

## Media Release

### **Keppel's net profit improved significantly to S\$300m in 1H 2021, reversing net loss of S\$537 million in 1H 2020**

- *Announced monetisation of over S\$2.3 billion in assets from October 2020 to July 2021, and have completed half of the transactions.*
- *Unlocked cash of S\$854 million in 1H 2021 from asset monetisation.*
- *Declared interim dividend of 12.0 cents per share for 1H 2021.*

**Singapore, 29 July 2021** – Keppel Corporation Limited (Keppel) reported a net profit of S\$300 million for the half year ended 30 June 2021, underpinned by profitability across all key business units. Net profit for the current period was a significant improvement over the net loss of S\$537 million for 1H 2020, which had been impacted by S\$930 million of impairments mainly related to the offshore & marine (O&M) business.

Excluding revaluations, impairments and divestments (RIDs) as well as COVID-19-related government grants in both years, the Group would have achieved a net profit of S\$280 million in 1H 2021, compared to a net loss of S\$72 million in 1H 2020. When compared on a similar basis, the Group's operating performance in 1H 2021 was also a marked improvement of about 88% over the net profit of S\$149 million recorded in 1H 2019, prior to the pandemic.

The Group's revenue grew 16% to S\$3,677 million in 1H 2021 from S\$3,182 million in 1H 2020, bolstered by higher contributions from the Urban Development, Asset Management and Energy & Environment segments.

Keppel has made substantial strides towards its Vision 2030, which includes being more focused and disciplined in executing its mission to provide solutions for sustainable urbanisation. In June 2021, Keppel announced the signing of non-binding Memoranda of Understanding on the proposed combination of Keppel O&M and Sembcorp Marine, and resolution of Keppel O&M's legacy rigs. The Group has also announced the planned divestment of its logistics business and has received bids, which it is currently evaluating.

Keppel has also announced the monetisation of over S\$2.3 billion in assets since the asset monetisation programme was announced in September 2020, and has completed about half of these transactions to date. Through proactive asset monetisation, the Group registered improvements in its free cash flow as well as net gearing. In 1H 2021, free cash inflow was S\$499 million compared to an outflow of S\$664 million in 1H 2020. The

Group's net gearing was lowered to 0.85x as at 30 June 2021, compared to 0.91x as at 31 December 2020.

Reflecting confidence in the Group's vision and strategy, the Board of Keppel Corporation has approved an interim cash dividend of 12.0 cents per share for 1H 2021, after ringfencing the S\$318 million of impairments related to KrisEnergy's liquidation. This interim dividend, which will be paid to shareholders on 19 August 2021, is significantly higher than 2020's interim dividend of 3.0 cents and also higher than the interim dividend of 8.0 cents declared in 2019.

Mr Loh Chin Hua, CEO of Keppel Corporation, said, "Notwithstanding the continued impact of COVID-19 on the global economy, all of Keppel's key business units were profitable in 1H 2021. As a Group, we have not only returned to profitability compared to 1H 2020 but have also done better than pre-COVID 1H 2019, excluding RIDs and COVID-19-related government grants.

"We have also made good progress towards Vision 2030. In the first half of 2021, we announced the proposed combination of Keppel O&M and Sembcorp Marine, as well as our venture into new growth areas such as subsea cables and decarbonisation solutions including electric vehicle charging, liquefied hydrogen and green ammonia supply. Our asset monetisation programme is also progressing steadily. We expect to surpass S\$3 billion in asset monetisation well ahead of our three-year schedule, and aim to achieve the higher end of our S\$3-5 billion target by the end of 2023.

"We are working towards achieving most of our Vision 2030 goals by 2025. Beyond organic growth, we are actively exploring M&A opportunities in our focus areas to grow the Group's business and improve the quality of our earnings more quickly. As we execute Vision 2030, we believe that Keppel will emerge stronger, more relevant, and on a faster growth path post pandemic."

In the Energy & Environment segment, Keppel O&M reported a net profit of S\$107 million for 1H 2021 compared to the net loss of S\$959 million a year ago, due to lower impairments and a share of Floatel's restructuring gain. Keppel O&M's net orderbook grew over 70% to S\$5.7 billion as at end-June 2021, from S\$3.3 billion as at end-2020, after securing the US\$2.3 billion P-78 FPSO contract from Petrobras in May 2021. More recently in July 2021, Keppel O&M secured another FPSO topside fabrication project.

Meanwhile, Keppel Infrastructure continues to perform steadily, and is actively pursuing growth opportunities spanning electric vehicle charging, renewables, environmental sustainability, district cooling and other decarbonisation solutions in line with Keppel's Vision 2030 goals. In July 2021, Keppel Infrastructure and its partner were selected by Singapore LNG for a Front End Engineering Design study to co-develop a Natural Gas Liquids Extraction Project on Jurong Island as part of the Singapore Green Plan 2030.

In the Urban Development segment, Keppel Land's contribution improved 25% yoy to S\$252 million for 1H 2021, underpinned by higher contributions from China and Vietnam property trading projects and divestment gains. Significantly, Keppel Land's home sales doubled year-on-year to 2,650 units, bolstered by stronger performance across all key markets.

In the Connectivity segment, Keppel Data Centres commenced construction of the Genting Lane data centre in Singapore, which is expected to be service-ready in 2023, and also made steady progress on its data centre projects in Australia, Malaysia and Indonesia. The Group also expanded its presence in China's data centre market with the completion of investments in two data centre projects in Huizhou and Shanghai through collaboration between Keppel Data Centres and Keppel's private funds.

Meanwhile, M1's transformation is showing early signs of improving postpaid customer ARPU, and is driving higher digital adoption among customers. Notably, M1 commenced its 5G standalone network trial in July 2021, and launched the world's first Voice over 5G New Radio service on its 5G standalone network in collaboration with Samsung. In April this year, M1 also announced plans to realise the value of its network assets, which will free up capital that can be reinvested in new capabilities and other growth initiatives.

In the Asset Management segment, Keppel Capital's contribution grew 23% yoy to S\$64 million for 1H 2021 on the back of stronger operating results as well as mark-to-market gains from investments. Keppel Capital's asset management fees<sup>1</sup> also increased by 35% to S\$111 million in 1H 2021, due mainly to more acquisitions and divestments completed, as well as Keppel Capital's larger assets under management and new funds launched in 2020 and 2021.

## **Financial Highlights**

	1H 2021 (S\$ m)	1H 2020 (S\$ m)	Change (%)
<b>Revenue</b>	3,677	3,182	16
<b>Operating Profit/(Loss)</b>	188	(149)	n.m.f.
<b>Net Profit/(Loss)</b>	300	(537)	n.m.f.
<b>Earnings/(Loss) per Share</b>	16.5 cents	(29.5) cents	n.m.f.

\*n.m.f. denotes - No Meaningful Figure.

- Net gearing was 0.85x as at end-June 2021
- Free cash inflow was S\$499m in 1H 2021 compared to an outflow of S\$664m in 1H 2020
- Declared interim cash dividend of 12.0 cents per share for 1H 2021

<sup>1</sup> Includes 100% fees from subsidiary managers, joint ventures and associated entities, as well as share of fees based on shareholding stake in associate with which Keppel has strategic alliance.

– END –

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**KEPPEL CORPORATION LIMITED**  
Co Reg No. 196800351N  
(Incorporated in the Republic of Singapore)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS & DIVIDEND  
ANNOUNCEMENT**

**FOR THE HALF YEAR ENDED 30 JUNE 2021**

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**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the half year ended 30 June 2021

	Note	Half Year		
		30.06.2021 \$'000	30.06.2020 \$'000	+/ %
<b>Revenue</b>	5	<b>3,677,180</b>	3,182,478	+15.5
Materials and subcontract costs		<b>(2,638,709)</b>	(2,206,864)	+19.6 (i)
Staff costs		<b>(503,429)</b>	(583,801)	-13.8 (ii)
Depreciation and amortisation		<b>(196,611)</b>	(201,097)	-2.2
Impairment loss on financial assets and contract assets	6	<b>(130,041)</b>	(634,524)	-79.5
Other operating income/(expense) - net	6	<b>(20,369)</b>	294,387	n.m.f.
<b>Operating profit/(loss)</b>		<b>188,021</b>	(149,421)	n.m.f.
Investment income		<b>83,763</b>	12,384	>+500 (iii)
Interest income		<b>50,826</b>	105,126	-51.7 (iv)
Interest expenses		<b>(121,548)</b>	(156,846)	-22.5 (v)
Share of results of associated companies and joint ventures	2	<b>314,568</b>	(168,565)	n.m.f. (vi)
<b>Profit/(loss) before tax</b>		<b>515,630</b>	(357,322)	n.m.f.
Taxation		<b>(218,781)</b>	(178,810)	+22.4 (vii)
<b>Profit/(loss) for the period</b>		<b>296,849</b>	(536,132)	n.m.f.
<b>Attributable to:</b>				
Shareholders of the Company		<b>299,796</b>	(537,131)	n.m.f.
Non-controlling interests		<b>(2,947)</b>	999	n.m.f.
		<b>296,849</b>	(536,132)	n.m.f.
Earnings per ordinary share				(viii)
- basic		<b>16.5 cts</b>	(29.5) cts	n.m.f.
- diluted		<b>16.4 cts</b>	(29.4) cts	n.m.f.

*n.m.f. - No Meaningful Figure*

- (i) Materials & subcontract costs increased for the half year ended 30 June 2021 in line with higher revenue from the Energy & Environment and Urban Development segments.
- (ii) Staff costs decreased for the half year ended 30 June 2021 mainly due to lower manpower cost in the Energy & Environment segment.
- (iii) Investment income for the half year ended 30 June 2021 was higher mainly due to higher distributions received from funds invested.
- (iv) Lower interest income for the half year ended 30 June 2021 largely attributable to the Energy & Environment business mainly due to the suspension of interest income recognition from certain trade receivables.
- (v) Lower interest expense was mainly attributable to lower average borrowings and lower weighted average interest rates on borrowings.
- (vi) Share of profits of associated companies and joint ventures for the half year ended 30 June 2021, as compared to share of losses for the same period in 2020 mainly due to share of profits of associated companies in the Energy & Environment segment, including share of Floatel International Ltd's ("Floatel") restructuring gain, as well as higher share of profits from associated companies and joint ventures in the Urban Development and Asset Management segments. These were partly offset by lower share of impairment loss from Floatel as compared to the same period last year.

**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

(vii) Taxation expenses for the half year ended 30 June 2021 were higher mainly due to higher taxable profits in the Urban Development business.

(viii) Earnings per ordinary share

	Half Year		
	30.6.2021	30.6.2020	+/-%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-			
(i) Based on weighted average number of shares	<b>16.5 cts</b>	(29.5) cts	n.m.f.
- Weighted average number of shares (excluding treasury shares) ('000)	<b>1,820,416</b>	1,819,159	+0.1
(ii) On a fully diluted basis	<b>16.4 cts</b>	(29.4) cts	n.m.f.
- Adjusted weighted average number of shares (excluding treasury shares) ('000)	<b>1,831,263</b>	1,828,872	+0.1

*n.m.f. - No Meaningful Figure*

**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the half year ended 30 June 2021**

	Half Year		+/- %
	30.06.2021 \$'000	30.06.2020 \$'000	
<b>Profit/(loss) for the period</b>	<b>296,849</b>	<b>(536,132)</b>	n.m.f.
<u>Items that may be reclassified subsequently to profit &amp; loss account:</u>			
Cash flow hedges			
- Fair value changes arising during the period, net of tax	165,650	(216,595)	n.m.f. (i)
- Realised and transferred to profit & loss account	21,721	46,173	-53.0 (ii)
Foreign exchange translation			
- Exchange differences arising during the period	57,859	45,854	+26.2 (iii)
- Realised and transferred to profit & loss account	(473)	10,604	n.m.f.
Share of other comprehensive income of associated companies and joint ventures			
- Cash flow hedges	18,413	(17,369)	n.m.f.
- Foreign exchange translation	34,532	60,685	-43.1
	<b>297,702</b>	<b>(70,648)</b>	n.m.f.
<u>Items that will not be reclassified subsequently to profit &amp; loss account:</u>			
Financial assets, at FVOCI			
- Fair value changes arising during the period	(55,348)	(10,668)	+418.8 (iv)
Foreign exchange translation			
- Exchange differences arising during the period	975	2,466	-60.5 (iii)
Share of other comprehensive income of associated companies and joint ventures			
- Financial assets, at FVOCI	424	(396)	n.m.f.
	<b>(53,949)</b>	<b>(8,598)</b>	>+500
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>243,753</b>	<b>(79,246)</b>	n.m.f.
<b>Total comprehensive income/(loss) for the period</b>	<b>540,602</b>	<b>(615,378)</b>	n.m.f.
<b>Attributable to:</b>			
Shareholders of the Company	541,750	(618,047)	n.m.f.
Non-controlling interests	(1,148)	2,669	n.m.f.
	<b>540,602</b>	<b>(615,378)</b>	n.m.f.

*n.m.f. - No Meaningful Figure*



## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

- (i) Fair value differences were due mainly to the hedging differential on forward exchange contracts and fuel oil forward contracts.
- (ii) These represented cash flow hedges, which were transferred to profit & loss account upon realisation.
- (iii) These exchange differences arose from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as from the translation of foreign currency loans that form part of the Group's net investment in foreign operations. The translation gains for the half year ended 30 June 2021 and 30 June 2020 arose largely from the strengthening of foreign currencies, such as Renminbi against Singapore dollar.
- (iv) Fair value changes were attributable to movements in prices of financial assets measured at fair value with fair value changes recognised in other comprehensive income.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

As at 30 June 2021

		Group		Company	
	Note	30.06.2021	31.12.2020	30.06.2021	31.12.2020
		\$'000	\$'000	\$'000	\$'000
<b>Share capital</b>	4	<b>1,305,668</b>	1,305,668	<b>1,305,668</b>	1,305,668
<b>Treasury shares</b>		<b>(4,747)</b>	(13,690)	<b>(4,747)</b>	(13,690)
<b>Reserves</b>		<b>9,830,170</b>	9,436,480	<b>8,635,905</b>	8,185,085
<b>Share capital &amp; reserves</b>		<b>11,131,091</b>	10,728,458	<b>9,936,826</b>	9,477,063
<b>Non-controlling interests</b>		<b>397,949</b>	427,446	–	–
<b>Total equity</b>		<b>11,529,040</b>	11,155,904	<b>9,936,826</b>	9,477,063
Represented by:					
<b>Fixed assets</b>		<b>2,685,335</b>	2,715,753	<b>8,228</b>	5,764
<b>Investment properties</b>		<b>3,903,867</b>	3,674,075	–	–
<b>Right-of-use assets</b>		<b>600,478</b>	582,706	<b>17,077</b>	11,204
<b>Subsidiaries</b>		–	–	<b>7,962,538</b>	7,962,538
<b>Associated companies and joint ventures</b>	2	<b>6,159,109</b>	5,990,613	–	–
<b>Investments</b>		<b>1,186,202</b>	1,229,492	<b>22,817</b>	22,196
<b>Deferred tax assets</b>		<b>137,288</b>	159,427	<b>5,116</b>	5,096
<b>Long term assets</b>		<b>1,747,869</b>	1,756,399	<b>30,737</b>	39,828
<b>Intangibles</b>		<b>1,610,130</b>	1,608,824	–	–
		<b>18,030,278</b>	17,717,289	<b>8,046,513</b>	8,046,626
<b>Current assets</b>					
Stocks		<b>4,830,694</b>	4,959,427	–	–
Contract assets		<b>2,847,585</b>	2,657,231	–	–
Amounts due from:					
- subsidiaries		–	–	<b>9,541,863</b>	9,804,710
- associated companies and joint ventures		<b>597,359</b>	493,269	<b>94,764</b>	152
Debtors		<b>1,957,126</b>	2,531,075	<b>13,939</b>	12,273
Derivative assets		<b>240,137</b>	124,547	<b>82,483</b>	38,206
Short term investments		<b>70,790</b>	134,634	–	–
Bank balances, deposits & cash		<b>2,399,856</b>	2,479,715	<b>1,166</b>	574
		<b>12,943,547</b>	13,379,898	<b>9,734,215</b>	9,855,915
Assets classified as held for sale	12	–	1,008,692	–	–
		<b>12,943,547</b>	14,388,590	<b>9,734,215</b>	9,855,915
<b>Current liabilities</b>					
Creditors		<b>4,398,738</b>	4,603,677	<b>73,984</b>	63,808
Derivative liabilities		<b>34,530</b>	59,143	<b>20,936</b>	30,614
Contract liabilities		<b>1,201,683</b>	2,072,303	–	–
Provisions for warranties		<b>36,371</b>	39,449	–	–
Amounts due to:					
- subsidiaries		–	–	<b>221,653</b>	201,959
- associated companies and joint ventures		<b>437,885</b>	335,908	<b>443</b>	–
Term loans	3	<b>4,474,974</b>	4,432,602	<b>3,011,626</b>	3,406,552
Lease liabilities	3	<b>82,434</b>	69,377	<b>4,200</b>	4,198
Taxation		<b>378,149</b>	358,802	<b>42,551</b>	29,155
		<b>11,044,764</b>	11,971,261	<b>3,375,393</b>	3,736,286
Liabilities directly associated with assets classified as held for sale	12	–	115,220	–	–
		<b>11,044,764</b>	12,086,481	<b>3,375,393</b>	3,736,286
<b>Net current assets</b>		<b>1,898,783</b>	2,302,109	<b>6,358,822</b>	6,119,629
<b>Non-current liabilities</b>					
Term loans	3	<b>7,146,145</b>	7,606,594	<b>4,316,287</b>	4,529,017
Lease liabilities	3	<b>504,629</b>	494,527	<b>14,117</b>	7,725
Deferred tax liabilities		<b>458,664</b>	443,547	–	–
Other non-current liabilities		<b>290,583</b>	318,826	<b>138,105</b>	152,450
		<b>8,400,021</b>	8,863,494	<b>4,468,509</b>	4,689,192
<b>Net assets</b>		<b>11,529,040</b>	11,155,904	<b>9,936,826</b>	9,477,063
<i>Group net debt</i>		<b>9,808,326</b>	10,123,385	<i>n.a.</i>	<i>n.a.</i>
<i>Group net gearing ratio</i>		<b>0.85x</b>	0.91x	<i>n.a.</i>	<i>n.a.</i>

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### (i) Net asset value

	Group			Company		
	30.06.2021	31.12.2020	+/-%	30.06.2021	31.12.2020	+/-%
Net asset value per ordinary share *	<b>\$6.12</b>	\$5.90	+3.7	<b>\$5.46</b>	\$5.21	+4.8
Net tangible asset per ordinary share *	<b>\$5.23</b>	\$5.02	+4.2	<b>\$5.46</b>	\$5.21	+4.8

\* Based on share capital of 1,819,589,447 ordinary shares (excluding treasury shares) as at the end of the financial period (31 December 2020: 1,817,506,293 ordinary shares (excluding treasury shares)).

### (ii) Balance sheet analysis

Group shareholder's funds increased by \$0.40 billion to \$11.13 billion at 30 June 2021. The increase was mainly attributable to retained profits, increase in fair value on cash flow hedges and foreign exchange translation gains for the half year ended 30 June 2021, partly offset by payment of final dividend of 7.0 cents per share in respect of financial year 2020 and fair value losses from investments held at fair value through other comprehensive income during the period.

Group total assets were \$30.97 billion at 30 June 2021, \$1.13 billion lower than the previous year end mainly due to completion of divestment for assets classified as held for sale. Non-current assets increased mainly due to fair value gains in investment properties and increase in investments in associated companies, partly offset by decrease in investments and fixed assets. Decrease in current assets was mainly due to decrease in debtors, partly offset by increase in contract assets and amounts due from associated companies and joint ventures.

Group total liabilities of \$19.44 billion at 30 June 2021 were \$1.51 billion lower than the previous year end. This was largely attributable to the decrease in contract liabilities and net repayment of term loans, partly offset by the increase in amounts due to associated companies and joint ventures.

Group net debt decreased by \$0.31 billion to \$9.81 billion at 30 June 2021 driven largely by proceeds from divestments. Total equity increased by \$0.37 billion mainly due to increase in shareholders' funds as explained above. As a result, group net gearing ratio decreased from 91% at 31 December 2020 to 85% at 30 June 2021.

KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the half year ended 30 June 2021

Group	Attributable to owners of the Company							
	Share Capital	Treasury Shares	Capital Reserves*	Revenue Reserves	Foreign Exchange Translation Account	Share Capital & Reserves	Non- controlling Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2021</b>								
<b>As at 1 January</b>	<b>1,305,668</b>	<b>(13,690)</b>	<b>175,731</b>	<b>9,703,452</b>	<b>(442,703)</b>	<b>10,728,458</b>	<b>427,446</b>	<b>11,155,904</b>
<b>Total comprehensive income for first half</b>								
Profit for first half	-	-	-	299,796	-	299,796	(2,947)	296,849
Other comprehensive income **	-	-	150,036	-	91,918	241,954	1,799	243,753
<b>Total comprehensive income for first half</b>	<b>-</b>	<b>-</b>	<b>150,036</b>	<b>299,796</b>	<b>91,918</b>	<b>541,750</b>	<b>(1,148)</b>	<b>540,602</b>
<b>Transactions with owners, recognised directly in equity</b>								
<u>Contributions by and distributions to owners</u>								
Dividend paid	-	-	-	(127,402)	-	(127,402)	-	(127,402)
Share-based payment	-	-	13,643	-	-	13,643	-	13,643
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(10,362)	(10,362)
Purchase of treasury shares	-	(13,048)	-	-	-	(13,048)	-	(13,048)
Treasury shares reissued pursuant to share plans	-	21,991	(21,991)	-	-	-	-	-
Transfer of statutory, capital and other reserves from revenue reserves	-	-	(4,542)	4,542	-	-	-	-
Cash subscribed by non-controlling shareholders	-	-	-	-	-	-	1,295	1,295
Contributions to defined benefits plans	-	-	(388)	-	-	(388)	-	(388)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>8,943</b>	<b>(13,278)</b>	<b>(122,860)</b>	<b>-</b>	<b>(127,195)</b>	<b>(9,067)</b>	<b>(136,262)</b>
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of additional interest in a subsidiary	-	-	(11,922)	-	-	(11,922)	(18,680)	(30,602)
Disposal of interest in subsidiaries	-	-	-	-	-	-	(602)	(602)
<b>Total change in ownership interests in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>(11,922)</b>	<b>-</b>	<b>-</b>	<b>(11,922)</b>	<b>(19,282)</b>	<b>(31,204)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>8,943</b>	<b>(25,200)</b>	<b>(122,860)</b>	<b>-</b>	<b>(139,117)</b>	<b>(28,349)</b>	<b>(167,466)</b>
<b>As at 30 June 2021</b>	<b>1,305,668</b>	<b>(4,747)</b>	<b>300,567</b>	<b>9,880,388</b>	<b>(350,785)</b>	<b>11,131,091</b>	<b>397,949</b>	<b>11,529,040</b>

\* Includes share option and share plans reserve, fair value reserve, hedging reserve, bonus issue by subsidiaries and other reserves

\*\* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

Group	Attributable to owners of the Company							
	Share Capital	Treasury Shares	Capital Reserves*	Revenue Reserves	Foreign Exchange Translation Account	Share Capital & Reserves	Non-controlling Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020								
As at 1 January	1,291,722	(14,009)	126,099	10,470,627	(663,586)	11,210,853	435,178	11,646,031
Total comprehensive income for first half								
Loss for first half	-	-	-	(537,131)	-	(537,131)	999	(536,132)
Other comprehensive (loss)/income **	-	-	(198,059)	-	117,143	(80,916)	1,670	(79,246)
Total comprehensive (loss)/income for first half	-	-	(198,059)	(537,131)	117,143	(618,047)	2,669	(615,378)
Transactions with owners, recognised directly in equity								
<u>Contributions by and distributions to owners</u>								
Dividend paid	-	-	-	(218,462)	-	(218,462)	-	(218,462)
Share-based payment	-	-	16,508	-	-	16,508	-	16,508
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(22,102)	(22,102)
Purchase of treasury shares	-	(5,365)	-	-	-	(5,365)	-	(5,365)
Treasury shares reissued pursuant to share plans and share option scheme	13,946	19,128	(33,074)	-	-	-	-	-
Transfer of statutory, capital and other reserves from revenue reserves	-	-	1,802	(1,802)	-	-	-	-
Cash subscribed by non-controlling shareholders	-	-	-	-	-	-	15,425	15,425
Contributions to defined benefits plans	-	-	(109)	-	-	(109)	(1)	(110)
Other adjustment	-	-	(1,599)	-	-	(1,599)	-	(1,599)
Total contributions by and distributions to owners	13,946	13,763	(16,472)	(220,264)	-	(209,027)	(6,678)	(215,705)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of additional interest in a subsidiary	-	-	(3,019)	-	-	(3,019)	2,334	(685)
Disposal of interest in subsidiaries	-	-	-	-	-	-	(952)	(952)
Total change in ownership interests in subsidiaries	-	-	(3,019)	-	-	(3,019)	1,382	(1,637)
Total transactions with owners	13,946	13,763	(19,491)	(220,264)	-	(212,046)	(5,296)	(217,342)
As at 30 June 2020	1,305,668	(246)	(91,451)	9,713,232	(546,443)	10,380,760	432,551	10,813,311

\* Includes share option and share plans reserve, fair value reserve, hedging reserve, bonus issue by subsidiaries and other reserves

\*\* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

<b>Company</b>	<b>Share Capital \$'000</b>	<b>Treasury Shares \$'000</b>	<b>Capital Reserves* \$'000</b>	<b>Revenue Reserves \$'000</b>	<b>Total \$'000</b>
<b>2021</b>					
<b>As at 1 January 2021</b>	<b>1,305,668</b>	<b>(13,690)</b>	<b>209,164</b>	<b>7,975,921</b>	<b>9,477,063</b>
<b>Total comprehensive income for first half</b>					
Profit for first half	-	-	-	585,119	585,119
Other comprehensive income	-	-	1,451	-	1,451
<b>Total comprehensive income for first half</b>	<b>-</b>	<b>-</b>	<b>1,451</b>	<b>585,119</b>	<b>586,570</b>
<b>Transactions with owners, recognised directly in equity</b>					
Dividend paid	-	-	-	(127,402)	(127,402)
Share-based payment	-	-	13,643	-	13,643
Purchase of treasury shares	-	(13,048)	-	-	(13,048)
Treasury shares reissued pursuant to share plans	-	21,991	(21,991)	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>8,943</b>	<b>(8,348)</b>	<b>(127,402)</b>	<b>(126,807)</b>
<b>As at 30 June 2021</b>	<b>1,305,668</b>	<b>(4,747)</b>	<b>202,267</b>	<b>8,433,638</b>	<b>9,936,826</b>
<b>2020</b>					
<b>As at 1 January 2020</b>	<b>1,291,722</b>	<b>(14,009)</b>	<b>205,112</b>	<b>6,567,206</b>	<b>8,050,031</b>
<b>Total comprehensive income for first half</b>					
Profit for first half	-	-	-	1,029,791	1,029,791
Other comprehensive loss	-	-	(1,472)	-	(1,472)
<b>Total comprehensive (loss)/income for first half</b>	<b>-</b>	<b>-</b>	<b>(1,472)</b>	<b>1,029,791</b>	<b>1,028,319</b>
<b>Transactions with owners, recognised directly in equity</b>					
Dividend paid	-	-	-	(218,462)	(218,462)
Share-based payment	-	-	16,508	-	16,508
Purchase of treasury shares	-	(5,365)	-	-	(5,365)
Treasury shares reissued pursuant to share plans and share option scheme	13,946	19,128	(33,074)	-	-
<b>Total transactions with owners</b>	<b>13,946</b>	<b>13,763</b>	<b>(16,566)</b>	<b>(218,462)</b>	<b>(207,319)</b>
<b>As at 30 June 2020</b>	<b>1,305,668</b>	<b>(246)</b>	<b>187,074</b>	<b>7,378,535</b>	<b>8,871,031</b>

\* Includes share option and share plans reserve, fair value reserve, hedging reserve and other reserves

**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the half year ended 30 June 2021

	Note	Half Year	
		30.06.2021 \$'000	30.06.2020 \$'000
<b>OPERATING ACTIVITIES</b>			
Operating profit		188,021	(149,421)
Adjustments:			
Depreciation and amortisation		196,611	201,097
Share-based payment expenses		16,036	18,212
Gain on sale of fixed assets		(785)	(63)
Gain on disposal of subsidiaries		(14,155)	(40,086)
Gain on disposal of associated companies		(99,638)	–
Gain from sale of units in associated companies		–	(48,275)
Impairment/write-off of fixed assets		36,897	–
Impairment of associated companies		35,082	17,543
Fair value gain on investment properties		(117,330)	(173,643)
Loss from change in interest in associated companies		12,015	761
Gain from reclassification of an associated company to fair value through other comprehensive income investment		–	(130,547)
Unrealised foreign exchange differences		(40,063)	58,518
Operational cash flow before changes in working capital		212,691	(245,904)
Working capital changes:			
Stocks		142,251	(295,872)
Contract assets		(180,376)	704,057
Debtors		597,283	(365,647)
Creditors		(89,493)	(13,122)
Contract liabilities		(866,409)	77,834
Investments		54,234	(74,420)
Amount due to/from associated companies and joint ventures		56,418	(16,680)
		(73,401)	(229,754)
Interest received		46,037	79,965
Interest paid		(121,664)	(156,842)
Income taxes paid, net of refunds received		(184,317)	(72,383)
<b>Net cash used in operating activities</b>		<b>(333,345)</b>	<b>(379,014)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition and further investment in associated companies and joint ventures		(89,645)	(374,638)
Acquisition of fixed assets and investment properties		(215,951)	(237,810)
Disposal of subsidiaries	A	730,575	88,305
Proceeds from disposal of fixed assets		1,538	2,914
Proceeds from disposal of associated companies and joint venture and return of capital		130,653	101,164
Repayment from/(advances to) associated companies and joint ventures		65,814	25,389
Dividends received from investments, associated companies and joint ventures		209,726	109,488
<b>Net cash from/(used in) investing activities</b>		<b>832,710</b>	<b>(285,188)</b>

**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

	Half Year	
	30.06.2021	30.06.2020
	\$'000	\$'000
<b>FINANCING ACTIVITIES</b>		
Acquisition of additional interest in subsidiaries	(15,316)	(450)
Proceeds from non-controlling shareholders of subsidiaries	-	336
Proceeds from term loans	1,438,370	2,016,154
Repayment of term loans	(1,819,232)	(440,401)
Principal element of lease payments	(31,586)	(25,476)
Purchase of treasury shares	(13,048)	(5,365)
Dividend paid to shareholders of the Company	(127,402)	(218,462)
Dividend paid to non-controlling shareholders of subsidiaries	(10,362)	(22,102)
<b>Net cash (used in)/from financing activities</b>	<b>(578,576)</b>	<b>1,304,234</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(79,211)</b>	<b>640,032</b>
<b>Cash and cash equivalents as at beginning of period</b>	<b>2,408,473</b>	<b>1,777,244</b>
<b>Effects of exchange rate changes on the balance of cash held in foreign currencies</b>	<b>17</b>	<b>4,847</b>
<b>Cash and cash equivalents as at end of period</b>	<b>2,329,279</b>	<b>2,422,123</b>

B



**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

**A. Disposal of Subsidiaries**

During the financial period, the book values of net assets of subsidiaries disposed were as follows:

	<b>Half Year</b>	
	<b>30.06.2021</b>	30.06.2020
	<b>\$'000</b>	\$'000
Fixed assets and investment properties	–	(20)
Stocks	–	(89,407)
Debtors and other assets	<b>(1,422)</b>	(9,005)
Associated companies	–	(158,670)
Bank balances and cash	–	(3,616)
Assets classified as held for sale*	<b>(875,971)</b>	–
Creditors and other liabilities	–	207,843
Liabilities directly associated with assets classified as held for sale*	<b>156,412</b>	–
Non-controlling interests deconsolidated	<b>(7)</b>	952
Net assets disposed of	<b>(720,988)</b>	(51,923)
Net gain on disposal	<b>(14,155)</b>	(40,086)
Realisation of foreign currency translation reserve	<b>1,021</b>	88
Sale proceeds	<b>(734,122)</b>	(91,921)
Less: Bank balances and cash disposed	<b>3,547</b>	3,616
<b>Cash inflow on disposal</b>	<b>(730,575)</b>	(88,305)

\* Breakdown of assets classified as held for sale and liabilities directly associated with assets classified as held for sale disposed during the half year ended 30 June 2021:

	<b>Half Year</b>
	<b>30.06.2021</b>
	<b>\$'000</b>
<b>Assets classified as held for sale</b>	
Fixed assets	(53,358)
Investment properties	(648,430)
Right-of-use assets	(153,602)
Associated companies	(9,399)
Debtors	(7,635)
Bank balances, deposits & cash	(3,547)
	<b>(875,971)</b>
<b>Liabilities directly associated with assets classified as held for sale</b>	
Creditors	56,063
Term loans	91,327
Current and deferred taxation	9,022
	<b>156,412</b>

During the six months, disposal relates to Keppel Bay Tower Pte. Ltd., First King Properties Limited, and Waterfront Investment Pte Ltd.

Disposal during the prior year relates to the First FLNG Holdings Pte Ltd, First FLNG Sub-Fund Holdings Pte Ltd, and Jiangyin Evergro Properties Co., Ltd (“JEP”). First FLNG Holdings Pte Ltd owns 30% interest in Gimi MS Corporation, while JEP owns a residential and commercial mixed-use sited located in Jiangyin, China.

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### B. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents in the condensed consolidated statement of cash flows comprise the following balance sheet amounts:

	<b>30.06.2021</b>	30.06.2020
	<b>\$'000</b>	\$'000
Bank balances, deposits and cash	<b>2,399,856</b>	2,426,429
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	<b>(70,577)</b>	(4,306)
	<b><u>2,329,279</u></b>	<u>2,422,123</u>

### C. Cash flow analysis

#### Half year ended 30 June 2021

Net cash used in operating activities was \$333 million as compared to \$379 million in the same period last year mainly due to lower working capital requirements for Energy & Environment and Urban Development. The working capital changes were lower by \$244 million as compared to the first half of 2020. The changes exclude the effects of provisions made for stocks, contract assets and doubtful debts amounting to \$130 million during the first half of 2021 and \$676 million during the first half of 2020.

Net cash from investing activities was \$832 million. Divestments and dividend income of \$1,072 million and receipts from associated companies and joint ventures of \$66 million was partly offset by acquisitions and capital expenditure of \$306 million. The acquisitions and capital expenditure comprised investments in associated companies and joint ventures as well as acquisitions of fixed assets and investment properties.

Net cash used in financing activities was \$579 million. This was mainly attributable to the net repayment of term loans of \$381 million and dividend of \$138 million paid to shareholders of the Company and non-controlling shareholders of subsidiaries during the period.

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2021

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### 1.1 Basis of Preparation

This condensed consolidated interim financial statements for the half year ended 30 June 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) 34 *Interim Financial Reporting* (SFRS(I) 1-34). This condensed consolidated interim financial statements do not include all the disclosures included in the Group's financial report. Accordingly, this report should be read in conjunction with the Group's Annual Report for the financial year ended 31 December 2020 and any public announcements made by Keppel Corporation Limited during the interim reporting period.

##### 1.2 Changes in Accounting Policies

The accounting policies adopted by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's Annual Report for the financial year ended 31 December 2020, except for the adoption of new and revised standards effective as of 1 January 2021.

The following are the new or amended SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s, that are relevant to the Group:

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16: *Interest Rate Benchmark Reform - Phase 2*
- Amendment to SFRS(I) 16 *Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*

The adoption of the above new or amended SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the condensed consolidated interim financial statements of the Group.

##### 1.3 Critical Accounting Judgments and Estimates

###### (a) Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, there is no instance of application of judgments with significant updates since the audited financial statements as at 31 December 2020 and is expected to have a significant effect on the amounts recognised in the condensed consolidated interim financial statements.

###### (b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are as follows:

###### (i) Coronavirus Disease 2019 ("COVID-19") and volatility in oil prices

The evolving situation of the outbreak of the COVID-19 and volatility in oil prices could impact the assessment of the carrying amounts of the Group's assets and liabilities. In the assessment for the current period, management has carried out a review to assess the assumptions used in the assessment of the carrying values of certain assets of the Group. Management has exercised judgment in determining the significant assumptions used and has relied on information currently available in the assessment of the appropriateness of the carrying values of the Group's assets as at 30 June 2021.

Should the COVID-19 situation take a longer than expected period to recover and/or the recovery of the long term oil prices, dayrates or utilisation rates take a longer period or to a lower level than expected, the assessment of the carrying amounts of the assets of the Group could be impacted, and material provisions may be made and additional liabilities may arise in the subsequent financial years.

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2021

- (ii) Recoverability of contract asset and receivable balances in relation to offshore & marine construction contracts

#### *Contracts with Sete Brasil ("Sete")*

The Group had previously entered into contracts with Sete for the construction of six rigs for which progress payments from Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. In October 2019, the Settlement Agreement as well as the winning bid proposal for Magni Partners (Bermuda) Ltd ("Magni") to purchase four Sete subsidiaries, two of which are special-purpose entities ("SPEs") for uncompleted rigs constructed by the Group, was approved by the creditors. As part of the Settlement Agreement, which is subject to fulfilment of certain conditions precedent, the Group will take over ownership of remaining four uncompleted rigs and will be able to explore various options to extract the best value from these assets.

On 31 May 2021, the Group entered into a Supplemental Agreement to the Settlement Agreement which essentially terminates the Engineering, Procurement and Construction ("EPC") contracts and related agreements entered into in relation to these four uncompleted rigs, 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 Group had obtained full title to the uncompleted rigs, albeit two of which are still encumbered. Sete is to procure the release of the mortgage on the two encumbered rigs placed with the ship registry within 120 days after execution of the Supplemental Agreement. As a result of the termination, receivable balances of \$638,932,000 relating to these four uncompleted rigs was reversed, giving rise to a net asset of \$183,316,000 presented within contract assets. Upon release of all encumbrances and settlement with relevant vendors, these assets will be reclassified to inventory. Negotiations are in progress to close out purchase contracts with the Group's vendors.

As disclosed in the audited financial statements for the year ended 31 December 2020, the Group continues to be in active discussion with relevant stakeholders as Sete negotiates with Petrobras. Should the conclusion of the negotiation result in significant changes to the key assumptions as disclosed in the audited financial statements as at 31 December 2020, additional material provision may be required, including adjustments to the net carrying amounts (net of total cumulative losses as described above) relating to the Sete contracts amounting to \$113,645,000 as at 30 June 2021 (31 December 2020: \$113,645,000).

#### *Other contracts*

As at 30 June 2021, the Group had several rigs that were under construction for customers where customers had requested for deferral of delivery dates of the rigs in prior years and have higher counterparty risks. In the event that the customers are unable to fulfil their contractual obligations, the Group can exercise the right to retain payments received to date and retain title to the rigs.

The Group had also delivered rigs to customers where receipt of the construction revenue have been deferred under certain financing arrangements, amounting to \$840,114,000 as at 30 June 2021 (31 December 2020: \$848,117,000) of which \$765,266,000 (31 December 2020: \$772,443,000) is secured on the rigs and \$74,848,000 (31 December 2020: \$75,674,000) is unsecured but the Group has obtained parental guarantee from the customers.

Management has assessed each deferred construction project individually to make judgment as to whether the customers will be able to fulfil their contractual obligations and take delivery of the rigs at the revised delivery dates. Management has also performed an assessment of the expected credit loss on contract assets and trade receivables of deferred projects and of rigs delivered on financing arrangements to determine if a provision for expected loss is necessary.

**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

The global economic environment has been and continues to be significantly affected by COVID-19 and the oil and gas industry, in particular, has experienced an unprecedented and very difficult period as a result of lower expected demands. The Group remains cognizant of these developments and have been closely monitoring the market and industry developments relating to utilisation rates, dayrates, oil price outlook and other relevant information.

For the above contract assets and secured trade receivables, in the event that the customers are unable to fulfil their contractual obligations, management has considered the most likely outcome for the rigs delivered or under construction is for the Group to take possession of the asset and charter it out to work with an operator. The value of the rig on this basis would be based on an estimation of the Value-in-use ("VIU") of the rig, i.e. through estimating the net present value of cash flows from operating the rig over the useful life of the asset.

Management has performed an assessment on whether the VIU of the rigs would exceed the carrying values of contract assets and trade receivables as at 30 June 2021. The VIU model used is consistent with prior years and is based on Discounted Cash Flow calculations that cover each class of rig. Management has obtained a confirmation from the same industry expert, who had independently provided a view of the market outlook, the assumptions and parameters used in the estimation of VIU as at the end of the last financial year, that such assumptions and parameters have not materially changed and remain valid as at 30 June 2021. Key inputs into the estimation of the VIU include dayrates and cost assumptions, utilisation rates, discount rates and estimated commencement of deployment of the assets. The valuation of the rigs would decrease if the expected income from operating the rigs decline, or discount rates were higher, or the estimated commencement of deployment were delayed.

Arising from the assessment, the Group found the VIU of the rigs exceed the carrying values of contract assets and trade receivables as at 30 June 2021 and did not recognise further expected credit loss allowance on contract assets and long term receivables during the half year ended 30 June 2021. The Group had recognised expected credit loss allowances of \$430,842,000 and \$169,611,000 on contract assets and long term receivables respectively for the financial year ended 31 December 2020.

	Contract assets \$'000	Financing to customers Secured \$'000	Unsecured \$'000	Total \$'000
<b>As at 30 June 2021</b>				
Gross balance	3,119,925	863,346	137,082	4,120,353
Less: Expected credit loss				
Balance, 1 January	432,541	99,162	62,921	594,624
Currency alignment	-	(1,082)	(687)	(1,769)
Balance, 30 June	<u>432,541</u>	<u>98,080</u>	<u>62,234</u>	<u>592,855</u>
Net balance	<u>2,687,384</u>	<u>765,266</u>	<u>74,848</u>	<u>3,527,498</u>
<b>As at 31 December 2020</b>				
Gross balance	2,933,715	871,605	138,595	3,943,915
Less: Expected credit loss				
Balance, 1 January	21,000	-	-	21,000
Currency alignment	-	(4,634)	(2,894)	(7,528)
Impairment charged	430,842	103,796	65,815	600,453
Reclassification	(19,301)	-	-	(19,301)
Balance, 31 December	<u>432,541</u>	<u>99,162</u>	<u>62,921</u>	<u>594,624</u>
Net balance	<u>2,501,174</u>	<u>772,443</u>	<u>75,674</u>	<u>3,349,291</u>

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2021

The valuations of the rigs based on estimated VIU are most sensitive to discount rates and dayrates.

- A discount rate of 7.37% has been used in the valuation as at 30 June 2021 (At 31 December 2020: 7.0%). An increase of 1% of the discount rate would increase the expected credit loss by approximately \$35,400,000 (31 December 2020: \$7,000,000).
- A decrease in dayrates of US\$5,000 per day across the entire asset useful life of 25 years would increase the expected credit loss by approximately \$15,300,000 (31 December 2020: \$Nil).

#### (iii) Revaluation of investment properties

The Group carries its investment properties at fair value with changes in fair value being recognised in the profit and loss account, determined annually by independent professional valuers on the highest and best use basis except for significant investment properties which are revalued on a half-yearly basis.

For the purpose of this condensed consolidated interim financial statements for the half year ended 30 June 2021, valuations were obtained from the valuers for certain significant investment properties, and the resultant fair value changes were recognised in the profit and loss account.

In determining the fair values, the valuers have used valuation techniques which involve certain estimates. The key assumptions to determine the fair value of investment properties include market-corroborated capitalisation rate, price of comparable plots and properties, net initial yield and discount rate. The valuation reports obtained from independent valuers for certain properties have highlighted the uncertainty of the COVID-19 outbreak and material valuation uncertainty where a higher degree of caution should be attached to the valuation than would normally be the case. Accordingly, the valuation of these investment properties may be subjected to more fluctuation than during normal market conditions.

In relying on the valuation reports, management has exercised its judgment to ensure that the valuation methods and estimates are reflective of current market conditions.

#### (iv) Estimating net realisable value of stocks

The net realisable value of stocks represent the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

As at 30 June 2021, stocks under work-in-progress amounted to \$1,141,155,000. The assessment of the carrying value of these stocks were performed in conjunction with the recoverability assessment of contract assets based on a VIU approach as described above in Note 1.3(b)(ii).

Based on the results of the assessment, the Group did not recognise further impairment on stocks under work-in-progress during the half year ended 30 June 2021 (2020: \$41,508,000 and \$50,000,000 in years prior to 2020).

The valuation of these stocks under work-in-progress based on estimated VIU are most sensitive to discount rates and dayrates.

- An increase of 1% of the discount rate would result in an impairment of approximately \$168,200,000 (31 December 2020: \$158,000,000).
- A decrease in dayrates of US\$5,000 per day across the entire asset life of 25 years would result in an impairment of approximately \$41,000,000 (31 December 2020: \$21,000,000).

For properties held for sale, there were no significant updates to the estimates and assumptions applied since the audited financial statements as at 31 December 2020.

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2021

(v) Impairment of non-financial assets

Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the cash-generating units ("CGU"s). This requires the Group to estimate the future cash flows expected from the CGUs and an appropriate discount rate in order to calculate the present value of the future cash flows. Management performed impairment tests on fixed assets, investments in subsidiaries, investments in associated companies and joint ventures, and intangibles as at 30 June 2021.

Management has performed the impairment assessment of its investments and related exposures in KrisEnergy Limited ("KrisEnergy"). Refer to Note 2 for more details on the impairment assessment of Group's investments in KrisEnergy.

(vi) Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

There were no instance of significant claims, litigations and reviews or significant updates since the audited financial statements as at 31 December 2020, except for the following:

***Arbitration in relation to two Floating Production Storage and Offloading Units***

Two of Keppel Offshore and Marine Limited's wholly-owned subsidiaries ("KOM subsidiaries") have received a request for arbitration from the customer ("Claimant") to two engineering, procurement and construction contracts relating to Floating Production Storage and Offloading units ("EPC Contracts"). The Claimant has withheld a total of approximately US\$11.3 million due to the KOM subsidiaries and has claimed a further amount of approximately US\$31.2 million on the basis that the Claimant is allegedly entitled to a price reduction under the EPC contracts (the "Claim").

The KOM subsidiaries, in consultation with legal advisors, deny the Claimant's alleged right to such price reductions and vehemently challenge the Claimant's right to withhold payments due to the KOM subsidiaries and its supposed right to claim such price reductions. The KOM subsidiaries intend to vigorously defend the claim and in addition, seek remedies, including counterclaims for the sums unduly withheld by the Claimant.

Based on currently available information, including opinion from the legal advisors, no provision was made in respect of the Claim as at 30 June 2021.

**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2021**

**2. ASSOCIATED COMPANIES AND JOINT VENTURES**

	<b>30.06.2021</b>
	<b>\$'000</b>
At 1 January	<b>5,990,613</b>
Share of profits for the period	<b>314,568</b>
Dividends received	<b>(125,963)</b>
Share of reserves	<b>53,369</b>
Provision for impairment on notes issued by an associated company	<b>(35,082)</b>
Additions	<b>125,010</b>
Advances to associated companies and joint ventures	<b>12,954</b>
Disposals	<b>(10,161)</b>
Loss from change in interest in associated companies	<b>(12,015)</b>
Reclassification from/(to)	
- Investments	<b>(2,448)</b>
- Amount due from associates	<b>(136,004)</b>
Others	<b>(15,732)</b>
At 30 June	<b><u>6,159,109</u></b>

Movements in the provision for impairment of associated companies and joint ventures are as follows:

	<b>30.06.2021</b>
	<b>\$'000</b>
At 1 January	<b>152,509</b>
Exchange differences	<b>(674)</b>
At 30 June	<b><u>151,835</u></b>

The carrying amount of the Group's material associated companies, all of which are equity accounted for, are as follows:

	<b>30.06.2021</b>	<b>31.12.2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Keppel REIT	<b>1,918,561</b>	1,898,249
KrisEnergy Limited (a)	<b>–</b>	35,084
Keppel DC REIT	<b>425,862</b>	420,124
Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited	<b>663,411</b>	636,366
Floatel International Limited (b)	<b>270,259</b>	95,668
Other associated companies and joint ventures	<b>2,881,016</b>	2,905,122
	<b><u>6,159,109</u></b>	<b><u>5,990,613</u></b>



**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

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**For the half year ended 30 June 2021**

(a) Investments in KrisEnergy Limited and related exposures

	<b>30.06.2021</b>	31.12.2020
	<b>\$'000</b>	\$'000
Equity interest	–	–
Zero-coupon notes	–	35,084
Total carrying amount of investment	<u>–</u>	<u>35,084</u>
Trade receivable for production barge <sup>1</sup>	<b>6,000</b>	–
Loan receivable under CBA loan facility	<b>5,300</b>	77,193
Loan receivable under the revolving credit facility (“RCF”) <sup>2</sup>	<b>94,738</b>	–
Contract assets <sup>1</sup>	–	29,225
Total carrying amount of other related exposures	<u><b>106,038</b></u>	<u>106,418</u>
Other related off balance sheet exposure:		
Guarantee <sup>2</sup>	–	247,340

<sup>1</sup> In relation to a construction contract for a production barge for KrisEnergy. The exposure was reclassified from contract assets to receivable in June 2021 as a result of the Group exercising its rights to the production barge.

<sup>2</sup> In relation to a bilateral agreement between the Group and a bank, on the bank loan granted to KrisEnergy. KrisEnergy defaulted on the repayment of the RCF on 30 June 2021, on which the Group had made payment to the bank and recorded a loan receivable (net of impairment provision) from KrisEnergy.

KrisEnergy, whose securities had been suspended from trading from the Singapore Exchange in August 2019, published its final restructuring proposal on 21 August 2020 where it was to be implemented via the four inter-conditional processes that require the consent of the requisite majority of each respective group of creditors and shareholders. A scheme of arrangement (“Scheme”) setting out details of the restructuring terms was approved by the Scheme creditors on 14 January 2021. On 11 February 2021, the Zero Coupon Noteholders approved the amendment of the terms of zero-coupon notes. The restructuring was pending final approval from the shareholders of KrisEnergy.

However, KrisEnergy announced on 20 April 2021 and 28 April 2021 that, following further assessments, including that of its independent third party consultant Netherland, Sewell & Associates, Inc.: a) due to the significant underperformance of Cambodia Block A (“CBA”), the consensual restructuring was no longer viable; and b) even if the restructuring exercise was completed, there remained material uncertainty over KrisEnergy’s ability to continue as a going concern. On 4 June 2021, KrisEnergy further announced that it had filed a winding-up petition with the Grand Court of Cayman Islands. On 13 July 2021, KrisEnergy announced that the Court had granted the winding-up petition.

The Group has a comprehensive first ranking security package over the assets of the KrisEnergy group through the RCF and CBA Loan Facility. In view of KrisEnergy’s filing of a winding-up petition, the Group is implementing detailed recovery plans developed in consultation with its financial adviser, Borrelli Walsh, and legal adviser to preserve KrisEnergy’s assets and to maximise recoveries for the Group. Amongst other things, the Group has appointed Borrelli Walsh as receiver over the assets of a number of members of the KrisEnergy group under the security package.

Management reviewed the cash flow projections prepared by Borrelli Walsh, based on the estimated amount of cash available from producing assets and expected proceeds from assets to be sold, taking into account the rights to these cash flows from the secured assets on a receivership basis. The cash flow estimates from producing assets were based on forecasted production volumes and oil prices, determined by taking reference from external information sources, ranging from US\$57 to US\$67 per barrel for 2021 to 2033 (December 2020: US\$50 to US\$62 from 2021 to 2029). The estimated recoverable amount for assets to be sold are based on the indicative bids received from external parties. The estimated production volumes, expected proceeds from assets to be sold and discount rates used in assessing recoverable amounts are subject to risk and uncertainty.

Based on the assessment, a loss of \$318 million was recorded for the half year ended 30 June 2021, comprising a loss on financial guarantee in relation to the bilateral agreement with the bank of \$157.5 million, expected credit loss of \$125.4 million on the receivables for production barge and CBA loan facility and the full impairment of the Group’s investment in the zero-coupon notes of \$35.1 million. In the financial year ended 31 December 2020, management had performed an assessment which had taken into consideration the terms of restructuring and with KrisEnergy continuing as a going concern, and recognised an impairment charge of \$39.2 million on the investment in zero-coupon notes.

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS For the half year ended 30 June 2021

If the oil prices were to decrease by 5% across the forecasted period of 2021 to 2033, the estimated cash available from producing assets and forecasted production from assets under development would decrease, and this would result in an additional impairment of \$2.4 million (December 2020: 2% decrease, impairment of \$34.4 million).

(b) Investments in Floatel International Limited ("Floatel")

	<b>30.06.2021</b>	31.12.2020
	<b>\$'000</b>	\$'000
Equity interest	<b>270,259</b>	–
Loan receivable	–	95,668
Total carrying amount	<b>270,259</b>	95,668
Other related exposures:		
Guarantee <sup>1</sup>	<b>132,240</b>	–

<sup>1</sup> In relation to a bilateral agreement between the Group and a financial institution, on the US\$100 million revolving credit facility granted to Floatel.

On 24 March 2021, Floatel successfully completed its debt restructuring where Floatel retained its existing fleet of 5 operating vessels, substantially reduced its debt by approximately US\$610 million and secured a new super senior US\$100 million Revolving Credit Facility ("RCF") from a financial institution. Keppel Offshore & Marine Ltd ("KOM"), a wholly owned subsidiary of the Company, entered into a participation agreement with this financier that would require KOM to make whole for any loss the financier suffers under this RCF.

Following the restructuring, KOM retains its common share of 49.92% in Floatel but forgave the loan receivable from Floatel amounting to approximately US\$244 million. The Group continues to equity account for Floatel's results and during the half year ended 30 June 2021, the Group equity accounted for Floatel's profits amounting to approximately \$177 million. This comprised approximately \$269 million from debt restructuring gain less \$54 million loss from vessel impairment and \$38 million year to date losses from operations.

The significantly improved capital structure post debt restructuring has provided a runway for Floatel to recover and emerge financially stronger. An independent advisor engaged by management assessed that Floatel's equity value post debt restructuring in April 2021 was above the Group's carrying value of its investment in Floatel. Since completion of the restructuring, Floatel had also successfully won multiple charter contracts and extension option for its vessels. Accordingly, no further impairment loss was recognised on the Group's investment in Floatel in the half year ended 30 June 2021.

### 3. TERM LOANS

Group's borrowings and debt securities

(i) Amount repayable in one year or less, or on demand

As at 30.06.2021		As at 31.12.2020	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
188,877	4,368,531	179,862	4,322,117

(ii) Amount repayable after one year

As at 30.06.2021		As at 31.12.2020	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
1,159,468	6,491,306	1,090,742	7,010,379

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2021

- (iii) Details of any collateral and securities
- Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The Group has mortgaged certain properties and assets of up to an aggregate amount of \$2,322,400,000 (31 December 2020: \$2,220,363,000) to banks for loan facilities. Included in secured borrowings as at 30 June 2021 are current lease liabilities of \$82,434,000 and non-current lease liabilities of \$504,629,000 which are secured over the right-of-use assets of \$600,478,000.
- (iv) On 28 May 2021, Keppel Land Limited, a wholly-owned subsidiary of the Company, issued unsecured fixed rate notes of S\$280,000,000 due in 2026 at a coupon of 2% per annum.
- (v) The fair values of term loans for the Group are \$11,582,732,000 (31 December 2020: \$12,014,024,000).

#### 4. SHARE CAPITAL

##### Issued share capital and treasury shares

	Number of ordinary shares	
	Issued Share Capital	Treasury Shares
As at 1 January 2021	1,820,557,767	3,051,474
Treasury shares transferred pursuant to share plans	–	(4,643,154)
Treasury shares purchased	–	2,560,000
<b>As at 30 June 2021</b>	<b>1,820,557,767</b>	<b>968,320</b>

##### Treasury shares

During the six months ended 30 June 2021, the Company transferred 4,643,154 (30 June 2020: 2,779,124) treasury shares to employees upon vesting of shares released under the KCL Share Plans. There was 2,560,000 treasury shares purchased (30 June 2020: 805,124) during the period. As at 30 June 2021, the number of treasury shares held by the Company represented 0.05% (30 June 2020: 0.0%) of the total number of issued shares (excluding treasury shares). Except for the transfer, there was no other sale, disposal, cancellation and/or other use of treasury shares during the six months ended 30 June 2021.

##### KCL Performance Share Plan (“KCL PSP”)

As at 30 June 2021, the number of contingent shares granted but not released were 5,661,880 (30 June 2020: 4,400,000) for KCL PSP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 8,492,820 under KCL PSP.

##### KCL Performance Share Plan – Transformation Incentive Plan (“KCL PSP-TIP”)

As at 30 June 2021, the number of contingent shares granted but not released were 6,367,819 (30 June 2020: 6,622,171) for KCL PSP-TIP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 9,551,729 under KCL PSP-TIP.

##### KCL Performance Share Plan – M1 Transformation Incentive Plan (“KCL PSP-M1 TIP”)

As at 30 June 2021, the number of contingent shares granted but not released were 423,500 (30 June 2020: 423,500) for KCL PSP-M1 TIP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 635,250 under KCL PSP-M1 TIP.

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KCL Restricted Share Plan (“KCL RSP”)

There are no contingent shares granted but not released as at 30 June 2021 and 30 June 2020.

As at 30 June 2021, there were no awards released but not vested (30 June 2020: 24,041) for KCL RSP.

KCL Restricted Share Plan – Deferred Shares (“KCL RSP-Deferred Shares”)

There are no contingent shares granted but not released as at 30 June 2021 and 30 June 2020.

As at 30 June 2021, the number of awards released but not vested was 5,029,317 (30 June 2020: 4,825,499) for KCL RSP-Deferred Shares.

The movements in the number of shares under KCL PSP, KCL PSP-TIP, KCL PSP-M1 TIP, KCL RSP and KCL RSP-Deferred shares are as follows:

**Contingent awards:**

Date of Grant	Number of shares					At 30.06.21
	At 1.1.21	Contingent awards granted	Adjustment upon release	Released	Cancelled	
<u>KCL PSP</u>						
30.4.2018	1,180,000	–	–	–	–	1,180,000
30.4.2019	1,585,000	–	–	–	(42,153)	1,542,847
31.3.2020	1,535,000	–	–	–	(85,967)	1,449,033
30.4.2021	–	1,490,000	–	–	–	1,490,000
	4,300,000	1,490,000	–	–	(128,120)	5,661,880

KCL PSP-TIP

29.4.2016	3,466,770	–	–	–	(112,153)	3,354,617
28.4.2017	1,875,401	–	–	–	(42,199)	1,833,202
28.2.2020	1,180,000	–	–	–	–	1,180,000
	6,522,171	–	–	–	(154,352)	6,367,819

KCL PSP-M1 TIP

17.2.2020	127,900	–	–	–	–	127,900
17.2.2020	295,600	–	–	–	–	295,600
	423,500	–	–	–	–	423,500

**Awards:**

Date of Grant	Number of shares					At 30.06.21
	At 1.1.21	Awards granted	Adjustment upon release	Released	Cancelled	
<u>KCL RSP-Deferred shares</u>						
15.2.2021	–	5,096,700	(7,625)	(5,089,075)	–	–
	–	5,096,700	(7,625)	(5,089,075)	–	–

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Awards released but not vested:	Number of shares						
	Date of Grant	At 1.1.21	Released	Vested	Cancelled	Other adjustments	At 30.06.21
<u>KCL RSP- Deferred shares</u>							
15.2.2019	1,157,727	–	(1,139,966)	(17,761)	–	–	
18.4.2019	101,731	–	(100,160)	(1,437)	(134)	–	
17.2.2020	3,409,612	–	(1,705,202)	(55,570)	(2,881)	1,645,959	
15.2.2021	–	5,089,075	(1,697,826)	(7,891)	–	3,383,358	
	<u>4,669,070</u>	<u>5,089,075</u>	<u>(4,643,154)</u>	<u>(82,659)</u>	<u>(3,015)</u>	<u>5,029,317</u>	

**5. REVENUE**

	Half Year	
	30.06.2021 \$'000	30.06.2020 \$'000
<b><u>Revenue from contracts with customers</u></b>		
Revenue from construction contracts	<b>916,671</b>	887,365
Sale of property	<b>865,479</b>	462,635
Sale of goods	<b>173,534</b>	176,558
Sale of electricity, utilities and gases	<b>1,064,526</b>	922,354
Revenue from telecommunication services	<b>343,115</b>	358,878
Revenue from other services rendered	<b>276,842</b>	328,047
	<b>3,640,167</b>	3,135,837
<b><u>Other sources of revenue</u></b>		
Rental income from investment properties	<b>37,013</b>	45,379
Others	<b>–</b>	1,262
	<b>3,677,180</b>	3,182,478

**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the half year ended 30 June 2021

**6. OPERATING PROFIT**

Operating profit is arrived at after charging/(crediting) the following:

	Half Year		+/- %	
	30.06.2021 \$'000	30.06.2020 \$'000		
Share-based payment expenses	<b>16,036</b>	18,212	-11.9	
Profit on sale of fixed assets	<b>(785)</b>	(63)	>+500	(i)
Provision/(write-back of provision)				
- Stocks	<b>(129)</b>	41,657	n.m.f.	(ii)
- Contract assets	<b>23,225</b>	430,842	-94.6	(iii)
- Doubtful debts	<b>106,794</b>	203,682	-47.6	(iv)
Fair value (gain)/loss				
- Investments	<b>(20,144)</b>	57,577	n.m.f.	(v)
- Forward contracts	<b>(2,805)</b>	(24,823)	-88.7	(vi)
- Financial derivatives	<b>(869)</b>	712	n.m.f.	
Foreign exchange (gain)/loss	<b>(6,553)</b>	33	n.m.f.	(vii)
Government grant income	<b>(25,346)</b>	(95,236)	-73.4	(viii)
Impairment of associated companies	<b>35,082</b>	17,543	+100	(ix)
Impairment/write-off of fixed assets	<b>36,897</b>	–	n.m.f.	(x)
Gain on disposal of subsidiaries	<b>(14,155)</b>	(40,086)	-64.7	(xi)
Gain on disposal of associated companies and joint ventures	<b>(99,638)</b>	–	n.m.f.	(xii)
Gain from sale of units in associated companies	–	(48,275)	n.m.f.	(xiii)
Fair value gain on investment properties	<b>(117,330)</b>	(173,643)	-32.4	(xiv)
Loss from change in interest in associated companies	<b>12,015</b>	761	>+500	(xv)
Gain from reclassification of an associated company to fair value through other comprehensive income	–	(130,547)	n.m.f.	(xvi)
Loss on a financial guarantee on a loan granted to an associated company	<b>157,490</b>	–	n.m.f.	(xvii)

*n.m.f. - No Meaningful Figure*

- (i) Profit on sale of fixed assets for the half year ended 30 June 2021 was largely attributable to disposal of fixed assets in the Energy & Environment business. Profit on sale of fixed assets in the prior period was largely attributable to disposal of assets in the Connectivity business.
- (ii) Write-back of provision for stocks for the half year ended 30 June 2021 mainly due to overprovision of stocks in the Energy & Environment business in the prior year. The provision for stocks in the prior period arose mainly from the Energy & Environment business due to the lower net realisable value for certain stocks under work-in-progress.
- (iii) The provision for contract assets for the half year ended 30 June 2021 is attributable to the Energy & Environment business mainly due to impairment of contract assets in relation to the construction contract for a production barge for KrisEnergy. The provision for contract assets in the prior period arose mainly from several rigs that were under construction for Energy & Environment segment's customers who had requested for deferral of delivery dates of the rigs in prior years.

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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- (iv) The provision for doubtful debts for the half year ended 30 June 2021 is largely attributable to the Energy & Environment segment mainly due to impairment of loan receivable from KrisEnergy. The provision for doubtful debts in the prior period arose mainly from the Energy & Environment segment which had delivered rigs to customers where receipts of the construction revenue have been deferred under certain financing arrangements, as well as the expected credit loss for a receivable in the Urban Development segment.
- (v) Fair value gain (mark-to-market) on investment portfolio for the half year ended 30 June 2021 were due to increase in prices of listed stocks and higher valuations of unquoted investments.
- (vi) Fair value gain on forward contracts for the half year ended 30 June 2021 arose mainly from the hedging differential on forward exchange contracts due to elapse of time and fluctuations in interest rate.
- (vii) Foreign exchange gain for the half year ended 30 June 2021 was mainly attributable to the revaluation of United States dollar loans, with the United States dollar having depreciated against the Singapore dollar.
- (viii) Government grant income of \$15,353,000 (half year ended 30 June 2020: \$65,543,000) was recognised during the half year ended 30 June 2021 under the Jobs Support Scheme (“JSS”). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees
- (ix) Impairment of an associated company for the half year ended 30 June 2021 was attributable to the Energy & Environment segment due to the impairment of KrisEnergy zero-coupon notes. The impairment of associated companies in the prior period was mainly attributable to the Energy & Environment and Connectivity segments.
- (x) Impairment of fixed assets for the half year ended 30 June 2021 was attributable to the Urban Development business.
- (xi) Gain on disposal of subsidiaries arose from the divestment of Keppel Bay Tower Pte. Ltd., First King Properties Limited, and Waterfront Investment Pte Ltd. In the prior period, gain on disposal of subsidiaries arose from the sale of First FLNG Holdings Pte Ltd, First FLNG Sub-Fund Holdings Pte Ltd, and Jiangyin Evergro Properties Co., Ltd (“JEP”). First FLNG Holdings Pte Ltd owns 30% interest in Gimi MS Corporation, while JEP owns a residential and commercial mixed-use sited located in Jiangyin, China.
- (xii) Gain on disposal of associated companies and joint ventures arose from the sale of Chengdu Hilltop Development Co Ltd, Dong Nai Waterfront City LLC, ARIP Public Company Limited, and gain from divestment of interest in Keppel Logistics (Foshan) following agreement reached with local authorities on Lanshi port closure compensation
- (xiii) In the prior period, gain from sale of units in associated companies relates to sale of units in Keppel REIT and Keppel DC REIT units.
- (xiv) Fair value gain on investment properties arose from the Group’s mid-year revaluation of significant investment properties. The higher fair value gain on investment properties for the current period was underpinned by the Group’s commercial portfolio comprising mainly office assets in China and Singapore.
- (xv) Loss from change in interest in associated companies was mainly due to change in interest in Keppel REIT for both current and prior periods.

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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- (xvi) In the prior period, gain from reclassification of an associated company to an investment carried at fair value through other comprehensive income arose from the loss of significant influence over the Group's former associated company, Keppel Infrastructure Trust.
- (xvii) Loss on a financial guarantee on a loan granted to an associated company was in relation to the revolving credit facility ("RCF") loan extended by the bank to KrisEnergy, which was assumed by the Group on 30 June 2021. Refer to Note 2(a) for more details on impairments recognised in respect of exposure to KrisEnergy.

#### 7. SIGNIFICANT COMMITMENTS

##### *Significant capital commitments*

	<b>Half Year 30.06.2021 \$'000</b>
Additional significant capital expenditure/commitments entered into during the first half ended 30 June 2021 that are not provided for in the financial statements:	
In respect of contracts placed:	
- for purchase and construction of investment properties	290,500
- for purchase of other fixed assets	219,600
- for commitments to private funds	<u>29,341</u>
	<u><b>539,441</b></u>

#### 8. SIGNIFICANT CONTINGENT LIABILITIES AND GUARANTEES

Additional significant contingent liabilities and guarantees arising from transactions during the period ended 30 June 2021 are as follows:

	<b>Half Year 30.06.2021 \$'000</b>
Guarantees in respect of banks and other loans granted to subsidiaries, associated companies and joint ventures	186,452
Bank guarantees	<u>11,271</u>
	<u><b>197,723</b></u>

See Note 1.3(b)(vi) for further disclosures relating to the Group's claims and litigations.

Included in the above guarantees is a bilateral agreement between the Group and a financial institution which guaranteed a revolving credit facility granted to Floatel International Limited, an associated company, amounting to \$115,485,000 (31 December 2020: \$Nil). The guarantee is secured on the assets of Floatel International Limited. See further details in Note 2(b).

#### 9. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the half year ended 30 June 2021, the Group had no significant related party transactions.



**KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES**

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For the half year ended 30 June 2021

**10. FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES**

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined by reference to the net tangible assets of the investments.

The following table presents the assets and liabilities measured at fair value.

	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
<b>Group</b>				
<b>30 June 2021</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	292,073	-	292,073
Call option	-	-	156,643	156,643
Investments				
- Investments at fair value through other comprehensive income	516,111	-	229,490	745,601
- Investments at fair value through profit or loss	71,494	102,698	266,409	440,601
Short term investments				
- Investments at fair value through other comprehensive income	28,244	-	22,235	50,479
- Investments at fair value through profit or loss	20,311	-	-	20,311
	<u>636,160</u>	<u>394,771</u>	<u>674,777</u>	<u>1,705,708</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	216,492	-	216,492
	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
<b>Non-financial assets</b>				
Investment Properties				
- Commercial and residential, completed	-	-	1,196,870	1,196,870
- Commercial, under construction	-	-	2,706,997	2,706,997
	<u>-</u>	<u>-</u>	<u>3,903,867</u>	<u>3,903,867</u>

There have been no significant transfers between Level 1, Level 2 and Level 3 for the Group in the first half ended 30 June 2021.

The fair value of financial instruments categorised under Level 1 of the fair value hierarchy is based on published market bid prices at the balance sheet date.

The fair value of financial instruments categorised under Level 2 of the fair value hierarchy are fair valued under valuation techniques with market observable inputs. These include forward pricing and swap models utilising present value calculations using inputs such as observable foreign exchange rates (forward and spot rates), interest rate curves and forward rate curves and discount rates that reflects the credit risks of various counterparties.

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The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments and investment properties categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 30 June 2021 \$'000	Valuation Techniques	Unobservable Inputs	Range of unobservable Inputs
Investments	518,134	Net asset value, discounted cash flow and binomial option pricing, market comparative	Net asset value* Discount rate Growth rate Cost of equity Adjusted market multiple	Not applicable 8.00% 6.24% 15.85% 1.4x
Call option	156,643	Direct comparison method and investment method	Transacted price of comparable properties (psf) Capitalisation rate	\$1,600 to \$3,721 3.50%
Investment Properties				
- Commercial and residential, completed	1,196,870	Investment method, discounted cash flow method and/or direct comparison method; Residual method Capitalisation method	Discount rate Capitalisation rate Net initial yield Transacted price of comparable properties (psm) Transacted price of comparable properties (psf) Terminal capitalization rate	7.25% to 12.50% 4.25% to 10.50% 6.20% \$4,821 to \$6,490 \$2,835 to \$3,046 9.00%
- Commercial, under construction	2,706,997	Direct comparison method, discounted cash flow method, and/or residual value method	Transacted price of comparable land plots (psm) Gross development value (\$'million) Discount rate	\$6,324 to \$18,417 \$538 to \$2,088 12.50% to 18.00%

\* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investments and investment properties stated at fair value.

The financial instruments and investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in significant change to the fair value of the respective asset/liability.

The Group's finance team assessed the fair value of investments at fair value through other comprehensive income on a quarterly basis.

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2021

#### 11. SEGMENT ANALYSIS

The Group is organised into business units based on their products and services, and has five main segments with six reportable operating segments as follows:

(i) **Energy & Environment**

The Energy & Environment segment is focused on business areas relating to the safe and efficient harvesting of energy sources, serving the offshore & marine industry with an array of vessel solutions and services, renewables, and providing cities with power, as well as solutions for waste and water & wastewater treatment. The segment comprises two reportable operating segments, being Offshore & Marine and Infrastructure & Others.

Offshore & Marine - Principal activities include offshore production facilities and drilling rig design, construction, fabrication and repair, ship conversions and repair, and specialised shipbuilding. The operating segment has operations in Brazil, China, Singapore, the United States and other countries.

Infrastructure & Others - Principal activities include power generation, renewables, environmental engineering and infrastructure operation and maintenance. The operating segment has operations in China, Singapore, Switzerland, the United Kingdom, and other countries.

(ii) **Urban Development**

Principal activities include property development and investment, as well as master development. The segment has operations in China, India, Indonesia, Singapore, Vietnam and other countries.

(iii) **Connectivity**

Principal activities include the provision of telecommunications services, retail sales of telecommunications equipment and accessories, development and operation of data centres and provision of logistics solutions. The segment has operations in China, Singapore and other countries. Keppel Logistics ("KLOG") contributed about 1% and 7% of the Group's total revenue and net profit respectively for the half year ended 30 June 2021. KLOG accounted for about 1% of the Group's total assets and total liabilities as at 30 June 2021.

(iv) **Asset Management**

Principal activities include management of private funds and listed real estate investment and business trusts. The segment operates mainly in Singapore.

(v) **Corporate & Others**

The Corporate & Others segment consists mainly of treasury operations, research & development, investment holdings and provision of management and other support services.

Management monitors the results of each of the above main segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss. Information regarding the Group's reportable operating segments is presented in the following table, with the segment information for the prior half year ended 30 June 2020 restated to reflect the change in composition of the reportable segments.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2021

Half year ended 30 June 2021

	Energy & Environment			Urban	Connectivity	Asset	Corporate &	Elimination	Total
	Offshore & Marine	Infrastructure & Others	Subtotal	Development		Management	Others		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>									
External sales	789,460	1,314,588	2,104,048	909,221	585,824	78,087	–	–	3,677,180
Inter-segment sales	172	5,940	6,112	3,502	2,665	9,428	30,243	(51,950)	–
Total	789,632	1,320,528	2,110,160	912,723	588,489	87,515	30,243	(51,950)	3,677,180
<b>Segment Results</b>									
Operating profit	(14,670)	(279,105)	(293,775)	394,776	40,611	57,894	(11,466)	(19)	188,021
Investment income	2,550	–	2,550	301	147	22,795	57,970	–	83,763
Interest income	6,785	29,730	36,515	18,106	155	1,149	185,183	(190,282)	50,826
Interest expenses	(93,152)	(4,885)	(98,037)	(21,615)	(10,586)	(19,001)	(162,610)	190,301	(121,548)
Share of results of associated companies and joint ventures	183,033	(7,124)	175,909	59,687	7,315	71,657	–	–	314,568
Profit before tax	84,546	(261,384)	(176,838)	451,255	37,642	134,494	69,077	–	515,630
Taxation	3,272	(7,297)	(4,025)	(178,258)	(9,941)	(16,659)	(9,898)	–	(218,781)
Profit for the year	87,818	(268,681)	(180,863)	272,997	27,701	117,835	59,179	–	296,849
Attributable to:									
Shareholders of Company	89,542	(268,783)	(179,241)	279,310	27,159	117,141	55,427	–	299,796
Non-controlling interests	(1,724)	102	(1,622)	(6,313)	542	694	3,752	–	(2,947)
	87,818	(268,681)	(180,863)	272,997	27,701	117,835	59,179	–	296,849
<b>External revenue from contracts with customers</b>									
- At a point in time	44,024	4,535	48,559	799,005	175,109	12,830	–	–	1,035,503
- Over time	745,437	1,310,053	2,055,490	75,085	408,831	65,258	–	–	2,604,664
	789,461	1,314,588	2,104,049	874,090	583,940	78,088	–	–	3,640,167
<b>Other sources of revenue</b>	–	–	–	35,130	1,883	–	–	–	37,013
Total	789,461	1,314,588	2,104,049	909,220	585,823	78,088	–	–	3,677,180
<b>Other Information</b>									
Segment assets	8,306,728	2,509,627	10,816,355	13,888,416	3,916,068	3,928,350	11,372,162	(12,947,526)	30,973,825
Segment liabilities	8,904,848	1,913,781	10,818,629	7,576,393	2,855,402	1,769,608	9,372,279	(12,947,526)	19,444,785
Net assets	(598,120)	595,846	(2,274)	6,312,023	1,060,666	2,158,742	1,999,883	–	11,529,040

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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Investment in associated companies and joint ventures	538,392	170,088	708,480	2,382,536	196,616	2,871,477	–	–	6,159,109
Additions to non-current assets	12,313	20,464	32,777	114,398	104,190	50,298	3,933	–	305,596
Depreciation and amortisation	57,332	15,710	73,042	15,908	101,005	1,366	5,290	–	196,611
Impairment loss on non-financial assets	23,036	35,088	58,124	36,697	254	–	–	–	95,075
Allowance for expected credit loss and bad debt written-off	1,215	102,822	104,037	2	2,949	–	(172)	–	106,816
Loss on a financial guarantee on a loan granted to an associated company	–	157,490	157,490	–	–	–	–	–	157,490

### GEOGRAPHICAL INFORMATION

	<u>Singapore</u>	<u>China/ Hong Kong</u>	<u>Brazil</u>	<u>Other Far East &amp; ASEAN Countries</u>	<u>Other Countries</u>	<u>Elimination</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External sales	2,436,119	898,561	30,249	94,977	217,274	–	3,677,180
Non-current assets	8,477,964	3,877,122	214,509	1,821,109	568,215	–	14,958,919

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the half year ended 30 June 2021.

### INFORMATION ABOUT A MAJOR CUSTOMER

Revenue of \$382,937,000 is derived from a single external customer and is attributable to the Energy & Environment segment for the half year ended 30 June 2021.

Note: Pricing of inter-segment goods and services is at fair market value.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the half year ended 30 June 2021

**Half year ended 30 June 2020**

	Energy & Environment			Urban Development	Connectivity	Asset Management	Corporate & Others	Elimination	Total
	Offshore & Marine \$'000	Infrastructure & Others \$'000	Subtotal \$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>									
External sales	838,958	1,185,163	2,024,121	511,346	586,549	59,981	481	–	3,182,478
Inter-segment sales	269	5,610	5,879	5,117	2,356	–	42,301	(55,653)	–
<b>Total</b>	<b>839,227</b>	<b>1,190,773</b>	<b>2,030,000</b>	<b>516,463</b>	<b>588,905</b>	<b>59,981</b>	<b>42,782</b>	<b>(55,653)</b>	<b>3,182,478</b>
<b>Segment Results</b>									
Operating profit	(682,214)	48,693	(633,521)	291,383	28,886	226,509	(62,739)	61	(149,421)
Investment income	995	–	995	134	82	10,309	864	–	12,384
Interest income	50,832	31,049	81,881	22,317	1,351	4,611	199,854	(204,888)	105,126
Interest expenses	(106,012)	(4,462)	(110,474)	(25,126)	(20,797)	(22,200)	(183,076)	204,827	(156,846)
Share of results of associated companies and joint ventures	(272,455)	(8,363)	(280,818)	58,091	3,591	50,571	–	–	(168,565)
Profit before tax	(1,008,854)	66,917	(941,937)	346,799	13,113	269,800	(45,097)	–	(357,322)
Taxation	1,594	(19,377)	(17,783)	(131,282)	(9,963)	(13,346)	(6,436)	–	(178,810)
<b>Profit for the year</b>	<b>(1,007,260)</b>	<b>47,540</b>	<b>(959,720)</b>	<b>215,517</b>	<b>3,150</b>	<b>256,454</b>	<b>(51,533)</b>	<b>–</b>	<b>(536,132)</b>
Attributable to:									
Shareholders of Company	(1,005,797)	47,641	(958,156)	214,730	(396)	257,803	(51,112)	–	(537,131)
Non-controlling interests	(1,463)	(101)	(1,564)	787	3,546	(1,349)	(421)	–	999
	<b>(1,007,260)</b>	<b>47,540</b>	<b>(959,720)</b>	<b>215,517</b>	<b>3,150</b>	<b>256,454</b>	<b>(51,533)</b>	<b>–</b>	<b>(536,132)</b>
<b>External revenue from contracts with customers</b>									
- At a point in time	44,372	6,271	50,643	376,017	166,036	2,766	127	–	595,589
- Over time	794,586	1,178,889	1,973,475	92,023	418,751	55,999	–	–	2,540,248
	<b>838,958</b>	<b>1,185,160</b>	<b>2,024,118</b>	<b>468,040</b>	<b>584,787</b>	<b>58,765</b>	<b>127</b>	<b>–</b>	<b>3,135,837</b>
<b>Other sources of revenue</b>									
	–	3	3	43,306	1,762	1,216	354	–	46,641
<b>Total</b>	<b>838,958</b>	<b>1,185,163</b>	<b>2,024,121</b>	<b>511,346</b>	<b>586,549</b>	<b>59,981</b>	<b>481</b>	<b>–</b>	<b>3,182,478</b>
<b>Other Information</b>									
Segment assets	8,928,185	2,358,006	11,286,191	14,109,699	4,144,005	4,016,610	10,718,298	(12,286,796)	31,988,007
Segment liabilities	9,326,244	1,954,235	11,280,479	7,352,480	2,876,276	1,976,628	9,975,629	(12,286,796)	21,174,696
<b>Net assets</b>	<b>(398,059)</b>	<b>403,771</b>	<b>5,712</b>	<b>6,757,219</b>	<b>1,267,729</b>	<b>2,039,982</b>	<b>742,669</b>	<b>–</b>	<b>10,813,311</b>

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Investment in associated companies and joint ventures	324,495	238,159	562,654	2,317,239	212,075	2,862,191	1,545	–	5,955,704
Additions to non-current assets	22,603	84,817	107,420	219,201	62,077	228,294	76	–	617,068
Depreciation and amortisation	60,158	15,909	76,067	18,107	102,573	1,337	3,013	–	201,097
Impairment loss/(write-back of impairment loss) of non-financial assets	472,376	18,205	490,581	–	7,948	(8,487)	–	–	490,042
Allowance for expected credit loss and bad debt written-off	179,449	(1,791)	177,658	22,497	3,504	–	23	–	203,682

### GEOGRAPHICAL INFORMATION

	<u>Singapore</u> \$'000	<u>China/ Hong Kong</u> \$'000	<u>Brazil</u> \$'000	<u>Other Far East &amp; ASEAN Countries</u> \$'000	<u>Other Countries</u> \$'000	<u>Elimination</u> \$'000	<u>Total</u> \$'000
External sales	2,414,321	403,878	21,425	118,534	224,320	–	3,182,478
Non-current assets	8,644,226	3,456,637	243,106	1,949,880	957,040	–	15,250,889

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the half year ended 30 June 2020.

### INFORMATION ABOUT A MAJOR CUSTOMER

No single external customer accounted for 10% or more of the Group's revenue for the half year ended 30 June 2020.

Note: Pricing of inter-segment goods and services is at fair market value.

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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#### REVIEW OF SEGMENT PERFORMANCE

##### Revenue by Segments

Group revenue of \$3,677 million was \$495 million or 16% higher than that in the same period in 2020. Revenue from Energy & Environment increased by \$80 million or 4% to \$2,104 million led by higher electricity sales, revenue recognition from the Tuas Nexus Integrated Waste Management Facility project in Singapore which was secured in April last year, as well as higher progressive revenue recognition from the Hong Kong Integrated Waste Management Facility project. These were partially offset by the lower revenue in the offshore & marine business, the completion of Keppel Marina East Desalination Plant project in June last year, as well as the absence of revenue from the Doha North Sewage Treatment Works due to the cessation of the operation and maintenance contract in July 2020. The lower revenue in the offshore & marine business was mainly due to suspension of revenue recognition on Awilco contracts and deferment of some projects. Major jobs delivered by the offshore & marine business in 1H 2021 include a LNG bunker vessel, a LNG carrier and a FLNG turret. Revenue from Urban Development increased by \$398 million to \$909 million mainly due to higher revenue from property trading projects in China, which was partly offset by lower revenue from property trading projects in Singapore. Revenue for Connectivity of \$586 million remained stable as compared to 1H 2020. Higher contributions from the logistics and data centre businesses were partly offset by the lower service revenue in M1. Revenue from Asset Management increased by \$18 million to \$78 million mainly due to higher acquisition, divestment and management fees.

##### Net profit by Segments

Group net profit attributable to shareholders was \$300 million, as compared to net loss of \$537 million for the same period in 2020. The Energy & Environment's net loss was \$179 million as compared to net loss of \$958 million in the same period in 2020. This was largely due to share of Floatel's restructuring gain and lower impairments. Excluding impairments of \$372 million and share of Floatel's restructuring gain of \$269 million, net loss of the segment was \$76 million, as compared to net loss of \$49 million (excluding impairments) in 1H 2020. Operating results for the offshore & marine business was comparable to last year despite lower revenue and lower government relief measures related to the COVID-19 pandemic. This was driven by savings from further overheads reduction. The offshore & marine business also recorded lower share of losses from associated companies, but higher net interest expense. There were also lower contributions from the environment and new energy businesses, as well as the absence of contribution from the Doha North Sewage Treatment Works due to the cessation of the operation and maintenance contract in July 2020. Profit from Urban Development increased by \$64 million to \$279 million mainly due to higher contribution from property trading projects in China, higher contribution from associated companies, and gain from the disposal of remaining interest in the Dong Nai project in Vietnam. These were partly offset by lower fair value gains from investment properties, impairment provision for a hotel in Myanmar, as well as lower contribution from the Sino-Singapore Tianjin Eco-City. Connectivity's net profit for 1H 2021 was \$27 million as compared to breakeven in 1H 2020. This was mainly due to the gain from divestment of interest in Keppel Logistics (Foshan) following agreement reached with local authorities on Lanshi port closure compensation and lower net interest expense, which were partly offset by lower contribution from M1. Profit from Asset Management decreased by \$141 million to \$117 million largely due to mark-to-market gain recognised in 1H 2020 from the reclassification of the Group's interest in KIT from an associated company to an investment following the loss of significant influence over KIT. Excluding the reclassification gain, profit was \$10 million lower than 1H 2020. In 1H 2020, there was the recognition of gains from the sale of units in Keppel DC REIT and divestment of interest in Gimi MS Corporation. For the current half year, the segment recorded higher fee income, mark-to-market gains from investments, dividend income from KIT, as well as higher contributions from Keppel REIT and Alpha Data Centre Fund. Profits from Urban Development, Asset Management and Connectivity businesses were partly offset by losses at Energy & Environment.



## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half year ended 30 June 2021

#### Revenue by Geographical Segments

Revenue from Singapore of \$2,436 million was \$22 million higher than that of corresponding period, due largely to higher revenue from Energy & Environment and Asset Management, partly offset by lower revenue from Urban Development and Connectivity.

#### **12. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE**

- (i) First King Properties Limited  
On 29 January 2021, the Group completed the divestment of its 100% equity interest in First King Properties Limited.
- (ii) Chengdu Hilltop Development Co Ltd  
On 4 February 2021, the Group completed the divestment of its remaining 50% interest in Chengdu Hilltop Development Co Ltd.
- (iii) Dong Nai Waterfront City LLC  
On 15 April 2021, the Group completed the divestment of its remaining 30% interest in Dong Nai Waterfront City LLC.
- (iv) Keppel Bay Tower Pte. Ltd.  
On 18 May 2021, the Group completed the divestment of its 100% interest in Keppel Bay Tower Pte. Ltd.

Please refer to the audited financial statements as at 31 December 2020 for further details of the divestments and the breakdown of assets classified as held for sale and liabilities directly associated with assets classified as held for sale.

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### OTHER INFORMATION

For the half year ended 30 June 2021

#### 1. AUDIT

The financial statements have not been audited nor reviewed by our auditors.

#### 2. AUDITORS' REPORT

Not applicable.

#### 3. REVIEW OF GROUP PERFORMANCE

##### Half Year ended 30 June 2021

Group net profit attributable to shareholders was \$300 million as compared to net loss of \$537 million for the same period in 2020. Earnings per share was 16.5 cents as compared to loss per share of 29.5 cents in the same period last year. Annualised return on equity was 5.5%.

The net profit for the half year 2021 included losses recognised in respect of the Group's exposure to KrisEnergy, provision for a hotel in Myanmar, as well as share of impairment provision from Floatel, amounting to \$408 million. The Group also recognised its share of Floatel's restructuring gain of \$269 million during the current period. In 1H 2020, the Group recorded \$930 million impairments, largely from offshore & marine business, as well as a mark-to-market gain of \$131 million from the reclassification of Keppel Infrastructure Trust from an associated company to an investment. Excluding revaluations, impairments and divestments (RIDs), and COVID-19-related government grants, the Group achieved a net profit of \$280 million in 1H 2021, as compared to a net loss of \$72 million in 1H 2020.

Group revenue of \$3,677 million was \$495 million or 16% higher than that in the same period in 2020. Revenue from Energy & Environment increased by \$80 million or 4% to \$2,104 million led by higher electricity sales, revenue recognition from the Tuas Nexus Integrated Waste Management Facility project in Singapore which was secured in April last year, as well as higher progressive revenue recognition from the Hong Kong Integrated Waste Management Facility project. These were partially offset by the lower revenue in the offshore & marine business, the completion of Keppel Marina East Desalination Plant project in June last year, as well as the absence of revenue from the Doha North Sewage Treatment Works due to the cessation of the operation and maintenance contract in July 2020. The lower revenue in the offshore & marine business was mainly due to suspension of revenue recognition on Awilco contracts and deferment of some projects. Major jobs delivered by the offshore & marine business in 1H 2021 include a LNG bunker vessel, a LNG carrier and a FLNG turret.

Revenue from Urban Development increased by \$398 million to \$909 million mainly due to higher revenue from property trading projects in China, which were partly offset by lower revenue from property trading projects in Singapore. Revenue for Connectivity of \$586 million remained stable as compared to 1H 2020. Higher contributions from the logistics and data centre businesses were partly offset by the lower service revenue in M1. Revenue from Asset Management increased by \$18 million to \$78 million mainly due to higher acquisition, divestment and management fees.

Group pre-tax profit was \$516 million, as compared to pre-tax loss of \$357 million for the same period in 2020. The Energy & Environment's pre-tax loss was \$177 million as compared to pre-tax loss of \$942 million in the same period in 2020. This was largely due to share of Floatel's restructuring gain and lower impairments. Excluding impairments of \$372 million and share of Floatel's restructuring gain of \$269 million, pre-tax loss of the segment was \$74 million, as compared to pre-tax loss of \$33 million (excluding impairments) in 1H 2020. Operating results for the offshore & marine business was comparable to last year despite lower revenue and lower government relief measures related to the COVID-19 pandemic. This was driven by savings from further overheads reduction. The offshore & marine business also recorded lower share of losses from associated companies, but higher net interest expense. There were also lower contributions from the power & gas, environment, and new energy businesses, as well as the absence of

## KEPPEL CORPORATION LIMITED & ITS SUBSIDIARIES

### OTHER INFORMATION

For the half year ended 30 June 2021

contribution from the Doha North Sewage Treatment Works due to the cessation of the operation and maintenance contract in July 2020.

Pre-tax profit from Urban Development increased by \$104 million to \$451 million mainly due to higher contribution from property trading projects in China, higher contribution from associated companies, and gain from the disposal of remaining interest in the Dong Nai project in Vietnam. These were partly offset by lower fair value gains from investment properties, impairment provision for a hotel in Myanmar, as well as lower contribution from the Sino-Singapore Tianjin Eco-City.

Connectivity's pre-tax profit of \$38 million was \$25 million higher than 1H 2020. This was mainly due to the gain from divestment of interest in Keppel Logistics (Foshan) following agreement reached with local authorities on Lanshi port closure compensation and lower net interest expense, which was partly offset by lower contribution from M1. Pre-tax profit from Asset Management decreased by \$135 million to \$135 million largely due to mark-to-market gain recognised in 1H 2020 from the reclassification of the Group's interest in KIT from an associated company to an investment following the loss of significant influence over KIT. Excluding the reclassification gain, pre-tax profit was \$4 million lower than 1H 2020. In 1H 2020, there was the recognition of gains from the sale of units in Keppel DC REIT, and divestment of interest in Gimi MS Corporation. For the current half year, the segment recorded higher fee income, mark-to-market gains from investments, dividend income from KIT, as well as higher contributions from Keppel REIT and Alpha Data Centre Fund.

Taxation expenses increased by \$40 million mainly due to higher taxable profit at Urban Development. Taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders was \$300 million as compared to net loss of \$537 million for the same period in 2020. Profits from Urban Development, Asset Management and Connectivity businesses were partly offset by losses at Energy & Environment.

#### 4. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

#### 5. PROSPECTS

##### Vision 2030

Keppel's Vision 2030 is a long-term roadmap to guide the Group's strategy and transformation. From a conglomerate of largely unrelated parts, the Group will work towards being one integrated business, providing solutions for sustainable urbanisation. It will focus on four business segments, namely Energy & Environment, Urban Development, Connectivity and Asset Management – all part of a connected value chain. As part of the Group's sharpened business focus and asset-light model, Keppel is taking a disciplined approach to capital allocation, to deploy more capital to our growth areas, while harnessing the synergies of the Group, unlocking value from asset monetisation and recycling capital to enhance the Group's overall return.

In September 2020, the Group announced further steps in its Vision 2030 roadmap, including a \$3-\$5 billion asset monetisation programme over three years to free up the Group's balance sheet. Since then, the Group has made good progress and has announced over \$2.3 billion of asset monetisation. The Group expects to surpass \$3 billion in asset monetisation ahead of schedule, and will aim to achieve the higher end of its \$3-\$5 billion target by end-2023. The funds unlocked will allow the Group to build new capabilities, fuel its ambitious growth plans under Vision 2030, and also better reward shareholders.

Last September, the Group also announced that as part of the execution of Vision 2030, it would commence a strategic review of the offshore & marine (O&M) business amid the challenging environment facing the sector, including exploring both organic and inorganic options. On 24 June 2021, Keppel signed two non-binding MOUs; the first with Sembcorp Marine Ltd (Sembcorp Marine) to enter into exclusive negotiations with a view to combining Keppel Offshore & Marine (Keppel

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O&M) and Sembcorp Marine to form a Combined Entity, and the second, with Kyanite Investment Holdings Pte Ltd (Kyanite), a wholly owned subsidiary of Temasek, to sell Keppel O&M's legacy completed and uncompleted rigs and associated receivables to a separate Asset Co, which would be majority owned by external investors which Kyanite intends to procure. These two proposed transactions will be inter-conditional and pursued concurrently.

If the proposed combination between Keppel O&M and Sembcorp Marine materialises, the Group will receive both cash of up to S\$500 million, as well as shares in the Combined Entity. The key terms of the transaction are under discussion, and the shareholding of the Combined Entity is subject to negotiation, due diligence and detailed valuation to be performed by Keppel, Sembcorp Marine and their respective advisers. The shares received in the Combined Entity will be distributed to Keppel's shareholders. This would allow Keppel's shareholders to enjoy the upside from synergies created through resource optimisation, the recovery of the O&M business and the opportunities in the energy transition, through their stakes in the strengthened Combined Entity. In addition, under the first MOU, it is envisaged that Keppel and the Combined Entity will enter into a strategic partnership, pursuant to which Keppel will hold 50% of a 50-50 joint venture that will be established between Keppel and the Combined Entity (Strategic Partnership JV). Through the Strategic Partnership JV, Keppel will continue to have access to Keppel O&M's capabilities, intellectual property and technology, on terms to be agreed, for Keppel's projects. This would include areas such as new energy, offshore renewables and nearshore developments. The scope of the Strategic Partnership JV will be subject to final agreement between the parties concerned. In addition, subject to regulatory review, the Combined Entity will be the preferred EPC partner for Keppel's projects where the Combined Entity has the relevant expertise.

Under the second MOU, Keppel O&M's legacy rigs and associated receivables will be sold to a separate Asset Co that will be formed. The Group will retain not more than a 20% stake in Asset Co as an investment, while external investors, which Kyanite intends to procure, will hold the balance of at least 80%. The Group will receive the consideration for the legacy rigs and associated receivables substantially in the form of credit notes. Asset Co shall be independently managed from the Combined Entity and the General Partner of this Asset Co will maintain, complete and monetise the rigs over time. Asset Co will enter into a service agreement with the Combined Entity for the completion of certain uncompleted rigs and the provision of other services. The external investors will provide capital which can be used for finishing these uncompleted rigs, which would no longer be funded by the Group. The Group's economic exposure in Asset Co will be reduced over time, as the rigs or Asset Co are sold or securitised, when conditions in the rig chartering market improve.

The two proposed transactions are in line with Keppel's Vision 2030 plans to be more focused and disciplined as it executes its mission to provide solutions for sustainable urbanisation. The proposed transactions, together with Keppel's increasing focus on renewables, will accelerate the Group's pivot towards new energy and decarbonisation solutions.

The proposed transactions are subject to, among others, satisfactory due diligence, negotiation and execution of definitive agreements, relevant regulatory approvals and shareholders' approval of the respective parties. There is no guarantee that a final agreement will be reached or that any transaction will materialise. In the meantime, while negotiations are taking place, Keppel O&M will remain focused on executing its strong orderbook and seizing new opportunities.

### Segment Business

In the Energy & Environment segment, Keppel O&M's net order book, excluding the Sete rigs, was approximately \$5.7 billion as at 30 June 2021. COVID-19 continues to adversely impact the global economy and the recovery of the O&M industry is expected to take some time to materialise. Despite the challenging environment, Keppel O&M was successful in securing significant new contracts, adding approximately \$3 billion worth of new orders during the six months ended 30 June 2021. Specifically, Keppel O&M has made good progress in its role as an integrator with the securing of the contract to build FPSO P-78 from Petrobras. It also continues to pivot towards gas and

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renewables solutions, which make up approximately 40% of its net orderbook as at 30 June 2021. Keppel O&M remains focused on delivering its projects well as it continues to seek opportunities in the energy transition towards more sustainable and cleaner energy sources, in line with Keppel's Vision 2030.

Keppel Infrastructure (KI) will continue to build on its core competencies in the energy and environment-related infrastructure businesses as it pursues opportunities in these growth areas. With the rapid transition towards more sustainable, low carbon energy systems, KI sees growing demand for clean energy generation and energy efficiency solutions, as well as a shift towards resource circularity, as governments and customers intensify their decarbonisation efforts. These present strong tailwinds for KI which is actively pursuing new opportunities, including through M&A, to fortify its power & gas business and scale up its district cooling, EV charging and environmental businesses in the region. KI will also commit resources to innovate and develop new strengths in areas such as renewables as well as energy storage and distribution, so as to strengthen its value propositions to customers.

With the goal of growing the Group's renewable energy portfolio to 7GW by 2030, Keppel Renewable Energy will continue to explore opportunities as a developer and operator of renewable energy assets.

In the Urban Development segment, Keppel Land sold about 2,650 homes in the first half of 2021, comprising about 440 in Singapore, 1,550 in China, 330 in Vietnam, 160 in Indonesia and 170 in India. It will remain focused on its key markets of China, Singapore, and Vietnam and scale up in other markets such as India and Indonesia, while actively seeking opportunities to unlock value and recycle capital. Keppel Urban Solutions continues to pursue opportunities in the region as a master developer of integrated smart and sustainable cities. Whilst developing Saigon Sports City in Ho Chi Minh City in collaboration with Keppel Land, Keppel Urban Solutions continues to build a pipeline of projects in other cities. The Sino-Singapore Tianjin Eco-City Investment and Development Company Ltd (SSTEC) will continue to drive the further development of the Eco-City, including selling land parcels to accelerate the Eco-City's development. In March 2021, SSTEC sold a commercial and residential land plot in the Eco-City for about RMB1.5 billion.

In the Connectivity business, M1 complements the Group's mission as a solutions provider for sustainable urbanisation with its suite of digital connectivity solutions. Through a multi-year transformation plan, M1 is developing and implementing new strategic and operational plans to sharpen its competitive edge, increase its momentum in digital transformation and undertake growth initiatives. It will focus on strengthening its consumer business to meet changing customer needs and expectations, developing platforms and initiatives to support enterprise customers, collaborating actively with other Keppel entities to create smarter and future-ready offerings, and working closely with Singapore government agencies, industry players and enterprises to co-develop 5G use cases. With the award of 5G network licence to M1 and Starhub Limited by the Infocomm Media Development Authority (IMDA), M1 has started to roll out its 5G standalone network coverage across Singapore and launched a market trial on this new network.

Keppel Telecommunications & Transportation (Keppel T&T) will, in collaboration with Keppel Capital, continue to actively pursue new development opportunities to grow its data centre footprint beyond its traditional areas of operation while concurrently exploring innovative new solutions to reduce the environmental footprint of its data centres and strengthen its market position. Following a strategic review of the logistics business, Keppel T&T has decided to divest its logistics portfolio in South-East Asia and Australia, and has launched the sale process through its financial adviser, which is now at an advanced stage.

In the Asset Management business, Keppel Capital continues to leverage the Group's core competencies to create innovative investment solutions and connect investors with quality real

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assets in fast growing sectors fuelled by urbanisation trends. In 2Q 2021, Keppel Capital signed a separate managed account mandate with a global asset management firm to invest in core infrastructure assets. This follows shortly after Keppel Capital successfully secured two separate account mandates earlier in the year, one with a global institutional investor to invest in developing high quality logistics assets in China, and another from a cooperative Dutch pension fund service provider PGGM to focus on core-plus opportunities in commercial real estate. At the same time, Keppel Capital has also been focused on closing funds launched in 2020, while the listed REITs and Trust also continued to grow through ongoing portfolio optimisation efforts and strategic acquisitions.

The Keppel Group will continue to execute its integrated business strategy to provide solutions for sustainable urbanisation, and deepen collaboration across divisions, while being agile and innovative, and investing in the future.

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#### 6. DIVIDEND

##### 6a. Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share	12.0 cents
Tax rate	Tax exempt

The Directors are pleased to declare a tax exempt one-tier interim cash dividend of 12.0 cents per share (2020: tax exempt one-tier interim cash dividend of 3.0 cents per share) in respect of the half year ended 30 June 2021. The interim dividend will be paid to shareholders on 19 August 2021.

##### 6b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?  
Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share	3.0 cents
Tax rate	Tax exempt

##### 6c. Date Payable

19 August 2021.

##### 6d. Books Closure Date

Notice is hereby given that the Share Transfer Books and the Register of Members of the Company will be closed on 10 August 2021 at 5.00 p.m. for the preparation of dividend warrants. Duly completed transfers of ordinary shares in the capital of the Company ("Shares") received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 up to 5.00 p.m. on 10 August 2021 will be registered to determine shareholders' entitlement to the interim dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on 10 August 2021 will be entitled to the interim dividend.

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**7. INTERESTED PERSON TRANSACTIONS**

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 23 April 2021. During the financial year, the following interested person transactions were entered into by the Group:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
		Half Year 30.6.2021 \$'000	Half Year 30.6.2021 \$'000
<b>Transaction for the Sale of Goods and Services</b>			
Temasek Holdings Group (other than the below)	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates.	-	31
CapitaLand Group		-	2,600
Clifford Capital Group		-	2,432
Keppel Infrastructure Trust Group		160,076	55,850
PSA International Group		-	482
SembCorp Marine Group		-	2,599
Singapore Airlines Group		227	543
Singapore Power Group		289	-
Singapore Technologies Engineering Group		173	1,065
Singapore Telecommunications Group		315	6,950
StarHub Group		-	20,608
<b>Transaction for the Purchase of Goods and Services</b>			
Temasek Holdings Group (other than the below)	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates.	-	2,819
CapitaLand Group		-	242
Clifford Capital Group		-	1,020
Keppel Infrastructure Trust Group		64	-
Lan Ting Holdings Group		-	43,000
Mapletree Industrial Trust		-	539
PSA International Group		129	50
SembCorp Marine Group		3	836
Singapore Technologies Engineering Group		-	5,102
Singapore Telecommunications Group		16	35,109
SMRT Corporation Group		-	1,047
StarHub Group	-	23,409	



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Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
		<b>Half Year 30.6.2021 \$'000</b>	<b>Half Year 30.6.2021 \$'000</b>
<b>Treasury Transactions</b>			
Keppel Infrastructure Trust Group	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The named interested persons are its associates.	43,551	-
Lan Ting Holdings Group		-	2,459
SembCorp Industries Group		-	21
SembCorp Marine Group		17	-
<b>Joint Venture</b>			
Clifford Capital Group	Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The named interested person are its associate.	675	-
<b>Total Interested Person Transactions</b>		<b>205,535</b>	<b>208,813</b>

**8. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

**BY ORDER OF THE BOARD**

CAROLINE CHANG/KENNY LEE  
Company Secretaries  
29 July 2021

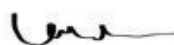
**CONFIRMATION BY THE BOARD**

We, DANNY TEOH and LOH CHIN HUA, being two directors of Keppel Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the half year ended 30 June 2021 financial statements to be false or misleading in any material respect.

On behalf of the board of directors



**DANNY TEOH**  
Chairman



**LOH CHIN HUA**  
Chief Executive Officer

Singapore, 29 July 2021