

OPERATING & FINANCIAL REVIEW

INVESTMENTS

WE CREATE VALUE FOR SHAREHOLDERS BY INVESTING STRATEGICALLY AND DEVELOPING NEW GROWTH ENGINES.



EARNINGS HIGHLIGHTS (\$ million)

	2019	2018	2017
Revenue	1,097	121	173
EBITDA	353	(16)	177
Operating Profit/(Loss)	195	(22)	175
Profit/(Loss) before Tax	83	(19)	290
Net Profit/(Loss)	11	(54)	238
Average Headcount (Number)	1,424	554	416
Manpower Cost	249	146	110

MAJOR DEVELOPMENTS IN 2019

Completed the privatisation of M1, together with Singapore Press Holdings (SPH).

Keppel Capital expanded alternative asset classes with a debt mezzanine platform.

Keppel's listed REITs and Trust continued to seize opportunities and create value for Unitholders through active investments and divestments across Singapore, South Korea, Germany and the United States.

Prime US REIT, of which Keppel Capital is a strategic partner, was successfully listed.

FOCUS FOR 2020/2021

Keppel Capital will continue working with other Keppel entities to co-create real assets and grow the Group's asset management business.

Keppel and SPH will continue to work with M1's board and management to drive M1's transformation and growth.

Continue development of the Sino-Singapore Tianjin Eco-City to realise its vision of being a model for sustainable urbanisation in China.

Keppel Urban Solutions will focus on developing Saigon Sports City in Vietnam into a smart, integrated township, while exploring opportunities in the Asia Pacific.

OPERATING & FINANCIAL REVIEW

INVESTMENTS

1 Alpha DC Fund completed its first divestment in 2019 with the sale of KDC SGP 4 to Keppel DC REIT, creating value for the Group.

2 Saigon Sports City in Ho Chi Minh City, which broke ground in 2019, is jointly developed by Keppel Land and Keppel Urban Solutions.



EARNINGS REVIEW

The Investments Division comprises mainly Keppel Capital, Keppel Urban Solutions (KUS) and M1, as well as the Group's investments in KrisEnergy and the Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.

Revenue for the Investments Division increased by \$976 million to \$1.1 billion for FY 2019, mainly due to the consolidation of M1 and higher revenue from the asset management business.

Keppel Capital will continue to play a key role in working with business units across the Keppel Group to co-create real assets that the Group can develop, own and operate.

The Division generated a net profit of \$11 million for FY 2019, compared to a net loss of \$54 million for FY 2018, mainly due to fair value gain from the re-measurement of previously held interest in M1 arising from the acquisition, higher contribution from asset management and consolidation of M1's results, as well as lower provision for impairment of an associated company.

Excluding charges related to the acquisition of M1, the Division's net profit would have been \$56 million.

KEPPEL CAPITAL Operating Review

2019 was an active year for Keppel Capital as it continued to expand into new markets and asset classes. Keppel Capital grew its assets under management to about \$33 billion as at end-2019 from \$29 billion as at end-2018, on a fully leveraged and invested basis. In 2019, the company completed about \$8.4 billion in acquisitions and divestments, and raised equity and debt of over \$9.5 billion.

Real Estate

In 2019, Keppel REIT Management continued its portfolio optimisation strategy to position Keppel REIT for long-term sustainable growth. During the year, Keppel REIT entered the Seoul office market with the acquisition of T Tower, a freehold CBD Grade A building. The geographical diversity of the REIT's assets across Singapore, Australia and South Korea enables it to deliver sustainable income over time. In Singapore, Keppel REIT also unlocked value with the divestment of Bugis Junction Towers for \$547.7 million, having achieved strong capital gains and returns since acquiring the asset in 2006.

While seizing opportunities to unlock value and capture growth, the Manager remains focused on driving asset performance. As at end-2019, Keppel REIT reported strong portfolio committed occupancy of 99.1% and a long portfolio weighted average lease expiry (WALE) of 4.9 years, enhancing the REIT's income resilience.

Meanwhile, Keppel Pacific Oak US REIT (KORE) delivered on its IPO forecast for FY 2019. KORE also completed two strategic acquisitions in Orlando and Dallas, expanding its footprint in the United States (US). The acquisitions are in line with KORE's strategy to focus on key growth markets with positive leasing dynamics, strong office fundamentals and high-quality tenants.

Driven by strong leasing from the technology sector, KORE ended 2019 with positive rental reversion of 14.3%, portfolio committed occupancy of 93.6% and WALE by cash rental income of 4.2 years.

2019 also saw the successful listing of Prime US REIT, of which Keppel Capital is a strategic partner. The acquisition of a 30% interest in the Manager of Prime US REIT allows Keppel Capital to deepen its participation in the US commercial sector and continue to grow recurring income for the Group.

Alpha Investment Partners' (Alpha) private funds were active during the year, completing US\$2.4 billion in divestments and committing to over US\$2.2 billion of investments in gross asset value across Beijing, Brisbane, Jakarta, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo. As at end-2019, Alpha Asia Macro Trends Fund (AAMTF) III was almost fully committed following several notable investments during the year, including interests in Yi Fang Tower in Shanghai, three Grade A freehold commercial buildings in Seoul and Ronsin Technology Center in Beijing.

Macrotrends including urbanisation, consumerism, ageing population and the drive for connectivity continue to present exciting opportunities in the Asian real assets space. Alpha continues to draw interest, both from existing and new investors, for its AAMTF series. It is looking to launch the AAMTF IV and achieve first close in 2020.

Data Centres

Keppel DC REIT Management maintained its focused investment strategy of seeking quality income-producing assets that complement the REIT's portfolio. In 2019, Keppel DC REIT strengthened its Singapore footprint with the acquisitions of Keppel DC Singapore 4 (KDC SGP 4) and DC1, and announced the acquisition of Kelsterbach DC, a shell and core purpose-built data centre facility located near the Frankfurt Airport in Germany.

As at end-2019, Keppel DC REIT's portfolio occupancy remained healthy at 94.9% with a WALE by leased area of 8.6 years, providing good income visibility to Unitholders.

In collaboration with Keppel Data Centres, Alpha Data Centre Fund (Alpha DC Fund) is developing Keppel DC Sydney 1 in Australia. Expected to be completed in phases from 1H 2021, the data centre will be strategically located adjacent to Gore Hill Data Centre, an existing data centre in Keppel DC REIT's portfolio. In 2019, Alpha DC Fund completed its first divestment with the sale of KDC SGP 4 to Keppel DC REIT.

Infrastructure

In February 2019, Keppel Infrastructure Fund Management (KIFM), the Trustee-Manager of Keppel Infrastructure Trust (KIT) completed the acquisition of Ixom HoldCo Pty Ltd (Ixom) in Australia. Bolstered by its leading market position and defensive business model supported by long-term industry fundamentals, Ixom is well placed to deliver steady cash flows to KIT.

During the year, KIFM successfully raised gross proceeds of about \$500.8 million through a private placement cum preferential offering to partially repay the bridge loan for the acquisition of Ixom.

In October 2019, the remaining lease value in DC1 was realised with the divestment of KIT's 51% stake in the data centre. KIFM expects to redeploy proceeds from this divestment into quality acquisitions that will strengthen KIT's portfolio, as well as for refinancing and working capital needs.

Alternative Assets

In February 2019, Keppel Capital entered into a conditional share subscription agreement with Golar LNG (Golar) and Gimi MS Corporation (Gimi MS) to subscribe for 30% of the total issued ordinary share capital of Gimi MS, which owns the Gimi floating liquefaction vessel (FLNG), currently being converted by Keppel Offshore & Marine (Keppel O&M).

In January 2020, Keppel Capital launched and achieved first closing of Keppel Asia Infrastructure Fund, a closed-end infrastructure private equity fund with a target size of US\$1 billion. The Fund and its co-investment vehicles have received initial capital commitments of US\$360 million from investors including a sovereign wealth fund and an endowment fund. The Gimi FLNG project, which is intended to be a seed asset for the Fund, is a testament of the Group's ability to create value by harnessing synergies to create quality solutions for customers that also serve as good investment assets for both private and public investors.

In 2019, Keppel Capital also extended its fund management capabilities beyond the equity layer to include a private debt mezzanine platform. This followed the signing of a conditional sale and purchase agreement in November 2019 to acquire a 50% interest in Pierfront Capital Fund Management.

Business Outlook

Looking ahead, Keppel Capital strives to continue to be the choice partner for investors looking to invest in high-quality real assets in sectors fuelled by urbanisation trends. These include cash-generating real assets that the Group develops and operates such as data centres, power and desalination plants, as well as offshore vessels.

Keppel Capital will continue to play a key role in working with business units across the Keppel Group to co-create real assets that the Group can develop, own and operate.

KEPPEL URBAN SOLUTIONS

KUS is an end-to-end master developer of smart, sustainable urban townships that leverages the Group's wide-ranging expertise and strong track record in the planning and development of large-scale projects in the Asia Pacific. 2019 was an active year for KUS as it deepened its presence in key markets and established new partnerships.

To meet the rapidly-changing aspirations of urbanites, KUS owns and operates the Keppel Smart City Operating System (KOS), an integrated digital platform to be deployed in KUS' township projects. With KOS' open standards environment and insight-driven data analytics, KUS can deliver greater efficiency in designing, developing and operating urban developments. The digital platform will also connect the Group's assets and developments globally.

In November 2019, Keppel Land and KUS broke ground for Saigon Sports City in District 2, Ho Chi Minh City. Through collaboration with best-in-class local and international partners, Saigon Sports City will offer innovative urban solutions and



OPERATING & FINANCIAL REVIEW

INVESTMENTS

incorporate sustainable environmental infrastructure. These include the adoption of energy-efficient retail cooling systems and street lighting; smart metering for monitoring and predictive maintenance; water-sensitive urban design features to enhance flood resiliency and biodiversity; smart Internet of Things (IoT) home devices, smart car-parking solutions and an integrated SSC mobile application to help create engaged, active and inclusive communities.

In China, KUS and Keppel Land China are jointly developing a 166-hectare (ha) land plot in the Northern district of the Sino-Singapore Tianjin Eco-City. The precinct is envisioned to be a model for smart sustainable development, which will apply state-of-the-art technology and solutions in domains such as mobility, security and resource efficiency to enhance liveability and connectedness within the township.

In Indonesia, KUS and Keppel Land will collaborate to jointly develop a 30-ha township strategically located in Bogor, Indonesia. In December 2019, Keppel Land signed a memorandum of understanding (MOU) with the landowners and construction of the township is expected to commence in 2021. The township is envisaged to be an iconic river township in Bogor and greater Jakarta, incorporating Singapore's Active, Beautiful, Clean Waters Design Guidelines, walkable and self-sufficient town planning principles, energy-efficient sustainable solutions and innovative residential products.

In 2019, KUS signed an MOU with AECOM, the world's leading infrastructure firm, to cooperate in the area of urban solutions. This partnership enables both companies to combine their respective strengths and expertise to jointly explore development opportunities in the Asia Pacific region.

M1

In FY 2019, M1's total revenue grew to \$1.1 billion, 4% higher compared to FY 2018's revenue. Of this, mobile services revenue decreased by 5% to \$542 million and accounted for 48% of M1's revenue, compared to \$569 million a year ago.

M1 expanded its customer base to 2.33 million as at end-2019, of which mobile customers increased by 152,000 year-on-year (y-o-y) to 2.11 million and fibre customers increased by 13,000 y-o-y to 222,000.

Postpaid mobile customer base grew by 151,000 y-o-y to 1.54 million, driven by the launch of the new One Plan in May 2019, while prepaid mobile customer base rose by 1,000 y-o-y to 573,000.

Strengthening its consumer business to meet changing customer needs and expectations, M1 refined its mobile offerings by replacing all its 19 plans with one new base plan each for SIM-only and handset bundles in May 2019. Customers can also build and personalise the plans over the base plan according to their expected usage and needs. The simplification offers customers greater flexibility and personalisation through a made-to-measure mobile plan. To further improve customer experience, M1 also revamped its website to incorporate a streamlined interface that is more intuitive for customers.

M1 is also actively collaborating with other Keppel entities to create smarter, future-ready offerings such as smarter rigs, advanced yards of the future, autonomous vessels and smarter urban solutions. For example, Keppel O&M is partnering M1 to leverage M1's ultra-low latency 4.5G network connectivity to establish standards and data transfer links

in terms of latency and reliability for ship-to-shore communication, and support mission-critical IoT maritime applications.

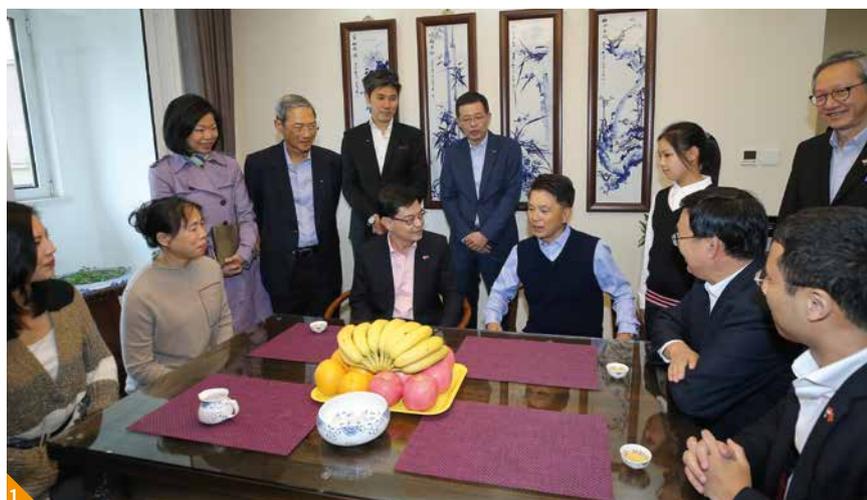
The enterprise business segment is a key pillar of growth as M1 continues to harness synergies as part of the Keppel Group, and also enhance capabilities and offerings across its connectivity, and information and communications technology (ICT) businesses through AsiaPac Distribution. Since its privatisation, M1 has achieved strong double-digit customer growth of about 200% y-o-y for its mobile, fixed and ICT business.

Tapping the \$16 billion¹ B2B Connectivity and ICT market in Singapore, a key area of focus for M1 is the development of platforms and initiatives to support enterprise customers such as governments, large corporations, as well as small and medium-sized enterprises (SMEs). In 2019, M1 participated in the Smart Digital initiative launched by Infocomm Media Development Authority (IMDA) and Enterprise Singapore. This is part of M1's plans to participate in more of IMDA's initiatives catered for SMEs and introduce more customised solutions for enterprise customers.

In 2019, M1 stepped up its efforts and made significant headway into 5G developments, embarking on several 5G trials and research collaborations. Teaming up with institutes of higher learning, M1 is partnering Nanyang Technological University to develop Singapore's first standalone 5G C-V2X (cellular vehicle-to-everything) research testbed and trials, and with Singapore University of Technology and Design to embark on a joint research partnership around remote operation of tactile robots using 5G technology.

M1 is also working closely with Singapore government agencies, industry players and enterprises to co-develop 5G use cases for selected markets. In June 2019, M1 won a 5G trial tech call from IMDA and Port of Singapore Authority to test 5G technologies in a live Smart Port environment, focused on early trials of 5G-enabled innovative Smart Port use-cases including tele-remote-controlled equipment and automated guided vehicles. In addition, M1 also announced its first F&B and retail 5G use-case collaboration with Haidilao to set up a trial 5G network for the chain's first 5G experimental smart restaurant.

In February 2020, M1 and StarHub submitted a joint bid for a 5G licence.



¹ Gartner Market Statistics – Forecast: IT Services, Worldwide, 2017-2023, 3Q19 Update.
² These figures include the Tourism District and Central Fishing Port.

SINO-SINGAPORE TIANJIN ECO-CITY

In 2019, the Sino-Singapore Tianjin Eco-City (Eco-City) built on the strong foundation of its first decade by further integrating smart city elements into its development, with the launch of a smart city KPI system and the establishment of a Smart City Operations Centre.

Keppel leads the Singapore consortium, which works with its Chinese partner to guide the 50-50 joint venture (JV) – Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (SSTEC) – in its role as master developer of the Eco-City.

Since breaking ground in 2008, the Eco-City has evolved into a thriving community featuring three neighbourhood centres, five libraries, three health services centres, a hospital and 18 schools with about 12,000 students. Over 100,000 people² live and work in the Eco-City, with over 8,800 registered companies² to date.

Notwithstanding the property cooling measures in Tianjin, the Eco-City remains a highly sought-after residential township within the Tianjin Binhai New Area. Demand for homes in the Eco-City remained healthy in 2019, with a total of about 4,100 homes sold, up 49.5% from 2018. With the development of the Start-Up Area successfully completed, SSTEC is focusing on developing the Eco-City's future city centre in the Central District. Reflecting the continued market confidence in the Eco-City's growth, SSTEC sold two residential land plots in the Central District in 2019. In addition, in 2019, projects developed by SSTEC sold about 360 homes, while its JV projects sold about 300 homes.

The Eco-City continues to be a key government-to-government project and platform for bilateral cooperation between Singapore and China. At the 11th Tianjin Eco-City Joint Steering Council (JSC) meeting in October 2019 co-chaired by Singapore's Deputy Prime Minister (DPM) Heng Swee Keat and Chinese Vice Premier Han Zheng, an MOU to promote the replication of the Eco-City's development experience in other Chinese cities and along the Belt and Road, was signed. DPM Heng, together with other ministers and senior officials, also made a visit to the Eco-City after the JSC.

Different business units in the Keppel Group are contributing to the Eco-City's development. In 2019, Keppel Land China sold about 300 homes in the Eco-City. As at end-2019, Keppel Land China had launched about 5,000 homes in the Eco-City, of which about 94% had been sold.



1 DPM Heng Swee Keat (seated, third from left) visited the home of a resident in Tianjin Eco-City. He was accompanied by Singapore's ministers and officials, Keppel Corporation's Chairman Dr Lee Boon Yang (standing, second from left) and senior management from Keppel Land China.

2 M1 is actively collaborating with other Keppel entities to create smarter, future-ready solutions.

Seasons City, Keppel Land China's commercial development in the Eco-City, is currently under construction. Phase 1, comprising a five-storey retail complex and a 10-storey office tower, is targeted for completion in 2021. Reflecting Keppel's focus on sustainability, in June 2019, Keppel Land secured its first green loan facility amounting to RMB850 million from HSBC Group China for the development of Seasons City (Phase 1).

In October 2019, Keppel Land signed a non-binding Smart City Strategic Cooperation Agreement with the Sino-Singapore Tianjin Eco-City Administrative Committee to develop the Sino-Singapore Smart City Innovative Research Cooperation Platform, where both parties will conduct research and explore smart applications in areas such as smart buildings, smart energy management, clean energy, community living and environmental protection.

During the year, Keppel Telecommunications & Transportation's logistics distribution centre in the Eco-City enhanced its customer portfolio and increased the volume of cargo handled by 25% y-o-y. The Sino-Singapore Tianjin Eco-City Water Reclamation Centre, a JV between Keppel Infrastructure and Tianjin Eco-City Investment and Development Co., Ltd, continued to perform well in 2019. The Centre treats wastewater effluent from an existing wastewater treatment plant to produce recycled water

that meets China's most stringent standards for miscellaneous urban water consumption.

KRISENERGY

2019 was a challenging year as KrisEnergy continued to navigate headwinds arising from macroeconomic factors and oil price volatility.

On 14 August 2019, KrisEnergy applied to the High Court of Singapore to commence debt restructuring and to seek a moratorium against enforcement actions and legal proceedings by creditors pursuant to Section 211B of the Companies Act. A moratorium was granted on 9 September 2019 and was subsequently extended to 27 May 2020.

Keppel is a significant direct creditor of KrisEnergy, arising from its holding of zero coupon notes due 2024 issued by KrisEnergy, issued with detachable warrants. Keppel also holds an indirect interest, through a bilateral contract with DBS Bank (DBS), in a claim of about \$263 million of outstanding principal as at 31 December 2019 owed by KrisEnergy to DBS. In addition, Keppel also has contract assets with carrying value of about \$21 million in relation to a construction contract for a production barge for KrisEnergy. As at the date of this report, Keppel Corporation holds an approximate 40% equity interest in KrisEnergy.