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

THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

1. Good evening. Welcome to the conference and webcast on our results and performance in the Third Quarter and Nine Months of 2018.

Driving Growth

2. This has been an eventful quarter for Keppel, as we launched several initiatives to grow our business as a provider of solutions for sustainable urbanisation. These include our entry into senior living, expanding our assets under management into education-related real estate and the retail sector in Australia, extending our China property footprint into Nanjing, among others.

3. Last month, we also announced our pre-conditional voluntary general offer, together with Singapore Press Holdings (SPH), to gain majority control of M1. We also announced a scheme of arrangement to privatise Keppel Telecommunications & Transportation (Keppel T&T), to further simplify our corporate structure, allow more efficient capital allocation and better align Keppel T&T's interests with the rest of the Group's.

4. These are long-term initiatives, which would further expand and grow the Group's earnings and position us for long-term growth.

Financial Performance

5. For the first nine months of 2018, we achieved a net profit of S$809 million, 18% higher compared to the same period in 2017, underpinned by stronger contributions from the Property and Infrastructure divisions, which more than offset losses incurred by the Offshore & Marine (O&M) and Investments divisions.

6. Economic Value Added (EVA) was S$384 million. On an annualised basis, our Return on Equity was 9.3%. We achieved a free cash inflow of S$828 million in the first nine months of 2018. Our net gearing was 0.41x at end-September 2018, only slightly higher than the 0.40x at end-June 2018. This was despite having paid out S$272 million in interim and special dividends in August, and the one-off payment of S$251 million in fines to the Brazilian authorities as part of the global resolution reached by Keppel Offshore & Marine (Keppel O&M) last year.

Offshore & Marine

7. Despite the challenging operating environment, our O&M Division registered a net profit of S$2 million in 3Q 2018, bucking three consecutive quarters of losses.

8. However, the Division continued to suffer a net loss of S$38 million for 9M 2018, mainly due to lower work volume and our share of associated companies' losses. At the operating level, the O&M Division achieved a profit of S$20 million for 9M 2018, on the back of our rightsizing efforts and reduced overheads.

9. In the first nine months of 2018, Keppel O&M recognised revenues amounting to S$1.4 billion. The Division is also working hard to replenish its orderbook, and has secured additional contracts totalling S$1.4 billion in the year to date, more than the S$1.2 billion of new orders secured in the whole of 2017. These include contracts for two newbuild Liquefied Natural Gas (LNG) carriers and the conversion of a LNG carrier to a Floating Storage and Re-gasification Unit.

10. As at 30 September 2018, Keppel O&M's net orderbook was S$4.4 billion, compared to S$3.9 billion at end-December 2017, excluding the projects for Sete Brasil.

11. Expanding its involvement in the LNG space, Keppel O&M has signed a Technical Assistance and License Agreement with Gaztransport & Technigaz (GTT) to jointly market LNG solutions leveraging GTT's membrane containment systems and Keppel's expertise in specialised shipbuilding and LNG solutions. Keppel O&M has also delivered its second dual-fuel LNG tug, this time to Maju Maritime, with a perfect safety record.

12. We are seeing more enquiries for scrubber retrofits which we anticipate will increase as the IMO's 2020 deadline for the implementation of the 0.5% sulphur cap on marine fuels approaches. Keppel Shipyard completed Singapore's first Very Large Crude Carrier (VLCC) scrubber retrofit in 3Q 2018 and we have more projects in the pipeline.

Property

13. Our Property business performed well, achieving a net profit of S$764 million for 9M 2018, which is an increase of 110% year on year, due mainly to the en bloc sales of development projects, the gain from divestment of our stake in a commercial project in Beijing, as well as fair value gain on Nassim Woods.

14. Keppel continues to strengthen our collaboration with strategic partners to capture growth opportunities in the region.

15. In China, Keppel Land China formed a joint venture with leading Chinese developer, Gemdale Corporation, to develop a residential project in Nanjing. The collaboration marks Keppel Land's further expansion in the Yangtze River Delta as well as its first foray into Nanjing, a promising market which continues to see strong demand for premium housing. Phase One of the project is expected to be launched for sale in the fourth quarter this year.

16. In Vietnam, Keppel Land will become the second largest shareholder of Nam Long, a leading affordable housing developer in Ho Chi Minh City, with an increased stake of approximately 10%, following the conversion of bonds issued by Nam Long.

17. In Bangalore, India, Keppel Land has deepened its collaboration with reputable Indian property developer Puravankara by forming a joint venture to acquire a prime 3-hectare site for a commercial development. The site is located next to a mass rapid transit station and a mixed-use precinct comprising the World Trade Centre, a well-established location that has attracted many MNCs and technology firms.

18. In the first nine months, our Property Division sold about 3,180 homes, achieving a total sales value of about S$1.4 billion. These include 1,830 homes in China, 200 in Vietnam, 230 in Indonesia, 740 in India and 150 in Singapore. These figures do not include the 11,000 units which were sold en bloc when we sold our projects in Zhongshan and Shenyang.

19. We expect to recognise profits from the sale of some 7,240 units of overseas homes worth about S$2.4 billion, to be recognised upon completion, from 4Q 2018 through 2022.

20. In our residential landbank, we have about 50,000 homes, of which about 15,000 units are ready for launch from now till end-2020.

21. Under our commercial portfolio, we now have about 1.5 million square metres of gross floor area (GFA), of which about two thirds are under development.

Infrastructure

22. Our Infrastructure Division achieved a net profit of S$121 million, up 25% year on year, due to steady contribution from Environmental Infrastructure and Infrastructure Services.

23. The construction of Keppel Marina East Desalination Plant has been progressing well with over 50% completed. The plant is on target to achieve commercial operation in early-2020.

24. Earlier today, Keppel Seghers secured a contract to supply technology solutions worth over EUR 70 million to Australia’s first WTE plant which is located in Kwinana. The facility will feature Keppel Seghers’ air-cooled grate and vertical boiler, which are designed to achieve efficient energy recovery and operational reliability.

25. As announced by Singapore’s Energy Market Authority, the nationwide launch of Open Electricity Market will be rolled out progressively in four zones from November 2018 to May 2019. With 17 years of experience in the Singapore electricity retailer market, Keppel Electric is well positioned to offer innovative and competitive electricity plans to consumers.

26. We are also entering new markets for our data centre business. Keppel, through the Alpha Data Centre Fund (Alpha DC Fund) and Keppel Data Centres, has signed conditional agreements with the Salim Group to jointly develop and operate a high-availability data centre in Bogor, about 35 kilometres from Jakarta.

Investments

27. Our Investments Division registered a net loss of S$38 million in the first nine months of 2018, due to our share of losses from associated companies.

28. Keppel Capital continued to contribute steadily to the Group, although earnings from our asset management business were slightly lower due to higher expenses for growth initiatives and lower one-off performance fees.

29. In the Tianjin Eco-City, two residential land plots were sold by our joint venture, SSTEC, in 3Q2018. Due to the Tianjin government's property market cooling measures, home prices have moderated, and the two plots achieved per square metre GFA prices of about RMB 10,500 and RMB 6,700 respectively. However, land is sold by SSTEC based on total land area, and the recent land prices of RMB 105 million per hectare and RMB 166 million per hectare are comparable to those of land plots sold in the past two years. Profit from the sale of one plot has been recognised, while the other will be recognised later this year.

30. It has been an active quarter for Keppel Capital as our teams worked hard at expanding into new markets and asset classes under management, harnessing the capabilities of the Keppel Group.

31. We have entered into a conditional equity purchase agreement to acquire a 50% stake in leading US senior living operator, Watermark Retirement Communities, as well as 50% of the minority interests held by the owners of Watermark in some retirement communities managed by Watermark. With assets under management (AUM) of US$2.7 billion, Watermark is ranked among the top 15 largest senior living operators in the country. This is a strategic move by Keppel to expand into this new growth sector, leveraging Watermark's deep expertise and agile business model.

32. Keppel Capital is also looking to expand into education real estate assets, and has signed a non-binding Memorandum of Understanding (MOU) with MindChamps to establish a new private fund, with an initial target fund size of S$200 million. With Keppel Capital and MindChamps as sponsors, the proposed fund will seek to invest in preschool and early learning real estate assets in the Asia Pacific region. These real estate assets will then be leased to MindChamps or its related entities under long-term leases.

33. In Australia, Keppel Capital has entered into an MOU with Vicinity Centres, a leading Australian retail property group, to establish a new private fund. The proposed fund intends to invest in an initial portfolio of up to A$1 billion of Australian retail properties currently owned by Vicinity Centres, who has a fully integrated asset management platform and A$26 billion in retail assets under management.

34. Our listed REITs have also been expanding their portfolios. In Australia, Keppel DC REIT is enlarging its data centre footprint with a new shell and core data centre, which will be built in the Macquarie Business Park precinct in Sydney. Over in the US, Keppel KBS US REIT is capitalising on strong leasing demand from the technology and professional services sectors in Seattle, with the proposed maiden acquisition of the Westpark Portfolio business campus, comprising 21 freehold buildings.

35. All these different initiatives will contribute to growing our AUM and building up Keppel Capital to be a steady pillar of recurring income for the Group.

Strategic initiative to transform M1

36. I would now like to take some time to outline Keppel's rationale for making the pre-conditional voluntary general offer for M1, together with SPH last month.

37. We see having majority control as being important to allow Keppel and SPH to better support M1's management to transform the business, against the backdrop of increasing competition.

38. M1 will complement the Keppel Group's mission as a solutions provider for sustainable urbanisation, which includes connectivity, and can serve as a consumer digital platform for the Keppel Group and complement our solutions for smart cities.

39. Keppel has traditionally been involved more in the B-to-B space. However, we are increasingly transforming our B-to-B business to include retail customers in gas, electricity and urban logistics. Incorporating M1's capabilities and two million recurring subscribers in a combined digital platform would provide opportunities for synergies and cross selling of services. The transaction is earnings accretive, net of financing costs, and will expand Keppel's earnings streams and base of recurring income.

40. To realise the potential of M1, we will work with its management to drive transformation. This would include initiatives such as digital transformation to enhance M1's offering by becoming a truly digital operator. Over time, M1 can introduce new services leveraging this digital platform.

41. We will seek more effective cost management of both front and back-end operations, and at the same time, pursue growth opportunities.

42. We can also explore balance sheet optimisation initiatives with M1 to unlock value from its underlying infrastructure, for example by restructuring the infrastructure assets. We see this as an enabler to encourage sharing of infrastructure assets with other operators, which can also result in further cost reduction.

43. At a broader level, there are synergies to be harnessed between M1 and the Keppel Group. Keppel can leverage M1's digital platform for services provided by Keppel's businesses.

44. SPH has also spoken of opportunities to leverage M1's mobile platform to offer on demand and ready digital content to better serve SPH customers, so there would also be opportunities for collaboration and synergy with the SPH Group.

45. M1 is not a new business for Keppel. Keppel was one of the founding shareholders in 1994, before its telephone service was launched in 1997, and the IPO in 2002. We have worked with and supported M1 for over 20 years, and it has yielded very good returns.

46. Keppel has invested S$170 million over the years, and in return received S$737 million of dividends and proceeds from the sale of some shares. In addition, Keppel's present 19.33% stake, held through Keppel T&T, had a market value of S$291 million as at 21 September 2018, before we announced our offer.

47. In short, M1 has been a good investment for Keppel. We believe that with the necessary transformation, it can continue to be a valuable asset for the Group. But we have no illusion that the transformation journey will be quick or easy. It will take at least a few years. In the meantime, subject to the approval of IMDA, we are offering a compelling premium to minority shareholders of M1, who are not prepared to wait and bear the related risks, to realise their investment in M1 upfront.

Conclusion

48. To conclude, we are moving ahead with strategic strides, with an eye on the long-term future of the Company. Earlier generations of Keppelites sowed many of the seeds that are driving Keppel's growth today. Similarly, we are now building and broadening the foundations that will shape Keppel's future growth trajectory, as we harness the synergies of being a multi-business group and provide solutions to meet the needs of sustainable urbanisation.

49. I will 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 2018

3Q 2018 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 third quarter of 2018, the Group recorded a net profit of $226 million, which was 15% lower than the same quarter last year.

3. Correspondingly, earnings per share decreased to 12.4 cents, while EVA was higher at $109 million.

3Q 2018 Financial Highlights (Slide 20)

4. Next, the summary Group profit and loss statement.

5. The Group's revenue for the third quarter was 20% or $322 million lower than the same period last year. Lower revenues from the Property and Investments Divisions were partially offset by higher revenues from the Offshore & Marine and Infrastructure Divisions.

6. Operating profit for the quarter decreased by 9% or $26 million, to $271 million. This was attributed to lower profits from the Investments Division, partly offset by higher profits from all the other Divisions.

7. Profit before tax at $323 million, decreased by a lower margin of 2%, mainly due to net interest income as compared to net interest expense recorded in the same period a year ago.

8. After tax and non-controlling interests, net profit was 15% lower at $226 million, translating to earnings per share of 12.4 cents.

3Q 2018 Revenue by Segments (Slide 21)

9. In the next slide, we take a closer look at the Group's revenues by division.

10. In the third quarter of 2018, the Group earned total revenues of about $1.3 billion, 20% lower than the same quarter last year.

11. The Offshore & Marine Division reported a 9% increase in its top-line as a result of higher revenue recognition from ongoing projects.

12. Revenue from the Property Division saw a 67% decline due to the absence of revenue compared to the same quarter last year, from Estella Heights in Ho Chi Minh City which obtained occupation permit last year and The Glades which were all sold by December 2017, as well as lower revenue from Park Avenue Heights in Chengdu and Highline Residences. These were partially offset by higher revenue from Waterfront Residences in Wuxi.

13. The Infrastructure Division achieved an 8% growth in revenue as a result of increased sales in the power and gas businesses, partly offset by lower progressive revenue recognition from Keppel Marina East Desalination Plant project.

14. The Investments Division decrease in revenue was due mainly to the absence of sale of equity investments compared to the same period last year, as well as lower revenue from the asset management business.

3Q 2018 Pre-tax Profit by Segments (Slide 22)

15. Moving on to the Group's pre-tax profit.

16. The Group recorded $323 million of pre-tax profit for the third quarter of 2018, 2% lower than last year.

17. The Offshore & Marine Division's pre-tax profit was $10 million as compared to a pre-tax loss of $0.4 million in the same quarter last year. This was due mainly to higher operating profits and net interest income, partially offset by share of associated companies' losses.

18. The Property Division registered a 4% increase in pre-tax profit arising from the divestment gain of Beijing Aether, partly offset by lower contribution from the property trading segment, the absence of gain from en-bloc sale of Waterfront Residences in Nantong and absence of gain on divestment of Sedona Mandalay compared to last year.

19. The Infrastructure Division reported a 30% increase in pre-tax profit driven by the gain arising from the sale of a stake in Keppel DC REIT and higher contribution from Infrastructure Services, partly offset by lower contribution from Energy and Environmental Infrastructure.

20. The Investments Division recorded a decrease of $40 million in pre-tax profit, due mainly to the absence of sale of equity investments and absence of contribution from k1 Ventures.

3Q 2018 Net Profit by Segments (Slide 23)

21. After tax and non-controlling interests, the Group's net profit decreased by 15% or $39 million, with the Property Division being the top contributor to the Group's earnings, followed by the Infrastructure, Investments and Offshore & Marine Divisions.

9M 2018 Financial Performance (Slide 24)

22. I shall now take you through the performance for the first nine months of 2018.

23. Compared to the same period last year, net profit for the first nine months was 18% higher at $809 million.

24. Consequently, earnings per share increased by the same extent to 44.6 cents. Annualised ROE also increased to 9.3% while EVA was higher at $384 million.

25. Free cash inflow for the period was an inflow of $828 million, as compared to an inflow of $1 billion in the first 9 months of last year. This was due mainly to the payment of the fines to the United States, Singapore and Brazil authorities amounting to $464 million arising from Offshore & Marine's global resolution. Excluding this one-off payment, the free cash inflow would have been higher than last year.

26. The Group's net gearing improved from 0.46x at the end of 2017 to 0.41x at the end of September 2018.

9M 2018 Financial Highlights (Slide 25)

27. Next, the summary Group profit and loss statement.

28. The Group earned a total revenue of $4.3 billion in the first nine months of 2018, a decrease of 3% or $131 million compared to the same period last year. Lower revenues from the Property and Investments Divisions were partially offset by higher revenues from the Offshore & Marine and Infrastructure Divisions.

29. Operating profit at $996 million was 58% or $366 million higher than the corresponding period last year, boosted by en-bloc sales of development projects in China and Vietnam.

30. Profit before tax, however, increased by a lower margin of 24% due mainly to lower share of profits from associates. In the first nine months of last year, the Group benefited from the Sino-Singapore Tianjin Eco-City's sale of three land parcels as compared to one parcel recognised to-date this year. In addition, Offshore & Marine Division also saw lower contribution from associates this year.

31. After tax and non-controlling interests, net profit was 18% higher at $809 million.

32. Similarly, earnings per share increased by 18% to 44.6 cents.

9M 2018 Revenue by Segments (Slide 26)

33. In the next slide, we take a closer look at the Group's revenues by division.

34. For the first nine months of 2018, the Group earned total revenues of about $4.3 billion, 3% lower than last year.

35. The Offshore & Marine Division recorded an increase in revenue of 3%, due mainly to revenue recognition in relation to the jackup rigs sold to Borr Drilling Limited, partially offset by lower volume of work.

36. Property revenues dropped by 28%, due mainly to lower revenue from property trading segment.

37. Infrastructure revenues increased by 17%, led by increased sales in the power and gas businesses, partly offset by lower progressive revenue recognition from the Keppel Marina East Desalination Plant project.

38. Investments revenues decreased by $62 million mainly due to the absence of sale of equity investments and lower contribution from the asset management business.

9M 2018 Pre-tax Profit by Segments (Slide 27)

39. Moving on to the Group's pre-tax profit.

40. The Group recorded a pre-tax profit of $1 billion for the first nine months of 2018, 24% higher than the same period last year.

41. This was despite the Offshore & Marine Division registering pre-tax losses of $16 million as compared to pre-tax profits of $13 million last year, arising from lower operating profits and lower contribution from associated companies. The Offshore & Marine Division's pre-tax profit last year also benefited from a $13 million gain on divestment of Keppel Verolme. The Division's operating margin for the first nine months was 1.8%, compared to 2.7% in the same period last year.

42. In the Property Division, pre-tax profits more than doubled to $931 million, due mainly to en-bloc sales of development projects in China and Vietnam, namely Zhongshan, The Seasons in Shenyang, Hunnan in Shenyang and Quoc Loc Phat in Ho Chi Minh City, as well as gains from divestment of Beijing Aether and fair value gain on Nassim Woods. The increase was partially offset by lower contribution from associated companies and property trading projects. In the prior period, the Property Division's pre-tax profit also benefited from en-bloc sale of Waterfront Residences in Nantong and the divestment gain on Sedona Mandalay.

43. Pre-tax profit from the Infrastructure Division increased by 14% to $134 million. This was due mainly to the dilution gain following the change of interest in Keppel DC REIT, gain arising from the sale of units in Keppel DC REIT and higher contribution from Environmental Infrastructure and Infrastructure Services. The increase was partly offset by the absence of gain from divestment of GE Keppel Energy Services and lower contribution from Energy Infrastructure.

44. The Investments Division registered pre-tax losses of $15 million as compared to a pre-tax profit of $245 million last year. This was a result of lower contribution from associated companies, mainly due to the sales recognition of one land parcel in the Sino-Singapore Tianjin Eco-City this year, as compared to three land parcels last year. In addition, the Division's profits last year also benefited from write-back of provision for impairment of investment and sale of equity investments.

9M 2018 Net Profit by Segments (Slide 28)

45. After tax and non-controlling interests, the Group's earnings increased by 18% to $809 million, with the Property Division being the top contributor to the Group's earnings, followed by Infrastructure.

Net Profit and EPS (Slide 29)

46. The Group's net profit of $809 million for the first nine months of 2018 translated to an earnings per share of 44.6 cents.

Free Cash Flow (Slide 30)

47. Cash flow from operations was $459 million in the first nine months of this year, up from $451 million in the same period last year.

48. After accounting for working capital changes, interest and tax, net cash inflow from operating activities was $164 million, as compared to an inflow of $811 million last year, due mainly to higher working capital requirements in the Property Division.

49. Net cash generated from investing activities amounted to $664 million, comprising divestment proceeds and dividend income from associated companies totalling $969 million, partly offset by net repayment of the advances from associated companies of $179 million.

50. As a result, there was an overall cash inflow of $828 million for the first nine months of 2018, as compared to an inflow of $1 billion last year.

51. 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.