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CLARIFICATION TO SGXNET ANNOUNCEMENT DATED 24 JANUARY 2019 ON FINANCIAL STATEMENTS AND FULL YEARLY RESULTS

Keppel Corporation Limited (the "**Company**" or "**KCL**") refers to the Company's SGXnet announcement dated 24 January 2019 on the Company's full year 2018 financial statements, and wishes to clarify the SGXnet announcement in response to the following query from the Singapore Exchange Securities Trading Limited on 1 February 2019:

SGX Query:

Please state the nature and basis for the write-back of provision for claims on page 2 of the Financial Statement.

Company's response:

The write-back of provision of approximately S$96 million was in relation to customer potential claims arising from a rig contract in the Offshore & Marine Division. In view of commercial sensitivity, the Group is unable to disclose the name of the customer or the amount of the potential claims. The original contract value was adjusted for cost escalations. The validity of the contract adjustments was subsequently challenged. Due to prolonged uncertainty, provisions were made by the Group for the potential claims in the past, the first such provision being made more than ten years ago. The Group conducts annual impairment review and assessment, including past provisions made, of its assets, contracts and obligations. Such review and assessment will take into consideration changes in circumstances or assumptions, and if required, legal advice. For this write-back of provision of approximately S$96 million, the Group has assessed, including seeking legal opinion, its position in respect of these potential claims and concluded that there are reasonable grounds for the write-back in financial year ended 2018.