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CLARIFICATION TO ANNOUNCEMENT DATED 4 JUNE 2019 ON MERGER AGREEMENT BETWEEN FLOATEL INTERNATIONAL LTD AND PROSAFE SE

Keppel Corporation Limited (the "**Company**" or "**KCL**") refers to the Company's announcement on 4 June 2019 that Floatel International Ltd ("**Floatel**"), an associated company of Keppel Offshore & Marine Ltd ("**KOM**"), together with Floatel's substantial shareholders, FELS Offshore Pte. Ltd. (a wholly-owned subsidiary of KOM) ("**FELS Offshore**") and OCM Wonder PF/FF Holdings PT, Ltd ("**Oaktree**"), have entered into an agreement with Prosafe SE ("**Prosafe**"), a company listed on the Oslo Stock Exchange, in relation to a proposed merger of the respective businesses of Floatel and Prosafe (the "**Transaction**"), and wishes to clarify the announcement in response to the following queries from the Singapore Exchange Securities Trading Limited ("**SGX**") on 7 June 2019:

SGX Queries:

(a) Please provide background information on the business of Floatel and Prosafe.

Response: The principal business of Floatel and Prosafe is the business of owning and operating semi-submersible accommodation vessels which provide offshore accommodation to clients in the oil and gas industry worldwide.

(b) We note that the Company stated that "[as] *part of the Transaction, Prosafe will acquire all of the ordinary shares in the capital of Floatel based on a 55 : 45 exchange ratio between Prosafe and Floatel respectively"*. Please clarify what the Exchange Ratio applies to, how the Exchange Ratio was derived.

Response: The Transaction involves Prosafe acquiring all of the ordinary shares in the capital of Floatel from the shareholders of Floatel (the "**Floatel Shareholders**"). In exchange for their ordinary shares in Floatel, the Floatel Shareholders will be issued: (i) new shares in Prosafe, equal to 45% of all the shares in Prosafe on a fully diluted basis (including, for the avoidance of doubt, the warrants in Prosafe that will be issued to the management of Floatel as replacement for all their warrants in Floatel that will be acquired by Prosafe ("**Floatel Warrant Holders**")), and (ii) new conditional preference shares in Prosafe (the "**Prosafe Preference Shares**").

The 55 : 45 exchange ratio between Prosafe and Floatel respectively (the "**Exchange Ratio**") refers to the Prosafe shareholders' and the Floatel Shareholders' holding of 55% and 45% respectively of the shares in Prosafe's capital on a fully diluted basis, after completion of the Transaction.

As at 31 December 2018, the equity book value and the net tangible asset value of Prosafe and Floatel is US$400 million and US$547 million respectively. After commercial negotiations that were agreed to with Oaktree (i.e. FELS Offshore's partner in Floatel), the Exchange Ratio was arrived at on an arms' length basis between the parties, taking into consideration the equity book value and the net tangible asset value of Prosafe and Floatel, the age, specifications and earnings potential of the fleet assets (i.e. the vessels) owned by each of Floatel and Prosafe as well as the net order book (where Prosafe's net order book is US$159 million and Floatel's net order book is US$66 million, as at 31 March 2019).

(c) Please explain the rationale for the Prosafe Preference Shares and state their material terms.

Response: The Prosafe Preference Shares will be issued to the Floatel Shareholders and Floatel Warrant Holders (*pro rata* their shareholdings or potential shareholdings (as the case may be) in Floatel on a fully diluted basis) upon completion of the Transaction, to take into account the final judgment or settlement in the ongoing litigation between Westcon Yards AS ("**Westcon**") and Prosafe Rigs Pte. Ltd. (a subsidiary of Prosafe) concerning the "*Safe Scandinavia*" ("**Litigation**").

The rationale for such issuance is to provide for a mechanism (as described below) to confer dividends to the holders of Prosafe Preference Shares of potentially up to US$20 million depending on the outcome of the Litigation, for which Prosafe has attached the value receivable from Westcon as a result of the Litigation to be at least US$20 million whereas Floatel has, on the other hand, attached zero value receivable from Westcon as a result of the Litigation.

The material terms of the Prosafe Preference Shares are as follows:

(i) All distribution of profits, sales proceeds and/or other value transfer or distribution from Prosafe, by way of resolutions regarding dividend payments, capital reductions, merger or demergers, liquidation / dissolution or otherwise, shall first be paid to the holders of the Prosafe Preference Shares, proportionate to the Prosafe Preference Shares which they hold. Notwithstanding this, the amounts distributed to the holders of the Prosafe Preference Shares shall be limited up to a maximum sum of US$20 million distributed by Prosafe, and is subject to the adjustment as described in (ii) below.

(ii) The holders of the Prosafe Preference Shares will have the preferential right to receive dividends of an amount that depends on the outcome of the Litigation. This ranges from up to a maximum amount of US$20 million, which may be adjusted downwards to zero as follows:

(a) If Prosafe does not receive any payment or compensation from Westcon or if the final judgment in the Litigation is negative (i.e. Prosafe must pay an amount to Westcon), then the holders of the Prosafe Preference Shares will be entitled to receive dividends up to a maximum amount of US$20 million, proportionate to their holding of Prosafe Preference Shares.

(b) If the final judgment or settlement in the Litigation is that Prosafe is entitled to less than US$20 million but more than US$0 (net of legal costs and other expenses in the Litigation but including interest), and payment of such amount (if any) is made to Prosafe, then the amount of dividends that the holders of the Prosafe Preference Shares will be entitled to receive will

be a sum of up to an amount equal to the difference between US$20 million and the actual amount received by Prosafe. For example, if such actual amount received by Prosafe is US$5 million, then the amount of dividends that the holders of the Prosafe Preference Shares will be entitled to receive will be a sum of up to US$15 million (i.e. US$20 million less US$5 million).

(c) If the final judgment or settlement in the Litigation is that Prosafe is entitled to US$20 million or more (net of legal costs and other expenses in the Litigation but including interest), and payment of at least US$20 million of such amount is made to Prosafe, then the holders of the Prosafe Preference Shares will not be entitled to receive any dividends.

(iii) Upon distribution of the maximum dividend amount as mentioned above, or upon such dividend amount being adjusted downwards to zero, the Prosafe Preference Shares shall immediately be redeemed without any payment to the holders of the Prosafe Preference Shares.

(d) Please show the computation of FEL Offshore's shareholding interest in Prosafe after the completion of the Transaction.

Response: Applying the Exchange Ratio to FELS Offshore's current shareholding interest of 49.92 per cent. in Floatel, FELS Offshore would hold approximately 22 per cent. of all the shares in Prosafe, after the Transaction is completed. The computation is as follows:

(49.92% X 45%) X 100% = 22.464%

On a fully diluted basis (as explained in the response to query (b) above, and including warrants issued by Prosafe to the Floatel Warrant Holders), FELS Offshore's current shareholding interest of 49.92 per cent. would be diluted to 48.665 per cent.. Applying the Exchange Ratio, FELS Offshore would hold approximately 22 per cent. of all the shares in Prosafe, as shown in the computation as follows:

(48.665% x 45%) x 100% = 21.89925%

(e) Please explain the mechanics of the Prosafe Preference Shares (i.e. the preferential right to receive dividends, the downward adjustment and the redemption of the Prosafe Preference Shares) in more detail. In particular, please explain how the preferential right to receive dividends up to a maximum amount of US$20 million, was derived.

Response: On the mechanics of the Prosafe Preference Shares, please see response to query (c) above. The preferential right to receive dividends up to a maximum amount of US$20 million was derived on the basis that Prosafe has attached the value receivable from Westcon as a result of the Litigation to be at least US$20 million whereas Floatel has, on the other hand, attached zero value to be receivable from Westcon as a result of the Litigation, and the issuance of the Prosafe Preference Shares is to provide for a mechanism (as described in the response to query (c) above) to take into account the outcome of the Litigation.

(f) Please clarify if the Transaction constitutes a distribution in specie.

Response: The Transaction does not constitute a distribution in specie. The Transaction involves Prosafe acquiring all of the ordinary shares in the capital of Floatel and in exchange, the Floatel Shareholders will be issued with (i) new shares in Prosafe, and (ii) the Prosafe Preference Shares.

(g) Please provide the requisite information under Listing Rules 704(17) and 704(18).

Response: After the Transaction is completed, FELS Offshore would hold approximately 22 per cent. of all the shares in Prosafe on a fully diluted basis (as explained in the response to query (b) above), and Prosafe will be an associated company of the Company.

In consideration for the transfer of all of the ordinary shares in the capital of Floatel to Prosafe, Prosafe will issue: (i) new shares in Prosafe, and (ii) Prosafe Preference Shares to the Floatel Shareholders on a fully diluted basis, based on the Exchange Ratio.

As at 31 December 2018, the equity book value and the net tangible asset value of Prosafe and Floatel is US$400 million and US$547 million respectively. After commercial negotiations that were agreed to with Oaktree (i.e. FELS Offshore's partner in Floatel), the Exchange Ratio was arrived at on an arms' length basis between the parties, taking into consideration the equity book value and the net tangible asset value of Prosafe and Floatel, the age, specifications and earnings potential of the fleet assets (i.e. the vessels) owned by each of Floatel and Prosafe as well as the net order book (where Prosafe's net order book is US$159 million and Floatel's net order book is US$66 million, as at 31 March 2019).