

# A Briefing to Keppel's Analysts

## Proposed Financial Restructuring by KrisEnergy

3 November 2016

## Preserving KrisEnergy's underlying value

1. Ensure KrisEnergy's survival through the restructuring of existing notes and debt facilities.
2. Re-capitalise KrisEnergy for the benefit of all stakeholders.
3. Extend KrisEnergy's operational runway, enabling the execution of its revised business plan for long term value creation.

# Re-capitalising KrisEnergy

The proposed Preferential Offering seeks to:

- Inject a lifeline for KrisEnergy to execute its revised business plan to generate future value for all stakeholders.
- Give greater protection to Keppel and all other entitled shareholders in the form of a senior secured debt.
- Lessen KrisEnergy's short term debt servicing obligations while being equitable to all stakeholders via "Zero Coupon Secured Notes" with a tenor longer than the proposed maturity extensions to the Existing Notes.
- Allow entitled shareholders to retain investment flexibility and gain potential economic benefits through the Warrants attached to the Zero Coupon Secured Notes.

## The proposed Zero Coupon Secured Notes

- KrisEnergy is proposing a Preferential Offering of up to S\$140 million Zero Coupon Secured Notes with free detachable Warrants to all entitled shareholders, which is conditional upon inter alia Noteholders' approval to restructure the Existing Notes.
- Keppel Oil & Gas Pte Ltd (“**KOG**”) will commit to take up excess Zero Coupon Secured Notes with free detachable Warrants not subscribed for by other entitled shareholders.

	Key Features	Terms
<b>Notes</b>	<ul style="list-style-type: none"> <li>▪ Principal: Up to S\$140 million (senior secured)</li> <li>▪ Zero-coupon, 7 years maturity</li> <li>▪ Issue price: S\$1.00 per note</li> <li>▪ Irrevocable undertaking from KOG (Pro-rata entitlement + excess)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Offered pro-rata to all existing shareholders</li> <li>▪ 2nd rank over RCF<sup>1</sup> secured assets; 1st rank over certain assets of KrisEnergy</li> <li>▪ Stapled structure, non-renounceable and non-underwritten (Notes and warrants traded separately post-listing)</li> </ul> <p><i>Warrants, if fully exercised, would provide up to another S\$138 million in liquidity to KrisEnergy</i></p>
<b>Warrants</b>	<ul style="list-style-type: none"> <li>▪ Issue size: up to S\$138 million, with 7-year exercise period</li> <li>▪ Exercise price: S\$0.11</li> <li>▪ No. of underlying shares: up to 1,252 million shares</li> </ul>	

(1) Revolving Credit Facility

# Addressing the funding gap

## Relieving significant short to medium term liquidity pressure on KrisEnergy.

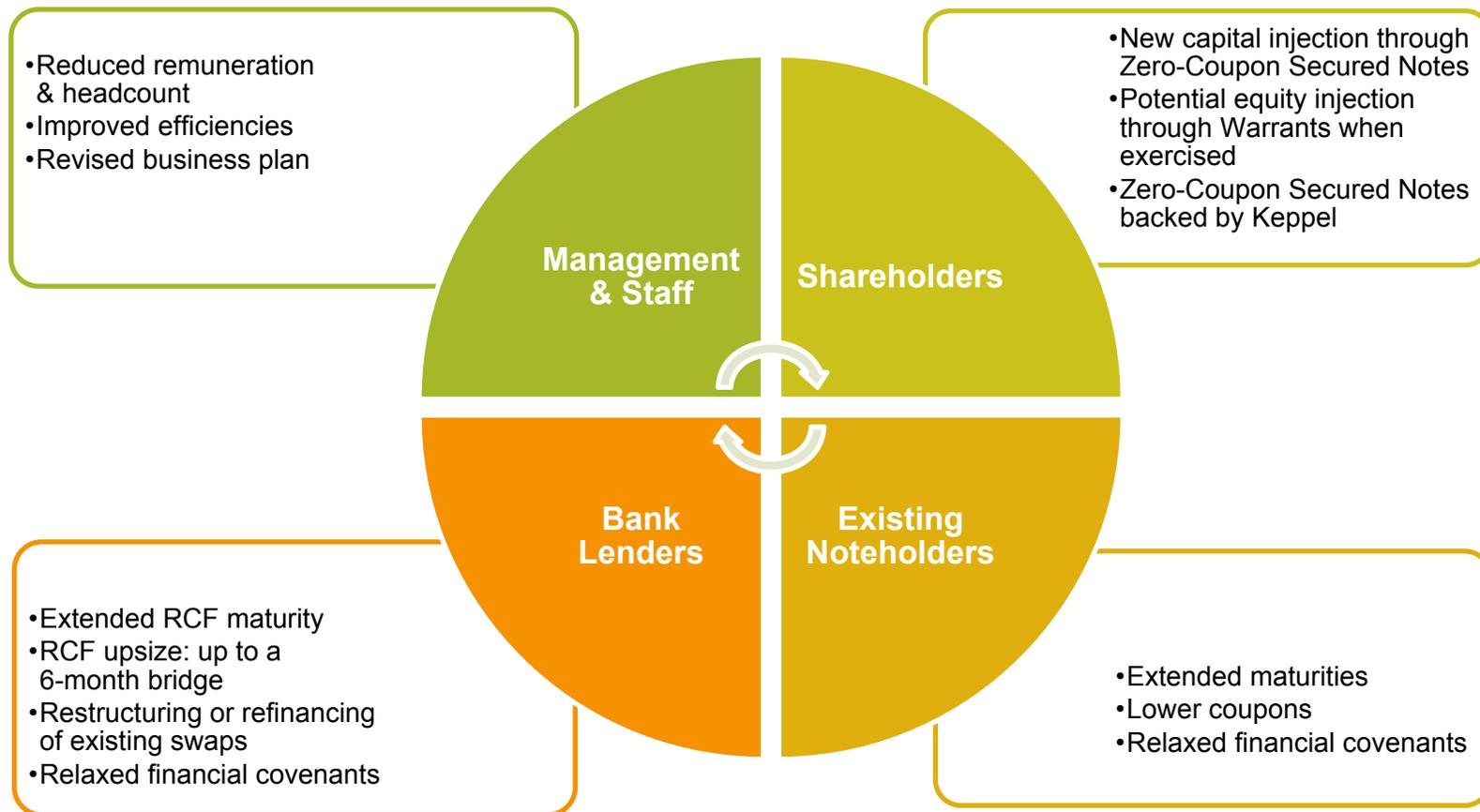
- S\$330 million Existing Notes due over the next 2 years will restrict KrisEnergy from executing its business plan and generating cash flows to repay debt.
- The proposed Preferential Offering is conditional upon inter alia Noteholders' approval to restructure the Existing Notes.

Notes due in 2017 & 2018	After Restructuring
<ul style="list-style-type: none"> <li>▪ 2017 Notes:                             <ul style="list-style-type: none"> <li>▪ Principal: S\$130 million</li> <li>▪ Coupon rate: 6.25% p.a.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ No changes to face value</li> <li>▪ 5-year maturity extensions up to 2022 and 2023 respectively</li> <li>▪ Lower coupons to 4% p.a.; 2% in cash and 2% in accrued interest</li> <li>▪ Removal of certain financial covenants</li> </ul>
<ul style="list-style-type: none"> <li>▪ 2018 Notes:                             <ul style="list-style-type: none"> <li>▪ Principal: S\$200 million</li> <li>▪ Coupon rate: 5.75% p.a.</li> </ul> </li> </ul>	

*Please refer to KrisEnergy's announcement for further information on the proposed restructuring of Existing Notes.*

# Support required from all stakeholders

*KrisEnergy's arrangements with Shareholders and Bank Lenders are conditional upon inter alia the Noteholders' approval to restructure the Existing Notes.*



## Transaction rationale

### *KrisEnergy is a valuable company that needs a lifeline*

- Keppel remains confident of KrisEnergy's long term fundamentals, and believes that Keppel will continue to extract quality returns on its investment.
- There is considerable value in KrisEnergy's near term production developments in Thailand, Indonesia and Cambodia:
  - These developments require capital to generate future cash flows.
  - These assets are profitable even at current oil prices, and have limited exploration risks.
- Capital raising and debt restructuring will enable KrisEnergy to ride out near term funding challenges and create long term value.

## Transaction rationale *(continued)*

### *An investment based on merit*

- The proposed Zero Coupon Secured Notes injects new capital without additional equity.
- The Warrants, with an exercise price at 20% discount to the 3-month VWAP of KrisEnergy's share price, are valuable and will sufficiently compensate the risks that Keppel undertakes.
- KrisEnergy's intrinsic value, reflected in its NTA value of US\$0.26 per share<sup>1</sup>, requires time, the execution of the revised business plan, and the facilitation of the proposed financial restructuring to realise.

(1) KrisEnergy's Net Tangible Asset Value was US\$0.26 per share for the period ended 30 September 2016.

## Transaction rationale *(continued)*

### ***Strategic collaboration with Keppel O&M***

- Keppel and KrisEnergy are working to establish a “preferred partner” relationship:
  - Keppel O&M to provide KrisEnergy with offshore and marine solutions, subject to regulatory constraints and competitive pricing.
  - Exciting opportunity to join in KrisEnergy’s Gulf of Thailand developments:
    - KrisEnergy will be ramping up its development activities, especially in Thailand and Cambodia, and will hence require production solutions.
    - Deeper engagement with KrisEnergy is in line with Keppel O&M’s plans to work with oil and gas companies on developments in Asia.
- Win-win commercial arrangements to effect the above are being worked on.

**End**