

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

FIRST QUARTER ENDED 31 MARCH 2017

Welcome

1. Good evening. We welcome you to the conference and webcast on Keppel Corporation's results and performance in the first quarter of 2017.
2. I would also like to welcome Chris Ong, Acting CEO, Keppel Offshore & Marine, who is joining us on the panel for the first time. Chris has taken over from Y Y Chow, who retired last month after 36 years of service. Chris has been in our Offshore & Marine (O&M) Division for more than 17 years and is part of the leadership team we have been developing for succession.

Tapping Growth in Sustainable Urbanisation

3. As we had cautioned at the Full Year 2016 results announcement in January, despite the increased optimism in the market following the rebound in oil prices, the offshore business continues to face very challenging conditions. This is due to, among other factors, the oversupply of rigs and support vessels. It will take some time before the industry fully recovers.
4. Notwithstanding the headwinds, the Keppel Group has remained resilient, underpinned by our multi-business strategy, with different engines kicking in to steady the Group.
5. Rapid urbanisation, especially in Asia, is creating strong demand for energy, infrastructure, clean environment, high quality homes, offices and retail developments, as well as connectivity – needs for which the Keppel Group has been providing a range of solutions. While some of the industries that our businesses operate in may have their own cycles, sustainable urbanisation will provide the Keppel Group with many years of secular growth.

Financial Performance

6. For the first quarter of 2017, we achieved a net profit of S\$260 million, an increase of 23% over the same period in 2016. The drop in profit in the O&M Division was offset by improved earnings from the Infrastructure and Investments divisions, while the Property Division continued to contribute steadily to the Group.
7. Economic Value Added for the period was S\$23 million. On an annualised basis, our Return on Equity was 7.6%.
8. We had a smaller free cash outflow of S\$80 million compared with the outflow of S\$306 million in 1Q 2016. Our net gearing remained almost unchanged at 0.57x as at end-March 2017, compared to 0.56x as at end-December 2016.

Multiple Earnings Streams

9. Recurring income contributed S\$78 million or 30% of the Group's net profit for 1Q 2017, underpinned by stable and fairly predictable income from our REITs & business trust, asset management, infrastructure services and operations & maintenance, and rental & charter activities.
10. We are focused on improving the overall quality of our earnings and the Group's recurring income, which will better fund our capital spending as well as dividends.
11. I shall now take you through the developments in our business divisions.

Offshore & Marine

12. Amidst the continuing downturn, Keppel O&M managed to break even. The fall in net profit was due to the significantly lower volume of work. While the Division continued to make a profit at the gross operating level, it was insufficient to cover our fixed costs. Contributions from associates helped the Division to break even. This shows the importance of the rightsizing efforts that Keppel O&M has embarked on since early 2015.
13. To keep our O&M Division lean and fighting fit, our rightsizing efforts have continued. We announced in January that we had mothballed two overseas yards and were in the process of closing three supporting yards in Singapore. We have ceased operations at our yard at Shipyard Road and returned it to JTC Corporation at the end of March. The closure of the other two yards will be announced later in the year.
14. To further optimise operations and rationalise our global network of yards, Keppel O&M has entered into a term sheet agreement to divest Keppel Verolme, our shipyard in the Netherlands, to Damen Shiprepair & Conversion B.V. We will continue to seize opportunities in Europe and the North Sea through our network of yards in Singapore and around the world.
15. In the first quarter, Keppel O&M further reduced its global direct workforce by about 1,250 or 6% compared to the previous quarter, through natural attrition, early termination of contracts and retrenchments. Since the start of 2015, we have reduced our global direct workforce by close to 18,000 or about 49%. Following the latest reductions, the headcount in Keppel O&M is approaching a steady state that is appropriate for the level of work in our yards. Nevertheless, we will actively monitor market conditions as well as explore ways to achieve further cost savings and ensure that Keppel O&M remains profitable despite the reduced topline.

Key developments

16. Keppel O&M's net orderbook as at end-March 2017 stood at S\$3.5 billion, excluding the projects for Sete. Our yards continue to execute the projects on our

books safely, on time and on budget, and with the quality that our customers have come to expect from Keppel.

17. Early this year, Keppel Shipyard delivered a Floating Production Storage and Offloading (FPSO) vessel to Yinson Production which is on charter to ENI Ghana Exploration and Production.
18. In Brazil, our BrasFELS yard has marked the sailaway of the first of two Replicante projects, FPSO P-66, for delivery to Tupi BV, a consortium represented by Petrobras. Our workscope for the projects included the fabrication, integration, testing and commissioning of topside modules. Meanwhile, work on the second Replicante, FPSO P-69, is progressing smoothly.
19. Other projects we are on track to deliver shortly include the installation and integration of topside modules for a newbuild Catcher FPSO from BW Offshore and a newbuild semisubmersible for the State Oil Company of Azerbaijan Republic. In mid-2017, we are also scheduled to deliver Golar Hilli, the first-of-its-kind floating liquefaction vessel conversion in the market.
20. Amidst the challenges facing the industry, we continue to work closely with our customers to seek win-win outcomes. We have reached an agreement with Fecon International Corp on the further deferment of its three KFELS B Class jackups, originally slated for delivery this year, to 2H 2019.
21. Keppel FELS has also entered into a Heads of Agreement with Borr Drilling for the contracts of Transocean's five jackup rigs to be novated to Borr Drilling. Under the new agreement, Borr Drilling will take over the contracts, make a downpayment of US\$275 million and undertake the remaining payment instalments to Keppel FELS. The delivery of the first three rigs has been brought forward to 2017 and 2018, while the remaining two rigs will be delivered in 2020.
22. The deal, beyond improving Keppel O&M's cashflow, is a testament to the strong demand for Keppel's proprietary rigs, even in the present market conditions.

Property

23. We will now move on to our property business.
24. Our Property Division made a net profit of S\$103 million for 1Q 2017, down slightly from S\$106 million in 1Q 2016.
25. Leveraging our first-mover advantage in Vietnam, we are deepening our presence in this growth market, with an increased stake in the Saigon Centre development in Ho Chi Minh City. This reflects Keppel Land's confidence and long-term commitment to contribute to sustainable urbanisation in Vietnam with our quality portfolio of properties. We have also signed a memorandum of understanding, in the presence of the prime ministers of Singapore and Vietnam, with Vietnam's State Capital Investment Corporation to collaborate on investment opportunities in the country.

26. In Yangon, Myanmar, another market which Keppel Land has been in for many years, we have opened the 23-storey Grade A office tower in Phase One of the Junction City development. This was jointly developed with the Shwe Taung Group, and has received positive interest from international tenants.
27. In Indonesia, in line with the Group's strategy to recycle assets to seek higher returns, Keppel Land has divested its 80% effective stake in a Surabaya property company, achieving a net profit of about S\$29 million. We will continue to explore opportunities to scale up our presence in Greater Jakarta.
28. In China, we have completed the sale of our stakes in the Chengdu and Wuxi townships which will allow us to channel our capital to other projects.

Home sales

29. Keppel Land sold 980 homes in the first quarter, with a total sales value of about S\$530 million. Our overall sales volume was about 4% higher year-on-year, comprising 730 homes in China, 110 in Vietnam and 130 in Singapore.
30. Home sales in China slowed slightly in part due to the property market cooling measures and also because fewer new homes were launched in the first quarter.
31. Meanwhile, home sales in Singapore have picked up. The Glades, comprising 726 homes jointly developed with China Vanke in Tanah Merah, is about 94% sold, while homes at Highline Residences are close to 66% sold, and those at Corals at Keppel Bay are about 64% sold. Our projects continue to receive interest from discerning homebuyers, with a penthouse at Corals sold in 1Q 2017 for about S\$18.9 million.

Property Portfolio

32. Keppel Land is in a favourable position of having a large landbank comprising over 64,000 homes across key cities in Asia. We are not in a hurry to acquire land, and will only do so at a land price that will provide an acceptable risk-adjusted return.
33. Of the 64,000 homes in our pipeline, about 18,000 homes are ready for launch from now till 2019, and we have over a million square metres of gross floor area under development in our commercial portfolio. The commercial projects will be progressively completed and contribute to our recurring income, revaluation gains and eventually, divestment gains when we monetise the assets.

Infrastructure

34. We turn our attention now to our Infrastructure Division.

35. Poised to become a stable contributor to the Group's bottom line, Keppel Infrastructure has been actively pursuing opportunities in energy and environmental infrastructure, both in Singapore and overseas.
36. Keppel Infrastructure's net profit for 1Q 2017 was S\$30 million, up from S\$10 million year-on-year including gains on divestment of our stake in GE Keppel Energy Services to GE Singapore. This is in line with our strategy to divest non-core assets and recycle capital to pursue other opportunities.
37. Keppel Infrastructure began the year with the signing of the 25-year Water Purchase Agreement with PUB, the national water agency, for Singapore's fourth desalination plant. The plant is now going through detailed engineering and is in the process of obtaining the relevant permits. It is expected to commence operations in 2020.
38. In March, Keppel Infrastructure completed the treatment capacity upgrade of the Ulu Pandan NEWater Plant ahead of schedule and on budget. This is the first large-scale NEWater plant in Singapore to adopt a third-stage reverse osmosis configuration.
39. Keppel Infrastructure has just concluded an agreement with the Singapore Economic Development Board (EDB) to develop, own and operate a state-of-the-art gasification facility on Jurong Island in Singapore. Securing the agreement for development of the Facility is an important step in the preparation for the final investment decision, which will be taken at a later date.
40. The Facility, now in its project development phase, will use proven and reliable best-in-class technologies to produce hydrogen, carbon monoxide, syngas and other industrial gases from a variety of feedstock, including coal and refinery by-products. It is well-positioned to meet the anticipated future demands of Singapore's refining and chemicals industries and reinforces Keppel Infrastructure's capability as a solutions provider for sustainable development.
41. Data Centres continue to be an important growth business for the Group. This month, Keppel Data Centres and Hong Kong's PCCW Global launched the PCCW Global-Keppel International Carrier and Exchange in Hong Kong. The collaboration leverages PCCW Global's extensive global network connectivity and marks the expansion of Keppel T&T's data centre footprint into Hong Kong.

Investments

42. Keppel's fourth vertical, Investments, continues to contribute steady and recurring income streams.
43. Our asset management business recorded a net profit of S\$13 million for 1Q 2017, compared to S\$15 million in the same quarter last year.

- 44. Besides actively seeking new investment opportunities, Alpha Investment Partners also focuses on divestment activities to lock in and deliver returns to its investors. During the first quarter, Alpha-managed funds divested a total of four assets in Singapore, Japan and Korea.
- 45. In January, Keppel DC REIT completed its acquisition of Keppel DC Singapore 3, which will be its third asset in Singapore.
- 46. As the 30-sq km Sino-Singapore Tianjin Eco-City matures, we are seeing increasing demand for its land and homes. Land in the Eco-City can be developed directly by our 50-50 joint venture master developer SSTECH; or by Keppel Land or our Chinese partner, TECID; or it can be jointly developed with third parties, or sold to others for development.
- 47. We reported in January 2017 that our joint venture had sold three land parcels at a land auction. Such land sales are inherently lumpy and may not be repeated in every quarter. The prices of land and homes can also be affected by the Chinese government's property cooling measures. Nevertheless, the land sales made a notable contribution to the Keppel Group in this quarter, and reflects the long-term potential of the Tianjin Eco-City project.

Seizing Opportunities in Sustainable Urbanisation

- 48. The Tianjin Eco-City is a good example of how different businesses in the Keppel Group can work together to provide comprehensive solutions for sustainable urbanisation. We are seeking more growth opportunities, building on our competencies and deepening collaboration across verticals.
- 49. Keppel O&M is pushing into new markets and revenue sources. Gas will be an important market of the future, and we are priming Keppel O&M to be an industry leader with an extensive gas strategy that spans the value chain. We are actively pursuing opportunities in small scale LNG vessels with our customers and partners. We see many opportunities in this space, especially where Keppel-built carriers and regasification units can be deployed alongside small gas-fired power units.
- 50. We are also re-purposing our offshore technology for applications in other areas including floating infrastructure assets.
- 51. Capitalising on the substantial residential landbank and commercial portfolio that we have built up over the years, Keppel Land is positioning itself as a multi-dimensional real estate player. We have built an enviable landbank over the past decade while still keeping Keppel Land's average ROE high at 18.4% per annum. To continue to aim for the highest return on equity in the industry, we will have to work our assets harder to generate higher returns, as well as seize opportunities through strategic partnerships. Where appropriate, we could also buy completed properties and create value through asset enhancement strategies, and invest in operating platforms.

52. In the infrastructure space, we are strengthening our positions in energy and environmental infrastructure, as well as data centres and logistics. The recent desalination and gasification projects are some examples of how we are expanding our breadth of expertise and the range of solutions we provide.
53. Keppel Capital will continue to expand our capital base with co-investors and work closely with the rest of the Group to drive the development of real assets. It will support our business model through growing our recurring income, as well as providing a platform for capital recycling.
54. With agility and financial discipline, we are confident that we can harness our synergies as a multi-business group to capture opportunities in sustainable urbanisation.
55. I shall now invite our CFO, Hon Chew, take you through a review of the Group's financial performance.
56. Thank you.

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

FIRST QUARTER ENDED 31 MARCH 2017

1Q 2017 Financial Performance (Slide 20)

1. Thank you, Chin Hua, and a very good evening to all. I shall now take you through the Group's financial performance for the first quarter of 2017.
2. In this quarter, the Group recorded a net profit of \$260 million, which was 23% higher than the same quarter last year. Correspondingly, earnings per share increased to 14.3 cents.
3. EVA was higher at \$23 million, and annualised ROE increased to 7.6%.
4. Free cash outflow was \$80 million as compared to free cash outflow of \$306 million in the first quarter of 2016 due mainly to a slowdown in working capital increases in Offshore & Marine.
5. Net gearing at 57%, was at about the same level as at the end of financial year 2016.

Financial Highlights (Slide 21)

6. Next, the summary Group profit and loss statement.
7. The Group's revenue for the first quarter was 28% or \$495 million lower than the same quarter last year. Lower revenue from Offshore & Marine and Property divisions were partially offset by higher revenue from Infrastructure Division.
8. As a result, operating profit for the quarter at \$187 million was lower by 33% or \$91 million. Lower profits from Offshore & Marine and Property divisions were partially offset by higher profits from Investments and Infrastructure divisions.
9. Despite lower operating profit, profit before tax increased by 24% or \$68 million due to higher share of profit from associates, in particular the share of gains from the divestments of Central Park City in Wuxi and The Botanica in Chengdu, as well as contributions from Sino-Singapore Tianjin Eco-City from the sales of three land parcels.
10. After tax and non-controlling interests, net profit was higher by 23% or \$49 million, translating to an earnings per share of 14.3 cents.

Revenue by Segments (Slide 22)

11. At the Group level, revenue at \$1,248 million was 28% lower than the same quarter last year, led by lower revenues from the Offshore & Marine Division as a result of lower volume of work and deferment of some projects.
12. The Property Division too saw lower revenues, due mainly to the absence of revenue from Eight Park Avenue in Shanghai, which obtained Occupancy Permit in the first quarter last year, and lower revenue from The Glades, which already obtained TOP in December 2016. This was partly offset by higher revenue from the handover of completed units in the Waterfront Residences in Wuxi and higher revenue recognition from construction progress in Highline Residences in Singapore.
13. Infrastructure Division's revenue rose by 20% due to increased sales in the power and gas business.

Pre-tax Profit by Segments (Slide 23)

14. The Group recorded \$346 million of pre-tax profit for the first quarter of 2017, 24% or \$68 million higher than last year.
15. Due to the year-on-year drop in revenue, the Offshore & Marine Division was just able to breakeven, compared to the \$122 million pre-tax profit last year.
16. The Property Division's pre-tax profit was 11% or \$15 million lower than that of the corresponding quarter in 2016, as a result of lower operating results, partly offset by higher share of profits from associates as a result of gains from the divestment of stakes in trading projects, namely Central Park City in Wuxi and The Botanica in Chengdu.
17. The Infrastructure Division registered a \$19 million increase in pre-tax profit, due to higher contributions from the power and gas business as well as the gain from the divestment of GE Keppel Energy Services Pte Ltd.
18. Pre-tax profit from the Investments Division of \$181 million was driven mainly by higher share of profit from Sino-Singapore Tianjin Eco-City arising from the sales of three land parcels, write back of provision for impairment of investments, recognition of fair value gains on KrisEnergy warrants, and profit on the sale of investments, partly offset by share of loss in KrisEnergy.

Net Profit by Segments (Slide 24)

19. After tax and non-controlling interests, the Group's net profit increased by 23% or \$49 million to \$260 million as compared to the same period in 2016, with Investments Division being the top contributor to the Group's earnings at 48%, followed by Property Division at 40% and Infrastructure Division at 12%.

Net Profit and EPS (Slide 25)

20. The Group's net profit of \$260 million for the quarter translated to an earnings per share of 14.3 cents, 24% higher than the first quarter of last year.

Free Cash Flow (Slide 26)

21. Cash flow from the Group's operations was \$118 million in this quarter, down from \$342 million in the same quarter of last year.

22. Net cash outflow from operating activities was \$9 million, as compared to an outflow of \$335 million in the first quarter of 2016. This was due mainly to a slowdown in working capital increases in Offshore & Marine.

23. Net cash outflow from investing activities was \$71 million comprising advances to associated companies and operational capital expenditure of \$117 million, partly offset by dividend income from associated companies and divestment proceeds.

24. As a result, there was an overall free cash outflow of \$80 million during the quarter, a \$226 million decrease from the free cash outflow of \$306 million in the same period in 2016.

25. 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.