

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

SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2018

Welcome

1. Good evening and welcome to the conference and webcast on our results and performance in the Second Quarter and First Half of 2018.
2. The 3rd of August will mark Keppel Corporation's 50th anniversary. Over the past five decades, starting from a small shipyard, the group has expanded, diversified and transformed itself, as we seized opportunities and overcame myriad challenges in our growth journey.
3. Today, Keppel is an eco-system of companies working closely together to provide solutions for sustainable urbanisation. Whether it is the search for energy through our rigs and vessels, the provision of solutions for gas or renewables, reliable infrastructure such as power, waste-to-energy or water treatment plants, high quality built environments, or physical and digital connectivity, Keppel is well-placed to meet the market's needs.
4. Our multi-business strategy and geographical diversification have enabled the company to remain resilient, despite cyclical headwinds in some of our businesses.

Financial Performance

5. For the first six months of 2018, we achieved a net profit of S\$583 million, an increase of 38% compared to the same period in 2017. Our Group continued to deliver strong results in the first half of 2018, despite continuing challenges in the offshore & marine (O&M) business.
6. Economic Value Added for the period was S\$275 million. On an annualised basis, our Return on Equity was 9.9%.
7. We had free cash inflow of S\$886 million in 1H 2018, compared to the inflow of S\$204 million in 1H 2017.
8. Our net gearing was 0.40x at end-Jun 2018 vs 0.46x at end-Dec 2017. We paid out S\$254 million cash to shareholders in May 2018 as the final dividend for FY 2017.

9. Taking into account the Group's better performance, including the improvement in our cash flow and net gearing, the Board has approved an interim dividend of 10.0 cents per share for 1H 2018, higher than the 8.0 cents per share for the first half of 2017. In addition, to thank shareholders for their trust and support on the occasion of Keppel Corporation's 50th anniversary, we will be giving out a special dividend of 5.0 cents per share. The interim dividend and special dividend will be paid out to shareholders on 7 August 2018.

Multiple Earnings Streams

10. We remain focused on improving the overall quality of our earnings. Recurring income contributed S\$130 million or 22% of our net profit in 1H 2018.

Offshore & Marine

11. There is growing optimism in the O&M industry, with Brent crude prices hovering above US\$70 per barrel. However, the rig market continues to be weighed down by a supply overhang. Rig utilisation has improved, but dayrates have remained stagnant.
12. Nevertheless, in regions such as the UK sector of the North Sea, the Middle East and Southeast Asia, we are seeing more rig tender activities. In Brazil and Mexico, International Oil Companies (IOCs) are also expected to increase investments in the oil and gas sector.
13. There has also been an increase in the number of floating production projects awarded over the past year. In June this year, the EMA (Energy Maritime Associates) estimated that there are 235 projects in various stages of study potentially requiring a floating production or storage system. Of these, 62 are in the bidding or final design stage.
14. In short, the recovery of the O&M business is expected to continue, but at an incremental pace.
15. Against a challenging backdrop, our O&M Division made a net loss of S\$40 million, compared to a net profit of S\$11 million in the first half of 2017. This was mainly due to lower work volume, lower contribution from associated companies and higher taxes in overseas operations.
16. Keppel O&M has significantly reduced its overheads in the last few years, due to the extensive rightsizing it has undertaken. This has helped the company

achieve an operating profit of S\$14 million in 1H 2018 in spite of the lower volume of work.

17. As at end-June 2018, we have secured over S\$1.2 billion of new orders, slightly more than the new orders secured for the whole of 2017. In the second quarter of 2018 alone, we clinched S\$680 million worth of contracts.
18. The new contracts secured were for two new jackups for Borr Drilling, as part of a five-rig deal worth total of US\$745 million, two dual-fuel dredgers for Van Oord, a dual-fuel bunker tanker for Sinanju as well as an LNG bunkering vessel for FueLNG, our joint venture with Shell.

Major Deliveries

19. Keppel O&M's net orderbook was S\$4.6 billion as at end-June 2018, excluding our projects for Sete Brasil, compared to S\$3.9 billion as at 31 December 2017. This is the first time since 2014 that Keppel O&M's net orderbook has risen for two consecutive quarters.
20. In the first six months of 2018, Keppel O&M delivered an FPSO, a dual-fuel LNG tug and two jackups to Borr. Hilli Episeyo, the world's first converted floating liquefaction vessel which Keppel developed in partnership with Golar, has commenced full commercial operation offshore Cameroon. This has resulted in increasing market confidence in the conversion approach which adds value with its faster time to first LNG production and competitive pricing.
21. Since 2015, we have won about S\$1.8 billion of orders for our gas solutions, making up about 38% of all new orders. With our ability to design, develop and integrate solutions across the gas value chain, Keppel aims to be the gas industry's preferred partner. The growing adoption of LNG as a marine fuel, driving demand for newbuilds, conversions and upgrades, also augurs well for the business.
22. The Division is also actively seeking opportunities in production assets, specialised vessels, gas solutions, floating infrastructure and offshore renewables.

Property

23. Our Property Division made a net profit of S\$603 million for 1H 2018, more than three times the S\$192 million achieved in 1H 2017, underpinned by en bloc sales as well as higher contributions from home sales in Singapore and China.

24. In line with our capital recycling strategy, Keppel Land announced the sale of two residential developments en bloc in Shenyang and a stake in Quoc Loc Phat Joint Stock Company in Vietnam for a total consideration of S\$350 million. We also announced the divestment of a commercial project in Beijing for a consideration of S\$396 million. The option is expected to be exercised in 3Q 2018.

Home sales

25. In the first half of 2018, our Property Division sold about 1,420 homes, with a total sales value of about S\$770 million. These include 800 homes in China and 130 in Singapore. The property market in Vietnam remains promising, and we expect more homes to be sold in Ho Chi Minh City as new projects are launched later this year. We have also received positive response in other markets such as in Indonesia and India, where we sold 150 and 225 homes respectively.
26. Over and above these homes sales, we also sold three residential projects in Zhongshan and Shenyang in 1H 2018 which are equivalent to another 11,100 homes sold en bloc.
27. We expect to recognise profits from the sale of some 6,900 units of overseas homes worth about S\$2.4 billion, to be recognised upon completion, from 3Q 2018 through 2021.

Property Portfolio

28. In our residential pipeline, we have about 50,000 homes, of which over 16,000 units are ready for launch from now till end-2020.
29. In our commercial portfolio, we have about 1.5 million square metres of gross floor area, about two thirds of which is under development. As the commercial projects are progressively completed, they will provide steady recurring income for the group.

Positioned for Growth

30. For over 20 years, the Group has expanded regionally and invested in key Asian cities. In some cities, we enjoy a first mover advantage and have built up a sizeable landbank. We are in an enviable position where we have many options across a number of markets, which help us mitigate the impact of cooling measures, whether in China or Singapore.
31. China and Vietnam are key markets for the company, where rapid urbanisation and a fast growing middle class are driving demand for high quality homes.

In the past few years, we have focused our attention on five key cities in China, namely Beijing, Shanghai, Tianjin, Wuxi and Chengdu.

32. Riding on our experience and track record in these cities, we intend to expand our presence in the Jing-Jin-Ji (Beijing-Tianjin-Hebei) region, with Beijing and Tianjin as focus cities, the Yangtze River Delta region with Shanghai and Wuxi as focus cities, and in the growing Chengdu metropolis. We are also actively exploring opportunities in the Greater Bay Area, with Guangzhou and Shenzhen as focus cities.
33. Over in Ho Chi Minh City, Vietnam, we will also explore opportunities along the eastern and southern corridors, which are supported by infrastructure investments.
34. We will continue our efforts to achieve faster asset turns. Keppel Land is evolving to become a multi-faceted developer that is not just focused on acquiring land and building homes, but also on developing a sterling portfolio of commercial properties. We may also acquire completed assets which are cash-flow generating and add value through asset enhancement.

Infrastructure

35. The Infrastructure Division continues to grow as a steady pillar of earnings. It achieved a net profit of S\$66 million, up 16% year-on-year, mainly due to the dilution gain following Keppel DC REIT's private placement exercise as well as higher contribution from Environmental Infrastructure and Infrastructure Services.
36. The new projects under development are making steady progress. The Keppel Marina East Desalination Plant (KMEDP), for which Keppel Infrastructure has a 25-year Water Purchase Agreement with the PUB, is close to 50% completion.
37. Meanwhile, the Hong Kong Integrated Waste Management Facility (HKIWMF) is in the design and engineering phase, and is expected to contribute to our bottomline starting from next year.
38. Stable and recurring income from Infrastructure Services contributed revenue of about S\$70 million in the first half of 2018. This is expected to grow further with the commencement of long-term Operations & Maintenance contracts for the KMEDP in 2020 and HKIWMF in 2024.

39. On our data centre business, several deals are in the pipeline and we will share details when they are finalised.

Investments

40. Our Investments Division made a net loss of S\$46 million for 1H 2018, compared to a net profit of S\$163 million in the same period last year, as a result of the share of losses from associated companies and fair value losses on investments. Unlike in 1H 2017, there have also been no land sales in the Sino-Singapore Tianjin Eco-City so far this year.
41. Keppel Capital continues to provide steady contributions to the Group, and to seek opportunities to expand its asset classes and investor base, focusing on areas which harness the capabilities of the Keppel Group.
42. Meanwhile, Keppel DC REIT has acquired Keppel DC Singapore 5 which will boost its footprint in Singapore to nearly 300,000 square feet of aggregate lettable area. With this addition, Keppel DC REIT's assets under management will increase to approximately S\$1.94 billion, with 15 data centres across Asia Pacific and Europe.
43. The first half of 2018 also saw us actively pursue opportunities to advance our integrated master development business under Keppel Urban Solutions. In April, Keppel Corporation signed an MOU with Filinvest Development Corporation to explore cooperation opportunities in the latter's smart and sustainable urban development projects in the Philippines.
44. To expand its suite of solutions, Keppel Urban Solutions also signed an MOU with Singapore Technologies Engineering last week to leverage each other's expertise and resources in the design and application of smart city masterplans and technologies. This includes the customisation and application of ST Engineering's solutions in Saigon Sports City in Ho Chi Minh City. Beginning with Vietnam, where Keppel has a strong presence and track record, the partnership may also be extended to other markets.
45. This year, we are also celebrating the 10th anniversary of the Sino-Singapore Tianjin Eco-City. During his visit to the Eco-City earlier this month, Singapore's Deputy Prime Minister Teo Chee Hean witnessed the launch of the city centre, which marks a new phase in the development of the Eco-City. With growing economic vibrancy and a wider range of amenities, we expect the Eco-City to become increasingly attractive both to companies and residents, and to continue being a long-term contributor to the Keppel Group. Our joint venture,

SSTEC, expects to continue land sales in the second half of the year, to meet the strong demand for homes in the Eco-City.

46. To conclude, the Keppel Group is working hard to seize opportunities, not just through growing each vertical, but also through close collaboration between our business units, as we provide solutions to meet the needs of sustainable urbanisation. Reflecting our commitment to not only do well, but also to do good, Keppel Corporation became a signatory of the UN Global Compact in May. We have also made a public pledge on the actions that the Group will take to address climate change. We are determined to have a positive impact on the community, wherever we operate. This is how Keppel is forging ahead, and shaping the future.
47. I shall now invite our CFO, Hon Chew, to take you through the Group's financial performance.
48. Thank you.

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

SECOND QUARTER ENDED 30 JUNE 2018

2Q 2018 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 second quarter of 2018, the Group recorded a net profit of \$246 million, which was 44% higher than the same quarter last year.
3. Correspondingly, earnings per share increased to 13.6 cents, and EVA was a positive \$89 million compared to a negative \$34 million in the same quarter last year.

2Q 2018 Financial Highlights (Slide 22)

4. Next, the summary Group profit and loss statement.
5. The Group's revenue for the second quarter was 2% or \$31 million lower than the same quarter last year. Lower revenues from Property and Investments Divisions were partially offset by higher revenues from Offshore & Marine and Infrastructure Divisions.
6. Despite lower revenues, the Group operating profit for the quarter increased by 72% or \$108 million, to \$257 million, boosted by en-bloc sales of development projects in China and Vietnam.
7. Profit before tax at \$281 million, however, increased by a lower margin of 31%, due mainly to lower share of profits from associates.
8. After tax and non-controlling interests, net profit was 44% higher at \$246 million, translating to an earnings per share of 13.6 cents.

2Q 2018 Revenue by Segments (Slide 23)

9. In the next slide, we take a closer look at the Group's revenues by division.
10. In the second quarter of 2018, the Group earned total revenues of \$1.52 billion, 2% lower than the same quarter last year.
11. The Offshore & Marine Division reported a 35% increase in its top-line as a result of revenue recognition in relation to the jackup rigs sold to Borr Drilling Limited, partially offset by lower volume of work.

12. Revenue from the Property Division saw a 55% decline due to lower revenues from China projects, Corals at Keppel Bay and Highline Residences, which has been sold out, as well as the absence of revenue from the Glades as compared to the same quarter last year.
13. Infrastructure Division achieved a 24% growth in revenue as a result of increased sales in the power and gas businesses and progressive recognition of revenue from the Keppel Marina East Desalination Plant project.

2Q 2018 Pre-tax Profit by Segments (Slide 24)

14. Moving on to the Group's pre-tax profit.
15. The Group recorded \$281 million of pre-tax profit for the second quarter of 2018, 31% higher than last year.
16. The Offshore & Marine Division's pre-tax loss was \$11 million as compared to \$15 million profit in the same quarter in 2017. This was due mainly to lower operating profits, partially offset by higher share of associated companies' profits and lower net interest expense. Last year, Offshore & Marine's pre-tax profit also benefited from a \$12.6 million gain on divestment of Keppel Verolme.
17. The Property Division registered a \$122 million increase in pre-tax profit due mainly to en-bloc sales of development projects, namely The Seasons in Shenyang, Hunnan project in Shenyang and Quoc Loc Phat Joint Stock Company which holds land in Thu Thiem New Urban Area in Ho Chi Minh City and fair value gain on Nassim Woods, which has been designated for redevelopment for sale. These are partially offset by lower contribution from property trading projects.
18. Infrastructure Division reported a 26% increase in pre-tax profit due mainly to dilution gain following the change of interest in Keppel DC REIT, and higher contributions from Environmental Infrastructure and Infrastructure Services, partly offset by lower contribution from Energy Infrastructure and share of loss at Keppel Infrastructure Trust.
19. Investments Division recorded a \$39 million decrease in pre-tax profit due to share of losses from associated companies in the current period as compared to their share of profit in the same quarter last year.

2Q 2018 Net Profit by Segments (Slide 25)

20. After tax and non-controlling interests, the Group's net profit increased by 44% or \$75 million, with Property Division being the top contributor to the Group's earnings, followed by Infrastructure Division.

1H 2018 Financial Performance (Slide 26)

21. I shall now take you through the performance for the first half of 2018.

- 22. Compared to the same period last year, net profit for the first six months was 38% higher at \$583 million.
- 23. Earnings per share increased by the same extent to 32.2 cents. Annualised ROE also increased to 9.9% while EVA was higher at \$275 million.
- 24. Free cash flow for the period was an inflow of \$886 million, compared to an inflow of \$204 million in the first half of 2017, due mainly to proceeds from the en-bloc sales of development properties.
- 25. Consequently, net gearing improved from 0.46x at the end of 2017 to 0.40x at the end of June 2018.
- 26. We are pleased to announce an interim cash dividend of 10 cents per share for this half of the year as well as a special cash dividend of 5 cents per share to commemorate Keppel's 50th anniversary since its incorporation.

1H 2018 Financial Highlights (Slide 27)

- 27. Next, the summary Group profit and loss statement.
- 28. The Group earned a total revenue of almost \$3 billion in the first half of 2018, an increase of 7% or \$191 million compared to the same period last year. Higher revenues from Offshore & Marine and Infrastructure Divisions were partially offset by lower revenues from the Property and Investments Divisions.
- 29. Operating profit at \$725 million was 118% or \$392 million higher than the corresponding period last year. Higher profits recorded in Property and Infrastructure Divisions were partially offset by lower profits from Offshore & Marine and Investments Divisions.
- 30. Profit before tax at \$711 million, however, increased by a lower margin of 41% due mainly to lower share of profits from associates. In the first half of last year, the Group benefited from the Sino-Singapore Tianjin Eco-City's sale of three land parcels, as well as the share of gains from the divestment of stakes in property trading projects in China.
- 31. After tax and non-controlling interests, net profit was 38% higher at \$583 million.
- 32. Similarly, earnings per share increased by 38% to 32.2 cents.

1H 2018 Revenue by Segments (Slide 28)

- 33. In the next slide, we take a closer look at the Group's revenues by division.
- 34. For the first half of 2018, the Group earned total revenues of close to \$3 billion, 7% higher than last year.
- 35. Offshore & Marine Division recorded an increase in revenue due mainly to revenue recognition in relation to the jackup rigs sold to Borr Drilling Limited, partially offset by lower volume of work.
- 36. Property revenues dropped by 2%, due mainly to lower revenue from the hotels and resorts as well as the property services segments.
- 37. Infrastructure revenues increased by 23%, led by increased sales in the power and gas businesses and progressive revenue recognition from the Keppel Marina East Desalination Plant project.

1H 2018 Pre-tax Profit by Segments (Slide 29)

- 38. Moving on to the Group's pre-tax profit.
- 39. The Group recorded a pre-tax profit of \$711 million for the first half of 2018, 41% higher than the same period last year.
- 40. This was despite Offshore & Marine Division registering pre-tax losses of \$26 million as compared to pre-tax profits of \$13 million last year, arising from lower operating profits and lower contribution from associated companies. As noted earlier, Offshore & Marine's pre-tax profit last year also benefited from a \$12.6 million gain on divestment of Keppel Verolme. The Division's operating margin for the first six months was 1.5%, compared to 3.5% in the same period last year.
- 41. In the Property Division, pre-tax profits increased by 198% due mainly to en-bloc sales of development projects in China and Vietnam, fair value gain on Nassim Woods, which has been designated for redevelopment for sale as well as higher contribution from property trading projects. The increase was partially offset by lower share of profits from associates.
- 42. Pre-tax profit from Infrastructure Division was relatively stable at \$74 million.
- 43. Investments Division registered pre-tax losses of \$35 million as compared to a pre-tax profit of \$185 million last year as a result of the absence of write-back of provision for impairment of investment and the share of losses of associated companies in the first six months of 2018, as compared to the share of profits in the same period last year. This was mainly due to the absence of sale of three land parcels in the Sino-Singapore Tianjin Eco-City.

1H 2018 Net Profit by Segments (Slide 30)

44. After tax and non-controlling interests, the Group's earnings increased by 38% to \$583 million, with the Property Division being the top contributor to the Group's earnings, followed by Infrastructure.

Net Profit and EPS (Slide 31)

45. The Group's net profit of \$583 million for the first half of 2018 translated to an earnings per share of 32.2 cents.

ROE & Dividend (Slide 32)

46. In this first half of 2018, our annualised ROE increased to 9.9%.
47. As mentioned earlier, our interim and special cash distributions to our shareholders for this period will be 10 cents per share and 5 cents per share respectively.

Free Cash Flow (Slide 33)

48. Cash flow from operations was \$325 million in the first six months of this year, up from \$245 million in the same period last year.
49. After accounting for working capital changes, interest and tax, net cash inflow from operating activities was \$357 million, as compared to an inflow of \$127 million last year, due mainly to lower working capital requirements in the Offshore & Marine Division.
50. Net cash generated from investing activities amounted to \$529 million, comprising divestment proceeds and dividend income from associated companies totalling \$833 million, partly offset by net repayment of the advances from associated companies of \$239 million.
51. As a result, there was an overall cash inflow of \$886 million for the first half of 2018, as compared to an inflow of \$204 million last year.
52. With that, we have come to the end of the results presentation segment, and I shall hand the time back to our CEO, Chin Hua, for the Q&A section. Thank you.