

OPERATING & FINANCIAL REVIEW

MANAGEMENT DISCUSSION & ANALYSIS



WE WILL CREATE VALUE THROUGH OUR FOUR KEY BUSINESS AREAS, WHICH ARE PART OF A CONNECTED VALUE CHAIN.

KEY PERFORMANCE INDICATORS

| | 2020 \$ million | 20 vs 19 % +/(-) | 2019 \$ million | 19 vs 18 % +/(-) | 2018 \$ million |
|-------------------------------|--------------------|---------------------|--------------------|---------------------|-----------------------|
| Revenue | 6,574 | (13) | 7,580 | 27 | 5,965 |
| Net (loss)/profit | (506) | n.m.f. | 707 | (25) | 948 |
| (Loss)/Earnings Per Share | (27.8) cts | n.m.f. | 38.9 cts | (26) | 52.3 cts |
| Return on Equity | (4.6)% | n.m.f. | 6.3% | (25) | 8.4% |
| Economic Value Added | (1,368) | n.m.f. | 188 | (29) | 263 |
| Operating cash flow | 202 | n.m.f. | (825) | n.m.f. | 125 |
| Free cash flow ¹ | 497 | n.m.f. | (653) | n.m.f. | 515 |
| Total cash dividend per share | 10.0 cts | (50) | 20.0 cts | (33) | 30.0 cts ² |

¹ Free cash flow excludes expansionary acquisitions & capital expenditure, and major divestments.

² Comprised 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.f. = No meaningful figure

GROUP OVERVIEW

The Group reported a net loss of \$506 million for 2020, compared to a net profit of \$707 million a year ago, after impairments of \$952 million mainly due to the offshore & marine (O&M) business. Excluding impairments in both years, the Group would have registered a net profit of \$446 million for 2020, as compared to a net profit of \$828 million for 2019. Apart from Keppel O&M, all key business units remained profitable in 2020.

Loss per share was 27.8 cents, as compared to earnings per share of 38.9 cents in 2019. Return on Equity (ROE) was negative 4.6%, compared to positive 6.3% for 2019. Economic Value Added (EVA) was negative \$1,368 million for 2020, compared to positive \$188 million for 2019.

Free cash inflow was \$497 million, compared to free cash outflow of \$653 million for 2019, mainly due to lower working capital requirements and higher proceeds from en-bloc sales. Net gearing for 2020 was 0.91 times, compared to 0.85 times for 2019.

Total cash dividend for 2020 will be 10.0 cents per share. This comprises a proposed final cash dividend of 7.0 cents per share, as well as an interim cash dividend of 3.0 cents per share paid in the third quarter of 2020.

SEGMENT OPERATIONS

Group revenue of \$6,574 million for 2020 was \$1,006 million or 13% lower than the preceding year. Revenue from Energy & Environment decreased by \$1,026 million

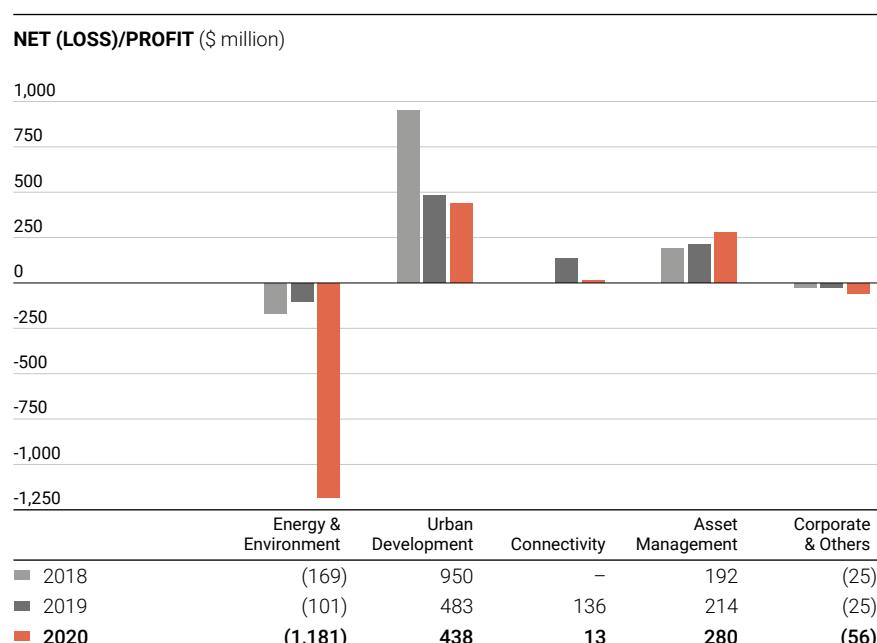
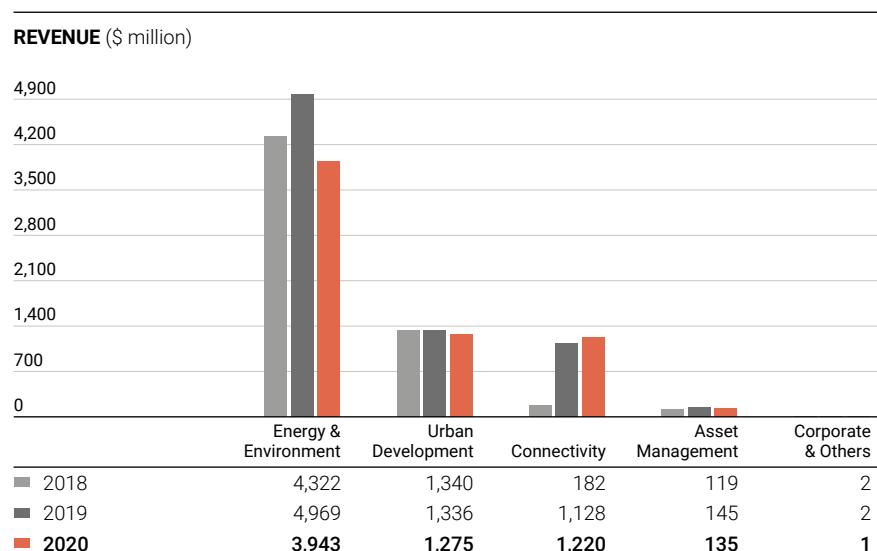
or 21% to \$3,943 million led by lower revenue in the O&M business due to slower progress from certain on-going projects as a result of COVID-19 related disruptions, the suspension of revenue recognition on Awilco contracts, fewer new contracts secured in 2020 and the deferment of some projects, which were partly offset by revenue from new projects. The lower revenue was also due to lower electricity sales, lower progressive revenue recognition from the Hong Kong Integrated Waste Management Facility project, as well as the completion of the Keppel Marina East Desalination Plant project in the second quarter of 2020 in the infrastructure business. Major jobs delivered by the O&M business in 2020 include two jackup rigs, a dual-fuel

bunker tanker, a Floating Production Storage and Offloading (FPSO) vessel modification and upgrading project, a Liquefied Natural Gas (LNG) Carrier, a trailing suction hopper dredger and a production barge. Revenue from Urban Development decreased by \$61 million to \$1,275 million mainly due to lower revenue generated from hospitality and commercial properties and lower revenue from property trading projects in Singapore and Vietnam, which were partly offset by higher revenue from property trading projects in China. Revenue for Connectivity grew by \$92 million to \$1,220 million mainly due to M1, which was consolidated from March 2019. This was partly offset by lower contribution from the logistics business following the divestment of certain China logistics assets in November 2019. Revenue from Asset Management decreased by \$10 million to \$135 million mainly due to lower acquisition and divestment fees, partly offset by higher management fees.

Group net loss attributable to shareholders was \$506 million as compared to net profit of \$707 million in 2019. The net loss for 2020 included impairment provisions, largely from the O&M business, amounting to \$952 million. Excluding these impairments, the Group achieved a net profit of \$446 million which was 46% or \$382 million lower than the net profit of \$828 million (excluding impairments) for 2019.

Energy & Environment's net loss was \$1,181 million as compared to net loss of \$101 million in 2019. Excluding impairments of \$908 million, the net loss was \$273 million. This was largely due to weaker performance in the O&M business, which had been impacted by slower progress on projects due principally to significant downtime as a result of COVID-19, higher share of losses from associated companies and joint ventures, higher net interest expense, and fair value loss on investment, which were partially mitigated by lower overheads and government relief measures related to the COVID-19 pandemic. These were partly offset by higher contributions from the energy infrastructure and environmental infrastructure businesses, as well as the absence of a share of loss from KrisEnergy and the fair value loss on KrisEnergy warrants as compared to 2019.

Profit from Urban Development decreased by \$45 million to \$438 million mainly due to lower write-backs of tax provision as compared to 2019, higher taxation from property trading projects in China, as well as lower contributions from associated companies and joint ventures. These were partly offset by higher fair value gains from investment properties, higher contributions from property trading projects in China, as well as higher contribution from the Sino-Singapore Tianjin Eco-City.



Profit from Connectivity was \$13 million, which was \$123 million below that of 2019. This was mainly due to the absence of a fair value gain recognised in 2019 from the remeasurement of previously held interest in M1 at acquisition date, as well as lower contribution from M1. These were partly offset by gain from the disposal of interest in Business Online Public Company Limited, and lower losses from the logistics business.

Asset Management's profit increased by \$66 million to \$280 million mainly due to a mark-to-market gain of \$131 million recognised from the reclassification of the Group's interest in Keppel Infrastructure Trust (KIT) from an associated company to an

investment following the loss of significant influence over KIT, a gain from sale of units in Keppel DC REIT, a gain from divestment of interest in Gimi MS Corporation, as well as dividend income from KIT and higher contribution from Keppel DC REIT. These were partly offset by mark-to-market losses from investments, lower investment income and lower contributions from Keppel REIT and Alpha Data Centre Fund, as well as the absence of a dilution gain arising from Keppel DC REIT's private placement exercise in 2019.

In 2020, losses in the Energy & Environment segment were partly offset by profits from the Urban Development, Asset Management and Connectivity segments.