

Proposed Combination of Keppel O&M & Sembcorp Marine and Resolution of Legacy Rigs

27 April 2022

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Executing Vision 2030

The proposed combination of Keppel O&M & Sembcorp Marine and the resolution of Keppel O&M's legacy rigs achieves several Vision 2030 objectives:



Business transformation

Creating a premier global player offering offshore renewables, new energy and cleaner solutions in the O&M sector



Realising value

Realising S\$9.42b value from O&M business and legacy assets. Proceeds received over time, in connection with the repayment of vendor notes issued by Asset Co as well as the cash component of S\$500m, can be used to fund growth and create value for shareholders.



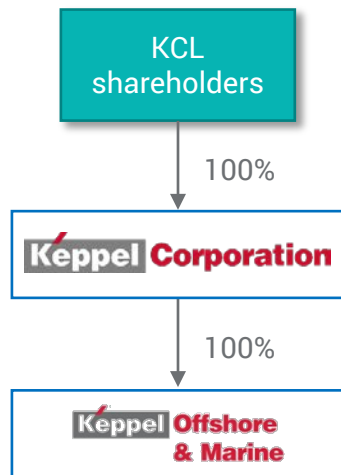
Discipline

Simplifying and focusing our business as a provider of solutions for sustainable urbanisation

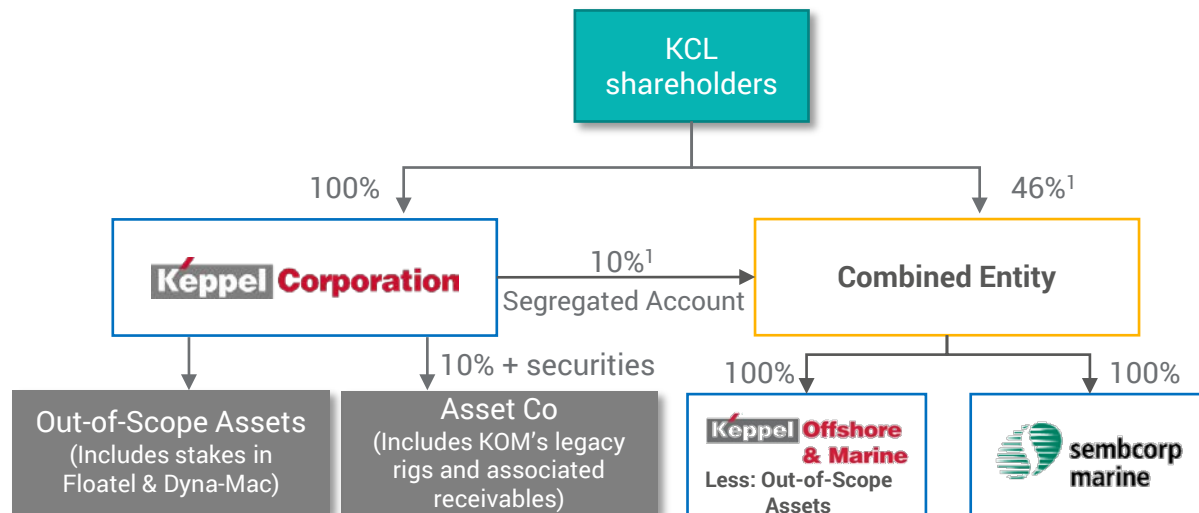
Post transactions, Keppel will be more streamlined and focused, as one integrated business providing solutions for sustainable urbanisation

Summary of proposed transactions

Current structure



Post-transaction structure

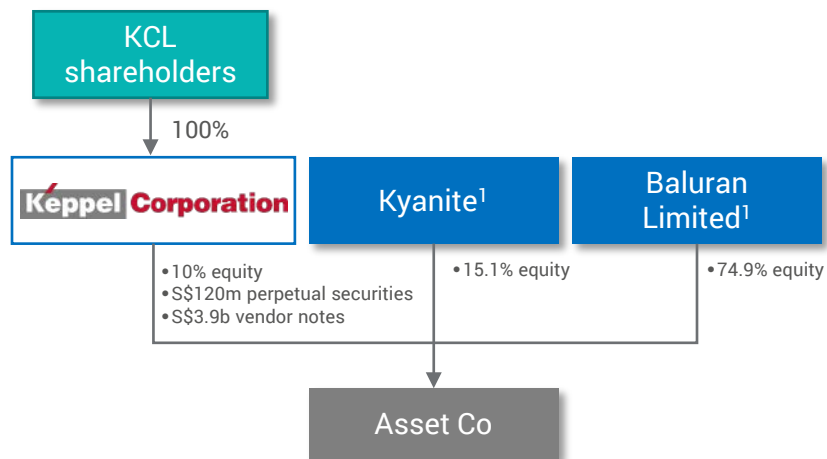


- KOM (excluding KOM's legacy rigs & associated receivables and certain Out-of-Scope assets e.g. Floatel and Dyna-Mac) will combine with SCM
- KCL will receive 56% stake in Combined Entity and S\$0.5b in cash. KCL will distribute in-specie 46% stake in Combined Entity to KCL's shareholders ("DIS")
- KOM's legacy rigs and associated receivables will be sold to a new and separate entity ("Asset Co"), 90%-owned by external investors

Note: ¹ Portion of shares allotted to KCL, representing 10% of issued shares of the Combined Entity, will be put into a segregated account for certain identified contingent liabilities for a period of up to 48 months from the completion of the Proposed Combination

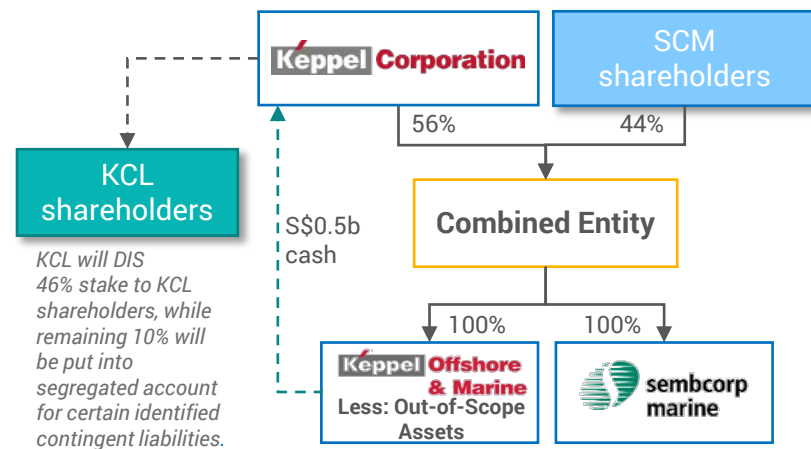
Summary of proposed transactions (cont'd)

1 Overview of Asset Co Transaction



- KCL will enter into an agreement with Kyanite and Baluran Limited for the sale of KOM's legacy rigs and associated receivables to Asset Co
- Asset Co will enter into a master services agreement with Combined Entity, through Keppel O&M, for the completion of certain uncompleted rigs & the provision of other services

2 Overview of Proposed Combination transaction



- SCM will undergo internal restructuring through which Combined Entity will combine SCM via a scheme of arrangement
- Combined Entity will combine KOM, excluding out-of-scope assets and legacy rigs and associated receivables, via a second scheme of arrangement
- KCL will receive new shares representing 56% stake in Combined Entity (of which KCL will DIS 46% stake to KCL shareholders and 10% stake will be put into a segregated account) and S\$0.5b cash²

Proposed Combination will create a premier global player focused on offshore renewables, new energy and cleaner O&M solutions



- ✓ Better positioned to capitalise on opportunities in offshore renewables, new energy and cleaner O&M solutions with combined design, engineering and R&D expertise



- ✓ Build on the existing wins to scale up footprint in offshore wind energy, with participation across the value chain, including substations and wind turbine installation vessels



- ✓ Serve demand for FPSO units, with focus on applying new technologies to reduce the carbon footprint of such structures



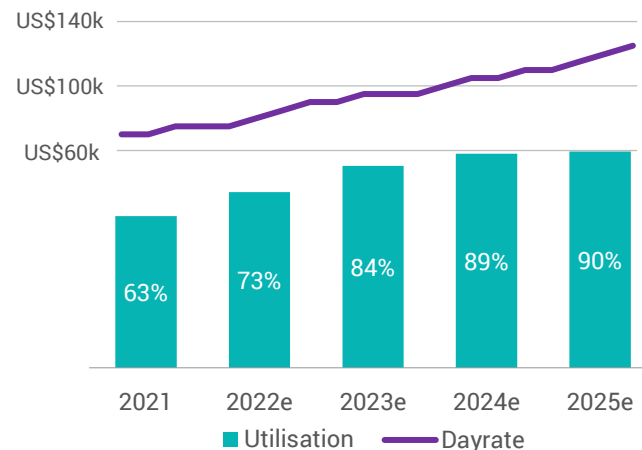
- ✓ Make select early investments to build successful franchise in new energy sources, such as hydrogen, ammonia and carbon capture technologies



Monetising Keppel O&M's legacy assets and receivables over time

- ✓ Confidence in Asset Co substantially monetising the assets over next 3-5 years with improving market conditions
- ✓ Asset Co's external investors will provide capital that can be used for finishing uncompleted legacy rigs, which will no longer be funded by Keppel
- ✓ Asset Co will be run by an independent management team that will focus on:
 - Completing uncompleted rigs
 - Marketing of existing rigs to potential buyers
 - Chartering of completed rigs to improve their marketability and generate cash flow until suitable outright sales can be arranged
 - Selling of rigs

Utilisation & dayrates for modern jackup rigs are expected to improve, underpinned by rising oil prices



Source: Pareto Securities

Realisable Value and Financial Impact

Keppel Corporation

Excluding:

Keppel Offshore & Marine

Including Out-of-Scope Assets comprising mainly: Floatec & Dyna-Mac

S\$0.3b

+

Realisable value: c.S\$9.42b

Asset Co

S\$4.05b

+

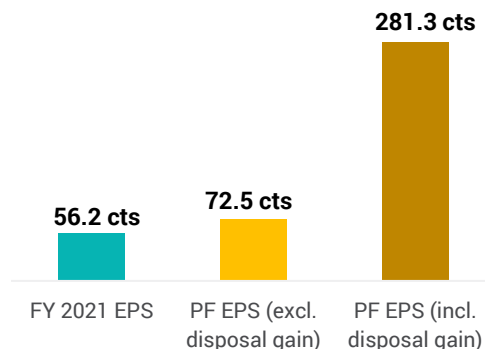
Combination transaction

**S\$4.87b¹
in CE Shares**

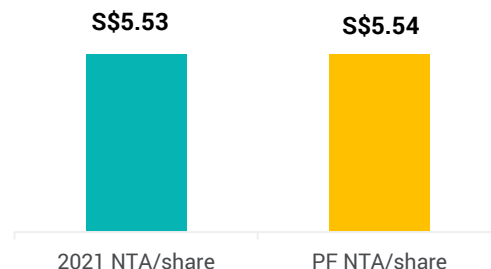
+

**S\$0.5b
Cash**

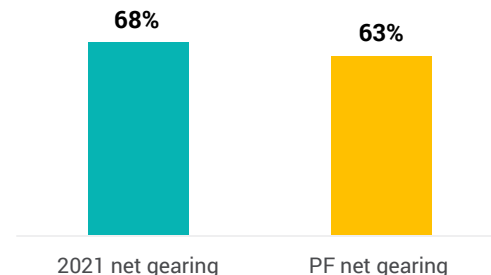
KCL's EPS^{2, 3}



KCL's NTA/share^{2, 3}



KCL's net gearing ratio^{2, 3}



Note: ¹ The sum of S\$4.87 billion, which is represented as the value attributable to 56% equity interest in the Combined Entity ("Pro Forma Value"), is computed based on (1) the assumption that 39,949,762,557 shares will be issued by Combined Entity to Keppel representing 56% of the issued and paid-up share capital of the Combined Entity, (2) the Sembcorp Marine shareholders being issued with, in aggregate, 44% of the issued and paid-up share capital of the Combined Entity, which for the purpose of the computation, is assumed to be the same number of shares, being 31,389,099,152 as held by Sembcorp Marine shareholders as at 26 April 2022 (the "Last Market Day"), being the last trading day immediately prior to the date of this Announcement; and (3) S\$0.122, being the volume weighted average price ("VWAP") of Sembcorp Marine shares for the last 10 trading days up to and including the Last Market Day. ² For the purpose of the pro forma ("PF") financial effects, PF EPS assumes the proposed transactions are completed on 1 January 2021 while PF NTA and net gearing assume the proposed transactions and proposed DIS are completed on 31 December 2021. The PF EPS (including disposal gain) is computed based on PF net profit of approximately S\$5.1 billion; ³ For the purpose of the PF financial effects, the net disposal gain arising from the proposed transactions and the value of the proposed DIS are based on the Pro Forma Value. In this regard, the actual net disposal gain and the value of the DIS on completion of the proposed transactions and proposed DIS will depend on the last traded price of the shares of Combined Entity on the first market day immediately following the date of such completion and the actual number of Combined Entity Shares to be issued on such completion which may not be the same as that used in this pro forma financial effects.

A win-win proposition for Keppel's stakeholders



Keppel Group

- Accelerates Vision 2030 transformation, sharpens business focus and unlocks value



Keppel O&M & Employees

- Growth opportunities as part of a larger, stronger platform better able to expand and compete effectively amidst energy transition

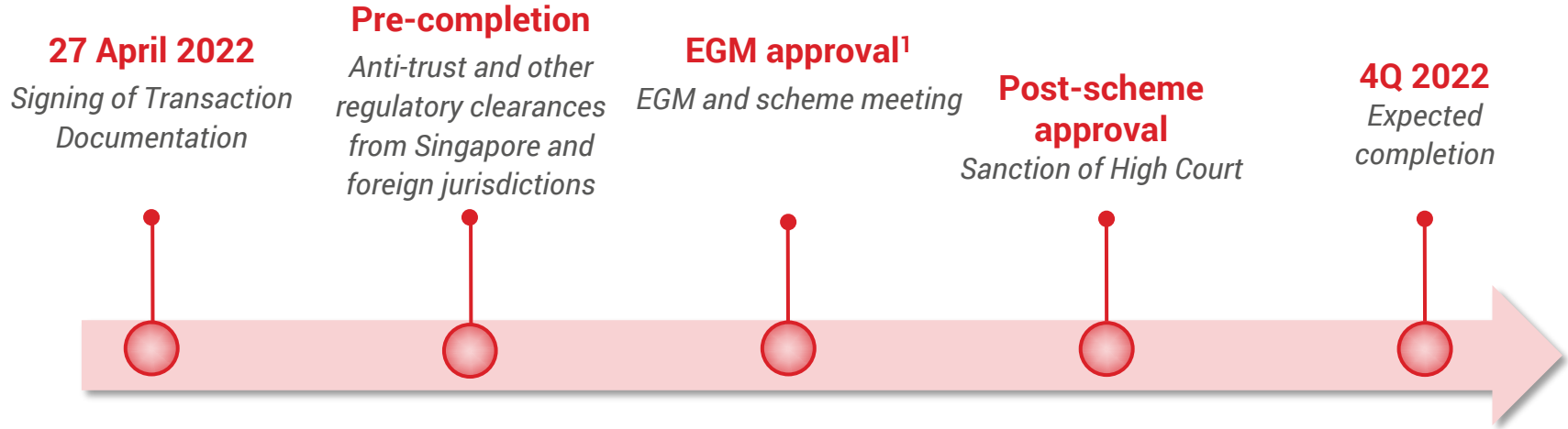


Keppel's Shareholders

- Benefit from Keppel's sharpened focus
- Enjoy upside from synergies of proposed combination and O&M sector recovery through DIS of Combined Entity shares

Appendix

Transaction process



Keppel Shareholder Resolutions to be approved

Shareholder resolutions

Approval thresholds

- Approval of the divestment of KCL's offshore & marine business by way of:
 - Transfer of legacy rigs and receivables to Asset Co
 - Transfer of KOM shares to Combined Entity
- Distribution-in-specie of Combined Entity shares to KCL shareholders



✓ >50% present and voting



✓ > 50% present and voting