

Keppel reaches settlement with Sete Brasil

Singapore, 7 October, 2019 - Keppel Offshore & Marine (Keppel O&M)'s wholly owned subsidiaries, Fernvale and FELS Offshore, have entered into a settlement agreement (Settlement Agreement) with subsidiaries of Sete Brasil including Urca, Frade, Bracuhy, Portogalo, Mangaratiba and Botinas, in relation to the Engineering, Procurement and Construction contracts (EPC Contracts) for the construction of six semisubmersible drilling rigs for these six Sete Brasil subsidiaries.

As part of the Settlement Agreement, Fernvale will take over ownership of the uncompleted rigs which arose from the performance of the EPC Contracts with Bracuhy, Portogalo, Mangaratiba and Botinas. The EPC Contracts and related agreements entered into with these four subsidiaries will be deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims.

The works done under the EPC Contracts with Bracuhy and Portogalo are about 40% and 21% completed respectively, while those for Mangaratiba and Botinas are below 10%.

When the Settlement Agreement comes into effect, Fernvale will have full ownership over the four uncompleted rigs, and will be able to explore various options to extract the best value from these assets.

As for the rigs under construction for Urca and Frade, a total sum of close to US\$260m will be recognised as part of the undisputed debt included in Sete Brasil's court-approved Judicial Reorganisation Plan. The outstanding amount will be paid to Fernvale proportionally and *pari passu* with the other creditors of the Sete Group as part of, and out of the proceeds of, its Judicial Reorganisation Plan.

At a meeting of Sete Brasil's creditors that was held on 3 October 2019 in Brazil by Sete Brasil and its Austrian subsidiaries, the Settlement Agreement as well as the winning bid proposal for Magni Partners (Bermuda) Ltd to purchase four Sete Brasil subsidiaries, including Urca and Frade was approved by the creditors. The Settlement Agreement will only become effective upon the fulfilment of other conditions precedent, including the successful sale of Urca and Frade by Sete Brasil to Magni Partners.

Separately, Fernvale is in discussions with Magni Partners on the terms to complete the construction of the drilling rigs contracted with Urca and Frade, which are about 92% and 70% completed respectively.

When the Settlement Agreement becomes effective, Keppel O&M would be able to resolve a long outstanding issue related to the six rigs, and look forward to exploring other opportunities to contribute to the oil and gas industry in Brazil.

Further announcements will be made when all the conditions precedent have been fulfilled and the Settlement Agreement has become effective.

The abovementioned Settlement Agreement is not expected to have a material impact on the net tangible assets or earnings per share of Keppel Corporation Limited for the current financial year.

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About Keppel Offshore & Marine

Keppel Offshore & Marine Ltd (Keppel O&M) is a global leader in offshore rig design, construction and repair, ship repair and conversion, and specialised shipbuilding. Its participation in the offshore wind energy sector is highly synergistic to its core business and it is able to tap on its expertise offshore energy infrastructure in developing integrated solutions across the value chain of offshore wind farms, including offshore substations, foundations, installation and support vessels as well as accommodation platform solutions.

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