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

THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017

Welcome

1. Good evening. On behalf of my colleagues on the panel, I welcome you to the conference and webcast on our results and performance in the Third Quarter and Nine Months of 2017.

2. It has been an active quarter for the Keppel Group as we worked hard to both deliver our projects, and hunt as a pack for growth opportunities, leveraging our competencies and track record as a solutions provider for sustainable urbanisation. As I will elaborate further in the presentation, we have made significant progress in our gas strategy, our efforts to grow our asset management business, and our plans to grow the Group's capabilities to meet the growing demand for integrated, large-scale urban developments.

Financial Performance

3. For the first nine months of 2017, we achieved a net profit of S$712 million, 11% higher compared to the same period in 2016. It is a respectable set of results, underpinned by our multi-business strategy, which helped to offset the significantly lower contributions from our Offshore & Marine (O&M) Division.

4. EVA was S$61 million. On an annualised basis, our Return on Equity was 7.7%.

5. We achieved a free cash inflow of S$1.2 billion in the nine months of 2017, more than double the inflow of S$552 million in the corresponding period last year.

6. Our net gearing is lower at 0.50x compared to 0.58x as at end-June 2017, despite having paid out S$145 million in interim dividends in August 2017.

Multiple Earnings Streams

7. Our businesses continue to focus on improving the overall quality of our earnings.

8. Recurring income amounted to S$260 million or 37% of net profit in the first nine months of 2017. This is S$26 million higher than last year, in part due to higher contributions from Keppel Capital and Keppel Infrastructure.

Offshore & Marine

9. Let me move on to the performance of our O&M Division.

10. There appears to be growing optimism on a nascent recovery in the offshore market, fuelled by the momentum in mergers and acquisitions, as well as recent secondary rig

transactions. However, with continuing low utilisation rates and a large supply overhang in the jack-up market, it will take time before we can expect to see orders for newbuild jack-ups. In the meantime, Keppel continues to seek opportunities in other markets, including production assets, Jones Act vessels, as well as LNG-related solutions.

11. Despite a much reduced top line, Keppel Offshore and Marine (Keppel O&M) achieved an operating profit of S$39 million in the first nine months of 2017. The operating profit, supplemented by contribution from associates, was just able to cover financing costs for working capital, which enabled the company to break even. Keppel O&M's headcount now stands at about 16,000, compared to more than 36,000 at the start of 2015. Keppel O&M will continue its efforts to optimise operations and manage costs tightly even as it builds new capabilities and expands into new markets.

12. Keppel O&M has secured contracts of slightly more than S$1 billion, year to date, including LNG containerships and carriers, dredgers as well as Floating Production Storage and Offloading vessel (FPSO) conversions.

13. The latest FPSO conversion of a Very Large Crude Carrier clinched by Keppel Shipyard is our 25th major project from long-standing customer, SBM Offshore. Upon completion, the FPSO will be deployed to the Liza field, located offshore Guyana.

14. As at 30 September 2017, Keppel O&M's net orderbook was S$3.9 billion, compared to S$3.4 billion at the end of the last quarter, excluding the projects for Sete Brasil. In the first nine months of 2017, Keppel O&M delivered seven major projects, namely four FPSOs, a semi, a subsea construction vessel and a crane vessel.

15. In this quarter, we reached an agreement with TS Offshore to defer the delivery of its jackup from 2017 to 2019. We will continue to engage our customers to seek win-win outcomes.

16. On a separate note, we are heartened by the traction we have made in new markets.

17. With about 30 years of experience in the LNG space, Keppel has developed cost effective, end-to-end solutions for every stage of the gas value chain.

18. Keppel AmFELS, a wholly owned subsidiary in the United States, is ideally located and well-equipped to build a wide variety of vessels for the Jones Act market. It recently secured a contract worth more than US$400 million from Honolulu-based Pasha Hawaii for the construction of two Liquefied Natural Gas (LNG) fueled containerships to be built to our proprietary design. We expect to deliver the two vessels in 2020.

19. Last week, we also witnessed the delivery of the Hilli Episeyo, the world's first FLNG vessel conversion that we completed in partnership with Golar LNG. We are pleased to have provided Golar with a game-changing solution that is not only significantly more cost effective but also much faster to market.

20. In another milestone for us, FueLNG, our joint venture with Shell, has achieved the first commercial LNG bunker transfer in Singapore by completing truck-to-ship bunkering for Hilli Episeyo.

21. Keppel O&M has also entered into a Heads of Agreement with Pavilion Energy and Indonesia's state-owned PT Perusahaan Listrik Negara (PLN) to explore opportunities in the development of small-scale LNG distribution in West Indonesia.

<u>Property</u>

22. We turn now to our Property Division.

23. For the first nine months of 2017, our Property Division turned in a net profit of S$398 million, higher than the S$355 million achieved over the same period last year.

24. Keppel Land has been actively recycling assets to seek higher returns, and rebalancing its portfolio by scaling up in selected high-growth cities where it has an established track record and strong teams.

25. Keppel Land has made divestments totalling S$400 million this year. Last month, Keppel Land China completed the divestment of its stake in the development company for the Waterfront Residences in Nantong, yielding a net divestment gain of about RMB 369 million (approximately S$79 million).As land prices have risen rapidly in China, Keppel Land is prepared to divest land or development companies, if this can give us the best risk-adjusted returns. Earlier in the year, Keppel Land also divested its stake in the joint venture company developing a prime site in Surabaya's CBD.

26. Seizing opportunities in the region, Keppel Land has made acquisitions totalling about S$850 million year to date. In this quarter, we secured well-located residential sites in Singapore and Jakarta, where we will leverage our experience and reputation to meet the demand for quality homes. These were in addition to the joint acquisition of a mixed-use development, SOHO Hongkou, in Shanghai by Keppel Land and Alpha, as well as Keppel Land's increased stake in Saigon Centre in Ho Chi Minh City earlier this year.

Home sales

27. On home sales, Keppel Land sold about 3,790 homes in the first nine months of 2017, about 8% higher than the 3,510 homes we sold in the same period last year. We achieved a total sales value of about S$2 billion, compared to S$1.6 billion over the same period last year.

28. On the whole, home sales have improved in Singapore, Vietnam and Indonesia, but were lower in China due to the Chinese government's tightening measures. We sold about 2,380 homes in China, lower than the 2,940 units over the same period last year. In Vietnam, we sold 1,010 homes, four times the units sold year-on-year. Over in Indonesia, on the back of more positive sentiments, we sold 95 units at West Vista in Jakarta.

29. Meanwhile, in Singapore, our home sales held steady with 300 units sold, comparable to the number of homes we sold over the same period last year. The Glades has been fully sold out, ahead of the ABSD deadline, and we have also seen strong demand for our other projects in Singapore.

30. We expect profit from some 6,330 units of overseas homes sold to be recognised upon completion from 4Q 2017 through to 2019. The total sales value of these homes is about S$2 billion.

Property Portfolio

31. In our residential portfolio, we have a pipeline of about 62,000 homes, of which about 16,700 units are ready for launch from now till end-2019.

32. On our commercial portfolio, we have a combined office and retail GFA of about 1.5 million square metres. This comprises about 500,000 square metres in completed projects and about 970,000 square metres under development. The completed commercial assets currently generate recurring income of about S$20 million per annum. We expect income for the completed commercial portfolio to rise to about S$75 million per annum when the lease-up for the assets has stabilised.

<u>Infrastructure</u>

33. We will move on to our Infrastructure Division.

34. The Infrastructure Division's net profit for the first nine months of 2017 was S$97 million, up from S$80 million year-on-year. Stronger performance was driven by energy and infrastructure services. Since the groundbreaking of our Keppel Marina East Desalination Plant in June this year, the project has been progressing well. Revenue recognition has started in 3Q 2017 and we expect steady contributions from this project leading up to the commencement of our Water Purchase Agreement with PUB in 2020.

35. Keppel Infrastructure will continue to seek out value-enhancing projects, leveraging its project development, engineering, operations and maintenance expertise. It is also actively preparing for the full liberalisation of Singapore's electricity market in 2018, which will open up new opportunities.

36. Keppel Data Centres injected its interest in Keppel DC Singapore 4 (KDC SGP 4) into the Alpha Data Centre Fund (Alpha DC Fund) in this quarter. It is a further

demonstration of Keppel's capabilities in building investment grade data centre assets that appeal to investors.

37. Separately, Keppel Data Centres has invested in a US data centre start-up, Nautilus Data Technologies, which will allow us to benefit from the development of innovative and sustainable data centre technology with potential for broader commercial application. Through the investment, we can also explore opportunities for collaboration and harnessing of synergies within the Keppel Group, for example, by tapping the Group's capabilities and experience in the offshore and marine sector for the development of floating water-cooled data centres.

38. Our Logistics business is being reshaped to capture the growing e-commerce opportunities in the new economy. Keppel Logistics has seamlessly integrated Courex into its operations to develop new omnichannel logistics and channel management solutions, targeting both the business-to-business and business-to-consumer segments.

Investments

39. Moving on to Investments, our Investments Division achieved a net profit of S$216 million for the first nine months of the year, compared to S$39 million in the same period last year.

40. Keppel Capital has been actively pursuing both organic and inorganic growth opportunities to increase the contribution of recurring asset management income for the Group.

41. We are pleased to have received the eligibility-to-list letter for the proposed initial public offering and listing of the Keppel-KBS US REIT. The REIT will be a US commercial real estate investment trust jointly sponsored by Keppel Capital and KBS Pacific Advisors. It is part of Keppel's efforts to expand our asset management business into new geographies and asset classes. The proposed listing will be subject to, among other things, prevailing market conditions and the receipt of all requisite approvals.

42. The Alpha DC Fund has closed at a total of about US$1 billion with the partnership of the Canada Pension Plan Investment Board, who has committed an initial US$350 million in the Fund with the option to invest another US$150 million. This doubled Alpha DC Fund's initial target size of US$500 million.

43. Alpha DC Fund is a prime example of how we can harness synergy and expertise across the Keppel Group to deliver enhanced returns. The strong interest garnered and successful closing of the Fund are testament to Keppel's ability to grow our capital platform with investments from quality institutional investors. When fully leveraged and invested, the Fund will potentially have assets under management of approximately US$2.3 billion.

44. Following the closing of the Alpha DC Fund, Keppel Capital's AUM currently stands at S$28 billion.

45. Meanwhile, Keppel DC REIT has acquired its second colocation data centre in Dublin, Ireland, a key data centre hub in Europe. The asset is a strategic addition to Keppel DC REIT's portfolio given its strong tenant profile with a long WALE that provides income stability. The REIT will be able to reap operational synergies from its existing data centre, Keppel DC Dublin 1.

46. In Melbourne, Australia, Keppel REIT has commenced construction of its second asset in the city - a Grade A office tower at Spencer Street which will be the headquarters for the Victoria Police when it is completed in 2020.

Harnessing Strengths, Multiplying Synergies

47. Over the last few quarters, we have witnessed how our multi-business strategy and the Group’s initiatives are bearing fruit. We are driving collaboration across the Group, to harness synergies, grow new business opportunities, enter new markets and capture higher value from all parts of Keppel.

48. The mega trend of rapid urbanisation is a key area where Keppel is carving a niche with our distinct suite of solutions. Earlier today, we have just announced that we will step up efforts to seize opportunities in this space through the establishment of a new business unit, Keppel Urban Solutions (KUS).

Keppel Urban Solutions

49. KUS aims to be an integrated master developer of large-scale mixed-use developments in the Asia-Pacific region. Its creation is a strategic move to harness the Keppel Group’s strengths and diverse solutions in energy, property, infrastructure and connectivity to focus on creating more efficient and vibrant smart precincts and cities of the future.

50. It will leverage our Group’s strong track record and experience as the master developer of several integrated urban developments, including the China-Singapore Suzhou Industrial Park, Sino-Singapore Tianjin Eco-City, Sino-Singapore Jinan Smart City, Jakarta Garden City, Palm City in Vietnam as well as Keppel Bay in Singapore.

51. KUS will be an integrator of the latest urban solutions, bringing together the Group’s capabilities to create sustainable, highly liveable and digitally-connected communities. The solutions provided by KUS will include masterplanning, the development and operation of efficient horizontal infrastructure such as smart utilities, waste management systems and district-level heating and cooling, connectivity and urban logistics, as well as innovative programming to create vibrant and engaging communities.

52. KUS will operate an open platform, allowing us to partner the best-in-class technology providers, such as Microsoft, to offer modern smart living applications for residents using sensing technology and the Internet of Things (IoT), and also to effectively manage infrastructure and community services.

53. Through KUS, the Group can create and capture value through enhancing the value of land and real estate that we own or acquire. It will also allow us to enjoy multiple

earnings streams across the Group, from vertical development by Keppel Land, to the development, management and maintenance of horizontal infrastructure, to the provision of other high quality urban services. We can also bring in co-investors through Keppel Capital to participate in this long-term value creation process.

Saigon Sports City

54. For a start, KUS will collaborate with Keppel Land to apply our capabilities in the Saigon Sports City (SSC), a 64-hectare township that Keppel Land is developing in the prime District 2 in Ho Chi Minh City, Vietnam.

55. SSC will include iconic features such as Vietnam's first one-stop hub for sports, entertainment and lifestyle activities, a waterfront boulevard, and an open public plaza. KUS will also incorporate the latest biophilic design principles in the development, including natural lighting and ventilation, vertical greenery and water features with natural filtration, to create a green and beautiful environment.

56. In addition, KUS will enter into a strategic collaboration with Microsoft to develop and provide smart urban applications for residents and businesses in SSC, using sensing technology and the Internet of Things, as well as to effectively manage infrastructure and community services.

57. Our vision is for SSC to become a bustling hub, combining modern and sustainable urban living with vibrant and healthy lifestyles, which can be a model for other urban developments in Asia. We will share more details on the SSC later, closer to the official launch of the project.

58. We are very excited about this new initiative and confident that it will generate many new opportunities and profit pools for the Keppel Group, as we continue to progress in our goal of being a choice solutions provider for sustainable urbanisation.

59. I shall now invite our CFO, Hon Chew, to take you through the Group's financial performance.

Thank you.

ADDRESS BY MR CHAN HON CHEW, CHIEF FINANCIAL OFFICER, KEPPEL CORPORATION

THIRD QUARTER ENDED 30 SEPTEMBER 2017

3Q 2017 Financial Performance (Slide 24)

1. Thank you, Chin Hua, and a very good evening to all. I shall now take you through the Group's performance.

2. For the third quarter of 2017, the Group recorded a net profit of $291 million, which was 29% above the same period last year.

3. Earnings per share correspondingly increased by 29% to 16.0 cents, while EVA increased from $30 million to $86 million.

3Q 2017 Financial Highlights (Slide 25)

4. The Group's revenue for the third quarter of 2017 was 11% or $158 million higher than the same quarter last year. All divisions except Offshore & Marine registered higher revenues. This is the first year-on-year increase in quarterly revenues at the Group level in the last two and a half years, or since 4Q 2014.

5. As a result, operating profit increased 75% or $139 million to $324 million. This was led by higher profits from the Property and Investments Divisions. Similarly, this is also the first year-on-year increase in quarterly operating profit at the Group level since 4Q 2014.

6. Profit before tax at $363 million, increased 27% or $77 million, by a lower margin than the improvement in operating profit, due mainly to lower share of profits from associated companies. Last year's share of profits from associated companies benefited from an $89 million gain on divestment of Life Hub @ JinQiao.

7. After tax and non-controlling interests, net profit increased by 29% to $291 million. This translated to earnings per share of 16.0 cents for the quarter.

3Q 2017 Revenue by Segments (Slide 26)

8. In the third quarter of 2017, the Group earned total revenues of $1.6 billion, 11% higher than in the same period last year.

9. This was despite the 26% decline in Offshore & Marine Division from lower volume of work and deferment of some projects.

10. Revenues from the Property Division increased by 14%, primarily due to higher revenues from residential projects such as Estella Heights in Ho Chi Minh City and Park Avenue Heights in Chengdu, which were partly offset by lower revenues from other China trading projects and The Glades.

11. The Infrastructure Division registered higher revenue as well, driven by increased sales in the power and gas business, and progressive revenue recognition from the Keppel Marina East Desalination Plant project.

12. The Investments Division also saw an increase in revenue, due mainly to sales of equity investments and performance fees earned by Keppel Capital.

3Q 2017 Pre-tax Profit by Segments (Slide 27)

13. The Group recorded a $363 million pre-tax profit for the third quarter of 2017, 27% higher than last year.

14. The Offshore & Marine Division's pre-tax profit was lower as compared to the same quarter in 2016, due mainly to lower operating results, partly offset by lower net interest expense and higher contribution from associated companies. The division's operating margin was 0.8% compared to 11.4% in the third quarter last year.

15. The Property Division's pre-tax profit increased by 27%, due to higher operating results, which benefited from a $86 million gain on divestment of the Waterfront Residences, a property trading project in Nantong and $39 million gain on the divestment of Sedona Mandalay. These were partly offset by lower contribution from associated companies, primarily resulting from the absence of gain from the divestment of our stake in Life Hub @ Jinqiao last year.

16. The Infrastructure Division recorded an 18% increase in pre-tax profit, due mainly to higher profit from the power and gas business.

17. Pre-tax profit from the Investments Division was $38 million higher, led by higher contribution from Keppel Capital, higher share of profit from associated companies and profit on sale of equity investments.

3Q 2017 Net Profit by Segments (Slide 28)

18. After tax and non-controlling interests, the Group's net profit for the quarter increased by 29% or $66 million, as compared to the same period last year. The Property Division was the top contributor to the Group's earnings at 68%, followed by Investments at 18% and Infrastructure at 14%.

9M 2017 Financial Performance (Slide 29)

19. Next, I shall take you through the performance for the first nine months of 2017.

20. Net profit was 11% higher at $712 million as compared to the corresponding period last year, driven by higher share of profit from associated companies, partially offset by lower operating profit and higher tax expense.

21. Earnings per share also increased correspondingly to 39.2 cents. Annualised ROE rose slightly to 7.7% while EVA was higher at $61 million.

22. Free cash flow for the period was an inflow of $1.2 billion, compared to an inflow of $552 million in the first nine months of 2016, due mainly to lower working capital requirements from the Offshore & Marine and Property Divisions.

23. Consequently, net gearing decreased from 56% at the end of 2016 to 50%.

9M 2017 Financial Highlights (Slide 30)

24. The Group earned total revenues of $4.4 billion in the first nine months of 2017, a decrease of 8% or $408 million compared to the same period last year. Lower revenues from the Offshore & Marine and Property Divisions, were partially offset by higher revenues from the Infrastructure and Investments Divisions.

25. Operating profit at $650 million was 7% or $47 million lower than the same period last year. Lower profits were recorded in the Offshore & Marine Division, partially offset by higher profits from the other three divisions.

26. Despite lower operating profits, profit before tax was 9% or $78 million higher than in the same period last year as a result of higher share of profit from associated companies, mainly contributed by Sino-Singapore Tianjin Eco-City, from the sale of three land parcels earlier this year.

27. After tax and non-controlling interests, net profit was 11% higher at $712 million.

28. Similarly, earnings per share increased by 11% to 39.2 cents.

9M 2017 Revenue by Segments (Slide 31)

29. For the nine month period, the Group earned total revenues of $4.4 billion, 8% lower than last year. This was driven largely by the 36% decrease in Offshore & Marine revenues as a result of lower volume of work and deferment of some projects.

30. Property revenues dropped by 7%, due mainly to lower revenue from Phase 6 of Eight Park Avenue in Shanghai, and The Glades, partially offset by higher revenues from Highline Residences, Park Avenue Heights in Chengdu, and Estella Heights in Ho Chi Minh City.

31. The Infrastructure Division saw a 31% growth in revenues, led by increased sales in the power and gas business and progressive revenue recognition from the Keppel Marina East Desalination Plant project.

32. Revenue from the Investments Division was 52% higher, resulting from sales of equity investments, as well as performance and acquisition fees earned by Keppel Capital.

9M 2017 Pre-tax Profit by Segments (Slide 32)

33. The Group recorded a pre-tax profit of $927 million for the first nine months of 2017, which was a 9% increase as compared to the same period last year.

34. The Offshore & Marine Division's pre-tax profit was 96% lower, as a result of lower operating results and higher net interest expense. The division's operating margin for the first nine months was 2.7%, compared to 12.8% in the same period last year.

35. Pre-tax profit from the Property Division was higher by 8%, driven mainly by gains from divestments of stakes in property trading projects in China and Indonesia, partially offset by lower contribution from associated companies, primarily resulting from the absence of gain from the divestment of our stake in Life Hub @ Jinqiao in the prior year.

36. The Infrastructure Division saw an increase of 24% in pre-tax profit, due to higher operating results as well as gains from the divestment of GE Keppel Energy Services Pte Ltd.

37. The Investments Division's pre-tax profit was $240 million higher, led mainly by higher share of profit of associated companies including Sino-Singapore Tianjin Eco-City and K1 Ventures, write back of provisions for impairment of investments and profit on the sale of equity investments. These were partially offset by fair value loss on KrisEnergy warrants and share of loss in KrisEnergy.

9M 2017 Net Profit by Segments (Slide 33)

38. After tax and non-controlling interests, the Group's earnings increased by 11% or $71 million, with the Property Division being the top contributor at 56%, followed by Investments at 30% and Infrastructure at 14%.

Net Profit and EPS (Slide 34)

39. The Group's net profit for the first nine months of 2017 was $712 million, which translated to earnings per share of 39.2 cents.

Free Cash Flow (Slide 35)

40. Cash flow from operations was $532 million in the first nine months of this year, down from $885 million last year.

41. After accounting for working capital changes, interest and tax, net cash inflow from operating activities was $914 million, as compared to an inflow of $134 million in the same period last year, due mainly to lower working capital requirements in the Offshore & Marine and Property Divisions.

42. Net cash inflow from investing activities amounted to $321 million, comprising dividend income from associated companies and divestment proceeds of $606 million, less investments, operational capital expenditure and advances to associated companies of $285 million.

43. As a result, there was an overall cash inflow of $1.2 billion for the first nine months of 2017, $683 million higher than last year.

44. With that, we have come to the end of the results presentation segment, and I shall hand the time back to our CEO, Chin Hua, for the Q&A section. Thank you.