



WE ARE LEVERAGING THE GROUP'S CAPABILITIES TO PROVIDE SOLUTIONS FOR SUSTAINABLE URBANISATION.

DEAR SHAREHOLDERS,

2019 was a volatile year, marked by slowing global growth, trade tensions among the world's largest economies and heightened geopolitical risks. Since January 2020, the international community has also been seized with the Coronavirus Disease 2019 (COVID-19) outbreak, which the World Health Organisation has declared as a public health emergency of international concern.

2019 was also a year of escalating focus on climate change, and consensus about the urgent need for action.

Sustainability is core to Keppel's strategy. It is reflected not just in the way we manage

environmental, social and governance (ESG) issues, but also how we leverage the Group's capabilities and resources to provide practical solutions for sustainable development, whether in terms of meeting energy needs, or providing various urban, environmental or connectivity solutions.

The last few years have been transformative for Keppel as the board and management worked hard to build a more resilient and sustainable company, committed to delivering value and growth into the future. The Group's corporate structure has been simplified with the privatisation of our operating entities, starting with Keppel Land, followed by Keppel Telecommunications & Transportation (Keppel T&T) and M1, thus allowing more efficient capital allocation.

Backed by strong demand for high-quality homes, Keppel Land sold 950 homes in Ho Chi Minh City in 2019. (In picture: Artist's impression of Empire City)



We have also consolidated our asset management businesses under Keppel Capital, which serves both as a platform for capital recycling and tapping third-party funds for growth. We have been deepening our presence in rapidly urbanising markets such as China and Vietnam, and expanding our products and offerings, with smart, urban projects, renewables, gas solutions, asset management and digital connectivity among our new growth engines.

We have also been actively promoting collaboration among our business units to harness synergies and seize opportunities that each unit might not be able to tap on its own. Our long-term goal is for Keppel to be one integrated business, pursuing our common mission of providing solutions for sustainable urbanisation.

RESILIENT PERFORMANCE AMID UNCERTAINTY

Against a challenging operating environment, Keppel has performed creditably.

For FY 2019, Keppel Corporation made a net profit of \$707 million, with improved performance from Keppel Offshore & Marine (Keppel O&M), Keppel Infrastructure and Keppel Capital. Our net profit was lower year-on-year, as Keppel Land had benefitted from a few lumpy divestments and en-bloc sales in 2018. The Group's Return on Equity was 6.3%.

The Board of Directors has proposed a final cash dividend of 12.0 cents per share for FY 2019. Together with the interim cash dividend of 8.0 cents per share, we will be paying out a total cash dividend of 20.0 cents per share to shareholders for the whole of 2019. This is a payout ratio of 51% of our net profit.

PROPERTY

Urbanisation trends in Asia continue to drive demand for the quality urban living solutions that we provide.

In 2019, Keppel Land sold about 5,150 homes, an increase of 16% compared to the 4,440 homes sold in 2018, with a total sales value of about \$3.2 billion. Despite concerns about slowing economic growth in China, we continued to see healthy demand for homes in the cities where we operate. Our total home sales in both China and Singapore grew by more than 50% year-on-year, while contributions from our property business in Vietnam have been growing steadily.

With a view to growing our property business in key growth markets,



LEE BOON YANG
Chairman

we completed nine acquisitions totalling about \$0.5 billion across China, Vietnam and India in 2019. We have also broken ground for the 64-hectare Saigon Sports City in the prime District 2 of Ho Chi Minh City, which Keppel Land and Keppel Urban Solutions are collaborating to develop into a smart, integrated township.

Our residential landbank stood at about 45,000 homes as at end-2019, with more than 17,000 homes in key Asian cities which will be launch-ready from 2020 to 2022. In our commercial portfolio, Keppel Land has about 1.6 million square metres of gross floor area, of which about half is under development.

OFFSHORE & MARINE

The offshore and marine (O&M) business remains challenging. While there are signs of recovery, with improving utilisation and dayrates, it would take time for this to translate into new orders, especially for jackup rigs, which continue to be over supplied.

Despite the challenging operating environment, Keppel O&M secured more than \$2 billion in new orders in 2019, an increase of 18% year-on-year. Our diversification strategy has borne fruit, with gas and offshore renewables making up over 60% of new orders. Significantly, Keppel O&M secured new contracts worth about \$720 million for offshore wind projects in the German sector of the North Sea and Taiwan.

CHAIRMAN'S STATEMENT



Keppel O&M has expanded its capabilities in the offshore wind sector, securing new contracts worth about \$720 million for related projects in the German sector of the North Sea and Taiwan.

We also secured over 100 scrubber and ballast water treatment system retrofit projects, as shipowners sought to meet the IMO 2020 requirements on the sulphur content of marine fuel, as well as the standards set out by the Ballast Water Management Convention. Keppel O&M's orderbook stood at \$4.4 billion as at end-2019.

In 2019, Keppel O&M continued to focus on execution, delivering 13 newbuild and conversion projects. Keppel O&M also reached a Settlement Agreement with Sete Brasil (Sete) in Brazil, bringing closure to the outstanding contracts for the six Sete rigs. The agreement will become effective upon the fulfilment of certain conditions precedent.

On the back of our improved topline, robust cost management efforts and lower impairment provisions, Keppel O&M made a profit of \$10 million in 2019, reversing the loss of \$109 million in 2018. This is the first time that our O&M Division has returned to profitability since 2016.

Looking ahead, we will continue to seek opportunities in renewables, as well as

in the oil and gas production market. Keppel O&M is also developing rigs of the future, leveraging digitalisation and analytics to enhance the efficiency and versatility of our rigs, as well as yards of the future by incorporating robotics and artificial intelligence into our manufacturing process to ensure that we remain at the forefront of the industry.

INFRASTRUCTURE

The Infrastructure business continues to contribute steadily to the Group's earnings with its project development, engineering, as well as operations and maintenance expertise.

The Keppel Marina East Desalination Plant in Singapore is scheduled to commence operations in 1H 2020, while the Hong Kong Integrated Waste Management Facility is progressing well and has been contributing to the Group's bottomline.

Keppel Infrastructure also expanded into new markets and invested in new technology, including taking stakes in the MET Group, an integrated European energy company, and Zerowaste Asia, which provides environmental solutions in industrial waste

and wastewater treatment. Zerowaste Asia's proprietary technology will enhance our position as a leading provider of environmental solutions, allowing us to contribute further to a circular economy through the treatment and recycling of residual waste.

Keppel Electric is also one of the largest Open Electricity Market retailers, with 26% market share of residential consumers as of December 2019.

The data centre business is an important growth engine for Keppel. During the year, we increased the Group's portfolio to 25 data centres, including four which are under development. The Alpha Data Centre Fund and Keppel Data Centres also divested Keppel DC Singapore 4 to Keppel DC REIT. Beyond revaluation and divestment gains, we will continue to earn recurring income from the operation and maintenance of the data centre, as well as asset management fees. This is a good illustration of how the Keppel Group creates value and earns different income streams through the life cycles of the assets that we build, operate, maintain and manage.

Tapping rapid urbanisation in Asia and the growing e-commerce trends, we continue to grow our urban logistics business, including providing comprehensive omnichannel logistics and e-commerce solutions. To streamline its operations and better allocate resources, Keppel T&T has divested its stakes in logistics facilities and operations in Foshan and Hong Kong.

INVESTMENTS

2019 was an active year for Keppel Capital, with its assets under management growing by 14% from \$29 billion to \$33 billion as at end-2019.

Further expanding its asset classes, Keppel Capital established a joint debt mezzanine platform together with Pierfront Capital. Keppel Capital also became a strategic investor in Prime US REIT, which was successfully listed in July 2019. Earlier this year, Keppel Capital also launched the Keppel Asia Infrastructure Fund, a new closed-end infrastructure private equity fund, to seize opportunities in the fast-growing energy and sustainable infrastructure sectors. Investors are attracted not just by the asset management capabilities of Keppel Capital, but also the Keppel Group's business model and ability to develop, operate and maintain specialised assets.

In October 2019, we were honoured to welcome Singapore's Deputy Prime Minister

Heng Swee Keat to the Sino-Singapore Tianjin Eco-City (Eco-City), which is growing steadily as a model for sustainable development, with over 100,000 residents and 8,800 registered companies. Our joint venture master developer, the Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (SSTEC), continues to actively drive the growth of the Eco-City, including through the development of certain land plots by SSTEC, and the sale of others to third-party developers.

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Following the successful privatisation of M1 in 2019, Keppel, together with Singapore Press Holdings, has been working with M1's board and management to transform and grow the company. We have begun to see the results of our efforts, with M1 growing its postpaid customer base by about 11% as at end-2019, despite a challenging operating environment.

M1 has also been making significant headways in 5G developments, including embarking on 5G research and trials with universities in Singapore, and working with Singapore government agencies and other partners to co-develop use cases to deliver the full potential of 5G technology. More recently, M1 and StarHub have submitted a joint bid for a 5G licence.

We see M1 as a key pillar of Keppel's connectivity business. It is an enabler which links and enhances our various other businesses such as our smart districts and buildings, data centres, yards and vessels. We have already seen many examples of collaboration between M1 and Keppel's other businesses. For example, Keppel O&M and M1 are working with the Maritime and Port Authority of Singapore to testbed Maritime Autonomous Surface Ships, while Keppel Data Centres is collaborating with M1 to widen its data centre capabilities and offerings. We will continue to deepen the collaboration between M1 and the rest of the Group to further enhance our solutions for sustainable urbanisation.

CHAIRMAN'S STATEMENT

FORWARD TOGETHER

In the first half of 2019, we commenced an exercise to develop the Company's Vision 2030. We brought together a group of younger Keppel business leaders to tap their insights and also create more opportunities for them to network and collaborate to take the company forward. The recommendations that arose from this process will be taken on board as we chart the Company's Vision 2030, including interim targets for 2025. We will share more on our Vision 2030 when it is finalised later this year.

We will do our part to combat climate change, including introducing an internal carbon price in the evaluation of major investment decisions.

As we prepare ourselves for a more volatile future characterised by accelerating change, we are also deepening our focus on innovation. To this end, we have been strengthening the Group's digital capabilities and tapping the start-up eco-system to gain access to emerging trends and creative new solutions.

SUSTAINABILITY MATTERS

During the year, the Board reviewed the Company's material ESG issues and strengthened our focus on cyber security and data protection, as well as climate action. Environmental sustainability has been woven into the performance appraisal of senior management across the Group. We have defined the businesses that we will not pursue, such as coal-fired plants, those that we will maintain, and those we will grow, taking into account their respective environmental impacts. We have also set targets to reduce carbon emissions, waste generation and water consumption, and invest in renewable energy generation.

We will do our part to combat climate change, including introducing an internal carbon price in the evaluation of major investment decisions. At the same time,

we have established a new business unit, Keppel Renewable Energy, to pursue opportunities for Keppel as a developer, owner and operator of renewable energy infrastructure.

Accountability is one of our core values and we are committed to upholding the highest standards of corporate governance and regulatory compliance. In 2019, Keppel O&M became one of the first companies in Singapore to achieve global ISO 37001 anti-bribery certification. We will work progressively towards ISO 37001 certification for all other Keppel business units.

We are committed to safety in our global operations. In 2019, the Keppel Group clinched 18 awards at the Workplace Safety and Health Awards in Singapore – the highest number of awards won by a single organisation in the year. We also achieved our goal of zero fatalities across the Group, the first time in over 25 years. We will continue to do our best to ensure that at all our work places, everyone goes home safe, every day.

Keppel seeks to make a positive impact on the community, wherever we operate, whether it is through caring for the underprivileged, protecting the environment or supporting education and the arts. Keppelites contributed a total of over 18,000 volunteer hours during the year, surpassing the target of 10,000 hours. We also contributed \$9.6 million to social causes.

We are glad to see Keppel's commitment to sustainability gain recognition with Morgan Stanley Capital International (MSCI) upgrading Keppel Corporation to their highest triple-A ESG rating in February this year.

In October 2019, Temasek announced a voluntary pre-conditional partial offer to acquire an additional 30.55% of shares in Keppel Corporation. If the partial offer is successful, it will result in Temasek and the offeror owning an aggregate 51% of Keppel. While we are not able to comment on the pre-conditional partial offer, we believe that there is long-term value in Keppel's businesses, a view which Temasek shares.

Madam Halimah Yacob, President of the Republic of Singapore (seated, centre), witnessed the launch of Keppel's partnership with SPD to support its sheltered workshop programme for persons with disabilities. She was accompanied by Keppel Corporation's Chairman Dr Lee Boon Yang (standing, leftmost) and CEO, Mr Loh Chin Hua (standing, third from left), and senior management from the Keppel Group.



ACKNOWLEDGEMENTS

We are pleased to welcome Mr Teo Siong Seng, Mr Tham Sai Choy and Mrs Penny Goh as independent directors, further bolstering the diverse capabilities and strengths of the Board.

Mr Teo's extensive business experience and network will help Keppel to better navigate and seize opportunities amidst a challenging global environment, while the Group will benefit from Mr Tham's extensive experience in developing global strategies on cyber security and data analytics, as well as corporate governance. We also welcome Mrs Goh's depth of experience in providing strategic legal counsel to corporates and her guidance on best practices.

We would like to thank non-executive and non-independent director, Mr Tow Heng Tan, and non-executive independent director, Mr Tan Puay Chiang, who stepped down from the Board with effect from 1 November 2019. We are grateful to Mr Tow for his over 15 years of distinguished service and wise guidance,

and also to Mr Tan, whose extensive experience and in-depth understanding of the energy business helped to chart Keppel's growth over the years.

My appreciation also goes to my fellow directors for their commitment and insightful counsel. I am also grateful to our many partners and stakeholders for their continued confidence in Keppel. Last but not least, I commend Keppelites in all our operations globally for their unwavering commitment and passion to propel Keppel forward together on our growth trajectory.

Yours sincerely,

LEE BOON YANG
Chairman
27 February 2020

Volunteer hours

>18,000 hrs

Contributed by Keppelites in 2019, surpassing the target of 10,000 hours.