

Responses to shareholders on substantial and relevant questions raised for Keppel Corporation's 52nd Annual General Meeting

Singapore, 2 June 2020 – Keppel Corporation Limited (“Keppel” and the “Company”) would like to thank shareholders for submitting questions ahead of the Company's 52nd Annual General Meeting (AGM) to be held by electronic means on Tuesday, 2 June 2020 at 3.00 p.m. (Singapore Time).

Due to overlaps in many of the questions received, the Company will not be providing responses to every question. Instead, responses to substantial and relevant questions have been set out via the following topics:

1. COVID-19
2. Voluntary Pre-Conditional Partial Offer
3. Dividends
4. Financials
5. Corporate Governance & Sustainability
6. Offshore & Marine
7. Property
8. Infrastructure
9. Investments

Please refer to the Company's responses set out in **Appendix 1**.

Other questions relating to business outlook, strategy and impact of COVID-19

The Company received many questions relating to business outlook and strategy, including the impact of COVID-19. Beyond what is provided in Appendix 1, these topics will be addressed by Mr Loh Chin Hua, CEO of Keppel Corporation, during the AGM. The slides from Mr Loh's presentation will be made available on SGXNet and the Company's website (<https://www.keppcorp.com/en/investors/annual-general-meeting/>) after the AGM.

For additional information on Keppel's performance in 1Q 2020, shareholders may wish to refer to the presentation slides and management speeches on the Company's 1Q 2020 financial performance, which can be found on our corporate website (<https://www.keppcorp.com/en/investors/quarterly-results/>). A transcript of the Question & Answer session from the analyst and media briefing on 29 April 2020 is also available on the same page.

By Order of the Board

Caroline Chang/Kenny Lee
Company Secretaries
2 June 2020

Appendix 1

COVID-19

Question	Response
<p>How has Keppel been affected by COVID-19, in terms of the impact on your businesses, outlook and strategy? How will profit be affected this year in view of COVID-19?</p>	<p>Keppel operates in over 20 countries, providing solutions for sustainable urbanisation. We are not directly involved in the sectors most severely impacted by COVID-19. Nevertheless, with the sharp fall in global economic activity, lockdowns in various cities and disruptions to the workforce and supply chains, Keppel's businesses have inevitably also been affected, albeit to varying degrees.</p> <p>Many of Keppel's businesses are involved in providing essential services, such as ship repair, power plants, data centres and telecommunications, and they continue to operate despite COVID-19 and even during the circuit breaker in Singapore. As disclosed at our results briefing, all our key business units (BUs) remained profitable in 1Q 2020. The Group's diversification helps to strengthen our resilience during the pandemic.</p> <p>Keppel continues to have a strong balance sheet and the necessary credit lines to finance the Group's operations. Nevertheless, we are watching our cashflow and gearing carefully, and will manage costs across the Group, as we prepare for a difficult operating environment that may persist for some time.</p> <p>We are unable to provide a profit forecast for the year. Notwithstanding the immediate challenges posed by COVID-19, there is inherent value in Keppel's business as a provider of solutions for sustainable urbanisation, and our synergy as a group. This will not change because of the pandemic.</p> <p>Keppel has also recently announced its Vision 2030, which will drive the Group's long-term strategy and transformation. Despite COVID-19, we believe that the macrotrends underpinning the Company's long-term vision will continue and may even be accelerated by the pandemic. More information on Keppel's Vision 2030 can be found here.)</p>

VOLUNTARY PRE-CONDITIONAL PARTIAL OFFER

Question	Response
Can you provide an update on the Voluntary Pre-conditional Cash Partial Offer (the “ Partial Offer ”)?	<p>Kyanite Investment Holdings Pte. Ltd. (“Offeror”, an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (“Temasek”)) had, on 21 October 2019, announced (the “Pre-Conditional Partial Offer Announcement”) that if and when all the Pre-Conditions (as referred to in the Pre-Conditional Partial Offer Announcement, and as amended by the announcements issued on behalf of the Offeror on 7 March 2020 and 28 April 2020) for the Partial Offer are satisfied and/or waived (at the discretion of the Offeror), an announcement will be made by the Offeror of its firm intention to make the Partial Offer.</p> <p>To date, such announcement has not yet been made.</p>
Will the Offeror also acquire shares from retail shareholders?	Yes, the Partial Offer, if and when made, will be extended to all shareholders of the Company (“ Shareholders ”), as at the Record Date (as defined in the Pre-Conditional Partial Offer Announcement), other than the Offeror and its concert parties.
What is the implication of the Offer on existing shareholders of the Company? What is the Board’s advice to retail investors on this Offer?	<p>If the Partial Offer is successful, Temasek will hold 51% of the Company following the close of the Partial Offer.</p> <p>As announced by the Company on 4 May 2020, Evercore Asia (Singapore) Pte. Ltd. has been appointed as independent financial adviser to advise the independent directors of the Company.</p> <p>Subject to the Partial Offer being made, a circular containing, amongst others, the advice of the independent financial adviser and the recommendation of the independent directors, will be sent to Shareholders within 14 days from the date of despatch of the formal Offer Document to be issued by the Offeror.</p> <p>In the meantime, Shareholders should note that there is no certainty that the Pre-Conditions will be satisfied and/or waived and that the Partial Offer will be made.</p> <p>Shareholders are advised to exercise caution when dealing with their Shares and to refrain from taking any action in relation to their Shares which may be prejudicial to their interests.</p>
Does the Offer Price of S\$7.35 still stand? Do you foresee any changes to the offer price?	We are unable to comment on the Offer Price.
Would there be any changes to the Company’s strategies or how it allocates resources if the Partial Offer is successful? Can Keppel share with us what are Temasek’s plans for the comprehensive strategic review that was mentioned in the Pre-conditional Partial Offer Announcement, before we decide whether to support the Partial Offer?	We are unable to comment on behalf of the Offeror on its plans if the Partial Offer is successful.

Are there any discussions between Keppel and Temasek on the latter's voluntary pre-conditional partial offer? Was Keppel's Vision 2030 discussed with Temasek?	<p>Except for the purpose of facilitating the fulfilment of the regulatory pre-conditions attached to the Pre-Conditional Partial Offer Announcement made by the Offeror and to obtain the Offeror's consent for share buybacks conducted by the Company to fulfil its obligations under Keppel Corporation's share plans which is a regulatory requirement under the Take-overs Code, the Company has not been in discussion with the Offeror on its voluntary partial offer.</p> <p>The Company did not discuss its Vision 2030, which was announced on 28 May 2020, with Temasek.</p>
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DIVIDENDS

Question	Response
<p>What is your dividend outlook for FY 2020?</p> <p>Does Keppel foresee that dividends will be halted or reduced for FY 2020 because of COVID-19?</p>	<p>We believe in rewarding shareholders fairly and sustainably. While we do not have a formal dividend policy, over the past few years, we have consistently distributed about 40-50% of our annual net profit as dividends.</p> <p>We are unable to provide a forecast of our profit or dividends for FY 2020. However, we know that dividends are important to many of our shareholders. We will continue to grow our business, focusing in particular on recurring income, so that we can provide dividends sustainably over the long term.</p>

FINANCIALS

Question	Response
Free cash outflow was S\$653 million for FY 2019, compared to inflow of S\$515 million for FY 2018. How does management plan to improve cash flow?	<p>The FY 2019 cash outflow was mainly due to the increase in working capital requirements, with the construction progress of Keppel Offshore & Marine's (O&M) major projects, Keppel Land's additional property development costs and acquisition cost of a land plot in Tianjin, as well as lower proceeds from en-bloc sales as compared to FY 2018.</p> <p>We will continue to manage our cashflow and gearing carefully. We will also explore opportunities to recycle capital.</p> <p>In 1Q 2020, we had a free cash inflow of S\$37 million, as compared to an outflow of S\$534 million in 1Q 2019. This was mainly due to lower working capital requirements from the Property and Infrastructure divisions.</p>
Referring to Page 130 of the Annual Report, profit for the year was S\$761 million. This is different from the net profit of S\$707 million reported in your FY 2019 results presentations. Can you provide a reconciliation of the numbers?	Profit for the year of S\$761 million includes profit attributable to both Shareholders of the Company as well as Non-controlling interests. The net profit reflected in the Company's presentation slides refers to the profit for the year attributable to Shareholders of the Company, which can also be found on Page 130 of the Annual Report.
Which segment does M1's profit belong to?	M1's profit is currently included under the Investments Division.
Net profit in 1Q 2020 was lower than in 1Q 2019. Without the gain from the reclassification of Keppel Infrastructure Trust, earnings would have been	1Q 2020 earnings were lower mainly due to absence of tax write-back in the Property Division, as well as lower gain from the disposal of subsidiaries as compared to 1Q 2019. Notwithstanding the challenging environment and the impact of COVID-19, all our key business units remained profitable in 1Q 2020.

even lower. Is the management looking at cutting cost?	Keppel continues to have a strong balance sheet and the necessary credit lines to finance the Group's operations. Nevertheless, given the tightening liquidity environment, we are watching our cashflow and gearing carefully, and will manage costs across the Group, as we prepare for a difficult operating environment that may persist for some time.
Are you expecting to conduct any equity fundraising over the next 12 months?	<p>We do not currently have any plans to conduct equity fundraising over the next 12 months.</p> <p>Today, with full control over all our key business verticals, we have the flexibility to deploy capital toward opportunities across the Group that can generate the best risk-adjusted returns.</p> <p>We are also tapping third-party funds from investors to seize growth opportunities without overburdening our balance sheet. Examples include Keppel Capital's Alpha Data Centre Fund (ADCF) and the new Keppel Asia Infrastructure Fund (KAIF).</p>

CORPORATE GOVERNANCE & SUSTAINABILITY

Question	Response
Does the Company have a whistle-blower policy in place to prevent what happened in Brazil before?	<p>Yes, Keppel has a Whistle-Blower Policy, which has been in place since 2004 and was further enhanced in 2017 and 2019. The whistle-blower reporting channels are widely communicated and made accessible to all. The whistle-blower email hotline and local toll-free numbers in Singapore, Brazil, China, USA, Vietnam, Indonesia, the Philippines, Australia, the UK and Germany can be found at the company's website.</p> <p>Further details on the policy and the reporting mechanism can be found on Page 99 of the Company's Annual Report 2019.</p>
Climate change is an important trend impacting Keppel's main businesses. Can management elaborate on how this has impacted the company?	<p>Keppel places sustainability at the core of our strategy, and we are committed to supporting the efforts of the international community and the Singapore Government to combat climate change.</p> <p>We have defined the highly pollutive businesses we will avoid such as coal-fired plants, the businesses that we will maintain, and those that we will grow such as renewables and cleaner fossil fuels such as gas. We will also implement an internal carbon price in the evaluation of all major investments. For our existing businesses and assets, we will focus on enhancing energy efficiency, including harnessing renewable energy where possible.</p> <p>We have set targets to reduce carbon emissions, water consumption and waste intensity. As at the end of 2019, we have achieved a more than 30% average reduction in carbon emissions intensity from our 2010 baseline. We have also enhanced the Group's emissions tracking. We have been reporting on Scope 1 and 2 emissions since 2010, and have started tracking Scope 3 emissions from this year.</p> <p>We will put our engineering capabilities to work on solutions that contribute to sustainable development and climate action, and in the process also create new business opportunities for the Group. Last year, we established a new business unit, Keppel Renewable Energy, to pursue opportunities for Keppel as a developer, owner and operator of renewable energy infrastructure. Our pivot towards renewables and cleaner fossil fuels can also be seen in some of our businesses such as Keppel O&M, with renewables and LNG-related solutions making up over 60% of new orders secured in FY 2019.</p> <p>Our vision is to be a trusted global company building a sustainable future. This demands that we create value for our stakeholders holistically, including the social, economic and environmental dimensions.</p>

OFFSHORE & MARINE

Question	Response
<p>Do you expect the oil market downturn to persist? What is your outlook for the O&M business?</p>	<p>The O&M sector is likely to face very challenging conditions in the near future.</p> <p>Following the sharp fall in oil price and the reduced demand for oil amidst COVID-19, we expect the final investment decisions for many oil-related projects to be deferred. The market for drilling rigs is likely to remain weak as oil majors reduce exploration spending. However, there may be some opportunities in production assets.</p> <p>Over the past few years, Keppel O&M has pivoted away from the oil rig business. It has gained good traction in the gas and renewables markets, and will continue to pursue opportunities in these areas as well as repurpose its technology for other types of floating infrastructure.</p>
<p>Oil prices have collapsed. Have there been any cancellations from customers?</p>	<p>Excluding the contracts with Sete Brasil for which a settlement agreement has been reached, there have been no cancellations from our customers and the contracts remain valid.</p> <p>Arising from the lockdowns in various countries as well as disruptions to international supply chains, several of our projects have inevitably been impacted. We have served force majeure notices to the relevant customers and are working closely with them to mitigate the impact of the pandemic. We are also keeping a close watch on customers and associates who may be affected if there is a prolonged downturn in oil prices.</p>
<p>How will you transform Keppel O&M? Will the new markets pursued by Keppel O&M sufficiently make up for the shortfall from the oil rig business?</p>	<p>Over the past few years, Keppel O&M has grown its capabilities and competencies to serve a wider spectrum of the O&M market. The pivot away from oil has helped Keppel O&M remain resilient in FY 2019, with gas and renewables making up over 60% of new orders secured in FY 2019. As at end-March 2020, contracts for gas and renewables solutions made up some 70% of our S\$4.0 billion net orderbook.</p> <p>We will continue to actively pursue opportunities in gas and renewables, and also repurpose Keppel O&M's technology for other floating infrastructure uses.</p> <p>In addition, Keppel O&M has undertaken extensive rightsizing and reduced its overheads since 2015. From a total headcount of over 36,000 direct employees as at end-December 2014, Keppel O&M has reduced its headcount to about 13,700 as at end-March 2020. Today, it is a leaner, more efficient and more diversified business that is better able to weather the challenging conditions moving forward.</p>

PROPERTY

Question	Response
<p>Can you share more about the property business this year, especially in your two key markets of China and Vietnam?</p>	<p>Keppel Land sold 450 homes in 1Q 2020, an increase of about 15% year on year, with China contributing the bulk of the sales.</p> <p>The Chinese market slowed down during the COVID-19 lockdown which started over the Chinese New Year period, but it has since shown signs of recovery as employees returned to work and schools re-opened. In 1Q 2020, out of the 330 homes sold in China, more than 200 were sold in February and March, after the COVID-19 outbreak. This reflects the improving confidence and sentiments in China.</p> <p>Home sales in China in April have also been encouraging. For example, Keppel Land China launched 253 homes for sale at a project in Wuxi in April, and 224 or almost 90% of the units were sold within a month.</p> <p>Apart from home sales, many Chinese cities have seen a return of land sales, with land plots transacting at significant premiums, indicating developers' confidence in the market.</p> <p>In April, Keppel's 50-50 joint venture master developer in the Sino-Singapore Tianjin Eco-City also sold a land plot in the Eco-City at a price comparable to another plot which was sold in 2019.</p> <p>In Vietnam, Keppel Land is focused mainly on Ho Chi Minh City. Home sales were slower in 1Q 2020 as Keppel Land did not launch new projects during the quarter. Nevertheless, we continue to be optimistic about Vietnam's property market, which is underpinned by healthy economic growth, rapid urbanisation rate and a growing middle class. So far, COVID-19 appears to have had a limited impact on the property market in Ho Chi Minh City.</p>

INFRASTRUCTURE

Question	Response
<p>Can you share more about your plans to grow the Infrastructure business? What is your outlook for the Infrastructure segment?</p>	<p>Keppel Infrastructure (KI) and Keppel T&T have strong track records in the development, operation and maintenance of critical infrastructure assets, such as power plants, waste-to-energy plants and data centres. They are not only key to our solutions for sustainable urbanisation but also important growth engines for the Group.</p> <p>We are seizing organic and inorganic opportunities to grow our market share and technology expertise for energy and environmental solutions. KI continues to expand its track record in providing waste-to-energy technology solutions globally. In April, we announced that a Keppel-led consortium was awarded a S\$1.5 billion contract for Phase 1 of Singapore's Tuas Nexus Integrated Waste Management Facility, marking the third integrated waste management project that KI has undertaken.</p> <p>In addition, data centres are critical for smart, connected cities, and demand for them is growing. COVID-19 and work from home arrangements have further increased the demand for digital connectivity, and Keppel Data Centres has received enquiries from customers across Asia and Europe on new data centre capacity.</p> <p>We are positive on the outlook for data centres as cities and industries continue to digitalise. As a leading provider of data centre solutions, Keppel Data Centres is well positioned to tap this growing demand.</p> <p>New opportunities for energy infrastructure, environmental infrastructure and data centres abound, fuelled by rising urbanisation trends. We will continue to seize opportunities in these sectors in partnership with co-investors, and without relying just on our balance sheet.</p> <p>A case in point is the US\$1 billion KAIF which was launched in 1Q 2020. As at end-April 2020, KAIF and its co-investment vehicles have, through a second closing and an impending commitment from the Asian Infrastructure Investment Bank, raised total aggregate capital commitments of US\$570 million.</p>

INVESTMENTS

Question	Response
<p>How is your asset management business progressing? How is the progress towards your AUM target of S\$50 billion by 2022?</p>	<p>As at end-December 2019, Keppel Capital's assets under management (AUM) had risen to S\$33 billion, compared to S\$29 billion a year ago. We continue to work towards our S\$50 billion AUM target.</p> <p>As a result of COVID-19, fundraising and transactions may take longer to finalise due to travel restrictions and as investors adopt a more cautious attitude. Nevertheless, we continue to see strong demand from investors for quality real assets that provide stable, long-term cashflows. In the year to date, funds managed by Keppel Capital have received total commitments of about US\$1.5 billion from investors, including a large Asian pension fund and a sovereign wealth fund.</p> <p>We will continue to actively pursue opportunities with best-in-class partners to expand into new geographies and asset classes, as well as strengthen our product offerings and broaden our investor base.</p>

<p>A listed company on SGX indicated that Mr Lee Yi Shyan is an advisor of Keppel Corporation but this cannot be found in Keppel's annual report or website. Can more be shared about Mr Lee's role as an advisor, such as when he became an advisor, what are his contributions, his annual remuneration, as well as how many shares he currently has vested in the group to demonstrate alignment with shareholders' interests?</p>	<p>Mr Lee Yi Shyan was appointed an Adviser to Keppel Corporation on 1 January 2018. Mr Lee serves on the board of the Sino-Singapore Tianjin Eco-City Investment and Development Co. Ltd (SSTEC), the 50-50 joint venture master developer of the Tianjin Eco-City, and advises the Company on issues related to the Tianjin Eco-City. SSTEC is currently included under the Investments Division.</p> <p>The Company appoints advisers to advise the Group on different issues related to their areas of expertise. Advisers are not part of the Group's senior management and are not listed in Keppel Corporation's annual report or website. Advisers do not participate in the Company's share plans. In the Company's Annual Report, we disclose the remuneration of the Directors and Key Management Personnel. We do not disclose the remuneration of other employees or advisers.</p>
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