



WE ARE COLLABORATING AND HARNESSING SYNERGIES AS ONEKEPPEL TO CREATE GREATER VALUE FOR OUR STAKEHOLDERS.

Q How is Keppel's progress towards its Vision 2020, which was adopted six years ago?

A We have made good progress towards Vision 2020, which includes comprehensive targets related to financial performance, people, processes and stakeholders.

The past few years have been an exciting journey of transformation and growth, as we steered the Group through a difficult macro environment, especially following the sharp downturn in the oil and gas sector. The world today is characterised by slowing global growth, trade tensions and growing geopolitical risks. Since the start of the year, many countries have also been affected by the COVID-19 outbreak, whose full impact is still unfolding.

Against a challenging backdrop, the Group has remained resilient, united behind our common mission to provide solutions for sustainable urbanisation.

In FY 2019, earnings contributions across Keppel Offshore & Marine (Keppel O&M), Keppel Infrastructure and Keppel Capital grew, even though net profit of \$707 million at Group-level was lower year-on-year, mainly because our property business had benefitted from a few lumpy divestments and en-bloc sales in 2018. Excluding such gains from both years, Keppel Land too, fared slightly better in 2019 than it did in 2018.

We have strengthened processes within the Group. Compliance, controls and risk management are now well entrenched in our corporate culture. In 2019, Keppel O&M became

one of the first companies in Singapore to achieve global ISO 37001 anti-bribery certification. We will work progressively towards ISO 37001 certification for all other Keppel business units.

We have developed a common digital spine running through the organisation that will enable us to further enhance process automation and continuous monitoring across IT, finance and human resources.

We have also made good progress in safety – one of Keppel's core values. For the first time in over 25 years, we achieved zero fatalities across our global operations in 2019. This is not only a significant milestone, but also an impetus for us to work even harder to maintain this record and ensure that everyone who comes to work goes home safe.

In 2019, Keppel was named one of the world's best regarded companies and best employers by Forbes' Global 2000 rankings. I am encouraged that our employee engagement score has risen steadily from 80% in 2015 to 86% in 2019, 10 percentage points higher than the average score among Singapore companies. We have also deepened our bench strength and enhanced succession planning with an average of two successors for each key position in the Group.

We will continue to make Keppel a great place to work, offering Keppelites purposeful and varied careers, and developing them to their full potential. I am confident that the spirit and tenacity of our people will stand us in good stead to achieve the Group's targets and ambitions.

Q How successful have you been at getting the business units to collaborate with one another?

A We have worked hard in the last few years to get our businesses to hunt as a pack, with collaboration increasingly becoming a part of our DNA.

A case in point is Keppel DC Singapore 4, which was jointly developed by Alpha Data Centre Fund and Keppel Data Centres to meet the growing demand for quality data centres in Asia. When the asset was stabilised in 2019, a 99% interest in the data centre was injected into Keppel DC REIT. The Group continues to earn recurring fees from rendering asset management, operation and maintenance services for the asset, even after its injection.

More recently, Keppel Capital launched the US\$1 billion Keppel Asia Infrastructure Fund (KAIF) in January 2020 to seize opportunities in the fast-growing energy and sustainable infrastructure sectors. We plan to seed our interest in the Gimi Floating Liquefaction Vessel (FLNG) facility, which is being converted by Keppel O&M, into the Fund. Keppel O&M's involvement in the Gimi project was very helpful to Keppel Capital's fundraising efforts, which drew initial capital commitments of US\$360 million from investors, including a sovereign wealth fund and an endowment fund.

Another notable example is the partnership between Keppel Land and Keppel Urban Solutions (KUS) to develop Saigon Sports City. In November 2019, we broke ground for the project, which will be developed into a smart, integrated township in the prime District 2 of Ho Chi Minh City (HCMC). Saigon Sports City provides an interesting platform where we can involve other businesses in and beyond the Group to co-create and test bed innovative solutions and services.

These are just some examples where different units are coming together to create and capture value. Keppel is more than just a property developer, an offshore & marine (O&M) company, or a provider of infrastructure solutions. What differentiates Keppel is our ability to integrate our diverse capabilities to create value for stakeholders at different stages of the value chain,



LOH CHIN HUA
Chief Executive Officer

and in the process, open up new opportunities that each business unit might not have been able to capture on its own. We will continue to drive such *OneKeppel* projects that involve two or more business units. I am confident that over time, our synergistic efforts will show that *OneKeppel* is much more than the sum of its parts. Along the way, we will also increase the magnitude and quality of our earnings, with more recurring income.

Q What will it take for Keppel to achieve its mid to long term Return on Equity (ROE) target of 15%?

A To achieve Keppel's full potential, all our engines must be firing. We will focus on improving the profits of our various businesses, as well as turning our assets and divesting non-core businesses more quickly.

Keppel Land and Keppel O&M presently make up the largest part of our balance sheet. For an asset-heavy business such as Keppel Land's, I believe that 12% is a realistic long-term ROE target, considering that it had achieved an average ROE of 14.3% over the last decade. There is inherent potential in Keppel Land's sizeable landbank of

more than 45,000 homes, and we will proactively explore opportunities to unlock value.

We are also looking at how we can better tap Keppel Land's established capabilities and regional presence to earn fees and carried interest that can generate higher returns in the property business. For example, Keppel Land and Keppel Capital are exploring how they can work with investors, who are seeking trusted partners, to explore opportunities in Vietnam.

We achieved a significant milestone in FY 2019 with Keppel O&M returning to profitability for the first time since FY 2016, on the back of its diversification and cost management strategy. Keppel O&M was also able to find solutions for some of the stranded rigs that it was saddled with over the last few years.

Meanwhile, businesses such as Keppel Capital, Keppel Infrastructure, Keppel Data Centres and M1 are already achieving ROEs above 15% and with relatively low gearing levels. M1 is being transformed into a digital platform for connectivity solutions, while Keppel Capital's and Keppel Infrastructure's contributions to the Group have been growing steadily. Keppel Data Centres

INTERVIEW WITH THE CEO



has also become more asset-light through opportune and strategic recycling of its assets and working with Keppel Capital to attract co-investors.

When all our engines are firing, I am confident that the Group would be able to reach our target ROE of 15%.

Q Now that the Offshore & Marine business has become profitable again, how confident is Keppel of improving on its performance in 2020?

A Today, Keppel O&M is a more resilient and agile company with the competencies to serve a wider spectrum of the offshore market, be it in gas, renewables or floating infrastructure. In 2019, Keppel O&M secured new orders worth over \$2 billion, far surpassing the trough of about \$440 million in 2016. Notably, non-drilling solutions made up over 70% of the new orders won over this period, bolstered by substantive contracts for gas and offshore wind projects.

Keppel O&M's underlying performance for the period was positive. Excluding revaluations, major impairments and divestments (RID), its operating profit for FY 2019 was \$76 million, representing an operating margin of 3.4%, compared to about 2% a year ago. The toll on the Division's performance should ease in the coming years once the issues with the remaining stranded rigs and associates have been resolved. As we continue to win more contracts and execute our projects efficiently, this will contribute positively to the Division's performance.

Q Looking ahead, where do you see most of the demand in the O&M industry coming from?

A We see gradual signs of recovery in the O&M industry. Utilisation and dayrates have been on the mend, though capital spending on newbuild rigs is likely to remain subdued.

Consistent with industry reports of a pickup in the contract deployment of existing fleets, Keppel O&M has received more enquiries year-on-year for the reactivation and repair of jackup rigs. This is an encouraging development, which should help to improve the jackup oversupply situation progressively. Meanwhile, activity levels, and consequently demand for floating production solutions, are expected to increase in the next couple of years as more projects reach their Final Investment Decisions.

As the global energy mix evolves, renewables are expected to be the fastest growing source of energy from now till 2040, while gas is set to outpace coal as the second-largest fuel source. In diversifying with the evolving energy mix, we have prepared Keppel O&M to compete effectively in the liquefied natural gas (LNG) and offshore wind sectors, which are drawing interest and investments from a deepening global focus on environmental sustainability.

In 2019, we made significant strides into the renewable energy sector, securing about \$720 million worth of offshore wind projects for Germany and Taiwan. Since receiving the green light from Golar LNG in April 2019,

Keppel O&M has commenced conversion works on the Gimi, its second FLNG project. During the year, Keppel O&M also clinched 104 scrubber and ballast water treatment systems retrofit orders worth some \$160 million on the back of the IMO 2020 and Ballast Water Management Convention requirements.

Looking ahead, we will focus on capturing opportunities in oil production, gas and renewables where we have received active enquiries. We are hopeful about winning a fair share of projects in these sectors as we continue to execute and deliver on our strategy.

Q The Singapore, China and Vietnam markets have contributed comparably to property earnings in 2019. What are your plans for these markets in the year ahead?

A The Singapore, China and Vietnam markets have done well for us, collectively underpinning a 16% increase in home sales to 5,150 homes in 2019.

The Singapore market has been resilient despite the property cooling measures. At Keppel Bay, we have seen an increase in units sold following the Government's announcements on the exciting developments along the Greater Southern Waterfront. Looking ahead, we plan to launch 19 Nassim later in 2020, and will also consider launching Plot 4 at Keppel Bay depending on market conditions.

Despite the slowdown in the Chinese economy, we continued to see healthy demand in the cities where we operate. Our home sales in China grew by more than 50% year-on-year to 3,400 units in 2019. During the year, Keppel Land also deepened its commercial presence in first-tier cities through acquisitions across Beijing, Shanghai and Guangzhou. In 2020, we will continue to watch the Chinese market closely, especially following the COVID-19 outbreak, and time the release of our 2,600 launch-ready homes across China accordingly.

Vietnam, where Keppel Land has been present for about 30 years, is a bright spot for us. Contributions from Vietnam have grown steadily from just \$10 million in 2015 to \$165 million or about 31% of Keppel Land's net profit in FY 2019. We continue to see strong demand for quality homes and commercial projects in HCMC, underpinned by growing affluence and urbanisation trends.

We are also deepening our presence in India, which has good long-term potential. In December 2019, Keppel Land announced a joint venture with the Rustomjee Group, to develop about 7,400 homes and retail units as part of the 51.4-hectare Urbania integrated township in Mumbai, India. Expanding its presence in the co-working space, Keppel Land has also invested US\$25 million in Smartworks, a leading pan-India flexible space solutions provider.

Given our sizeable property portfolio, we will continue to focus on unlocking value through home and en-bloc sales, as well as divestments. We will make strategic acquisitions only where pricing and market conditions are attractive.

Q Can you elaborate on Keppel's approach to en-bloc sales and property divestments? Will these be a regular feature of Keppel's earnings?

A The short answer to the question is yes. We will push for en-bloc sales and divestments more deliberately as part of our strategy. Our team at Keppel Land is working proactively to seize the right opportunities to turn our assets, or co-develop some of the landbank with our partners, if there are suitable opportunities.

Q The infrastructure businesses have generated stable profits of about \$169 million annually in the past two years. What are the growth plans for these businesses?

A Our businesses under Keppel Infrastructure and Keppel Data Centres, although relatively young compared to Keppel O&M and Keppel Land, have strong track records in the development, operation and maintenance of critical infrastructure assets. They are not only key to our solutions for sustainable urbanisation but also important growth engines for the Group.

Over the past six years from 2014 to 2019, Keppel Infrastructure had contributed total earnings of about \$667 million to the Group, on average shareholders' funds of about \$637 million. Across the same period, our data centre business, through the collaboration of Keppel Data Centres and Keppel Capital, generated total earnings of about \$515 million, on average shareholders'

funds of about \$365 million. This does not include the approximately \$335 million premium over the carrying value of Keppel's stake in Keppel DC REIT as at end-2019.

We are seizing inorganic opportunities to grow our market share and technology expertise for energy and environmental solutions. Keppel Infrastructure invested about \$85 million in 2019 to acquire stakes in integrated European energy company, MET Group, and industrial waste and wastewater treatment solutions provider, Zerowaste Asia.

Data centres are critical for smart, connected cities, and demand for them is growing. But they also have a large carbon footprint. As a leading provider of data centre solutions, Keppel Data Centres will continue to develop and launch more energy-efficient and greener concepts including floating and high-rise data centres.

New opportunities for energy infrastructure, environmental infrastructure and data centres abound, fuelled by rising urbanisation trends. We will continue to seize opportunities in these sectors in partnership with co-investors, and without relying just on our own balance sheet.

Q The asset management business has been active over the past year. What is the outlook for this business?

A Our asset management business had a good run in 2019, with creditable improvements in profit contributions to the Group as well as assets under management (AUM), which grew by 14% to \$33 billion. During the year, Keppel Capital completed about \$8.4 billion in acquisitions and divestments and raised equity and debt amounting to \$9.5 billion. It also expanded into a new asset class through a joint debt mezzanine platform with Pierfront Capital and took a strategic stake in Prime US REIT, which was listed on the Singapore Exchange in July 2019.

Keppel Capital will continue to seek growth opportunities, both organically as well as externally. In January 2020, we formed an equal joint venture with Australian Unity Limited to create funds focused on the Australian metropolitan office sector. The joint venture has also acquired the REIT manager of Australian Unity Office Fund, which has an AUM of about A\$668 million.

1 Following the success of Hilli Episeyo, Keppel O&M received final notice to proceed on the conversion of Gimi FLNG, which will be deployed in BP's Greater Tortue Ahmeyim project.

2 When operational in 1H 2020, Keppel Marina East Desalination Plant will add to the Group's recurring income stream.



INTERVIEW WITH THE CEO



Keppel Bay Tower, where Keppel is headquartered, is the first commercial building in Singapore to be fully powered by renewable energy.

We are excited by the prospects as Keppel Capital moves steadily towards its AUM target, carving its niche as a manager of multi-asset portfolios across sectors fuelled by sustainable urbanisation trends. Through ongoing collaboration with Keppel Land, Keppel Telecommunications & Transportation, Keppel Infrastructure and Keppel O&M, Keppel Capital has also expanded its repertoire from real estate to data centre and infrastructure assets, of which the Group is an active developer and operator.

Keppel Capital's private funds, as in the case of KAIF, enable us to grow our infrastructure business by tapping third-party funds, whilst reducing the burden on our balance sheet. The capabilities of the Group in creating and operating such real assets are an attractive proposition for the investors of Keppel Capital's funds. They see Keppel Capital not just as a financial investor, but more importantly, as part of a larger Group that can create real assets from green and brown fields and who also has an eco-system of REITs and a business trust that can help to monetise the assets when they mature.

Keppel Capital is not just an asset management business. Together with units like KUS, it plays an important horizontal role in bringing together our different businesses to create unique and value-enhancing propositions,

as *OneKeppel*. Keppel Capital and KUS allow the Keppel Group to connect all our different businesses into one powerful end-to-end enterprise, something that differentiates us from our peers.

Q How would you describe the progress of the business transformation at M1 a year following its privatisation?

A Acquiring M1 was an opportunity for us to build on a business that Keppel knows well and has long been invested in. We are cognisant of the risks and challenges, but with a clear plan laid out and a capable management team in place to drive the necessary changes, we are confident of overcoming the obstacles to create value.

The privatisation of M1 in 2019 contributed a total of \$153 million to the Group's earnings for the year. This included a re-measurement gain from our previously held interests in M1 and offsetting charges related to the acquisition.

The M1 team, led by its CEO Manjot Singh Mann, has made good headway since launching into its multi-year transformation plan. Despite a challenging competitive landscape, M1 grew its postpaid customer base to about 1.5 million in 2019, up 11%

from 2018, leveraging the launch of its new made-to-measure One Plan. We are also working to improve the cross-selling of services among the Group's different consumer businesses, where there is significant scope to expand our share of wallets by improving customer experience and stickiness.

On the B2B front, M1 is actively partnering other Keppel businesses to create smarter, future-ready offerings, be it smart rigs and yards of the future, data centres or urban solutions. In efforts to gain early insights and knowledge on 5G, M1 has embarked on multi-vendor trials and is working closely with Government agencies, enterprises and institutes of higher learning to co-develop use cases and launch smart applications empowered by 5G technology.

We firmly believe that M1's potential as a connectivity solutions provider can be fully unleashed within the Keppel eco-system, and will continue to work with Singapore Press Holdings' and M1's management to drive the necessary changes to enhance its competitiveness. M1 and StarHub have submitted a joint bid for a 5G licence in Singapore, and if successful, would avail even more exciting opportunities to realise the potential of Keppel's solutions.

Q With sustainability becoming a bigger focus for the Group, how is that changing the way you look at Keppel's businesses?

A When we look at sustainability and what it means for us, we see an intrinsic link to Keppel's vision, mission, strategy and core capabilities. In 2019, we conducted a comprehensive review of our material environmental, social and governance factors and enhanced our sustainability framework and environmental sustainability strategy.

Moving forward, we will focus our efforts on four key areas. Firstly, we have set targets to reduce carbon emissions, waste generation and water consumption and will be enhancing the Group's emissions tracking. We have been reporting on Scope 1 and 2 emissions since 2010, and will also start tracking Scope 3 emissions, such as business travel.

Secondly, as we grow our businesses and portfolios, our investment decisions will place greater focus on environmental sustainability. We will implement an internal carbon price to evaluate all major investment decisions. We have defined the kinds of pollutive sectors we will not go into, such as coal-fired plants, the businesses we will maintain, and those which we will focus more on, such as renewables. To advance our interests in sustainable solutions, we have established a new business unit, Keppel Renewable Energy, to pursue opportunities for Keppel as a developer, owner and operator of renewable energy infrastructure.

Thirdly, for our existing businesses and assets, we will focus on enhancing energy efficiency, including harnessing renewable energy where possible. For example, on 1 January 2020, Keppel Bay Tower, where we are headquartered, became Singapore's first commercial development to be fully powered by renewable energy.

Finally, we will look into re-purposing our technology for renewables. Keppel O&M has already been doing this but we can do more, including exploring solutions for new energy and carbon capture and reuse.

Our vision is to be a trusted global company building a sustainable future. This demands that we create value for our stakeholders holistically, including

social, environmental and economic dimensions. To this end, we are making sustainability our business, creating diverse solutions which are good for the planet and for people, and in the process, create new profit pools for Keppel.

Q With all the changes taking place, what will Keppel look like in 2030?

A Even as we work towards achieving our Vision 2020 targets, we have set our eyes on the future and are planning for the next decade.

In 2019, we brought together a group of about 30 younger Keppel leaders, who are all below the age of 50. We wanted to give the Group's future leaders a good runway to imagine Keppel in 2030 and also the opportunity to work with one another to execute and realise their proposals.

There were many interesting and contrasting ideas presented, but also significant areas of convergence. We are in the process of finalising Vision 2030, with interim targets for 2025. We will share more details later, but it is quite clear that we see Keppel moving forward as one integrated business providing solutions for sustainable urbanisation, with a repeatable model, a more rationalised portfolio and a clear growth trajectory.

We are making sustainability our business, creating diverse solutions which are good for the planet and for people, while creating new profit pools for Keppel.

We will create value through our business model, focusing on our key strengths of engineering, project development, operation and maintenance of specialised assets, as well as capital and asset management. We will also continue tapping third-party funds to grow.

By further deepening collaboration and drawing on our synergies, we will work towards our targeted returns and narrow the gap between our share price and the inherent value of Keppel's businesses.