

OPERATING & FINANCIAL REVIEW

MANAGEMENT DISCUSSION & ANALYSIS

WE ARE CONFIGURED FOR GROWTH, BUILDING ON AN INSTITUTIONAL QUALITY BALANCE SHEET.



Free Cash Outflow

\$653m

As compared to inflow of \$515m for FY 2018.

Earnings Per Share

38.9cts

A decrease from 52.3cts for FY 2018.

KEY PERFORMANCE INDICATORS

	2019 \$ million	19 vs 18 % +/-	2018 ¹ \$ million	18 vs 17 % +/-	2017 \$ million
Revenue	7,580	27	5,965	<0.1	5,964
Net profit	707	(25)	948	384	196 ²
Earnings Per Share	38.9 cts	(26)	52.3 cts	384	10.8 cts ²
Return on Equity	6.3%	(25)	8.4%	394	1.7% ²
Economic Value Added	188	(29)	263	n.m.	(839) ²
Operating cash flow	(825)	n.m.	125	(90)	1,203
Free cash flow ³	(653)	n.m.	515	(71)	1,802
Total cash dividend per share	20.0 cts	(33)	30.0 cts ⁴	36	22.0 cts

¹ 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

² Includes the one-off financial penalty and related costs of \$619 million.

³ Free cash flow excludes expansionary acquisitions and capital expenditure, and major divestments.

⁴ Comprises a proposed final cash dividend of 15.0 cents per share, an interim cash dividend of 10.0 cents per share and a special cash dividend of 5.0 cents per share.

n.m. = Not meaningful

GROUP OVERVIEW

Group net profit was \$707 million, a decrease of 25% from \$948 million for 2018 largely due to lower earnings from the Property Division. This was partly offset by earnings from the Offshore & Marine (O&M) and Investment divisions, as compared to their losses in 2018.

Earnings Per Share was 38.9 cents, a decrease of 26% from 52.3 cents for 2018. Return on Equity was 6.3%, compared to 8.4% for 2018. Meanwhile, Economic Value Added was positive \$188 million for 2019, compared to positive \$263 million for 2018.

Free cash outflow was \$653 million, compared to free cash inflow of \$515 million for 2018, mainly due to working capital

requirements. Net gearing for 2019 was 0.85 times, compared to 0.48 times for 2018.

Total cash dividend for 2019 will be 20.0 cents per share. This comprises a proposed final cash dividend of 12.0 cents per share as well as an interim cash dividend of 8.0 cents per share paid in the third quarter of 2019.

SEGMENT OPERATIONS

Group revenue of \$7,580 million for 2019 was \$1,615 million or 27% higher than in 2018. Revenue from the O&M Division improved by \$345 million or 18% to \$2,220 million mainly due to higher revenue recognition from ongoing projects, partly offset by the absence of revenue recognised

in 2018 from the sale of jackup rigs to Borr Drilling. Major jobs delivered in 2019 include five jackup rigs, three Floating Production Storage and Offloading/ Floating Storage and Re-gasification Unit conversions and four dredgers. Revenue from the Property Division decreased marginally by \$4 million to \$1,336 million due mainly to lower revenue from Singapore property trading projects, partly offset by higher revenue from China property trading projects. Revenue from the Infrastructure

Division grew by \$298 million to \$2,927 million as a result of increased sales in the power and gas businesses, as well as higher progressive revenue recognition from the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project. Revenue from the Investments Division increased by \$976 million to \$1,097 million due mainly to the consolidation of M1 and higher revenue from the asset management business.

Group net profit of \$707 million for 2019 was \$241 million or 25% lower than 2018.

The O&M Division's profit was \$10 million as compared to loss of \$109 million in 2018. This was mainly due to higher operating results, lower impairment provisions, lower net interest expense and higher write-back of tax provision, partly offset by share of losses from associated companies and absence of write-back of provisions for claims in 2018.

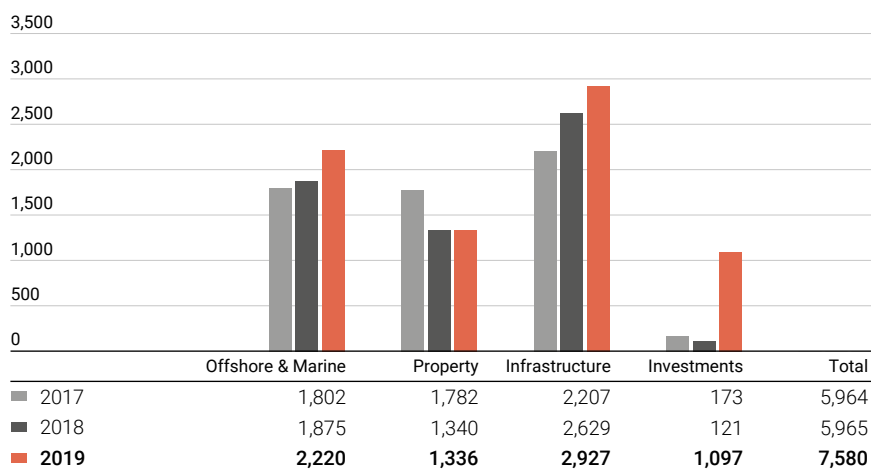
Profit from the Property Division decreased by \$425 million to \$517 million mainly due to lower gains from the en-bloc sale of development projects and absence of gain from investment in 2019 as compared to 2018, lower contribution from Singapore property trading projects and higher net interest expense, partly offset by higher contribution from China property trading projects, higher investment income, higher fair value gains on investment properties and higher contribution from associated companies.

Infrastructure Division's profit of \$169 million in 2019 was flat compared to 2018.

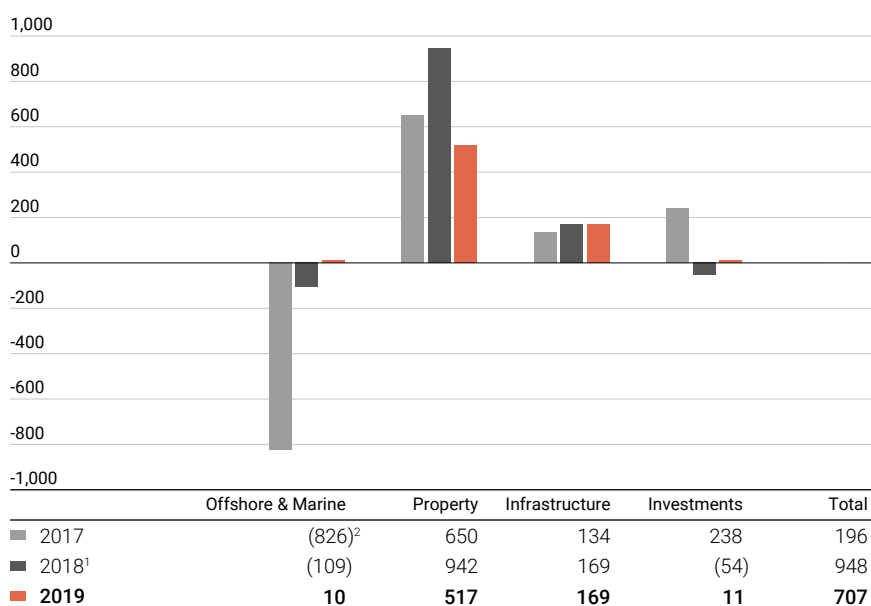
Profit from the Investments Division was \$11 million in 2019, as compared to loss of \$54 million in 2018. This was mainly due to fair value gain from the re-measurement of previously held interest in M1 at acquisition date, higher contribution from the asset management business, higher contribution from M1 resulting from the consolidation of M1 and lower provision for impairment of KrisEnergy. This was partly offset by lower share of profit from the Sino-Singapore Tianjin Eco-City, higher net interest expense, higher fair value loss on KrisEnergy warrants, financing cost and amortisation of intangibles arising from acquisition of M1, as well as the write-off of a receivable.

In 2019, the Property Division was the largest contributor to the Group's net profit with a 73% share, followed by the Infrastructure Division's 24%, the Investments Division's 2% and the O&M Division's 1%.

REVENUE (\$ million)



NET PROFIT (\$ million)



¹ Net profit for 2018 has been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

² Includes the one-off financial penalty and related costs of \$619 million.