings contribution from M1, and lower losses from the logistics business following the divestment of Keppel Logistics SEA in July 2022. These were partly offset by lower profits from the Data Centre and Network Division as a result of costs incurred for new

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markets and initiatives. Asset management income remained stable year-on-year. Net loss from Corporate Activities was \$69 million as compared to breakeven in the same period last year. In the prior year, significant fair value gains were recognised from investments in new technology and start-ups, in particular, Envision AESC Global Investment L.P.. The fair value gains from investments were lower, while net interest expense was higher, year-on-year. The Group's taxation increased mainly due to higher taxable profit from the Infrastructure segment, which was partially offset by lower taxable profit from the Real Estate segment. Taking into account income tax expenses, non-controlling interests and profit attributable to holders of perpetual securities, the Group's net profit from continuing operations attributable to shareholders for 1H 2023 was \$445 million. Including discontinued operations, the Group's net profit attributable to shareholders was \$3,627 million, which was \$3,129 million higher than prior year. The discontinued operations recorded a net profit of \$3,182 million, comprising 2 months performance from Keppel Offshore & Marine (KOM), excluding certain out-of-scope assets, for the period 1 January to 28 February 2023, as well as a gain on disposal of approximately \$3.3 billion following the completion of the disposal of KOM at the end of February this year. In contrast, the net profit of \$64 million in 1H 2022 had included gains from the divestment of Keppel Smit Towage Pte Limited and Maju Maritime Pte Ltd, as well as the cessation of the depreciation for the relevant assets classified under disposal group held for sale.

4. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

5. PROSPECTS

Global Asset Manager and Operator

In May 2023, Keppel announced a major reorganisation to fast-track its transformation under Vision 2030, from a diversified conglomerate into a global alternative real asset manager and operator, with deep operating capabilities in infrastructure, real estate and connectivity. The Company's reorganisation followed the successful divestment of its offshore and marine business at the end of February 2023 and will be implemented over a 12- to 18-month period.

The Company is currently working on removing its conglomerate structure and has reorganised its operations into a simplified, horizontally-integrated model, comprising a Fund Management Platform, an Investment Platform and an Operating Platform, forming one integrated business focused on investing in and creating solutions for a sustainable world.

The **Fund Management Platform** focuses on raising capital and forging stronger relationships with investors by bringing to them the best of Keppel's solutions, investments and operating teams.

The **Investment Platform** plays a central role in driving capital deployment decisions. It drives horizontal integration by bringing together the investment and value enhancement expertise from across the Group, to create value for investors.

The **Operating Platform** integrates the track records, operating capabilities, and technical know-how of Keppel's divisions and leverages the Company's shared support functions to enable cost-efficient growth. The Operating Platform, comprising the Infrastructure, Real Estate and Data Centre and Networks Division, as well as M1, bolsters Keppel's distinctive value proposition as a global asset manager and operator with strong track record in the development and operation of real assets — such as those related to renewables, clean energy, decarbonisation, sustainable urban renewal and digital connectivity — as compared to pure-play asset managers.

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As a global asset manager and operator, Keppel creates value for investors and stakeholders through its quality investment platforms and diverse asset portfolios, including private funds and listed real estate and business trusts.

As at end-June 2023, Keppel had approximately \$65.6 billion of total assets under management, including some \$12.4 billion of real assets on the Group's balance sheet[^], that can be potentially converted into fee-bearing Funds Under Management (FUM). To drive growth, Keppel plans to significantly scale its FUM of \$53.2 billion at the end of June 2023 to \$200 billion by 2030, with an interim target to achieve \$100 billion of FUM by end 2026.

The Company will also continue to drive its asset monetisation programme. Beyond the \$3-\$5 billion asset monetisation target, which it has achieved ahead of schedule, Keppel is working towards a cumulative \$10-\$12 billion asset monetisation target by the end of 2026. Proceeds from asset monetisation will be invested in new growth engines and also used to reward shareholders.

Amidst the volatile environment, the Company sees a growing pool of investors, including sovereign wealth funds and pension funds, seeking to allocate capital to alternative assets, which can serve as a hedge against inflation. Investors are also seeking opportunities in assets that can contribute to global sustainable development and to combating climate change. With strong capabilities in sustainability solutions, Keppel is thus in the right space at the right time, and can harness its strengths to seize growth opportunities, while contributing to sustainable development.

Operating Platform

The Infrastructure Division has established expertise and track records in the areas of power and renewables, decarbonisation solutions for energy and environment, as well as the operation and maintenance of essential infrastructure.

By leveraging and complementing Keppel's asset management expertise, the Infrastructure Division is well-poised to scale up and capture opportunities fueled by the global energy transition and climate commitments. Its initiatives include importing renewable energy into Singapore, developing Singapore's first hydrogen-ready power plant, and gearing up for the low-carbon economy through exploring green ammonia and green hydrogen solutions with international partners. In line with Keppel's focus on growing recurring income, the Infrastructure Division is also accelerating the expansion of its Energy-as-a-Service (EaaS) portfolio in Asia with more offerings across energy supply, electric vehicle charging, cooling, decarbonisation and smart energy management. Such EaaS services offer customers tangible and realisable pathways to carbon neutrality, while achieving significant upfront cost savings.

The Real Estate Division harnesses Keppel's complementary strengths across real estate solutions and asset management to tap third party funds and invest in quality projects as well as deliver innovative, sustainable solutions. As it pivots to an asset-light model, the real estate segment has been reinvesting in new growth engines to generate recurring income by developing Real Estate-as-a-Service solutions and shoring up capabilities in areas such as sustainable urban renewal and senior living. The Real Estate Division also deploys its in-house design capability to formulate suitable configurations or services, harnessing digital and green technologies to develop smart platforms that can enhance user experience as well as reduce an asset's carbon footprint.

The Connectivity segment, comprising the Data Centre and Networks Division and M1, combines Keppel's capabilities and deep domain knowledge in data centres, sub-sea cables as well as 5G and digital connectivity solutions. The Data Centre and Networks Division is actively pursuing new investment and development opportunities, leveraging Keppel's asset management expertise, to expand its geographical presence while creating more energy-efficient and sustainable data centre assets. The Division is also currently developing the Bifrost Subsea Cable System, which will be the largest capacity high-speed transmission cable across the Pacific Ocean, connecting Singapore directly to the west coast of North America when completed.

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M1 continues to transform to sharpen its competitive edge, increase its momentum in digital transformation and undertake growth initiatives. It is strengthening its enterprise business with the active rollout of enterprise solutions to boost 5G adoption and deployment, and growing new revenue streams from scalable 5G industry solutions, both in Singapore and abroad. Through its subsidiaries AsiaPac and Glocomp, M1 continues to scale up its enterprise business as it pursues its regional growth plans.

[^] Includes carrying values of identified assets on the balance sheet, as well as gross asset values of certain identified underlying assets held in joint ventures, that can be potentially converted into fee-bearing Funds Under Management (FUM). Notes receivables (vendor notes issued by AssetCo) amounting to c. S\$4.3B is included.

6. DIVIDEND

6a. Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share	15.0 cents
Tax rate	Tax exempt

Cash Dividend

The Directors are pleased to declare a tax exempt one-tier interim cash dividend of 15.0 cents per share (2022: tax exempt one-tier interim cash dividend of 15.0 cents per share) in respect of the half year ended 30 June 2023. The interim dividend will be paid to shareholders on 18 August 2023.

Notice is hereby given that the Share Transfer Books and the Register of Members of the Company will be closed on 8 August 2023 at 5.00 p.m. for the preparation of dividend warrants. Duly completed transfers of ordinary shares ("Shares") received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 1 HarbourFront Avenue Keppel Bay Tower #14-07 Singapore 098632 up to 5.00 p.m. on 8 August 2023 will be registered to determine shareholders' entitlement to the interim dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on 8 August 2023 will be entitled to the interim dividend.

Special Dividend *In Specie*

The Directors are also pleased to recommend a special dividend *in specie* of one (1) Keppel REIT unit for every five (5) shares in the Company, fractional entitlements to be disregarded ("Proposed Distribution"). The Proposed Distribution is subject to the satisfaction of certain conditions as described in the announcement of the Company dated 27 July 2023 ("Announcement") including the approval of Shareholders by way of an ordinary resolution for the Proposed Distribution at an extraordinary general meeting of the Company to be convened.

Further details of the Proposed Distribution are set out in the Announcement.

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6b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share	15.0 cents
Tax rate	Tax exempt

6c. Dividend *In Specie* of SCM shares

On 1 March 2023, the Company effected a dividend *in specie* of approximately 19.1 Sembcorp Marine ("SCM") shares for every one Keppel Corporation share ("KCL Share") held by eligible Shareholders, fractional entitlements disregarded.

Based on the closing price of SCM shares as at 1 March 2023 of 11.5 cents per share (the first trading day of SCM following completion of the combination transaction between Keppel Offshore & Marine and SCM), the cash equivalent amount of the dividend declared by the Company is \$3,845 million, equivalent to approximately \$2.19 per KCL Share, based on the Company's issued and paid-up share capital as at the record date (for such dividend *in specie*) of 1,751,959,918 KCL Shares (excluding treasury shares).

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7. INTERESTED PERSON TRANSACTIONS

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 21 April 2023. During the financial year, the following interested person transactions were entered into by the Group:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
		Half Year 30.6.2023 \$'000	Half Year 30.6.2023 \$'000
Transaction for the Sale of Goods and Services			
Temasek Holdings Group (other than the below) CapitaLand Group Keppel Infrastructure Trust Group PSA International Group Seatrium Group (f.k.a. SembCorp Marine Group) Singapore Power Group Singapore Technologies Engineering Group Singapore Telecommunications Group StarHub Group	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates.	2,043 1,447 151,901 6,930 – 1,976 2,306 7,082 28,250	226 – 60,297 9 2,278 9 340 – –
Transaction for the Purchase of Goods and Services			
Temasek Holdings Group (other than the below) Clifford Capital Group Lan Ting Holdings Group Singapore Technologies Engineering Group Singapore Telecommunications Group StarHub Group	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates.	398 – – 83 – 117	4,994 1,259 1,169,101 8,414 31,692 32,281

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Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
		Half Year 30.6.2023 \$'000	Half Year 30.6.2023 \$'000
Treasury Transactions Temasek Holdings Group (other than the below) Keppel Infrastructure Trust Group		70 2,959	– –
Total Interested Person Transactions		205,562	1,310,900

8. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

KAREN TEO/SAMANTHA TEONG
Company Secretaries
27 July 2023

CONFIRMATION BY THE BOARD

We, DANNY TEOH and LOH CHIN HUA, being two directors of Keppel Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the half year ended 30 June 2023 financial statements to be false or misleading in any material respect.

On behalf of the board of directors



DANNY TEOH
Chairman



LOH CHIN HUA
Chief Executive Officer

Singapore, 27 July 2023