

Media Release

Keppel Corporation signs definitive agreements in connection with proposed combination of Keppel O&M and Sembcorp Marine

- *Proposed combination will create a premier global player offering offshore renewables, new energy and cleaner solutions in the offshore & marine sector*
- *Proposed transactions, estimated on a pro forma basis, will allow Keppel to realise approximately S\$9.42 billion in value comprising:*
 - *S\$4.87 billion comprising 56% equity shares in the Combined Entity¹*
 - *Extraction of S\$500 million in cash as part of Keppel O&M's pre-combination restructuring; and*
 - *S\$4.05 billion² comprising vendor notes, perpetual securities and a 10% stake in Asset Co from the sale of Keppel O&M's legacy rigs and associated receivables to Asset Co*
- *46% of equity shares in the Combined Entity will be distributed to Keppel shareholders*
- *Proposed transactions are earnings accretive to Keppel Corporation for the financial year ended 2021 on a pro forma basis*
- *Proposed transactions are aligned with Keppel's Vision 2030 plans to simplify and focus the Group's business as it executes its mission to provide solutions for sustainable urbanisation*

Singapore, 27 April 2022 – Keppel Corporation Limited (Keppel) announced today that it has entered into definitive agreements with Sembcorp Marine Ltd (Sembcorp Marine) for the proposed combination of Keppel Offshore & Marine and Sembcorp Marine (the Combined Entity), setting in motion the creation of a premier global player providing offshore renewables, new energy and cleaner solutions in the offshore & marine sector. The proposed combination will unlock synergies by bringing together the strong track records and capabilities of the two companies, putting the Combined Entity in a strong position to expand and compete more effectively in its areas of focus amidst the energy transition. It is also expected to further strengthen Singapore's position as a maritime and offshore & marine hub.

¹ The sum of S\$4.87 billion, which is represented as the value attributable to 56% equity interest in the Combined Entity ("Pro Forma Value"), is computed based on (1) the assumption that 39,949,762,557 shares will be issued by Combined Entity to Keppel representing 56% of the issued and paid-up share capital of the Combined Entity, (2) the Sembcorp Marine shareholders being issued with, in aggregate, 44% of the issued and paid-up share capital of the Combined Entity, which for the purpose of the computation, is assumed to be the same number of shares, being 31,389,099,152, as held by Sembcorp Marine shareholders as at 26 April 2022 (the "Last Market Day"), being the last trading day immediately prior to the date of this Announcement; and (3) S\$0.122, being the volume-weighted average price ("VWAP") of the Sembcorp Marine Shares for the last 10 trading days up to and including the Last Market Day.

² 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.

Under the terms of the combination framework agreement between (amongst others) Keppel Corporation and Sembcorp Marine, the Group will receive equity shares representing a 56% equity interest in the Combined Entity (which will be listed as a separate listed entity) as well as cash of S\$500 million. This values Keppel O&M, on a pro forma basis, at approximately S\$4.87 billion, excluding (i) the extraction of the S\$500 million cash, (ii) its interests in certain out-of-scope assets with a book value of approximately S\$300 million as at 31 December 2021 (comprising mainly Floatel International Ltd and Dyna-Mac Holdings Ltd) which will be retained by Keppel Corporation, (iii) as well as the legacy rigs and their associated receivables which will be sold to Asset Co.

When the proposed combination is successfully completed, Keppel will distribute to its shareholders 46% of the equity shares in the Combined Entity, thus allowing shareholders to enjoy the upside from (i) synergies created through resource optimisation and capital allocation, and (ii) the recovery of the O&M business and the opportunities in the energy transition, through their stakes in the strengthened Combined Entity.

Keppel will deposit the remaining 10% of the Combined Entity's shares into a segregated account for certain identified contingent liabilities. This segregated account will be terminated no later than 48 months from the completion of the proposed combination, or as soon as these contingent liabilities have either been dismissed or fully resolved and settled. The balance amount in the segregated account will then be returned to Keppel after making payments to the Combined Entity, if any. Similarly, the Combined Entity also undertakes to reimburse Keppel in cash for actual payments, if any, made in respect of certain identified contingent liabilities associated with Sembcorp Marine for a period of no more than 24 months from the completion of the proposed combination.

Keppel has concurrently signed a definitive agreement with Baluran Limited (Baluran), an indirect wholly-owned subsidiary of ASM Connaught House Fund V³, and Kyanite Investment Holdings Pte Ltd (Kyanite), an indirect wholly-owned subsidiary of Temasek, for the sale of Keppel O&M's legacy completed and uncompleted rigs and the receivables associated with certain legacy rigs to a separate Asset Co. Baluran and Kyanite (the external investors) will respectively own 74.9% and 15.1% of Asset Co. Keppel will hold a 10% equity interest in Asset Co and receive vendor notes and perpetual securities. The combined value of approximately S\$3.93 billion in vendor notes, approximately S\$0.12 billion in perpetual securities and the 10% equity interest in Asset Co is approximately S\$4.05 billion.

Asset Co, which will be independently managed from the Combined Entity and Keppel, will maintain, complete and monetise the rigs over time for repayment of the vendor notes and perpetual securities. Asset Co will also enter into a master services agreement with the Combined Entity, through Keppel O&M, for the completion of certain uncompleted rigs and the provision of other services. The external investors of Asset Co will provide capital for completing uncompleted rigs, which would no longer be funded by Keppel.

³ ASM Connaught House Fund V, is managed by Argyle Street Management Limited, and has TIH Investment Management Pte Ltd, a wholly owned subsidiary of SGX-Mainboard-listed TIH Limited, as its investment advisor.

The two proposed transactions, which are inter-conditional and being executed concurrently, will be subject to relevant regulatory and shareholder approvals, which are expected to be completed by the end of 2022.

Mr Loh Chin Hua, CEO of Keppel Corporation said, “We are pleased to arrive at mutually beneficial definitive agreements on the proposed combination of Keppel O&M and Sembcorp Marine and the resolution of Keppel O&M’s legacy rigs, after extensive negotiations and due diligence by all parties. The proposed transactions are in line with Keppel’s Vision 2030 plans to be more focused and disciplined, and simplify our business, as we execute our mission to provide solutions for sustainable urbanisation. The proposed combination brings together two leading O&M companies in Singapore to create a premier player that is well positioned to address the challenges and opportunities in the evolving offshore & marine sector and the energy transition.

“At the same time, the external investors in the Asset Co transaction will provide capital that can be used for finishing uncompleted legacy rigs, which will no longer be funded by Keppel. With improving conditions in the offshore & marine sector, underpinned by the improving oil price and increasing utilisation and dayrates of offshore drilling rigs, we are confident that Keppel O&M’s legacy rigs can be substantially monetised in the next 3-5 years. Over the past few months, Keppel O&M has received enquiries from potential charterers and buyers for several of the legacy rigs. As Asset Co monetises the rigs, our economic exposure in Asset Co will be reduced over time. The vendor notes and perpetual securities held by Keppel will be gradually repaid by Asset Co and the freed-up funds can be re-invested into future growth initiatives and also used to reward shareholders.

“When the proposed transactions have been successfully executed, Keppel’s Energy & Environment segment would then comprise mainly our business in renewables, clean energy, decarbonisation and environmental solutions. The Group will be much more streamlined, focused and aligned to Keppel’s mission.”

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 72.5 cents, excluding the net disposal gain from the proposed transactions.

Including the net disposal gain from the proposed transactions, the earnings per share would have increased to approximately 281.3 cents⁴;

- b) had the proposed transactions and proposed distribution^{4,5} been completed on 31 December 2021, the net tangible assets per share as at 31 December 2021 would have increased from S\$5.53 to approximately S\$5.54;
- c) had the proposed transactions and proposed distribution^{4,5} been completed on 31 December 2021, the net gearing as at 31 December 2021 would have decreased from 0.68x to approximately 0.63x.

For further details on the proposed transactions, please refer to the joint announcement released today by Keppel and Sembcorp Marine, as well as the SGXNET announcement released today by Keppel in relation to the proposed transactions.

J.P. Morgan is the financial advisor to Keppel Corporation.

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⁴ The pro forma consideration used to derive the net 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 39,949,762,557 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 net 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.

⁵ 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 39,949,762,557 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.

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About Keppel Corporation

Keppel Corporation is one of Singapore's flagship multinational companies with a global footprint in more than 20 countries. Keppel provides solutions for sustainable urbanisation, focusing on four key areas comprising energy & environment, urban development, connectivity and asset management. With sustainability at the core of its strategy, Keppel harnesses the strengths and expertise of its business units to develop, operate and maintain real assets, which provide diverse solutions that are good for the planet, for people and for the Company.