

Keppel Corporation 3Q and 9M 2017 Results Briefing for Analysts and Media

Question & Answer Session

19 October 2017, 5.30pm, Keppel Leadership Institute

LCH Loh Chin Hua, CEO of Keppel Corporation
CHC Chan Hon Chew, CFO of Keppel Corporation
AWG Ang Wee Gee, CEO of Keppel Land
OTG Dr Ong Tiong Guan, CEO of Keppel Infrastructure
CO Chris Ong, CEO of Keppel Offshore & Marine
CT Christina Tan, CEO of Keppel Capital

Cheryl Lee from UBS: Regarding Offshore & Marine, may we have some clarification on the S\$13 million boost to Offshore & Marine's net profit due to NCI?

CHC: NCI, as you know, is non-controlling interest. Basically, minority shareholders will have a share of earnings, whether it is a profit or a loss. In this case, it is a positive number. It is actually the non-controlling interest sharing a proportion of the loss registered in one of our overseas yards.

Nicholas, retail investor: Assuming Sete Brasil is unable to make payments within the next few years, what are your contingency plans for the rigs being built for Sete? Second question, would reselling the Sete rigs be a possible option? How much would each rig fetch in the open market currently?

LCH: Before I answer the question, we have to reiterate that our contracts with Sete Brasil remain legally valid. They are valid contracts but obviously we are faced with the fact that Sete is going through financial restructuring. We have developed different plans based on the various scenarios. Of course, we like to see Sete continue on its contracts but the fact that we had to take a provision two years ago was a recognition that this may not happen. The provision is evaluated every quarter and at this point in time, we still believe they are adequate for what they have provided for. That said, we are working very closely with Sete and its other stakeholders to try and see how we can resolve this situation. We are looking at different options, including those you have stated.

Cheryl Lee from UBS: In Singapore, when do you expect to launch the upcoming project at Serangoon North Ave 1? Could we get a sense of timing of launch as well as project completion?

AWG: We are planning to launch the project in Serangoon North in the middle of next year, 2018. In terms of timing of completion, we are working on that. We should be able to complete the project by 2021.

Gerald Wong from Credit Suisse: Are there active enquiries by customers to acquire your completed rigs?

CO: Before we go into whether there are active enquiries right now, do bear in mind that all our rig contracts are still intact and we always work together with our customers to find win-win solutions. Just as we did with the Transocean and Borr deal. Right now, we are working closely with our customers to find win-win solutions.

Gerald Wong from Credit Suisse: With an improvement in Singapore property sentiment, is Keppel Land intending to launch more units at Keppel Bay?

AWG: I suppose the question is referring to whether we are going to re-develop or rather develop the two plots that we have, Plot 4 and Plot 6, at Keppel Bay. Currently, we still have two projects in Keppel Bay where we are selling units. One is Reflections, we have about 130 units left and for Corals, we have about 110 units left. We are still selling those units but we are reviewing our plans to develop plots 4 and 6.

Eastman Chan, retail investor: Can we expect Offshore & Marine profit to improve in 4Q 2017?

LCH: Unfortunately, we do not provide any forecast.

Lim Siew Khee from CIMB: Will you consider selling undelivered rigs in the secondary market or will you press on for deferral in delivery?

CO: Again, the principle is the same. All our undelivered rigs are still under contract with our customers and we are always working for win-win solutions on all their projects. At this moment, we still maintain that we will press on to complete our contractual liabilities.

Lim Siew Khee from CIMB: Were there any land sales in Tianjin Eco-City in 3Q 2017?

LCH: No.

Lim Siew Khee from CIMB: Keppel Infrastructure's operating profit was up S\$10 million. Is this solely due to the Keppel Marina East Desalination Plant?

CHC: No, the improvement in Keppel Infrastructure's profit is not just due to the Keppel Marina East Desalination Plant. The power and gas business has also done well. So, the desalination plant has contributed to profits but it is not the sole reason for the improvement.

OTG: In fact, all our operating divisions have improved on their results - in energy infrastructure, environmental infrastructure and infrastructure services. The exception is Keppel Infrastructure Trust where we have seen a drop in profit. So, all operating units within Keppel Infrastructure have performed better.

Mayuko Tani from Nikkei: Do you expect double digit net profit growth for the full year?

LCH: Again, we do not provide forecasts for the full year so we cannot answer that.

Mayuko Tani from Nikkei: In the property sector, what are your views on the China market? Will the government's tightening measure continue to put pressure on sales? Do you see China's contribution decreasing in the years to come?

AWG: Our view of the China market is optimistic. We believe that in the long term, the trend will still be moving upwards. We still see continued urbanisation, increasing affluence and a growing middle class. We will continue to invest in the China market.

In the 19th National Congress of the Communist Party of China (十九大) that is going on now, President Xi Jinping has indicated that he would like to see housing become more affordable for the Chinese. So I think the government will continue with its tightening measures. But unlike the past, there will be more leeway for the various regions and cities to implement measures according to the market in that location.

The last part of the question is hard to answer as it depends not just on China but also our property business in other geographies.

Mayuko Tani from Nikkei: Will the existing Infrastructure division be included under KUS?

LCH: Keppel Urban Solutions, a new business unit, seeks to be an integrated master developer. We expect KUS to work very closely with all our units including Keppel Infrastructure, Keppel T&T, Keppel Land and Keppel Capital. It is an open platform so that we can also work with other partners. There is no plan to put the existing Infrastructure Division under KUS.

Lim Siew Khee from CIMB: Will you re-ignite the redevelopment plan for Keppel Towers?

AWG: The short answer is that we are looking at it now and will make an announcement when we decide to proceed.

Chang Kwok Wei from Citi: Referring to the S\$86 million gain on divestment of Waterfront Residences and S\$39 million gain on divestment of Sedona Mandalay, what was the gain net of tax?

LCH: The gain net of tax was S\$79 million for Waterfront Residences.

CHC: As for Sedona Mandalay, it was S\$33 million after tax.

Tan Hwee Hwee from Singapore Press Holdings: Project financing in the Offshore & Marine sector remains under challenge. How far has Keppel Capital stepped in, and will it step in to fill this need from your potential customers?

LCH: Currently, Keppel Capital has not stepped in but we are looking at opportunities as there are investors that are keen to look into this sector.

CT: For Keppel Capital, we are always looking to maximise investment returns for our investors. There has been interest in various sectors including Offshore & Marine and Infrastructure. We will always explore the various opportunities shown to us by Keppel Offshore & Marine and will work hand-in-hand with them to look into building interesting opportunities for our investor base.

Joshua Lee from Deutsche Bank: Would management be open to the IPO of Keppel Capital?

LCH: The short answer is no. We believe that there are a lot of synergies that we can harness across our different operating companies, especially in a Group where we can freely allocate capital. So, no plans to do that.

CK Lai, retail investor: When will the Prospectus for the KBS Pacific Advisors / Keppel JV US REIT be lodged on OPERA? Can you kindly provide some insights on this JV REIT?

CT: We have just announced that we have been given approval in terms of eligibility to list the Keppel-KBS US REIT. Other than that, under listing rules we are not allowed to provide any further disclosure. All disclosures will be done properly under the Keppel-KBS US REIT IPO Process.