

**Address by Mr Loh Chin Hua,
Chief Executive Officer, Keppel Corporation Limited**

SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2019

1. Good evening. Welcome to the conference and webcast on Keppel Corporation's results and performance in the Second Quarter and First Half of 2019.
2. The global economic environment has turned more sombre in recent months, with trade tensions between the world's largest economies, slowing global trade and growth, and falling investments on the back of declining business confidence. Flash estimates by Singapore's Ministry of Trade and Industry last week showed that Singapore's economic growth had slowed considerably in the second quarter.
3. So far, the trade tensions have had a limited, direct impact on Keppel. However, if tensions were to worsen, and the international supply chain and technology access threaten to bifurcate, this could have a significant impact on the international economic and operating environment. We must therefore remain agile and be prepared not only to deal with the possible challenges ahead, but to seize opportunities that may arise from these disruptive changes.
4. Against the backdrop of a volatile macro environment, Keppel has remained resilient, underpinned by our multi-business model and diversification across sectors and geographies. As we execute our businesses, we have continued to seek new opportunities and growth platforms, whether in renewables or cleaner fossil fuels such as LNG, or expanding our property business in high-growth cities such as Nanjing in China, or Ho Chi Minh City in Vietnam.

Financial Performance

5. For 1H 2019, we achieved a net profit of S\$356 million, lower than the S\$586 million achieved in 1H 2018. In the same period last year,

the Group had made a profit of S\$416 million from the en-bloc sales of development projects in China and Vietnam, whereas profits from en-bloc sales were lower in 1H 2019.

6. On an annualised basis, our Return on Equity was 6.3%.
7. We had free cash outflow of S\$614 million in 1H 2019, mainly due to higher working capital requirements in the Offshore & Marine (O&M) and Property divisions as well as lower proceeds from en-bloc sales, compared to the inflow of S\$873 million in 1H 2018.
8. Our net gearing was 0.82x at end-June 2019 compared to 0.72x as at end-March 2019. This was mainly due to S\$273 million of cash paid to shareholders in May 2019 as the final dividend for FY 2018, as well as S\$224 million incurred for the privatisation of Keppel T&T.
9. Taking into account the Group's performance, the Board has approved an interim dividend of 8.0 cents per share for 1H 2019, which will be paid to shareholders on 6 August 2019.

Multiple Earnings Streams

10. We remain focused on improving the quality of our earnings. Recurring income contributed S\$145 million or about 40% of our net profit in 1H 2019, higher than the S\$114 million in 1H 2018, in part due to the higher contribution from M1 resulting from our consolidation of its results, and higher contribution from our asset management business. RIDs made up S\$207 million of net profit. This includes the fair value gain from the re-measurement of our previously held interest in M1, as well as revaluation gains from our investment properties.

Offshore & Marine

11. In the O&M sector, the market for offshore drilling rigs remains challenging. However, we continue to seize opportunities in

production and LNG assets as well as specialised vessels. Keppel O&M's efforts to reshape its business are also bearing fruit, especially in the renewables sector.

12. On the back of Keppel O&M's efforts to secure new orders and aggressive cost management, our O&M Division made a profit of S\$10 million in 1H 2019, compared to a net loss of S\$40 million in 1H 2018. In line with the increased workload, Keppel O&M has also started growing its headcount, from 10,843 in the first quarter, to 11,582 as at end-June 2019.
13. New contracts secured by Keppel O&M year-to-date amount to close to S\$1.9 billion, more than the S\$1.7 billion of new orders secured for the whole of 2018. Close to 60% of the new orders are for LNG and renewables related projects.
14. Among the new contracts secured are offshore wind projects worth about S\$720 million from TenneT Offshore for the design, construction and installation of two converter stations servicing offshore wind farms in the German sector of the North Sea, as well as two offshore windfarm stations from Orsted, for Taiwan. We have also secured FPSO conversion contracts from our regular customers, SBM Offshore and Yinson Production.
15. As demand for offshore renewables continues to gain traction, we will leverage and extend our capabilities in offshore engineering and construction to tap on this fast-growing adjacent sector.
16. Keppel O&M's net orderbook has risen to S\$5.5 billion as at end-June 2019, excluding our projects for Sete Brasil, compared to S\$4.3 billion as at end-2018. This is the highest that our net orderbook has been since 2016, when we first excluded the Sete rigs from our orderbook.
17. In the first six months of 2019, Keppel O&M continued to focus on delivering its projects well. We delivered two FPSOs, including Liza Destiny, Guyana's first FPSO, which was delivered to SBM for ExxonMobil's Liza Field. We will soon commence work on a second

FPSO for the Liza Field. We also delivered three units of the world's first European Union (EU) Stage V dredgers to Jan De Nul, further strengthening our track record in the non-oil and gas segment. In addition, we delivered a jackup to Ensco Rowan for operations in the UK North Sea, and have struck steel for the GIMI FLNG conversion.

Property

18. Our Property Division made a net profit of S\$262 million for 1H 2019, lower than the S\$606 million in 1H 2018, which had been boosted by en-bloc sales of development projects.
19. Keppel Land continues to deepen its presence and strengthen its portfolio in the key markets of China and Vietnam. Last week, Keppel Land inked a conditional share purchase agreement with established Vietnamese developer, Phu Long, to acquire a 60% interest in three land parcels in Ho Chi Minh City. The 2,400 premium apartments to be built on the sites will add to our current pipeline of about 15,000 homes in Vietnam.
20. The Property Division sold about 2,100 homes with a total sales value of about S\$1.2 billion in the first half of 2019, significantly higher than the 1,385 units in the same period last year. These include about 110 homes in Singapore, 1,140 in China, 610 in Vietnam, 50 in Indonesia and 190 in India.
21. Despite cooling measures in China, our well-located projects in high growth cities such as Nanjing, Wuxi and Tianjin continue to draw strong interest. For example, both the first and second phases of our Nanjing residential project were 10 times oversubscribed, and ballots had to be held among the prospective buyers. All 716 launched units in the two phases have been sold out.
22. Earlier this month, we launched 193 homes at Seasons Residences Phase 3 in Tianjin Eco-City, and all the units were sold within a day.

These latest sales in Tianjin have not been included in the home sales data for 1H 2019.

23. Our homes in Vietnam have also been well received by home buyers, with more than 98% of the 194 units in the last tower of Palm City Phase 2 sold at the launch in May.
24. In all, we expect the sale of some 8,690 overseas units worth about S\$2.9 billion to gradually contribute to earnings over the next few years from 2H 2019 to 2022.
25. We currently have a residential landbank of about 46,000 homes as at end-June 2019, of which about 15,000 units are launch-ready from 2H 2019 to 2021.

Infrastructure

26. Our Infrastructure Division achieved a net profit of S\$59 million in 1H 2019 with strong earnings growth from Keppel Infrastructure, offset by losses in the logistics business. The Division's net profit was lower year-on-year, due primarily to the absence of the dilution gain following Keppel DC REIT's private placement exercise in 1H 2018.
27. Keppel Infrastructure delivered creditable first half results with strong underlying performance from across all its three divisions - Energy, Environment and Infrastructure Services.
28. The construction of Keppel Marina East Desalination Plant is over 85% completed. It is ramping up to commence testing and commissioning in 3Q 2019 and is on track to commence operation in early 2020.
29. Meanwhile, the Hong Kong Integrated Waste Management Facility is in advanced stages of design and engineering and has been contributing to the Group's bottom line since 1Q 2019.

30. Keppel Electric continues to grow its customer base in the Open Electricity Market (OEM). It has signed on about 150,000 household customers to-date, and is currently the leading OEM electricity retailer in Singapore.
31. We continue to strengthen the capabilities of Keppel Data Centres, which has invested in a minority stake in Etix, a Luxembourg-based data centre developer and provider of data centre colocation services. The investment allows Keppel Data Centres to gain a deeper appreciation of how cloud players are exploring the deployment of small-scale edge data centres in high potential markets, which is often a precursor before they upscale their deployment.

Investments

32. Our Investments Division made a net profit of S\$25 million for 1H 2019, compared to a net loss of S\$46 million in the same period last year. This is due to stronger earnings from Keppel Capital, driven by new acquisitions, higher contribution from M1 following our acquisition this year and re-measurement gain of previously held interest in M1.
33. Keppel Capital continues to leverage its on-the-ground presence and network to expand its portfolio and grow its AUM.
34. During the quarter, Keppel REIT acquired a stake in T Tower, a freehold Grade A office building in Seoul's central business district. Separately, the Alpha Asia Macro Trends Fund III acquired another three Grade A offices, also in Seoul.
35. Seoul is a familiar market for Keppel Capital. We have, since 2004, managed close to S\$3 billion of assets with gross floor area of 5.2 million sf in South Korea. Keppel REIT's foray into Seoul is testament of the Group's ability to hunt as a pack to seek strategic investment opportunities for growth.

36. Keppel Capital has also announced that it will participate as a strategic partner in the proposed listing of Prime US REIT, thus further deepening our presence in the US.

Driving M1's Transformation

37. We will continue to work with SPH and the board and management of M1 to drive M1's transformation. This includes accelerating core consumer growth, expanding the B2B segment, improving cost efficiencies and looking beyond Singapore for growth opportunities, harnessing Keppel's international presence and network.
38. As a first step to drive consumer growth, M1 has revamped its mobile offerings, and launched a new, simplified plan to replace its previous 19 plans, as well as a new website to enhance customer experience. Since the launch of the new One Plan in May, M1 secured more than 15,000 new customers within a month, taking its base to 2.25 million as at end-June, an increase of about 80,000 customers year-on-year. M1 will continue to drive growth through other exciting offers in the near future.
39. M1 also recently won the 5G Trial Tech Call awarded by Infocomm Media Development Authority (IMDA) and PSA. The partnership with IMDA and PSA offers M1 an opportunity to work on 5G network infrastructure development for future applications across various industry verticals. This trial will help augment M1's in-house 5G competencies, strengthen its readiness to harness new capabilities for customers in the digital economy, and place it in a good position to participate in IMDA's upcoming Call For Proposal for 5G spectrum and licence.
40. We are also driving collaboration between M1 and other Keppel entities. We have announced that Keppel O&M and M1 are working with the Maritime and Port Authority of Singapore (MPA) to testbed Maritime Autonomous Surface Ships in Singapore waters. The collaboration harnesses Keppel O&M's autonomous vessel technology and M1's ultra-low latency 4.5G network connectivity to establish reliable ship-to-shore communication links and support

mission-critical IoT maritime applications. Keppel Data Centres is also collaborating with M1 to widen its data centre capabilities and offerings.

41. 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 will continue to drive the necessary changes in M1 to enhance its competitiveness, and grow M1 to be a pillar of recurring income for the Group.

Investing in Innovation

42. I have said at the last quarter's results briefing that the key pieces of our business transformation are in place. As we execute and deliver on our plans, we will leverage new technologies and innovations to stay ahead.
43. Our innovation strategy includes tapping the start-up eco-system to gain insights as well as access to emerging trends, creative solutions and deal flows. In the year to date, we have invested about S\$100 million in venture capital and high-growth businesses and start-ups in areas such as prop tech, China tech start-ups, enterprise & deep tech, edge data centre solutions and batteries for electric vehicles.
44. These efforts to acquire new knowledge and capabilities will not only enhance the depth and breadth of our solutions for sustainable urbanisation, but also keep us ahead of potential disruptions in the fast-changing landscape.
45. I will now hand over the time to Hon Chew who will take you through the Company's financial performance. Thank you.

**Address by Mr Chan Hon Chew,
Chief Financial Officer, Keppel Corporation Limited**

SECOND QUARTER ENDED 30 JUNE 2019

2Q 2019 Financial Performance (Slide 19)

1. Thank you, Chin Hua, and a very good evening to all. I shall now take you through the Group's financial performance.
2. In the second quarter of 2019, the Group recorded a net profit of \$153 million, which was 39% lower than the same quarter last year.
3. Correspondingly, the earnings per share decreased by 39% to 8.4 cents in this quarter.
4. The Group's revenue for the second quarter was 17% or \$261 million higher than the same quarter last year. All divisions, except the Offshore & Marine Division, registered higher revenues during the quarter.
5. However, operating profit fell by 43% or \$120 million despite higher revenues largely due to absence of gains from en-bloc sales of development projects compared to the same quarter last year.
6. Profit before tax at \$206 million, decreased by a lower percentage of 31% due mainly to higher investment income and higher share of profits from associated companies arising from fair value gains on investment properties. The Group has historically revalued its investment properties only at the end of the financial year, which can result in lumpy recognition of significant fair value gains or losses in the last quarter of the year. To provide more timely reporting and better understanding of the performance of the property investment segment, the Group has adopted mid-year revaluation of its investment properties with effect from this quarter.
7. After tax and non-controlling interests, net profit was 39% or \$96 million lower at \$153 million, translating to an earnings per share of 8.4 cents.

2Q 2019 Revenue by Segment (Slide 20)

8. In the next slide, we take a closer look at the Group's revenues by division.
9. In the second quarter of 2019, the Group's revenue at \$1.8 billion was 17% higher than the same quarter last year.

10. Revenue from the Offshore & Marine Division decreased by 21% to \$481 million mainly attributable to the absence of revenue recognised from the sale of jackup rigs to Borr Drilling Limited as compared to the same quarter last year.
11. The Property Division's revenue increased by 11% from last year, mainly due to higher revenue from China trading projects such as the Waterfront Residences in Wuxi and Serenity Villa in Chengdu, partly offset by the absence of revenue from Highline Residences, which was fully sold in 2018, as well as lower revenue from Reflections at Keppel Bay.
12. Infrastructure Division saw a 12% growth in revenue as a result of increased sales in the power and gas businesses, as well as progressive revenue recognition from the Hong Kong Integrated Waste Management Facility project.
13. Revenue from the Investments Division increased by \$281 million to \$306 million largely due to the consolidation of M1's results and higher revenue from the asset management business.

2Q 2019 Pre-tax Profit by Segment (Slide 21)

14. Moving on to the Group's pre-tax profit.
15. The Group recorded \$206 million of pre-tax profit for the second quarter of 2019, 31% lower than the same period last year.
16. The Offshore & Marine Division's pre-tax profit was \$4 million as compared to a pre-tax loss of \$11 million in the same quarter last year. This was mainly due to higher operating results, higher investment income and lower net interest expense, partly offset by share of associated companies' losses as compared to share of profits in the same quarter last year.
17. The Property Division's pre-tax profit was 38% lower at \$161 million, due mainly to the absence of gains from en-bloc sales of development projects compared to the same quarter last year, partly offset by higher investment income and higher contribution from associated companies arising from fair value gains on investment properties.
18. The Infrastructure Division's pre-tax profit of \$51 million was 16% higher than last year, due mainly to higher contribution from Energy Infrastructure and Environmental Infrastructure, as well as better performance from associated companies. These were partly offset by the absence of dilution gain arising from Keppel DC REIT's private placement exercise last year and lower contribution from the logistics business.
19. Excluding the charges relating to the acquisition of M1, the Investments Division registered a pre-tax profit of \$6 million, an increase of \$1 million from last year. This was mainly due to higher contribution from M1 resulting from the consolidation of its results and higher contribution from the asset management business. The increase was partly offset by higher net interest expense and fair value loss on Kris Energy warrants.

2Q 2019 Net Profit by Segment (Slide 22)

20. After tax and non-controlling interests, the Group's net profit decreased by 39% or \$96 million, with Property Division being the top contributor to the Group's earnings, followed by the Infrastructure and Offshore & Marine Divisions.

1H 2019 Financial Performance (Slide 23)

21. I shall now take you through the performance for the first half of 2019.
22. Compared to the same period last year, net profit for the first six months was 39% lower at \$356 million.
23. Consequently, annualised ROE decreased to 6.3%.
24. Free cash outflow for the first six months of this year was \$614 million as compared to an inflow of \$873 million in the same period last year mainly due to higher working capital requirements with the construction progress of Offshore & Marine's major projects, and Keppel Land's additional property development and land acquisition costs, as well as lower proceeds from en-bloc sales.
25. Net gearing increased from 0.48x at the end of 2018 to 0.82x at the end of June 2019. This was due mainly to borrowings drawn down for the acquisition of M1 and the privatisation of Keppel Telecommunications & Transportation, working capital requirements, payment of the final dividend for FY2018, as well as the recognition of lease liabilities following the adoption of Singapore Financial Reporting Standards (International) 16 on leases.
26. The Group earned a total revenue of about \$3.3 billion in the first half of 2019, an increase of 11% or \$322 million compared to the same period last year. Higher revenues from the Infrastructure and Investments Divisions were partially offset by lower revenues from the Property and Offshore & Marine Divisions.
27. Despite higher revenues, operating profit at \$482 million was 37% or \$284 million lower than the corresponding period last year. This was due mainly to lower gains from en-bloc sales of development projects compared to the same period last year, partially offset by fair value gain from the re-measurement of previously held interest in M1 arising from the acquisition this year.
28. Profit before tax, at \$489 million, decreased by a slightly lower percentage of 34% due mainly to higher investment income and higher share of profits from associated companies, partly offset by higher net interest expense, as a result of higher borrowings and the adoption of Singapore Financial Reporting Standards (International) 16.
29. After tax and non-controlling interests, net profit at \$356 million was 39% or \$230 million lower, translating to an earnings per share of 19.6 cents.

1H 2019 Revenue by Segment (Slide 24)

30. In the next slide, we take a closer look at the Group's revenues by division.
31. For the first half of 2019, the Group earned total revenues of about \$3.3 billion, 11% higher than last year.
32. The Offshore & Marine Division recorded a decrease in revenue of \$126 million due mainly to absence of revenue recognised from the sale of jackup rigs to Borr Drilling Limited compared to the same period last year.
33. The Property Division's revenues decreased by 20% from last year, mainly due to the absence of revenue from Highline Residences, which was fully sold by the first quarter of last year, as well as lower revenues from Reflections and Corals at Keppel Bay, partly offset by higher revenue from China trading projects.
34. Infrastructure Division saw an 18% growth in revenue as a result of increased sales in the power and gas businesses, as well as progressive revenue recognition from the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project.
35. Revenue from the Investments Division increased by \$393 million to \$449 million largely due to the consolidation of M1's results and higher revenue from the asset management business.

1H 2019 Pre-tax Profit by Segment (Slide 25)

36. Moving on to the Group's pre-tax profit.
37. The Group recorded \$489 million of pre-tax profit for the first half of 2019, 34% lower than the same period last year.
38. The Offshore & Marine Division's pre-tax profit was \$5 million as compared to a pre-tax loss of \$26 million in the same period last year. This was mainly due to lower net interest expense and higher share of associated companies' profits in the first half of 2019.
39. The Property Division's pre-tax profit was 53% lower at \$342 million, due mainly to lower gains from en-bloc sales of development projects and lower contribution from Singapore trading projects. This was partly offset by higher investment income and higher contribution from associated companies arising from fair value gains on investment properties.
40. The Infrastructure Division's pre-tax profit of \$71 million was 4% lower than last year, due mainly to the absence of dilution gain arising from Keppel DC REIT's private placement

exercise last year and lower contribution from the logistics business, partly offset by higher contribution from Energy Infrastructure and Environmental Infrastructure.

41. Excluding the charges relating to the acquisition of M1, the Investments Division registered a pre-tax profit of \$98 million as compared to a pre-tax loss of \$35 million last year. This was mainly due to the fair value gain from the re-measurement of previously held interest in M1 arising from the acquisition and higher contribution from M1 upon consolidation of its results, partly offset by higher net interest expense, fair value loss on KrisEnergy warrants and provision for impairment of an associated company.

1H 2019 Net Profit by Segment (Slide 26)

42. After tax and non-controlling interests, the Group's net profit decreased by 39% or \$230 million, with Property Division being the top contributor to the Group's earnings, followed by the Infrastructure, Investments and Offshore & Marine Divisions.

Net Profit and EPS (Slide 27)

43. The Group's net profit of \$356 million for the first half of 2019 translated to an earnings per share of 19.6 cents.

ROE & Dividend (Slide 28)

44. In this first half of 2019, our annualised ROE decreased to 6.3%.
45. Our interim cash dividend to our shareholders for this period will be 8.0 cents per share.

Free Cash Flow (Slide 29)

46. Cash flow from operations was \$434 million in the first six months of this year, as compared to \$346 million in the same period last year.
47. After accounting for working capital changes, interest and tax, net cash outflow from operating activities was \$896 million, as compared to an inflow of \$357 million last year, due mainly to increase in working capital requirements, with the construction progress of Keppel Offshore & Marine's major projects such as the Awilco Semi, the Jones Act vessels for Pasha Hawaii and the Borr Drilling jack-up rigs, as well as Keppel Land's additional property development costs and acquisition cost of a land plot in Tianjin.
48. Net cash generated from investing activities was \$282 million comprising divestment proceeds and dividend income from associated companies totalling \$168 million, and net advances from associated companies of \$190 million, partly offset by investments and operational capital expenditure of \$76 million. Net cash generated from investing activities

last year was higher at \$516 million largely due to the cash inflow from en-bloc sales in China and Vietnam.

49. As a result, there was an overall free cash outflow of \$614 million for the first half of 2019, as compared to an inflow of \$873 million last year.
50. With that, we have come to the end of the slides for the results presentation, and I shall hand the time back to our CEO, Chin Hua, for the Q&A section. Thank you.