

Keppel Corporation 1Q 2018 Results Briefing to Analysts and Media

Question & Answer Session

19 April 2018, 5.30pm, Keppel Leadership Institute

LCH	Loh Chin Hua, CEO of Keppel Corporation
CHC	Chan Hon Chew, CFO of Keppel Corporation
CO	Chris Ong, CEO of Keppel Offshore & Marine
CT	Christina Tan, CEO of Keppel Capital

Cheryl Lee from UBS: Hi, good evening, on Offshore & Marine (O&M), why was the tax rate high this quarter? Could we also have an update on the Can Do Drillship status and have there been enquiries for this vessel? Could we have an update on the Sete rigs and whether a few of the units could be completed?

LCH: On Question 1, the answer is that we had to take a provision for deferred taxes by Keppel O&M USA due to the change in tax rates announced by the US President. On Question 2, can I get Chris to give an update?

CO: The Can Do drillship is under construction and final stages of testing. It is scheduled to be ready for the market in the fourth quarter of this year. Right now we are talking to a few of our customers on the Can Do drillship.

On Question 3, Sete has a preliminary agreement with PetroBras on the resolution of some of their charter contracts. But right now between us and Sete, we still have a valid contract in place. We have stopped work on all the six rigs pending the resolution and we will update when there is further news.

Cindy Ngo from Philips: My question is regarding Keppel Land's development in Vietnam. I believe Keppel Land used to have investments in the north, 2 or 3 properties in Hanoi. If you may, please share with us Keppel Land's plan for future investment in the north of Vietnam. Thank you.

LCH: Thanks Cindy for the question. You are right, Keppel Land used to have a couple of properties in the north. They were divested in recent years. This is part of our plan to focus our activities on the core market of Ho Chi Minh City (HCMC). Not to say that we will not develop properties in the north in the future, but I think the focus on HCMC has paid off handsomely. The team led by our President of Vietnam Linson has been very successful in amalgamating quite a nice land bank in HCMC and together with very strong local team as well, we have been able to execute on some of these projects and established ourselves as one of the premier developers in HCMC. So, no current plans to go up north, but of course that could be something that we can review in the future.

Joshua Lee from Deutsche Bank: Hello, I have 3 questions. First question, were there any one-off items which caused the Investments Division's EBIT loss? Second question, is further restructuring required in the O&M Division? And third, what is Keppel Capital's AUM currently, and as of first quarter 2018?

LCH: Maybe I will ask Hon Chew to answer the first question?

CHC: Thank you Chin Hua. Actually no, it is not due to any one-off item. The first quarter this year, the loss mainly arose from the share of losses at KrisEnergy. As a matter of fact, last year it was also a

share of loss, in fact a higher loss. Last year, we had the benefit of the gains from land sales at the Tianjin Eco-City, which have substantially offset those losses.

LCH: Thank you. The O&M Division, as I have shared in previous results briefings, we have gone through a very lengthy rightsizing exercise, starting in early 2015. We believe that for Keppel O&M, we are at the point where we are about rightsized. Right now, we think the key for us is to look for new revenue growth, new orders, and the contract with Awilco for the harsh environment midwater semi is a very important win for us. We will continue to hunt for new projects, the restructuring is pretty much done but we will still have to watch very carefully. I think one of the key parts that you might notice is that the Division's quarterly revenue this quarter is one of the lowest in a number of years. Despite that, we still had a small operating profit. The losses were as a result of some of our associates as well as the tax provision that was taken in the US. Maybe I will ask Christina to handle the third question?

CT: Sure. Hi Joshua, on Keppel Capital's AUM, we are about S\$29 billion. We just did an annual tabulation of this number. We don't do the frequent quarterly updates on Keppel Capital's AUM.

Cheryl Lee from UBS: In the balance sheet, there is a new item called Contract Assets, are these related to O&M?

CHC: This arises from the adoption of a new accounting standard SFRS 15, which is effective on 1st January 2018. Basically, it requires the reclassification of Work-in-progress in excess of billings from Stocks to Contract Assets in the balance sheet. This relates not just to Keppel O&M, but includes the Property Division as well. If you want more information, you can refer to Page 16 of the SGXNET announcement.

Ajay Mirchandani from JP Morgan: I have 3 questions. First question, can management explain the difference between the S\$289 million gain on Keppel Cove mentioned in PowerPoint versus the S\$337 million gain mentioned in the financial accounts? Second question, how much is loss on the KrisEnergy warrants? What does the fair value gain of S\$12.7 million on inventory relate to?

CHC: Pre-tax gain on Keppel Cove is S\$337 million. After tax is S\$289 million.

LCH: On the second question, we don't disclose that.

CHC: On the third question, the fair value gain is actually a write-back of provision on one of the Keppel Land's projects in Singapore.

Gerald Wong from Credit Suisse: I have 2 questions. First question, Sete Brasil could resume the construction of some drilling rigs following its settlement with Petrobras, how quickly will you be able to resume construction of the units upon notification by Sete Brasil. Second question, when do you expect to be able to launch Keppel Towers and Nassim Woods upon redevelopment?

CO: I will take that question. While Petrobras has approved the main terms of the possible agreement with Sete Brasil, the details of this agreement are still to be negotiated. So, at this stage, we do not have an answer to what is in the agreement and we will keep everybody posted if construction were to resume when the agreement is there.

LCH: Thank you. On the second question, we could be quite fast. For the Nassim Woods, it could be even the second half towards the end of the year. Keppel Towers is more likely to be early part of next year. Of course, all would depend on the market conditions. We will take a decision later in the year.

Conrad Werner from Macquarie: First question, what has caused a slowdown in Sino-Singapore Tianjin Eco-City land sales? Is this also impacted by the cooling measures? Second question, is there any more en bloc sales in China we can expect for the balance of the year?

LHC: The answer to the first question is yes, it is impacted by the cooling measures. On the second question, this is not something that we will provide a forecast on, but we will continuously review our portfolio. In some cases, if we get an interesting offer on a hold-sell analysis, if it makes more sense for us to sell en bloc, we will do so. But there is no forecast for that.

Lim Siew Kee from CIMB: I have 4 questions. 1) What projects in O&M were deferred? 2) O&M associate loss, can you please elaborate on the reasons? 3) When will you start recognising Awilco's project? 4) Should we expect a significant slowdown in Tianjin Eco-City this year? What is your view on the ground?

LCH: On Question 1, I don't believe any was deferred this quarter. On Question 2, our associates are also operating under quite challenging conditions. So whilst oil prices have improved, it may take a while before we see a broad-based recovery. Hon Chew, would you like to take the third question?

CHC: On the third question, it is likely to be the fourth quarter of the year.

LCH: On the fourth question, as I mentioned earlier, there is some impact from the cooling measures. We have also said in previous results briefings that Tianjin Eco-City will be a strong contributor to the Group over the medium to long term, but the sales of land is quite lumpy, so quarter to quarter the performance may vary. So I don't think we should look too much into the quarter's results, but looking at the overall, we still believe that Tianjin Eco-City will be a very strong contributor to the Group in the years ahead.

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