

INVESTING IN A SUSTAINABLE FUTURE



DANNY TEOH
Chairman

Keppel delivered strong performance in FY 2023. On the back of the disposal gain from the combination of Keppel Offshore & Marine and Sembcorp Marine, we achieved a record profit of \$4.1 billion, with Return on Equity of 37.9%.

DEAR SHAREHOLDERS,

2023 was one of the most transformational years in Keppel's history. We began the year with the divestment of Keppel Offshore & Marine. This was followed by the unveiling of the next phase of our Vision 2030 strategy, where we shed our conglomerate structure to become a horizontally integrated company – a global asset manager and operator, with deep capabilities in Infrastructure, Real Estate and Connectivity.

This is the culmination of a multi-year journey which saw Keppel privatising our separately listed business units, growing our asset management business, and simplifying our corporate structure and business. Our goal is to build an agile company that is more focused, leaner, flatter, better able to take quick decisions and unlock synergies to grow at speed and scale.

Despite a volatile external environment, with conflicts in Ukraine and the Middle East, tensions between major global powers, slow global growth, high interest rates, and extreme climate events, Keppel delivered strong performance in FY 2023.

On the back of the disposal gain of approximately \$3.3 billion from the combination of Keppel Offshore & Marine and Sembcorp Marine, we achieved a record profit of \$4.1 billion, with Return on Equity of 37.9%. Excluding the discontinued offshore and marine operations, net profit from continuing operations grew 6% year on year to \$885 million.

As part of Vision 2030, we have focused on growing recurring income, which made up \$773 million or 88% of Keppel's net profit from continuing operations in FY 2023. This is a marked increase of 54% from \$503 million in the preceding year.

In 2023, Keppel delivered Total Shareholder Returns¹ (TSR) of 61.1%, 13 times the STI's TSR of 4.7%. This was following the TSR of 49.3% achieved in 2022, as we continued to focus on creating value for our shareholders.

Taking into account the Company's strong performance, the Board of Directors has proposed a final cash dividend of 19 cents per share. Together with the interim cash dividend of 15 cents per share, we will be paying out a total cash dividend of 34 cents per

share for the whole of FY 2023, slightly higher than the total cash dividend of 33 cents paid for FY 2022.

This does not include the distribution *in specie* (DIS) on 1 March 2023 of approximately 19.1 Sembcorp Marine (now Seatrium) shares to our shareholders for every Keppel share held, with a value of \$2.19 per Keppel share², or the DIS of Keppel REIT units with a value of \$0.167 per Keppel share³ on 6 November 2023. Including the DIS of Sembcorp Marine shares and Keppel REIT units, Keppel shareholders would be receiving total dividends amounting to about \$2.70 per Keppel share for FY 2023.

GROWING AS AN ASSET MANAGER AND OPERATOR

Notwithstanding more cautious investor sentiments globally, we continued to grow our asset management business. In FY 2023, our private funds and listed trusts generated a total of \$283 million⁴ in asset management fees, a 6% increase year on year. We raised a total of about \$2.3 billion in equity, and completed \$2.5 billion worth of acquisitions and \$500 million in divestments.

“Keppel shareholders would be receiving total dividends amounting to about \$2.70 per Keppel share, comprising a total cash dividend of 34 cents per share and the DIS of Sembcorp Marine shares and Keppel REIT units.”

We also announced the proposed acquisition of Aermont Capital (Aermont), a leading European real estate asset manager. This is a significant step forward in our strategy to be a global asset manager. It brings together two like-minded asset managers with complementary capabilities, so that we can grow even faster together and also provide better value propositions to our investors or Limited Partners (LPs). When Phase 1 of the acquisition is completed this year, it would give Keppel an immediate and strong foothold in Europe, significantly expanding our presence beyond the Asia Pacific. The senior team at Aermont, with their extensive asset management track record and networks, will add considerable value to Keppel. We will also be able to leverage Aermont's longstanding relationships with its global clients to widen our network of blue-chip LPs.

As at end-2023, Keppel's Funds Under Management (FUM) had grown to \$55 billion from \$50 billion in the preceding year⁵. When Phase 1 of the Aermont acquisition is completed, our FUM would grow to about \$79 billion, bringing us close to 80% of our interim target of \$100 billion by end-2026⁵.

¹ Source: Bloomberg

² Based on Sembcorp Marine's closing price of 11.5 cents per share on 1 March 2023, the first trading day following completion of the combination transaction.

³ Based on the closing price of \$0.835 per Keppel REIT unit on 6 November 2023, the completion date of the DIS.

⁴ Includes 100% fees from subsidiary managers, joint ventures and associated entities, as well as share of fees based on a shareholding stake in an associate with which Keppel has strategic alliance.

⁵ Gross asset value of investments and uninvested capital commitments on a leveraged basis to project fully-invested FUM.

Chairman's Statement

“Investors in our private funds, REITs and business trust appreciate our operating capabilities, which distinguish us from pure financial investors, and find our active value adding approach to creating superior returns appealing.”

We continued to execute our asset-light strategy, with \$5.4 billion in asset monetisation announced by end-December 2023, since the start of the programme in October 2020. Of this amount, \$947 million was announced in 2023. We exceeded the higher end of our \$3-\$5 billion asset monetisation target ahead of schedule and are now working towards our next cumulative target of \$10-\$12 billion by the end of 2026. The significant capital unlocked would allow us to invest in growth initiatives as well as reward shareholders.

SEIZING OPPORTUNITIES IN SUSTAINABLE DEVELOPMENT

At the United Nations Climate Change Conference (COP 28) last December, the international community agreed to transition away from fossil fuels, triple renewable energy capacity globally, and accelerate zero- and low-emission technologies. These developments are very much in line with Keppel's climate transition plans and bode well for many of the solutions that Keppel provides, including renewables; the development of the Keppel Sakra Cogen Plant, Singapore's first hydrogen-ready and most advanced power plant; the exploration of how carbon capture can be integrated into Waste-to-Energy Plants in Singapore; our sustainable urban renewal initiatives as well as innovative efforts to green data centres.



The global transition away from fossil fuels and towards zero- and low-emission technologies bodes well for many of the solutions that Keppel provides, including renewables and the development of the Keppel Sakra Cogen Plant, Singapore's first hydrogen-ready and most advanced power plant (in picture).

With increasing digitalisation, accentuated by machine learning and Generative Artificial Intelligence, we also see increasing demand for digital connectivity, including data centres, subsea fibre cables and 5G-enabled digital telecommunication services. These are also areas where Keppel has strong capabilities.

The fact that Keppel has strong track records in both fund management as well as the development and operation of specialised assets is one of our key differentiators. Investors in our private funds, REITs and business trust appreciate our operating capabilities, which distinguish us from pure financial investors, and find our active value adding approach to creating superior returns appealing.

SUSTAINABILITY AT THE CORE OF OUR STRATEGY

Keppel has long been committed to sustainability. We are focused on running the Company responsibly and have set targets to reduce carbon emissions, increase renewable energy utilisation and reduce water usage and waste. For us, sustainability is not just a question of compliance or corporate social responsibility, but a key part of how we create value. We invest in and create solutions which help our customers and communities reduce or avoid carbon emissions and better manage their environmental impacts, as they progress on their net zero journeys.

In 2023, we were honoured to receive the President's Award for the Environment, the highest environmental accolade in Singapore. We also continued to receive strong endorsement from global environmental, social and governance (ESG) indices. We are included in the Dow Jones Sustainability World and Asia Pacific Indices, and continued to receive the highest MSCI AAA ESG rating.

We also continued to advance our safety journey, and achieved zero fatalities across our global operations during the year.

We believe that strong corporate governance and effective risk management are essential to the long-term sustainability of our business. As part of our efforts to achieve a good balance of skills, knowledge, experience as well as diversity among directors, we welcomed Ms Ang Wan Ching as an Independent Director on the Board with effect from July 2023. Wan Ching brings to the Board a wealth of experience in global investment, especially in private funds and alternative assets, which is particularly relevant as we grow as a global asset manager and operator.

We remain prudent in risk management, including keeping our cost of funds competitive amidst a high interest rate environment. As at end-2023, about 66% of our borrowings were on fixed rates, with interest cost of 3.75% and weighted tenor of about three years¹. Given the current challenging market conditions in China, we are also carefully monitoring and progressively derisking our portfolio. Our Real Estate Division has monetised over \$3 billion of assets in China since 2017, recognised total profits of more than \$1 billion, and repatriated more than \$5 billion of cash over the same period.

¹ Including perpetual securities.



In 2023, Keppel was conferred the President's Award for the Environment, the highest environmental accolade for individuals, educational institutions and organisations that have made outstanding contributions towards the environment and sustainability, as well as building a climate-resilient future for Singapore.

As the Company transformed, we remained focused on creating a supportive environment for work and career development. In our 2023 Employee Engagement Survey, we received an engagement score of 86%, 2 percentage points higher year on year and 6 percentage points higher than Mercer's global norm. 89% of respondents indicated that they are proud to work for Keppel and support Keppel's transformation to be a global asset manager and operator. We also continued to invest in training and development as well as succession planning, with our workforce achieving an average of more than 23 hours of training per person during the year, higher than our target of 20 hours.

Keppel has always believed that when our communities thrive, we thrive. In 2023, we contributed \$4.3 million to worthy causes, including donations made through our philanthropic arm, Keppel Care Foundation. These include supporting a new Keppel Professorship in Sustainability Solutions at the National University of Singapore, providing bursaries for students from lower income families, and supporting persons with disabilities, among others. Overseas, we extended the very well-received Living Well programme, which provides vulnerable communities with access to clean water, in Vietnam and India, leveraging Keppel's capabilities in water solutions.

ACKNOWLEDGEMENTS

I would like to express my deep appreciation to fellow directors for their dedicated service and wise counsel, which helped Keppel to transform and deliver strong results amidst an uncertain environment. I would in particular like to thank Mr Till Vestring, Ms Veronica Eng and Professor Jean-François Manzoni, who will be stepping down from the Board immediately after the upcoming AGM. Till, Veronica and Jean-François contributed

“For us, sustainability is not just a question of compliance or corporate social responsibility, but a key part of how we create value.”

actively to the Board during a challenging and exciting period for the Company, including navigating the uncharted waters of the COVID-19 pandemic, as well as overseeing the formulation of our Vision 2030 strategy and transformation to be an asset manager and operator.

I am also grateful to our shareholders, partners and other stakeholders for their confidence in and support of Keppel.

Lastly, I would like to express my appreciation to Keppelites around the world for their many contributions as we accelerated our transformation journey. We will continue to work closely with our different stakeholders to build a sustainable future together.

Yours sincerely,

DANNY TEOH

Chairman

1 March 2024