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Media Release

Keppel Corporation signs revised agreements in connection with proposed Offshore & Marine transactions

- ***Final revised commercial terms and transaction structure as follows:***

  Proposed combination
  - *Proposed combination now structured as acquisition by Sembcorp Marine of Keppel O&M.*
  - *Sembcorp Marine will be the "Combined Entity" owning, post acquisition, a combination of its current business and Keppel O&M*
  - *Exchange ratio between Keppel and Sembcorp Marine revised from 56:44 to 54:46 respectively.*
  - *Combined Entity shares in Keppel's segregated account for contingent liabilities reduced from 10% to 5%; released Combined Entity shares to be distributed to Keppel Corporation shareholders.*

  Asset Co transaction
  - *Asset Co transaction will no longer be conditional upon outcome of the proposed combination and will proceed regardless of whether Keppel O&M is acquired by Sembcorp Marine.*
  - *Keppel's coupon from vendor notes has also increased from 2% to 4%.*

- ***Updated transaction structure simplifies implementation of the proposed combination, provides greater deal certainty and allows faster completion***

  - *Acquisition requires majority approval of both Keppel's and Sembcorp Marine's shareholders; no Court approval required and no transfer of listing status from Sembcorp Marine to a separate Combined Entity.*
  - *Parties are targeting to complete the proposed combination by end-2022.*

- ***Keppel Corporation shareholders to receive new Sembcorp Marine shares representing 49% of its enlarged share capital, estimated to be 19.1 Sembcorp Marine shares per Keppel Corporation share.*** [1,2]

Singapore, 27 October 2022 – Keppel Corporation Limited (Keppel) announced today that it has signed revised agreements with Sembcorp Marine on the proposed combination of Keppel O&M and Sembcorp Marine, changing certain commercial terms and the transaction structure, which would simplify implementation, provide greater deal certainty and accelerate the completion of the transaction.

Keppel also announced that it has signed revised agreements with Baluran Limited (Baluran), an indirect wholly-owned subsidiary of ASM Connaught House Fund V, and Kyanite Investment Holdings Pte. Ltd. (Kyanite), an indirect wholly-owned subsidiary of Temasek, such that the proposed combination and Asset Co transactions will be delinked, and the Asset Co transaction will proceed regardless of the outcome of the proposed combination of Keppel O&M and Sembcorp Marine.

Changes to the Proposed Combination

The commercial terms of the proposed combination have been revised as follows:

- The exchange ratio between Keppel and Sembcorp Marine has been revised from 56:44 to 54:46 respectively. As a result, the value of the equity shares in Sembcorp Marine that Keppel would receive from the proposed transaction would be lowered by about S$378 million, from approximately S$4.87 billion to approximately S$4.50 billion[1].

- The amount to be retained in the segregated account for certain identified contingent liabilities has been reduced from 10% to 5%. As a result, Keppel will distribute in-specie 49% of the Sembcorp Marine shares to Keppel's shareholders, instead of the earlier 46%. Consequently, shareholders of Keppel will receive approximately 19.1 Sembcorp Marine shares with an implied value of S$2.33[1, 2] for every Keppel share held. This will be higher than the earlier indicated amount of 18.5 separate Combined Entity shares with an implied value of S$2.26[3] for every Keppel share held.

Based on the revised agreements, the proposed combination will be restructured into an acquisition of Keppel O&M, excluding its interests in certain out-of-scope assets and the legacy rigs and their associated receivables, by Sembcorp Marine. Sembcorp Marine will therefore become the Combined Entity owning, post acquisition, a combination of its current business and Keppel O&M. This is a simplified transaction that eliminates the requirement for a separate Combined Entity to be interposed as the listed entity holding both Keppel O&M and Sembcorp Marine. Consequently, the simplified structure would only require majority approval by Keppel shareholders and Sembcorp Marine shareholders. Court approval will no longer be required[4]. Transfer of listing status from Sembcorp Marine to a separate Combined Entity will also no longer be required.

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[1] For the purpose of the illustrative values in this media release, the Combined Entity refers to Sembcorp Marine. These illustrative values are calculated based on the proposed issue price of S$0.122 per Combined Entity share, which is based on the volume-weighted average price ("VWAP") of the Sembcorp Marine shares for the last 10 trading days up to and including 26 April 2022 (signing date), and assuming a total of 36,848,072,918 new Combined Entity shares (representing 54% of the issued and paid-up share capital of the Combined Entity) to be issued to Keppel on completion of the proposed transaction. The actual issue price of the Combined Entity shares would be determined subsequently by the Combined Entity and may differ from the aforementioned issue price of S$0.122 per share. The actual value of the consideration will depend on the actual traded price of the Combined Entity after the completion of the deal.

[2] 19.1 shares with a value of S$2.33 are calculated based on 1,751,941,293 Keppel Corporation shares in issue (excluding treasury shares) as at 30 September 2022, and proposed issue price of $0.122 per Combined Entity share.

[3] 18.5 shares with a value of S$2.26 are calculated based on 1,770,895,935 Keppel Corporation shares in issue (excluding treasury shares) as at 30 June 2022, and the proposed issue price of $0.122 per Combined Entity share, assuming a total of 39,949,762,557 new Combined Entity Shares (representing 56% of the issued and paid-up share capital of the Combined Entity) to be issued to Keppel on completion of the proposed transaction.

[4] The Court approval was previously a legal requirement for the concurrent schemes of arrangement to interpose a separate Combined Entity as the holding vehicle for Keppel O&M and Sembcorp Marine.

Both Keppel and Sembcorp Marine are targeting to complete the proposed combination by the end of 2022, subject to, among others, receipt of the relevant regulatory approvals. Keppel intends to seek its shareholders' approval in early-December 2022.

All other terms remain unchanged.

Both Keppel and Sembcorp Marine have confirmed that these will be the final terms of the proposed combination and there will be no further changes to the proposed combination.

Changes to the Asset Co Transaction

As agreed among Keppel Corporation, Baluran and Kyanite, the Asset Co transaction will proceed irrespective of the outcome of the proposed combination of Keppel O&M and Sembcorp Marine. In addition, reflecting the higher interest rate environment, the parties have agreed that the coupon for the S$3.9 billion in vendor notes to be received by Keppel will be raised from 2% to 4%, translating into about S$79 million of additional interest earned per annum, or about S$236 million to S$393 million over 3 to 5 years. [5]

Rationale for Revised Agreements

Explaining the rationale for the revised agreements, Mr Loh Chin Hua, CEO of Keppel Corporation, said, "With recent improvements in the offshore & marine market, the case for the proposed combination of Keppel O&M and Sembcorp Marine to create a stronger and larger player has been further strengthened. The revised terms will enhance deal certainty and expedite the completion of the proposed combination, allowing Keppel to further accelerate the execution of our Vision 2030 strategy to be one integrated business, providing solutions for sustainable urbanisation. It will also allow the proposed combination to be completed more quickly, and for the Combined Entity to realise synergies from the combination.

"While the exchange ratio for Keppel has been lowered slightly, this is still a very positive outcome for Keppel and its shareholders. In addition, Keppel secured improved terms in the Asset Co transaction, especially the delinking of the Asset Co transaction from the proposed combination, which allows Keppel to press forward with our plans to resolve the legacy rigs and associated receivables, regardless of the proposed combination. We also secured a higher coupon rate for the vendor notes, which will yield additional interest earned for the Group.

"Keppel's shareholders will also receive upfront a higher number of shares in the Combined Entity, allowing them to enjoy the upside from the synergies of the Combined Entity, the continued improvement of the O&M business and the opportunities in the energy transition."

Progress on the Proposed Combination

The revised transaction terms for the proposed combination are not expected to result in material changes to the regulatory approvals required. The parties have obtained most of the regulatory approvals required and continue to work on obtaining the remaining outstanding regulatory

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

approvals (including approvals from the Competition and Consumer Commission of Singapore, the SGX-ST and the Maritime & Port Authority of Singapore). Concurrent discussions on the integration plans are also progressing well, in the lead up to the proposed combination.

Keppel O&M continues to build on its strength, having secured new orders of approximately S$8 billion this year and its net order book of S$11.6 billion as at end September is at its highest level since 2007. The projects are expected to yield reasonable gross margins, and Keppel O&M has and will receive significant deposits for the newbuild FPSO P-80 and P-83 projects. Consequently, the net gearing of the restructured Keppel O&M, to be acquired by Sembcorp Marine, is expected to be significantly lower as at the end of 2022[6], compared to the proforma net gearing of 0.63x as at 31 December 2021. Following the proposed combination, the Combined Entity would have a total net orderbook of more than S$18 billion and it would be well-placed to compete and pursue new opportunities in offshore renewables, new energy and cleaner solutions in the global O&M business.

The proposed transactions, if successful, are expected to be earnings accretive to Keppel Corporation for the financial year ended 31 December 2021 on a pro forma basis.

On a pro forma basis, based on the Group's audited results for the financial year ended 31 December 2021 (FY 2021):

a) had the proposed transactions been completed on 1 January 2021, the earnings per share for FY 2021 would have increased from 56.2 cents to approximately 76.8 cents, excluding the disposal gain from the proposed transactions.

   Including the disposal gain (but excluding costs related to the disposal) from the proposed transactions, the earnings per share would have increased to approximately 265.0 cents[7];

b) had the proposed transactions and proposed distribution[7,8] been completed on 31 December 2021, the net tangible assets per share as at 31 December 2021 would have decreased from S$5.53 to approximately S$5.29;

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[6] This net gearing ratio is calculated as at a point in time and may change subsequently depending on the working capital requirements of the projects as they progress, and is not indicative of the future gearing of the restructured Keppel O&M.

[7] The pro forma consideration used to derive the disposal gain arising from the proposed transactions is calculated based on the proposed issue price of S$0.122, being the VWAP of Sembcorp Marine shares for the last 10 trading days up to and including 26 April 2022, per new Combined Entity Share and assuming a total of 36,848,072,918 new Combined Entity shares to be issued to Keppel on completion of the proposed transactions. In this regard, the actual consideration used to derive the disposal gain arising from the proposed transactions on completion will depend on the last traded price of the shares of Combined Entity on the first market day immediately following the date of such completion and the actual number of Combined Entity shares to be issued on such completion.

[8] The pro forma value of the proposed distribution is calculated based on the proposed issue price of S$0.122, being the VWAP of Sembcorp Marine shares for the last 10 trading days up to and including 26 April 2022, per new Combined Entity share and assuming a total of 36,848,072,918 new Combined Entity shares to be issued to Keppel on completion of the proposed transaction. In this regard, the actual value of the proposed distribution on completion will depend on the last traded price of the shares of Combined Entity on the first market day immediately following the date of such completion and the actual number of Combined Entity shares to be issued on such completion.

c) had the proposed transactions and proposed distribution[7,8] been completed on 31 December 2021, the net gearing as at 31 December 2021 would have decreased from 0.68x to approximately 0.65x.

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