Address by Mr Loh Chin Hua, Chief Executive Officer,
Keppel Corporation Limited

THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

1. Good evening. Welcome to the conference and webcast on our results and performance in the Third Quarter and Nine Months of 2019.

Financial Performance

2. Amidst a volatile international environment marked by trade tensions and slowing global growth, Keppel has performed creditably, with stronger contributions from the Offshore & Marine (O&M), Infrastructure and Investments divisions. For the first nine months of 2019, we achieved a net profit of S$515 million, 37% lower than the S$813 million in the same period last year. In 2018, we benefited from the en-bloc sales of development projects in China (Zhongshan and Shenyang) and Vietnam, as well as gains from the divestment of a commercial property in Beijing, which had yielded profits of S$544 million.

3. On an annualised basis, our Return on Equity was 6.1%. We had free cash outflow of S$1,029 million in 9M 2019, compared to free cash inflow of S$815 million in 9M 2018 due to higher working capital requirements in the O&M and Property divisions as well as lower proceeds from en-bloc sales. Our net gearing was 0.88x at end-September 2019, compared to 0.82x as at end-June 2019, due to S$145 million of interim cash dividend paid to shareholders in August 2019 and recent acquisitions by the Property Division.

Offshore & Marine

4. Reflecting Keppel O&M's progress in securing new orders and the increased workload in our yards, our O&M Division made a profit of S$18 million in 9M 2019, compared to a net loss of S$38 million for 9M 2018.

5. In Brazil, Keppel O&M has reached a Settlement Agreement with Sete Brasil, bringing closure to the outstanding contracts for the construction of the six rigs. The Settlement Agreement will become effective upon the fulfilment of certain conditions precedent, including the successful sale of two rigs, which are about 92% and 70% completed, by Sete Brasil to Magni Partners. As part of the agreement, the contracts for the other four uncompleted rigs are considered amicably terminated with no penalties, refunds or additional amounts due to any party. We will have full ownership over these uncompleted rigs, and can explore various options to extract the best value from them.

6. Keppel O&M continued its focus on executing projects well. It delivered an FSRU in 3Q 2019 and a jackup earlier this week, and is on track to deliver Singapore's first dual-fuel bunker tanker later this year.

7. Our yards completed 47 scrubber and ballast water treatment system retrofit contracts in 9M 2019 worth over S$80 million, as shipowners strive to meet the IMO2020 and IMO Ballast Water Management Convention regulations. We have received 100 scrubber orders since 2018 and continue to see more enquiries.

Quality Orderbook

8. Our efforts to build new capabilities and capture new opportunities are bearing fruit. Over the past four years, gas solutions and offshore renewables have contributed S$2.4 billion in new orders for Keppel O&M.

9. Keppel O&M's net orderbook currently stands at S$5.1 billion as at end-September 2019, excluding our projects for Sete Brasil, compared to S$4.3 billion as at end-2018. New contracts secured by Keppel O&M year-to-date amount to about S$1.9 billion, with close to 60% of these new orders for LNG and renewables-related projects.

Property

10. On the slide, we see The Podium in Manila, a mixed-use development, which is a joint venture between Keppel and the SM Group. Last month, we were honoured to have President Halimah Yacob open The Podium, during her state visit to the Philippines.

11. Our Property business performed well, achieving a net profit of S$340 million for 9M 2019. This is lower than the S$768 million for 9M 2018, mainly due to the absence of en-bloc sales and divestments, as mentioned earlier.

12. In China, Keppel Land made four acquisitions this quarter, deepening our presence in Beijing, Shanghai and Nanjing, and entering new, high-growth markets such as Guangzhou.

13. In the first nine months of 2019, the Property Division sold about 3,520 homes, with a total sales value of about S$2.1 billion. Home sales were over 12% higher than the 3,150 homes sold over the same period last year, with significantly more homes sold in China and Vietnam.

Seizing opportunities in Vietnam

14. Vietnam, especially Ho Chi Minh City (HCMC), is a promising market for Keppel.

15. Last month, we hosted a group of analysts to visit Keppel Land's residential and commercial projects in HCMC, as well as the site for Saigon Sports City. We continue to see strong demand for quality homes and commercial projects in HCMC, underpinned by growing affluence and urbanisation trends in the city.

16. Keppel Land currently has about 20 licensed projects in Vietnam, with a total registered investment capital of over US$3 billion. Earnings from Keppel Land Vietnam have grown

steadily from S$10 million in 2015 to S$134 million in 2018, and made up almost 30% of Keppel Land's net profit in 9M 2019.

17. We have over 17,000 homes in our residential landbank, about 153,000 sm GFA of completed commercial projects in HCMC, and another 252,000 sm GFA of commercial space under development.

18. For 1H 2019, the absorption rate in the city for new condominium projects was 88% and occupancy rate for Grades A & B offices was more than 96%. We expect to see further growth in HCMC, especially along its Eastern and Southern corridors.

19. With our strong foothold in the country, other Keppel units are also actively exploring business opportunities to provide solutions as the country continues its urbanisation trend. We will continue to expand our presence in Vietnam, leveraging our decades of experience and strong capabilities in this market.

Infrastructure

20. Our Infrastructure Division achieved a net profit of S$145 million in 9M 2019, up 20% from S$121 million in the same period last year, driven by higher contributions from Keppel Infrastructure and our data centre business.

21. Keppel Infrastructure continued to achieve stable earnings growth, with a net profit of S$94 million for 9M 2019, up from S$82 million year-on-year. Strong earnings for the first nine months were underpinned by better performance from Energy Infrastructure and Environmental Infrastructure.

22. Just this week, the Energy Market Authority released statistics which showed that Keppel Electric is the top Open Electricity Market retailer with 27% market share of residential consumers.

23. To streamline its operations and better allocate resources, Keppel Telecommunications & Transportation has entered into agreements to divest its stakes in logistics facilities and operations in Foshan and Hong Kong.

Executing Keppel's Business Model

24. The data centre business continues to be an important growth area for Keppel.

25. Last month, Alpha DC Fund and Keppel Data Centres entered into agreements to divest a 99% interest in Keppel DC Singapore 4 (SGP 4) to Keppel DC REIT for about S$385 million. SGP 4 is the first divestment for Alpha DC Fund and demonstrates Keppel's ability to create value for different stakeholders through our business model and hunt as a pack.

26. The total gain to the Keppel Group from SGP 4 is about S$83 million, including our share of fair value gains since 2016 and fees earned by Keppel Data Centres, Alpha and Keppel DC REIT Management.

27. Even after the asset's injection into Keppel DC REIT, the Group will continue to earn recurring fees from rendering asset management, operations and maintenance services for SGP 4.

28. Keppel DC REIT's proposed acquisitions of SGP 4 and DataCentre One have also been well received by investors with the successful equity fundraising (EFR) exercise in which its preferential offering was about 75% oversubscribed.

29. Over the past five years from 2014 to 2018, the Keppel Group achieved earnings of about S$430 million from the data centre business, including profits from the development and management of data centres, fees, fair value gains and gains from the divestment of assets to Keppel DC REIT, share of profits from our interest in Keppel DC REIT as well as gains arising from dilution or partial sale of interest in Keppel DC REIT. This does not include the approximately S$270 million premium over the carrying value of Keppel's stake in Keppel DC REIT as at the end of September. Over this period, our average shareholder's funds invested in the data centre business was about S$350 million.

30. We will continue to seek opportunities in the data centre business, harnessing the Group's ability to create good assets, which we can own, manage and then recycle at the right time to earn the best risk-adjusted returns. Data centres are critical for smart, connected cities but they have a large carbon footprint. As a leading player in providing data centre solutions, and with our engineering capabilities and rich history of innovation, Keppel is committed to building more energy-efficient data centres.

Investments

31. Our Investments Division made a net profit of S$12 million for 9M 2019, compared to a net loss of S$38 million in the same period last year.

32. This has been another productive quarter for Keppel Capital as its listed entities and private funds continue to grow their portfolios, and at the same time realise value from existing assets.

33. Keppel REIT is divesting Bugis Junction Towers in Singapore, as part of its ongoing portfolio optimisation strategy.

34. As mentioned earlier, Keppel DC REIT is acquiring two data centres in Singapore, while Keppel Pacific Oak US REIT is expanding its portfolio with the acquisition of a Grade A office complex in the key growth market of Dallas.

35. Meanwhile, Alpha continued to actively pursue acquisitions and divestments totalling about US$1 billion in this quarter.

36. These initiatives will contribute to building up Keppel Capital to be a steady pillar of income for the Group.

37. Yesterday, we welcomed Singapore's DPM Heng Swee Keat when he visited the Sino-Singapore Tianjin Eco-City, which is developing well as a model for sustainable urbanisation. Our joint venture, SSTEC, has further accelerated the Eco-City's development with the sale of two residential land plots in the quarter. Profits from the sale of one plot have been recognised in this quarter, while the second will be recognised upon the completion of the sale expected in 4Q 2019.

M1's Transformation

38. M1 continues its transformation, harnessing the synergies of being part of the Keppel Group to enhance its B2C and B2B offerings, strengthen its digital capabilities, and explore new markets. Following the launch of its new One Plan in May, more than 50,000 new customers have signed up for the plan.

39. M1 is working closely with different business units across the Keppel Group to enhance the connectivity of our different solutions, whether they are new, smarter rigs, advanced yards of the future, data centres or urban solutions. We are also expanding the cross-selling of services across the Group's different consumer businesses, including M1, Keppel Electric and City Gas. Analyses of publicly available data suggest that only less than 2% of Singapore households currently use all three of the Group's services. There is therefore significant scope to expand our share of customer wallets. M1 is also actively exploring opportunities with SPH to leverage its extensive media consumer base for new value added services.

40. M1 has also started multi-vendor 5G trials and will be working closely with Government agencies, enterprises and institutes of higher learning to co-develop use cases for selected markets and jointly bring new, innovative and smart applications that leverage 5G technology to the market. These include, for example, M1 and NTU's partnership to integrate standalone 5G technology into cellular vehicle-to-everything (C-V2X) communications around NTU's smart campus to enhance road safety and optimise road usage – a first-of-its-kind in Singapore.

Committed to Sustainability

41. In September, global leaders met in New York City for the UN Climate Action Summit, where they announced concrete steps to deal with the climate crisis.

42. Keppel is committed to sustainability, which is at the core of not just how we run our business, but our strategy as a provider of solutions for sustainable urbanisation. Today, Keppel is contributing to a cleaner and greener world with our suite of solutions, including green buildings and townships, environmental infrastructure, water treatment, and offshore wind infrastructure, among others.

43. At a board strategy meeting last month, Keppel reaffirmed our commitment to environmental sustainability, which will be woven into the performance appraisal of senior management across the Group. We have set targets to reduce carbon emissions, waste generation and water consumption, as well as invest in renewable energy generation.

44. To this end, we have recently established a new business unit, Keppel Renewable Energy, to pursue opportunities for Keppel as a developer, owner and operator of renewable energy infrastructure. We have also defined the kinds of businesses that we will strictly avoid, such as coal-fired plants, those that we will maintain, and those which we will grow and expand, taking into account their respective environmental impacts.

45. These are part of our efforts to build Keppel into a stronger, more sustainable company. According to a recent survey conducted by Mercer, Keppel’s employee engagement score has risen steadily from 80% in 2015, to 82% in 2017, to 86% this year, compared to the current average of 76% among Singapore companies. This is an encouraging reflection of Keppel’s organisational health, and the passion and commitment of Keppelites, which will stand us in good stead to achieve the company’s targets, and not only generate good returns, but build a sustainable future for all.

46. I will now invite our CFO, Hon Chew, to take you through the Group's financial performance. Thank you.

ADDRESS BY MR CHAN HON CHEW, CHIEF FINANCIAL OFFICER, KEPPEL CORPORATION

THIRD QUARTER ENDED 30 SEPTEMBER 2019

3Q 2019 Financial Performance (Slide 21)

1. Thank you, Chin Hua, and a very good evening to all. I shall now take you through the Group's financial performance.

2. In the third quarter of 2019, the Group recorded a net profit of $159 million, which was 30% lower than the same quarter last year.

3. Correspondingly, the earnings per share decreased by 30% to 8.8 cents in this quarter.

4. The Group's revenue for the third quarter was 60% or $772 million higher than the same quarter last year. All divisions registered higher revenues during the quarter.

5. However, operating profit fell by 35% or $100 million despite higher revenues, largely due to absence of gain from divestment of Beijing Aether as compared to the same quarter last year.

6. Profit before tax at $227 million, decreased by a slightly lower percentage of 32% due mainly to higher share of profits from associated companies, partly offset by net interest expense in the current period as compared to net interest income in the corresponding period last year.

7. After tax and non-controlling interests, net profit was 30% or $68 million lower at $159 million, translating to an earnings per share of 8.8 cents.

3Q 2019 Revenue by Segment (Slide 22)

8. In the next slide, we take a closer look at the Group's revenues by division.

9. In the third quarter of 2019, the Group's revenue at $2.1 billion was 60% higher than the same quarter last year.

10. Revenue from the Offshore & Marine Division increased by 52% to $632 million mainly attributable to higher revenue recognition from ongoing projects.

11. The Property Division's revenue increased by 114% from last year, mainly due to more units handed over during the quarter from trading projects in China such as Seasons Garden in Tianjin Eco-City and 8 Park Avenue in Shanghai, and from Vietnam, the Riviera Point in Ho Chi Minh City, as well as more units sold from Singapore trading projects, the Reflections and Corals at Keppel Bay.

12. Infrastructure Division saw a 10% growth in revenue as a result of increased sales in the power and gas business, as well as progressive revenue recognition from the Hong Kong Integrated Waste Management Facility project.

13. Revenue from the Investments Division increased by $283 million to $308 million largely due to the consolidation of M1's revenues.

3Q 2019 Pre-tax Profit by Segment (Slide 23)

14. Moving on to the Group's pre-tax profit.

15. The Group recorded $227 million of pre-tax profit for the third quarter of 2019, 32% lower than the same period last year.

16. The Offshore & Marine Division's pre-tax profit was 20% lower at $8 million despite higher operating profit mainly due to net interest expense in the current period as compared to net interest income in the same period last year and higher share of associated companies' losses.

17. The Property Division's pre-tax profit decreased by $121 million to $123 million, due mainly to the absence of gain from divestment of Beijing Aether compared to the same quarter last year, and higher net interest expense. These were partly offset by higher profits from property trading projects in China and Singapore as well as higher contribution from associated companies.

18. The Infrastructure Division's pre-tax profit of $92 million was 53% higher than last year, benefiting from higher share of profits from associated companies, mainly arising from fair value gains on a datacentre investment property, the Keppel DC Singapore 4 which will be divested to Keppel DC REIT. In addition, the Division's profits were boosted by a dilution gain arising from Keppel DC REIT's private placement exercise.

19. Excluding the charges relating to the acquisition of M1, the Investments Division registered a pre-tax profit of $21 million, an increase of $1 million from last year, mainly due to higher contribution from M1 resulting from the consolidation of its results and higher share of profit from Sino-Singapore Tianjin Eco-City. This was partly offset by higher net interest expense, higher share loss in Kris Energy, and fair value loss instead of fair value gain on Kris Energy warrants.

3Q 2019 Net Profit by Segment (Slide 24)

20. After tax and non-controlling interests, the Group's net profit decreased by 30% to $159 million, with Infrastructure Division being the top contributor to the Group's earnings, followed by the Property and Offshore & Marine Divisions.

9M 2019 Financial Performance (Slide 25)

21. I shall now take you through the performance for the first nine months of 2019.

22. Compared to the same period last year, net profit for the first nine months was 37% lower at $515 million.

23. Consequently, annualised ROE decreased to 6.1%.

24. Free cash outflow for the period was $1,029 million as compared to an inflow of $815 million in the same period last year mainly due to higher working capital requirements with the construction progress of Offshore & Marine's major projects, and Keppel Land's additional property development and land acquisition costs, as well as lower proceeds from en-bloc sales.

25. Net gearing increased from 0.48x at the end of 2018 to 0.88x at the end of September 2019. This was due mainly to borrowings drawn down for the acquisition of M1 and the privatisation of Keppel Telecommunications & Transportation, working capital requirements, payment of the final dividend for FY2018 and interim dividend for FY2019, as well as the recognition of lease liabilities following the adoption of Singapore Financial Reporting Standards (International) 16 on leases.

26. The Group earned a total revenue of about $5.4 billion in the first nine months of 2019, an increase of 26% or $1.1 billion compared to the same period last year. All divisions registered higher revenues during the first nine months of 2019.

27. Despite higher revenues, operating profit at $665 million was 37% or $384 million lower than the corresponding period last year. This was due mainly to lower gains from en-bloc sales of development projects and absence of gain from divestment of Beijing Aether as compared to the same period last year, partially offset by fair value gain from the re-measurement of previously held interest in M1 arising from the acquisition this year.

28. Profit before tax, at $716 million, decreased by a slightly lower percentage of 34% due mainly to higher investment income and higher share of profits from associated companies, partly offset by higher net interest expense, as a result of higher borrowings and the adoption of Singapore Financial Reporting Standards (International) 16.

29. After tax and non-controlling interests, net profit at $515 million was 37% or $298 million lower, translating to earnings per share of 28.4 cents.

9M 2019 Revenue by Segment (Slide 26)

30. In the next slide, we take a closer look at the Group's revenues by division.

31. For the first nine months of 2019, the Group earned total revenues of about $5.4 billion, 26% higher than last year.

32. The Offshore & Marine Division recorded an increase in revenue of $90 million due mainly to higher revenue recognition from ongoing projects, partly offset by the absence of revenue recognised from the sale of jackup rigs to Borr Drilling compared to the same period last year.

33. The Property Division's revenues increased by 5% from last year, mainly due to higher revenue from China and Vietnam trading projects, partly offset by the absence of revenue from Highline Residences, which was fully sold by the first quarter of last year, as well as lower revenues from Reflections at Keppel Bay.

34. Infrastructure Division saw a 15% growth in revenue as a result of increased sales in the power and gas business, as well as progressive revenue recognition from the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project.

35. Revenue from the Investments Division increased by $676 million to $757 million, largely due to the consolidation of M1's revenues and higher revenue from the asset management business.

9M 2019 Pre-tax Profit by Segment (Slide 27)

36. Moving on to the Group's pre-tax profit.

37. The Group recorded $716 million of pre-tax profit for the first nine months of 2019, 34% lower than the same period last year.

38. The Offshore & Marine Division's pre-tax profit was $13 million as compared to a pre-tax loss of $16 million in the same period last year. This was mainly due to higher operating profit and higher investment income.

39. The Property Division's pre-tax profit was 52% lower at $465 million, due mainly to lower gains from en-bloc sales of development projects and absence of gain from divestment of Beijing Aether, as mentioned earlier. The lower pre-tax profit was also a result of lower contribution from Singapore trading projects and higher net interest expense. These were partly offset by higher contribution from property trading projects in China, higher investment income and higher contribution from associated companies arising mainly from fair value gains on investment properties.

40. The Infrastructure Division's pre-tax profit of $163 million was 22% higher than last year, due mainly to higher contribution from associated companies as well as higher contribution from Energy Infrastructure and Environmental Infrastructure.

41. Excluding the charges relating to the acquisition of M1, the Investments Division registered a pre-tax profit of $119 million as compared to a pre-tax loss of $15 million last year. This was mainly due to the fair value gain from the re-measurement of previously held interest in M1 arising from the acquisition, higher contribution from M1 upon consolidation of its results, and higher share of profit from the Sino-Singapore Tianjin Eco-City, partly offset by higher interest expense, fair value loss on KrisEnergy warrants and provision for impairment of an associated company.

9M 2019 Net Profit by Segment (Slide 28)

42. After tax and non-controlling interests, the Group's net profit decreased by 37% to $515 million, with Property Division being the top contributor to the Group's earnings, followed by the Infrastructure, Offshore & Marine and Investments Divisions.

Net Profit and EPS (Slide 29)

43. The Group's net profit of $515 million for the first nine months of 2019 translated to earnings per share of 28.4 cents.

Free Cash Flow (Slide 30)

44. Cash flow from operations was $729 million in the first nine months of this year, as compared to $512 million in the same period last year.

45. After accounting for working capital changes, interest and tax, net cash outflow from operating activities was $1.1 billion, as compared to an inflow of $164 million last year, due mainly to increase in working capital requirements, with the construction progress of Keppel Offshore & Marine's major projects such as the Borr jack-up rigs, Awilco semi and Golar Gimi FLNG vessel, as well as Keppel Land's additional property development costs and acquisition cost of a land plot in Tianjin.

46. Net cash generated from investing activities was $99 million comprising divestment proceeds and dividend income from associated companies totalling $257 million, and net advances from associated companies of $94 million, partly offset by investments and operational capital expenditure of $252 million. Net cash generated from investing activities last year was higher at $651 million largely due to the cash inflow from en-bloc sales in China and Vietnam.

47. As a result, there was an overall free cash outflow of $1 billion for the first nine months of 2019, as compared to an inflow of $815 million last year.

48. With that, we have come to the end of the slides for the results presentation, and I shall hand the time back to our CEO, Chin Hua, for the Q&A section. Thank you.