OPERATING & FINANCIAL REVIEW

OFFSHORE & MARINE

WE AIM TO BE THE PREFERRED SOLUTIONS PARTNER OF THE GLOBAL OFFSHORE AND MARINE INDUSTRY.

EARNINGS HIGHLIGHTS ($ million)

	2019	2018	2017
Revenue	**2,220**	1,875	1,802
EBITDA	**181**	26	(37)
Operating Profit/(Loss)	**60**	(73)	(167)
Loss before Tax	**(24)**	(113)	(862)^
Net Profit/(Loss)	**10**	(109)	(826)^
Average Headcount (Number)	**11,560**	11,875	15,571
Manpower Cost	**561**	485	623

^ Includes the one-off financial penalty and related costs of $619 million.

MAJOR DEVELOPMENTS IN 2019

- Secured over $2 billion worth of new contracts.
- Delivered 13 newbuild and conversion projects.
- Enlarged footprint in the offshore renewable energy industry with two contracts from Tennet Offshore and Ørsted.
- Reached a settlement agreement with Sete Brasil, bringing closure to the outstanding contracts for the construction of six rigs.
- Became one of the first companies in Singapore to achieve global certification for the ISO 37001 Anti-Bribery Management System.

FOCUS FOR 2020/2021

- Capture opportunities in new and existing markets.
- Leverage synergies across the Keppel Group to build new capabilities and expand solution offerings.
- Continue to focus on execution excellence, corporate governance and risk management.
- Invest in R&D to strengthen existing capabilities and build new muscles for long-term growth.
- Re-purpose offshore technology for other applications, including renewables.

EARNINGS REVIEW

The offshore & marine (O&M) industry continued to show signs of recovery in 2019, with gradual improvements in rig utilisation and dayrates. On the back of its diversification strategy, Keppel Offshore & Marine (Keppel O&M) secured over $2 billion worth of new orders in 2019, compared to $1.8 billion in 2018. Gas and offshore renewables solutions made up over 60% of new orders.

Revenue from the O&M Division was $2.2 billion for FY 2019, $345 million higher than in FY 2018 mainly due to higher revenue recognition from ongoing projects, partly offset by the absence of revenue from the sale of jackup rigs to Borr Drilling in 2018.

The Division's operating profit before revaluations, major impairments and divestments for FY 2019 was $76 million, more than double the $37 million for FY 2018. The O&M Division returned to profitability for the first time since FY 2016. FY 2019 net profit was $10 million, compared to the loss of $109 million for FY 2018, underpinned by the increased topline, cost management efforts and lower impairment provisions.

OPERATING REVIEW

Over 2019, Keppel O&M continued to execute its projects well, secure new orders, expand capabilities and seek new opportunities.

To manage the higher workload, Keppel O&M increased its direct headcount to 13,500 as at end-2019 from 10,700 as at end-2018. The company expects to further increase its direct headcount by 1,500 in 2020 and will continue to adjust manpower requirements in line with the workload.

During the year, Keppel O&M secured over 100 scrubber and ballast water treatment system (BWTS) retrofit projects, as shipowners sought to meet the IMO 2020 requirements for the sulphur content of marine fuel, as well as the standards set out by the Ballast Water Management Convention. Keppel O&M is also scheduled to deliver Singapore's first liquefied natural gas (LNG) bunkering vessel in 2020. Its joint venture with Shell Eastern Petroleum, FueLNG, has conducted over 200 truck-to-ship LNG bunkering operations in Singapore.

In 2019, Keppel O&M became one of the first companies in Singapore to achieve global certification for the ISO 37001 Anti-Bribery Management System.

Having returned to profitability in 2019, Keppel O&M will continue efforts to enhance the performance of its business and seek new opportunities in 2020. As the global energy mix shifts toward cleaner energy, Keppel O&M will continue to focus on capturing opportunities in offshore renewables and gas.

New Builds

During the year, Keppel O&M reached a Settlement Agreement (SA) with Sete Brasil (Sete), bringing closure to the outstanding contracts for the construction of six semisubmersibles (semis) for Sete. The SA will become effective upon fulfilment of certain conditions precedent, including the successful sale of the first two rigs, which are closest to completion, by Sete to Magni Partners. As part of the SA, the contracts for the other four remaining rigs will be amicably terminated with no penalties, refunds or additional amounts due to any party. With full ownership over the four remaining rigs, Keppel O&M will be able to explore various options to extract the best value for shareholders.

In 2019, Keppel O&M made significant strides into the renewable energy sector, securing major offshore wind projects worth about $720 million. In May 2019, Keppel O&M, through a consortium with Aibel AS, secured a contract from TenneT Offshore for the design, engineering, procurement, construction, installation and commissioning of a 900MW offshore high voltage direct current converter station and an onshore converter station. Scheduled to be completed in 2024, the two converter stations will be deployed in the German sector of the North Sea. Keppel O&M also secured a contract from Ørsted for two offshore wind farm substations, which will be deployed in Ørsted's Greater Changhua offshore wind sites in Taiwan. The substations are scheduled to be completed in 2021.

During the year, Awilco Drilling exercised its option for the construction of a second mid-water harsh environment semi worth US$425 million. Keppel O&M is leveraging the engineering and construction process of the first rig to further improve productivity on the second project.

In 2019, the New Builds division delivered five jackup rigs to customers, namely Grupo R, Borr Drilling and Valaris. The two jackup rigs delivered to Grupo R are equipped with Keppel's proprietary RigCare solution, a suite of digital services to support the rig's lifecycle needs, and are the industry's first drilling rigs with Smart Notations which support a more data-centric approach to post-construction works surveys, and assists rig operators to optimise rig operations and maintenance. During the year, Keppel O&M was recognised by the American Bureau of Shipping as the first shipyard to integrate smart functions and services into rigs.

Keppel O&M also delivered four trailing suction hopper dredgers to Jan De Nul in 2019, and successfully delivered a dual-fuel LNG bunker tanker to Sinanju Tankers in January 2020. The ultra-low emission dredgers for Jan De Nul are fitted with dual exhaust emission filtering

During the year, Keppel O&M delivered two jackup rigs equipped with its proprietary RigCare solution to Grupo R.

OPERATING & FINANCIAL REVIEW
OFFSHORE & MARINE

technology and comply with EU Stage V and IMO Tier III regulations.

In the Americas, work on two dual-fuel containerships for Pasha Hawaii is ongoing at Keppel O&M's yard in Brownsville, Texas. Built to Keppel's proprietary design, the Jones Act vessels are scheduled for delivery in 2020 and will run on LNG from day one in service. Keppel O&M will continue to build on its track record for the construction of Jones Act vessels in the United States, newbuild offshore rigs and platforms, as well as aftermarket services including repairs, upgrades and modifications of rigs for customers in the Gulf of Mexico.

Building on its engineering expertise in offshore platforms, Keppel O&M will actively explore opportunities in the renewables and gas-related sectors.

Keppel O&M will continue its digitalisation journey, focusing on infrastructure and product improvements through industrial Internet of Things, smart sensors and real time condition-based monitoring to optimise operations. It is developing its first autonomous vessel for operations in Singapore in partnership with M1, to deploy the latter's ultra-low latency 4.5G network connectivity.

In line with the Group's commitment to sustainability, Keppel O&M is also driving carbon reduction efforts in its operations through the installation of solar panels on rooftops and energy-saving lights, amongst others.

Building on its engineering expertise in offshore platforms, Keppel O&M will actively explore opportunities in the renewables and gas-related sectors, as well as opportunities to re-purpose its offshore technology for other applications and collaborate with other Keppel business units on floating infrastructure projects.

1

Conversions & Repairs
During the year, Keppel O&M continued to execute its conversion and repair projects well. Following the success of Hilli Episeyo, Keppel Shipyard received the final notice to proceed from Gimi MS Corporation, a subsidiary of Golar LNG, to commence full conversion works for the Gimi Floating Liquefaction Vessel (FLNG) project. Together with the enhanced workscope of US$242 million, the total contract value for Gimi FLNG is US$947 million. Upon delivery in 1H 2022, Gimi FLNG will commence a 20-year charter in BP's Greater Tortue Ahmeyim field, offshore West Africa. In 2019, Keppel Capital acquired a 30% stake in Gimi MS, which owns the Gimi FLNG project. There are plans to inject interests in the Gimi FLNG facility as a seed asset for the newly launched Keppel Asia Infrastructure Fund.

In 2019, Keppel O&M completed two Floating Production Storage and Offloading (FPSO) conversion/modification projects, namely for Ngujima-Yin for Woodside Energy and FPSO Liza Destiny for SBM Offshore, and one Floating Storage and Re-gasification Unit conversion project, BW GDF Suez Paris for BW Gas.

During the year, the company repaired 288 vessels in Singapore, including 75 scrubber retrofit projects and BWTS installations and 40 LNG carriers. Although this was lower compared to the 330 vessels repaired in 2018, the revenue per vessel in 2019 was higher due to adjacency work on the scrubber and BWTS retrofits.

As at end-2019, Keppel O&M was executing works on five FPSO conversion/modification projects, including FPSO Liza Unity, a repeat order from SBM Offshore for the Liza project in offshore Guyana. Keppel O&M was also executing fabrication of the internal turret of Coral Sul FLNG for SOFEC.

In the Philippines, Keppel O&M repaired about 150 vessels in 2019 for domestic and foreign customers. In 2019, the Subic yard secured three BWTS projects and is primed to execute more scrubber and BWTS projects as shipowners seek to lower sulphur emissions.

In Brazil, BrasFELS successfully completed inspection and repair works for BW FPSO Cidade de Sao Vicente. BrasFELS is also executing offshore service works on FPSO Fluminense and on FPSO Cidade de Sao Paulo, and is undertaking module fabrication works on FPSO Carioca MV30 for MODEC. BrasFELS will continue to actively pursue opportunities in the region.

MARKET REVIEW & OUTLOOK

There have been signs of recovery in the offshore market, notwithstanding geopolitical headwinds and slowing global growth. Utilisation and dayrates for jackups continue to improve, but it would take time for these to translate into new orders, given the continued oversupply in the market. Meanwhile, the outlook for the floater segment remains positive, with activity and demand expected to increase gradually over the next few years.

In the near term, Keppel O&M will continue to actively seek opportunities in the oil and gas production market, where several projects are expected to achieve Final Investment Decision in 2020.

According to the BP Energy Outlook 2019, the global energy mix is evolving, with renewables being the fastest growing source of energy and gas set to overtake coal as the second-largest source of energy by 2040. In particular, the offshore wind sector is an interesting market, with the Global Wind Energy Council (GWEC) projecting for installed capacity to increase to 190GW in 2030 from 23GW in 2018. With its growing track record, Keppel O&M is well poised to offer integrated solutions, including offshore substations, foundations, installation and support vessels to support the growth of the offshore wind energy industry.

New Builds

While newbuild capital expenditure is expected to remain subdued, the market has increased re-activation and contract deployment of existing rigs. IHS Markit's data also reveals that utilisation across drilling rigs has improved in 2019. Moreover, dayrates for semis and jackups have increased in 2019, while dayrates for drillships remained steady.

Keppel O&M will continue to target niche markets such as harsh environment semis and seek opportunities from rising demand for jackup rigs in Southeast Asia (SEA), Middle East and Mexico. In line with the Group's sustainability targets, Keppel O&M is looking to reduce the environmental footprint of its products. With the industry trending toward low carbon emissions and clean energy solutions, the company will continue to strengthen its presence in the renewables and gas market.

In specialised shipbuilding, the dredger market remains a bright spot for Keppel O&M, backed by rising demand from the Middle East, Indian subcontinent and SEA. With the growing offshore wind industry and the increasing need for cross-continental subsea cables for data transmission, Keppel O&M also continues to see demand for cable-laying vessels.

1 First Lady of the Co-operative Republic of Guyana, Madam Sandra Granger (first row, third from left), together with senior management from Keppel and SBM, celebrated the naming of Liza Destiny, the first FPSO to operate offshore Guyana.

2 In 2019, Keppel O&M delivered four EU Stage V dredgers to Jan De Nul.

2

Keppel O&M is also developing new solutions to meet customers' needs. VesselCare, a proprietary remote vessel monitoring and analytics system, has been installed on a Keppel Smit Towage tug to gather data from the vessel's operations, and is the initial phase of developing the tug into an autonomous vessel. Through VesselCare, Keppel O&M is able to perform data consolidation and condition-based monitoring and maintenance for better analytics.

Leveraging its technology and construction expertise, Keppel O&M is well positioned to provide an extensive range of non-oil related solutions. The company is also capturing opportunities in the Jones Act market through its presence in Brownsville, Texas.

Conversions & Repairs

With the enforcement of IMO's 0.5% global sulphur cap, shipowners are actively pursuing alternative solutions, such as the installation of scrubbers, to reduce sulphur emissions.

To date, about 10% of vessels worldwide are or will be deemed compliant with the IMO standards by 2020. Keppel O&M continues to see increasing demand for scrubbers, which is a proven and cost-effective solution for shipowners. The company will leverage its growing experience in scrubber retrofits and work to further lower turnaround time by tapping on its regional yards.

The container shipping market is also expected to improve, following the signing of a Phase One trade deal between the US and China. In the longer term, seaborne LNG trade is likely to grow healthily as large volumes of LNG export/import capacity come online and natural gas supply and demand continue to grow.

In the production market, Rystad Energy forecasts that up to 24 FPSO projects could be awarded in 2020, of which South America is leading with 12 projects planned by end-2020.

Keppel O&M will continue to pursue opportunities, leveraging synergies across the Group to provide value-added solutions for customers. Keppel O&M's capabilities in non-drilling and gas solutions will provide the company with new growth areas and revenue streams, amidst continuing challenges in the offshore drilling sector. Keppel O&M will continue to diversify its product offerings in line with the changing global energy mix, enhance its solutions through technology and innovation, and boost efficiency of its yards.

PROPERTY

WE ARE COMMITTED TO PROVIDING QUALITY AND INNOVATIVE REAL ESTATE SOLUTIONS.

EARNINGS HIGHLIGHTS ($ million)

	2019	2018*	2017
Revenue	**1,336**	1,340	1,782
EBITDA	**546**	1,077	705
Operating Profit	**508**	1,044	668
Profit before Tax	**707**	1,193	844
Net Profit	**517**	942	650
Average Headcount (Number)	**2,792**	3,059	3,257
Manpower Cost	**176**	204	194

* 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*

MAJOR DEVELOPMENTS IN 2019

Sold about 5,150 homes in Asia, mainly in China and Vietnam.

Divested assets worth $400 million in Singapore and Vietnam.

Completed acquisitions amounting to about $500 million in China, Vietnam and India.

Replenished residential landbank with addition of about 2,500 units across China and Vietnam.

Increased commercial portfolio with addition of about 136,000 square metres in China.

FOCUS FOR 2020/2021

Invest strategically in key markets of Singapore, China and Vietnam, while continuing to scale up in other markets such as Indonesia and India.

Increase the pace of capital recycling, reinvesting for growth and higher returns.

Scale up commercial presence to provide steady stream of recurring income.

Strengthen collaboration with strategic partners to capture opportunities in the region, as well as with Keppel Capital to tap third-party funds for growth.

Invest in and develop property technology and new real estate solutions.

EARNINGS REVIEW

The Property Division generated revenue of $1.3 billion for FY 2019, a $4 million decrease from FY 2018 mainly due to lower revenue from property trading projects in Singapore, partly offset by higher revenue from property trading projects in China.

The Division's net profit of $517 million for FY 2019 was $425 million lower than that of the previous year due to fewer en-bloc sales and divestments. This was partly offset by higher contribution from China property trading projects, higher investment income, higher fair value gains on investment properties and higher contribution from associated companies.

Excluding en-bloc sales and the effects of revaluations, major impairments and divestments in both years, Keppel Land's net profit in FY 2019 was about $260 million, an improvement over the $236 million in FY 2018.

OPERATING REVIEW

Singapore

Keppel Land sold about 250 residential units in Singapore in 2019, higher than the 160 units sold in 2018. The sales were mostly from The Garden Residences, which sold about 240 units as at end-2019. In January 2019, the new Cross Island MRT line was announced, and The Garden Residences will benefit from the future Serangoon North MRT station which will be a five-minute walk away. Over at Keppel Bay, a total of 85 units at Reflections and Corals were sold during the year. The two projects were 94% and 86% sold respectively as at end-2019.

Keppel Land will redevelop Nassim Woods into 19 Nassim, a luxurious condominium comprising about 100 homes. 19 Nassim will feature Singapore's first smart home to be powered by artificial intelligence with machine learning capabilities. Keppel Bay Plot 4, which is adjacent to Corals at Keppel Bay, will be developed into a world-class waterfront living development and launched at an opportune time, depending on market conditions. Keppel Land is also reviewing its plans for Keppel Bay Plot 6, a residential site located on Keppel Island.

On 1 January 2020, Keppel Bay Tower (KBT) became the first commercial development in Singapore to utilise renewable energy to power all its operations. In addition to the installation of photovoltaic (PV) panels on the roof of KBT, Keppel Land, through Keppel Electric, is purchasing renewable energy certificates generated from PV panels installed in Keppel Offshore & Marine's Singapore yards.

These initiatives, combined with the new and emerging technologies, such as an energy-efficient air distribution system and intelligent building control system, are part of the continuing efforts to transform KBT into Singapore's first Super Low-Energy High-Rise Existing Commercial Building. Keppel Land will continue to leverage technologies to push the boundaries for environmental sustainability across it's portfolio of assets.

Meanwhile, Keppel Land has submitted its redevelopment plans for Keppel Towers and Keppel Towers 2 to the Singapore authorities.

The retail mall, i12 Katong, will undergo major asset enhancement works in 2020, which are expected to be completed in 2021. Keppel Land is also collaborating with other Keppel entities to enhance customer experience at i12 Katong, such as the inclusion of online-to-offline and last-mile solutions with UrbanFox and through working with M1 on data analytics, amongst others.

China

In 2019, Keppel Land sold about 3,400 units in China, more than the 2,240 units sold in 2018. Sales were supported by healthy demand from Waterfront Residences, Park Avenue Heights and Seasons Residences in Wuxi, Seasons Residences in Tianjin, City Park in Chengdu and China Chic in Nanjing.

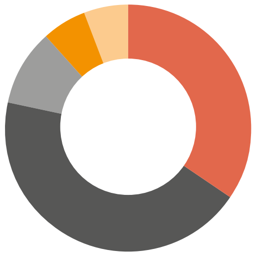
Keppel Land continued to deepen its presence in China, focusing on the Jing-Jin-Ji region, Yangtze River Delta, Greater Bay Area and the Chengdu metropolis. In 2019, it grew its commercial portfolio in Tier 1 cities in China with the acquisitions of three commercial properties in Beijing and Shanghai, and entered the Guangzhou market with the acquisition of a stake in Westmin Plaza. Following the success of China Chic, Keppel Land further expanded its presence in Nanjing, acquiring a 25% stake in a mixed-use development.

Harnessing synergies of the Group, Keppel Land collaborated with Keppel Capital to invest in prime properties with the latest acquisition of Yi Fang Tower in Shanghai. Leveraging the Group's strong track record in master development, Keppel Land, Keppel Urban Solutions (KUS) and Keppel Capital are exploring opportunities in cities where the Group has a presence. Keppel Land is also jointly working with KUS to establish a smart precinct in the Northern district of the Sino-Singapore Tianjin Eco-City.

Vietnam

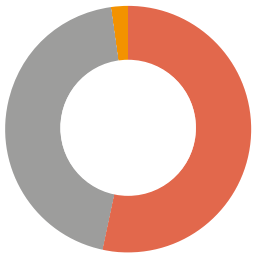
In Vietnam, Keppel Land sold about 950 units in 2019, compared to 910 units sold in 2018. Sales were mainly from The Infiniti (Riviera Point Phase 1C), Palm Garden (Palm City Phase 2) and Narra Residences (Empire City Phase 4)

TOTAL ASSET DISTRIBUTION BY COUNTRY (%)
as at 31 December 2019



Singapore		34.7
China		43.9
Vietnam		9.9
Indonesia		5.9
Others		5.6
Total	**$14.2 billion**	**100.0**

TOTAL ASSET DISTRIBUTION BY SEGMENT (%)
as at 31 December 2019



Property Trading		53.5
Property Investments		44.4
Others		2.1
Total	**$14.2 billion**	**100.0**

OPERATING & FINANCIAL REVIEW
PROPERTY

in Ho Chi Minh City (HCMC). As at end-2019, The Infiniti and Palm Garden were 93% and 98% sold respectively. Narra Residences, which was launched in December 2019, saw a strong take-up rate with 75% of its 278 launched units sold.

In January 2019, in line with its strategy to recycle assets to seek higher returns, Keppel Land divested a 70% stake in Dong Nai Waterfront City to Nam Long. With its remaining 30% stake, Keppel Land is working closely with Nam Long to develop the Dong Nai township.

Keppel Land will continue to turn its assets proactively through residential sales, en-bloc sales and divestments, while investing strategically for growth.

Keppel Land continued to expand its footprint in Vietnam during the year, acquiring a 60% stake in three land parcels in Nha Be district, Saigon South, HCMC. The three-phase project will yield over 2,300 premium apartments with ancillary shophouses, with the first phase launch expected in 2020.

In November 2019, Keppel Land and KUS broke ground for the 64-hectare (ha) Saigon Sports City. When completed, the project will yield about 4,300 premium homes located in a smart, vibrant and integrated township with a focus on sustainability, community, connectivity and innovation.

Others
In Indonesia, Keppel Land sold about 300 homes in 2019. Phase 1 of Wisteria, Keppel Land's second joint development with PT Metropolitan Land Tbk, was launched and sold out within a day. Keppel Land expects to launch Phase 2 of Wisteria in 2020.

In India, Keppel Land sold about 250 units in Provident Park Square in Bangalore in 2019. As at end-2019, the project was 72% sold. To further scale up in India, Keppel Land entered into an agreement in 2019 with the Rustomjee Group to jointly develop an additional 7,400 homes and retail units with a total gross floor area (GFA) of about five million square feet in the 51.4-ha integrated township in Thane, Mumbai. Keppel Land also invested in Smartworks, a leading and fast-growing home-grown flexible space operator with presence across nine major cities in India.

In the Philippines, The Podium West Tower, a landmark Grade A office tower in Manila, was completed in May 2019 and the integrated mixed-use development was officially opened in September 2019 by Madam Halimah Yacob, President of the Republic of Singapore. The Podium was awarded the LEED Gold (Core & Shell) pre-certification by the US Green Building Council and is the first building in the Philippines to receive the provisional Green Mark Gold Award by Singapore's Building and Construction Authority.

Focused on Returns
Keppel Land adopts a proactive strategy to turn its assets to generate the best risk-adjusted returns.

In 2019, Keppel Land completed three divestments totalling about $400 million, including the sale of its 70% stake in Dong Nai Waterfront City, Vietnam.

1 Riding on strong demand in HCMC, Keppel Land expanded its footprint into Nha Be district and plans to launch Phase 1 of the project in 2020.

2 During the year, Keppel Land completed nine acquisitions, including Shangdi Neo in Zhongguancun, Haidian District in Beijing, China.

1

Keppel Land also completed nine investments totalling about $500 million, including residential sites in Nanjing, China and in HCMC, Vietnam; commercial properties in Beijing, Shanghai and Guangzhou, China and a commercial site in Bangalore, India.

Focused on generating higher returns, Keppel Land will continue to turn its assets proactively through residential sales, en-bloc sales and divestments, while investing strategically for growth.

MARKET REVIEW & OUTLOOK

Singapore

In 2019, Singapore's economy grew by 0.7%, the slowest pace in a decade. Singapore's residential property sector demonstrated resilience despite the slowing economy and cooling measures. The Urban Redevelopment Authority reported that about 9,900 homes were sold in 2019, 13% higher than in 2018. Overall prices also increased by 2.7%, but this was lower compared to the 7.9% growth registered in 2018.

During the year, there continued to be healthy demand for office space arising from the agile space, as well as technology, financial, consumer and industrial sectors. According to CBRE Research, average Grade A Core CBD office rent rose 6.9% year-on-year in 4Q 2019, and the vacancy rate of 3.9% was lower compared to the 5.0% in 4Q 2018. While future office demand may moderate in view of the macroeconomic uncertainties, the supply of Grade A office remains limited. As such, the office market is expected to remain stable.

Amidst the uncertain economic outlook coupled with the COVID-19 outbreak, whose effects are still unfolding, Keppel Land will continue to be on the lookout for good business opportunities in Singapore.

Overseas

Rapid urbanisation and a fast-growing middle class will continue to drive demand for high-quality homes in Asia. Riding on these trends, Keppel Land will continue to tap this demand with over 16,000 overseas launch-ready homes from 2020 to 2022.

In 2019, China's Gross Domestic Product (GDP) growth slowed to 6.1%. The People's Bank of China cut the cash reserve requirement ratio in 2019 to free up more funds to banks, and more support measures are expected to be announced.

While cooling measures have subdued transaction volumes in general, there have been varying trends across the different Chinese cities. With more stringent controls on the residential sector in Tier 1 cities, investor interest in the commercial sector has increased, underpinned by strong local economies. Meanwhile, rapid urbanisation and a fast-growing middle class continue to drive demand for high-quality homes in Tier 2 cities. In 2020, Keppel Land will continue to watch the Chinese market closely, especially following the COVID-19 outbreak, and time the release of its 2,600 launch-ready homes across China accordingly.

2

In Vietnam, GDP growth in 2019 remained strong at 7%. The residential market in HCMC remains robust, underpinned by urbanisation trends and a growing middle class. Demand continued to outstrip supply in the condominium sector in 2019. According to CBRE, nearly 30,000 units were sold in 2019 compared with about 27,000 units launched in HCMC. Average selling prices of homes in HCMC increased across all segments in 2019. Meanwhile, Grade A office supply in HCMC's CBD remains limited, driving up rents by 1% in 2019.

In Indonesia, GDP growth was 5% in 2019. With the uncertainty of the presidential elections now over, investor sentiment is anticipated to improve. While the condominium and office markets are facing headwinds due to oversupply, the landed housing market remains stable.

In India, GDP growth softened to 4.9% in FY 2019/20. Notwithstanding the economic slowdown, the India real estate market continues to remain resilient, underpinned by stable economic fundamentals in key cities.

With a pipeline of about 45,200 residential units and a total commercial footprint of 1.6 million square metres of GFA in key Asian cities, Keppel Land is well positioned to capitalise on the long-term demand for homes, office and retail spaces in its target markets.

New Business Engines

With disruptions challenging the traditional real estate business, Keppel Land is developing new business engines to cater to customers' evolving needs.

Keppel Land is growing its co-working platforms through KLOUD in Singapore, Myanmar and Vietnam as well as through Smartworks in India. Keppel Land is also experimenting with co-living concepts overseas via Waterfront Residences in Wuxi, China, and West Vista in Jakarta, Indonesia. Meanwhile, the retail mall i12 Katong in Singapore is undergoing major asset enhancements which, when completed, will offer intuitive and personalised services across a wide range of retail offerings to complement customers' lifestyles. With updated amenities and leveraging technology, the mall will also feature specially curated zones with modular learning spaces and open social areas to foster a sense of community.

INFRASTRUCTURE

WE DEVELOP, OWN AND OPERATE QUALITY INFRASTRUCTURE ASSETS AND PROVIDE CONNECTIVITY SOLUTIONS.

EARNINGS HIGHLIGHTS ($ million)

	2019	2018	2017
Revenue	**2,927**	2,629	2,207
EBITDA	**172**	150	169
Operating Profit	**114**	106	125
Profit before Tax	**188**	184	170
Net Profit	**169**	169	134
Average Headcount (Number)	**2,521**	2,698	2,618
Manpower Cost	**201**	183	180

MAJOR DEVELOPMENTS IN 2019

- Construction of Keppel Marina East Desalination Plant is on track for completion in 2020.
- Expanded energy and environmental capabilities with investments in MET Holding and Zerowaste Asia.
- Completed first LNG cargo import from North America.
- Maintained Keppel Electric's position as one of the largest OEM retailers in Singapore.
- Continued to grow the Group's data centre business, and injected Keppel DC Singapore 4 into Keppel DC REIT.
- Grew logistics network and omnichannel solutions offerings to customers beyond Singapore.

FOCUS FOR 2020/2021

- Continue to seek out value-enhancing projects locally and overseas, leveraging the Division's project development, engineering, operation and maintenance expertise.
- Harness the strength of an integrated gas, power and district cooling platform to pursue growth opportunities.
- Continue to build up a portfolio of quality data centre assets and provide higher value services to customers.
- Extend and develop new B2C retail and marketing capabilities in electricity, e-commerce and urban logistics, adding value to product offerings and improving customer experience.
- Strengthen collaboration with Keppel Capital to tap third-party funds for growth.

EARNINGS REVIEW

The Infrastructure Division comprises the Group's businesses in energy, environment and infrastructure services, as well as data centres and logistics.

The Infrastructure Division's revenue for FY 2019 was $2.9 billion, an increase of 11% or $298 million from FY 2018's net profit. This was mainly due to increased sales in the power and gas business, as well as higher progressive revenue recognition from ongoing infrastructure projects.

The Division's net profit of $169 million for FY 2019 was comparable to the previous year's. Keppel Infrastructure continued to grow as a steady contributor to the Group's earnings, with net profit improving to $133 million for FY 2019, from $117 million for FY 2018, due to improved performance from Energy Infrastructure and Environmental Infrastructure.

Attesting to the Group's ability to create value through its eco-system, Alpha Data Centre Fund (Alpha DC Fund) and Keppel Data Centres (KDCH) divested Keppel DC Singapore 4 (KDC SGP 4) to Keppel DC REIT in FY 2019, with KDC SGP 4 contributing about $50 million in revaluation and divestment gains.

In FY 2019, the Infrastructure Division contributed 24% to the Group's net profit.

ENERGY INFRASTRUCTURE

Operating Review

Our Energy Infrastructure business achieved commendable financial performance in 2019.

Keppel Electric continued to grow its customer base across commercial, industrial and residential users in 2019. Keppel Electric is also one of the largest Open Electricity Market (OEM) retailers, with about 26% market share of residential consumers as of December 2019. During the year, Keppel Electric and M1 collaborated to bundle its services, thereby enhancing customer experience and allowing the Group to gain a bigger share of customers' wallets.

Keppel Gas remains focused on providing customers with competitive, value-added gas supply options. In 2019, the company successfully completed its first Liquefied Natural Gas (LNG) cargo import from North America under Singapore's Spot Import Policy. The LNG cargo was re-gasified as feedstock for downstream customers and end users, including the Keppel Merlimau Cogen plant.

In 2019, Pipenet was awarded two contracts worth $100 million by JTC Corporation to design and build pipe racks, crude oil pipelines and ancillary facilities on Jurong Island, Singapore. To be completed in 2020, the facilities will enable the transportation of crude oil between the Jurong Rock Caverns and its users, aiding commercial activity.

Meanwhile, Keppel DHCS remained active during the year, increasing the customer base for its one-north facility.

Keppel Electric is one of the largest OEM retailers, with about 26% market share of residential consumers as of December 2019.

In 2019, Keppel Infrastructure entered into an agreement to acquire a 20% stake in MET Holding (MET), an integrated European energy company headquartered in Switzerland. The investment marks Keppel Infrastructure's first foray into the European energy market to gain exposure to the growing energy platforms that MET is active in. The two companies will enter into a strategic partnership to jointly explore investment opportunities focusing on European energy infrastructure assets.

Market Review & Outlook

In 2019, LNG prices softened due to ample supply and lacklustre demand resulting from warmer-than-expected weather. This provided opportunities for Keppel's integrated gas and power business to optimise its fuel cost. The ample supply of LNG is likely to continue in 2020.

During the year, Keppel DHCS expanded the customer base in its one-north facility.

OPERATING & FINANCIAL REVIEW
INFRASTRUCTURE

Meanwhile, the district cooling systems (DCS) sector continues to experience a steady increase in demand, with a compounded annual growth rate (CAGR) of 6.6% since 2010. This is driven by the Singapore government's intensification of land use and promotion of sustainable cooling. Keppel DHCS will continue to pursue growth opportunities in Asia to expand its geographical reach.

ENVIRONMENTAL INFRASTRUCTURE

Operating Review

Our Environmental Infrastructure business performed well in 2019, underpinned by contributions from infrastructure projects in Hong Kong and Australia. During the year, Keppel Seghers continued to execute its infrastructure projects well, focusing on safety and quality.

In Singapore, construction of the dual-mode Keppel Marina East Desalination Plant (KMEDP) is progressing well. The facility is currently undergoing testing and commissioning and is on track for completion in 2020. Upon completion, KMEDP will contribute to the resilience of Singapore's water supply. KMEDP's design also blends seamlessly into the environment, allowing the public to enjoy the green space above the plant along with the surrounding greenery of the Marina Bay area.

Meanwhile, the engineering design work for the Hong Kong Integrated Waste Management Facility (IWMF) is making good progress and key procurement packages have been secured. Prefabrication works for the Hong Kong IWMF have commenced and reclamation works are ongoing.

In China, Keppel Seghers maintained its position and track record as a leading imported waste-to-energy (WTE) technology solutions provider. In 2019, Keppel Seghers successfully delivered WTE technology solutions for three plants and is currently executing six projects with a total incineration capacity of over 14,000 tonnes per day (tpd). Meanwhile, the Baoan III WTE plant in Shenzhen is on track for completion in 2020. Upon completion, the location will house over 8,800 tpd of incineration capacity, making it the world's largest incineration facility from a single technology provider.

In Australia, engineering design work and procurement of key packages are advancing for the Kwinana WTE plant. The plant is expected to be completed in 2021.

In December 2019, Keppel Seghers entered into an agreement to acquire an 18.2% stake in Zerowaste Asia (Zerowaste). The Singapore-based company offers one-stop environmental solutions for industrial solid waste and wastewater treatment. The strategic investment of Zerowaste complements and enhances Keppel Seghers' suite of environmental solutions, creating new opportunities for the Group as a provider of solutions for sustainable urbanisation.

In 2020, Keppel Seghers secured two contracts in Ahmedabad and Rajkot in India with a total capacity of 1,700 tpd. This signifies increasing interest in WTE as a viable waste treatment option for many states of India.

Market Review & Outlook

According to the United Nations' World Population Prospects 2019 report, the global population is expected to reach 8.5 billion in 2030 from 7.7 billion in 2019. Waste generation is also expected to grow correspondingly. Concurrently, growing social awareness on environmental issues has led to increased pressure on governments and corporations to adopt more holistic and sustainable economic development.

Amidst rapidly depleting landfill capacities and rising public awareness of environmental and pollution issues, governments around the world have become more proactive in sourcing for sustainable waste management solutions. Thus, the adoption of WTE technology as the preferred long-term waste management solution has been gaining traction.

In China, as part of the nation's focus on sustainable waste management, the Government plans to add over 100 WTE facilities across the country over the next few years.

In major cities across Southeast Asia (SEA), the need to implement modern waste management solutions before the end of the lifespan of existing landfills has become imperative. In Singapore, the inaugural launch of its Zero Waste Masterplan saw significant milestones including the passing of the new Resource Sustainability Bill and National Environment Agency's tender launch for a state-of-the-art IWMF which can treat up to 5,800 tpd of incinerable waste and recover up to 250 tpd of recyclable waste.

The increasing global focus on zero waste and a circular economy model will lead to greater focus on investments into sustainable and integrated waste management solutions. Leveraging its advanced technology and strong execution track record, Keppel Seghers is well positioned to support governments and industries with its sustainable environmental solutions.

INFRASTRUCTURE SERVICES

Operating Review

Keppel Infrastructure Services (KIS) continued to contribute steadily to the Group's recurring income base. KIS remained focused on maintaining high operation standards by maximising availability, reliability and efficiency of its assets. Guided by the belief

1

1 The Hong Kong IWMF will add to the Group's recurring income when it commences its 15-year operation and maintenance contract in 2024.

2 During the year, KDC SGP 4 was injected into Keppel DC REIT.

that every incident is preventable, KIS operates and maintains assets in its portfolio with a focus on safety.

In 2019, the Domestic Solid Waste Management Centre in Doha, Qatar, upgraded its Separation and Recycling plant, improving its capacity and reliability, as well as its recovery efficiency of ferrous and non-ferrous metals and plastics.

Meanwhile, in Singapore, Keppel Seghers Tuas WTE plant achieved its highest availability and shortest overhaul period since commencing operations in 2009.

Upon commencement of KMEDP's commercial operations in 1H 2020, KIS will operate and maintain the plant for 25 years. KMEDP, with its unique dual-flow feed, will broaden KIS' operation and maintenance capability and portfolio of water solutions.

KIS will continue to set the benchmark for high-quality infrastructure services, while seeking to positively impact and improve outcomes. Through knowledge sharing across assets, KIS is able to design and deploy unique solutions to create long-term value for customers. Through the operation and maintenance of assets in its portfolio, KIS will continue to generate recurring income for the Group.

Market Review & Outlook

Digitalisation, Industry 4.0 and climate change have become integral parts of government and industry blueprints, creating exciting opportunities for KIS to enhance its operation and maintenance practices and solutions. KIS is actively looking at automating selected processes across the plants that it operates and maintains.

Supporting the Group's commitment to build a sustainable future, KIS will continue to actively seek new projects spanning DCS, water, WTE and power to deliver high-quality, value-added operation and maintenance services.

DATA CENTRES

Operating Review

In 2019, KDCH continued to pursue expansion opportunities in target markets while enhancing its capabilities and service offerings to meet the growing demand for big data and connectivity. Today, the Group has a portfolio of 25 high-quality data centres, including four under development, across 14 cities in the Asia Pacific and Europe.

KDCH and Alpha DC Fund continued to grow their portfolio and make headway in the development of their assets during the year.

In 2019, Alpha DC Fund and KDCH divested KDC SGP 4 to Keppel DC REIT. The asset

2

generated total gains of about $83 million for the Group from 2016 through to divestment. In addition, after the injection of KDC SGP 4 into Keppel DC REIT, the Keppel Group will continue to earn recurring income from the operation and maintenance of the asset, as well as asset management fees.
The divestment of KDC SGP 4 is an example of how the Keppel Group creates value and generates different income streams throughout the life cycle of its assets.

The divestment of KDC SGP 4 is an example of how the Keppel Group creates value and generates different income streams throughout the life cycle of its assets.

In Australia, Alpha DC Fund acquired a plot of freehold land in Gore Hill Technology Park to develop Keppel DC Sydney 1, the Fund's first greenfield data centre in Australia. The construction of the data centre's shell and core, as well as initial fit-out, are expected to be completed by 1H 2021.

In SEA, KDCH commenced construction of its greenfield data centre in an industrial park in Johor, Malaysia. Upon completion in 2020, the data centre will be fully committed by the customer. Meanwhile, KDCH also commenced construction of

OPERATING & FINANCIAL REVIEW
INFRASTRUCTURE

IndoKeppel Data Centre 1, a greenfield data centre located in Bogor, Indonesia. The construction of the data centre's core and shell, as well as first phase fit-out, are expected to be completed by 2H 2020.

KDCH and Alpha DC Fund entered into several strategic partnerships in 2019 to strengthen their capabilities and the Group's position as the data centre industry's partner of choice.

With their high internal loads and the need for continuous cooling and operations in tightly-controlled environments, data centres are large consumers of power. As a leading provider of data centre solutions, KDCH is focused on developing greener data centres. In 2019, National University of Singapore's Faculty of Engineering, KDCH and Singapore LNG Corporation announced a collaboration to develop novel, energy-efficient and cost-effective cooling technology for data centres, which could pave the way for more sustainable and compact data centres.

Harnessing synergies across the Group, Keppel Telecommunications & Transportation (Keppel T&T) is also pursuing innovative new data centre solutions in collaboration with other business units, including high-rise green data centres and floating data centre parks.

Market Review & Outlook
The proliferation of the Internet of Things, big data, artificial intelligence and cloud-based services continue to drive demand for data centres.

According to GlobalData, a data analytics and consulting company, Asia Pacific is expected to become the second largest region for data centre and hosting services, reaching 30% by 2023, to be closely followed by Europe. Within the colocation market, Cushman & Wakefield expects Asia Pacific and Singapore to record CAGRs of around 12% and 5% respectively between 2019 and 2024.

Singapore is on track to roll out 5G mobile networks by 2020, and Keppel is well positioned to tap the resultant demand for data centres arising from 5G developments.

KDCH will continue to work closely with Alpha DC Fund to proactively seek new development and acquisition opportunities in the Asia Pacific and Europe. KDCH will also sharpen its value proposition, especially in the areas of enhancing connectivity, as well as explore innovative and sustainable data centre designs and technologies.

LOGISTICS
Operating Review
In 2019, Keppel Logistics continued to build new capabilities and expanded its omnichannel solution offerings to customers in SEA.

Keppel Logistics maintained an average warehouse occupancy rate in Singapore of over 70% during the year. The company also began upgrading its Singapore facilities to better serve its customers, especially in niche sectors such as healthcare.

In 2019, Keppel Logistics ramped up the integration of UrbanFox which will allow the Logistics division to capture new growth opportunities in the e-commerce market and provide omnichannel logistics solutions to customers.

UrbanFox grew its customer base to over 500 brands as at end-2019 from over 200 brands as at end-2018. UrbanFox expanded its presence in SEA, launching its channel management services in Malaysia and Vietnam in 2H 2019, and was appointed as a cross-border e-commerce initiative partner by the Malaysian Digital Economy Corporation. The company will continue to grow its suite of omnichannel logistics services overseas.

In Vietnam, Indo-Trans Keppel Logistics Vietnam improved its operational efficiency through the consolidation of its warehouse operations. Meanwhile, PT Keppel Puninar Logistics established its first warehouse operation in Surabaya, Indonesia and Keppel Logistics' Malaysia warehouse was digitally enabled to perform B2C order fulfilment.

Further afield in Australia, Keppel Logistics relocated its operations to a larger warehouse in Rochedale, Brisbane. With better connectivity and larger capacity, the new warehouse is well positioned to support the growth of Australia's businesses.

As part of Keppel T&T's strategic review of its logistics portfolio in China and to streamline its operations and better allocate resources, Keppel T&T divested Keppel Logistics (Foshan) and Keppel Logistics (Hong Kong) for a total consideration of about $39 million in 2019.

In Anhui province, the Wuhu Sanshan Port experienced an increase in cargo handling in 2019 due to an increase in customers' requirements. Meanwhile, the construction of the Keppel Wanjiang International Coldchain Logistics Park was completed in April 2019, and the park has started providing integrated third-party logistics services to customers.

Market Review & Outlook
Despite headwinds in the macroeconomic environment, the e-commerce market in Asia remains promising. According to a joint study by Google, Temasek and Bain & Company published in 2019, SEA's internet economy reached US$10 billion in 2019, driven mainly by e-commerce and ride hailing. The study reported that the internet economy would grow to US$300 billion by 2025, with Indonesia and Vietnam leading the way at growth rates of over 40% per annum. Meanwhile, the internet economies in Singapore, Malaysia, Thailand and the Philippines are expected to grow at between 20% and 30% per annum.

Leveraging the Group's international presence and its integrated end-to-end services, Keppel Logistics is well positioned to tap the growing demand for e-commerce in the region.

During the year, Keppel Logistics built new capabilities and expanded its omnichannel solution offerings to customers in SEA.

INVESTMENTS

WE CREATE VALUE FOR SHAREHOLDERS BY INVESTING STRATEGICALLY AND DEVELOPING NEW GROWTH ENGINES.

EARNINGS HIGHLIGHTS ($ million)

	2019	2018	2017
Revenue	**1,097**	121	173
EBITDA	**353**	(16)	177
Operating Profit/(Loss)	**195**	(22)	175
Profit/(Loss) before Tax	**83**	(19)	290
Net Profit/(Loss)	**11**	(54)	238
Average Headcount (Number)	**1,424**	554	416
Manpower Cost	**249**	146	110

MAJOR DEVELOPMENTS IN 2019

Completed the privatisation of M1, together with Singapore Press Holdings (SPH).

Keppel Capital expanded alternative asset classes with a debt mezzanine platform.

Keppel's listed REITs and Trust continued to seize opportunities and create value for Unitholders through active investments and divestments across Singapore, South Korea, Germany and the United States.

Prime US REIT, of which Keppel Capital is a strategic partner, was successfully listed.

FOCUS FOR 2020/2021

Keppel Capital will continue working with other Keppel entities to co-create real assets and grow the Group's asset management business.

Keppel and SPH will continue to work with M1's board and management to drive M1's transformation and growth.

Continue development of the Sino-Singapore Tianjin Eco-City to realise its vision of being a model for sustainable urbanisation in China.

Keppel Urban Solutions will focus on developing Saigon Sports City in Vietnam into a smart, integrated township, while exploring opportunities in the Asia Pacific.

OPERATING & FINANCIAL REVIEW
INVESTMENTS

1 Alpha DC Fund completed its first divestment in 2019 with the sale of KDC SGP 4 to Keppel DC REIT, creating value for the Group.

2 Saigon Sports City in Ho Chi Minh City, which broke ground in 2019, is jointly developed by Keppel Land and Keppel Urban Solutions.

EARNINGS REVIEW

The Investments Division comprises mainly Keppel Capital, Keppel Urban Solutions (KUS) and M1, as well as the Group's investments in KrisEnergy and the Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd.

Revenue for the Investments Division increased by $976 million to $1.1 billion for FY 2019, mainly due to the consolidation of M1 and higher revenue from the asset management business.

Keppel Capital will continue to play a key role in working with business units across the Keppel Group to co-create real assets that the Group can develop, own and operate.

The Division generated a net profit of $11 million for FY 2019, compared to a net loss of $54 million for FY 2018, mainly due to fair value gain from the re-measurement of previously held interest in M1 arising from the acquisition, higher contribution from asset management and consolidation of M1's results, as well as lower provision for impairment of an associated company.

Excluding charges related to the acquisition of M1, the Division's net profit would have been $56 million.

KEPPEL CAPITAL

Operating Review

2019 was an active year for Keppel Capital as it continued to expand into new markets and asset classes. Keppel Capital grew its assets under management to about $33 billion as at end-2019 from $29 billion as at end-2018, on a fully leveraged and invested basis. In 2019, the company completed about $8.4 billion in acquisitions and divestments, and raised equity and debt of over $9.5 billion.

Real Estate

In 2019, Keppel REIT Management continued its portfolio optimisation strategy to position Keppel REIT for long-term sustainable growth. During the year, Keppel REIT entered the Seoul office market with the acquisition of T Tower, a freehold CBD Grade A building. The geographical diversity of the REIT's assets across Singapore, Australia and South Korea enables it to deliver sustainable income over time. In Singapore, Keppel REIT also unlocked value with the divestment of Bugis Junction Towers for $547.7 million, having achieved strong capital gains and returns since acquiring the asset in 2006.

While seizing opportunities to unlock value and capture growth, the Manager remains focused on driving asset performance. As at end-2019, Keppel REIT reported strong portfolio committed occupancy of 99.1% and a long portfolio weighted average lease expiry (WALE) of 4.9 years, enhancing the REIT's income resilience.

Meanwhile, Keppel Pacific Oak US REIT (KORE) delivered on its IPO forecast for FY 2019. KORE also completed two strategic acquisitions in Orlando and Dallas, expanding its footprint in the United States (US). The acquisitions are in line with KORE's strategy to focus on key growth markets with positive leasing dynamics, strong office fundamentals and high-quality tenants.

Driven by strong leasing from the technology sector, KORE ended 2019 with positive rental reversion of 14.3%, portfolio committed occupancy of 93.6% and WALE by cash rental income of 4.2 years.

2019 also saw the successful listing of Prime US REIT, of which Keppel Capital is a strategic partner. The acquisition of a 30% interest in the Manager of Prime US REIT allows Keppel Capital to deepen its participation in the US commercial sector and continue to grow recurring income for the Group.

Alpha Investment Partners' (Alpha) private funds were active during the year, completing US$2.4 billion in divestments and committing to over US$2.2 billion of investments in gross asset value across Beijing, Brisbane, Jakarta, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo. As at end-2019, Alpha Asia Macro Trends Fund (AAMTF) III was almost fully committed following several notable investments during the year, including interests in Yi Fang Tower in Shanghai, three Grade A freehold commercial buildings in Seoul and Ronsin Technology Center in Beijing.

Macrotrends including urbanisation, consumerism, ageing population and the drive for connectivity continue to present exciting opportunities in the Asian real assets space. Alpha continues to draw interest, both from existing and new investors, for its AAMTF series. It is looking to launch the AAMTF IV and achieve first close in 2020.

Data Centres

Keppel DC REIT Management maintained its focused investment strategy of seeking quality income-producing assets that complement the REIT's portfolio. In 2019, Keppel DC REIT strengthened its Singapore footprint with the acquisitions of Keppel DC Singapore 4 (KDC SGP 4) and DC1, and announced the acquisition of Kelsterbach DC, a shell and core purpose-built data centre facility located near the Frankfurt Airport in Germany.

As at end-2019, Keppel DC REIT's portfolio occupancy remained healthy at 94.9% with a WALE by leased area of 8.6 years, providing good income visibility to Unitholders.

In collaboration with Keppel Data Centres, Alpha Data Centre Fund (Alpha DC Fund) is developing Keppel DC Sydney 1 in Australia. Expected to be completed in phases from 1H 2021, the data centre will be strategically located adjacent to Gore Hill Data Centre, an existing data centre in Keppel DC REIT's portfolio. In 2019, Alpha DC Fund completed its first divestment with the sale of KDC SGP 4 to Keppel DC REIT.

Infrastructure

In February 2019, Keppel Infrastructure Fund Management (KIFM), the Trustee-Manager of Keppel Infrastructure Trust (KIT) completed the acquisition of Ixom HoldCo Pty Ltd (Ixom) in Australia. Bolstered by its leading market position and defensive business model supported by long-term industry fundamentals, Ixom is well placed to deliver steady cash flows to KIT.

During the year, KIFM successfully raised gross proceeds of about $500.8 million through a private placement cum preferential offering to partially repay the bridge loan for the acquisition of Ixom.

In October 2019, the remaining lease value in DC1 was realised with the divestment of KIT's 51% stake in the data centre. KIFM expects to redeploy proceeds from this divestment into quality acquisitions that will strengthen KIT's portfolio, as well as for refinancing and working capital needs.

Alternative Assets

In February 2019, Keppel Capital entered into a conditional share subscription agreement with Golar LNG (Golar) and Gimi MS Corporation (Gimi MS) to subscribe for 30% of the total issued ordinary share capital of Gimi MS, which owns the Gimi floating liquefaction vessel (FLNG), currently being converted by Keppel Offshore & Marine (Keppel O&M).

In January 2020, Keppel Capital launched and achieved first closing of Keppel Asia Infrastructure Fund, a closed-end infrastructure private equity fund with a target size of US$1 billion. The Fund and its co-investment vehicles have received initial capital commitments of US$360 million from investors including a sovereign wealth fund and an endowment fund. The Gimi FLNG project, which is intended to be a seed asset for the Fund, is a testament of the Group's ability to create value by harnessing synergies to create quality solutions for customers that also serve as good investment assets for both private and public investors.

In 2019, Keppel Capital also extended its fund management capabilities beyond the equity layer to include a private debt mezzanine platform. This followed the signing of a conditional sale and purchase agreement in November 2019 to acquire a 50% interest in Pierfront Capital Fund Management.

Business Outlook

Looking ahead, Keppel Capital strives to continue to be the choice partner for investors looking to invest in high-quality real assets in sectors fuelled by urbanisation trends. These include cash-generating real assets that the Group develops and operates such as data centres, power and desalination plants, as well as offshore vessels.

Keppel Capital will continue to play a key role in working with business units across the Keppel Group to co-create real assets that the Group can develop, own and operate.

KEPPEL URBAN SOLUTIONS

KUS is an end-to-end master developer of smart, sustainable urban townships that leverages the Group's wide-ranging expertise and strong track record in the planning and development of large-scale projects in the Asia Pacific. 2019 was an active year for KUS as it deepened its presence in key markets and established new partnerships.

To meet the rapidly-changing aspirations of urbanites, KUS owns and operates the Keppel Smart City Operating System (KOS), an integrated digital platform to be deployed in KUS' township projects. With KOS' open standards environment and insight-driven data analytics, KUS can deliver greater efficiency in designing, developing and operating urban developments. The digital platform will also connect the Group's assets and developments globally.

In November 2019, Keppel Land and KUS broke ground for Saigon Sports City in District 2, Ho Chi Minh City. Through collaboration with best-in-class local and international partners, Saigon Sports City will offer innovative urban solutions and

2

OPERATING & FINANCIAL REVIEW
INVESTMENTS

incorporate sustainable environmental infrastructure. These include the adoption of energy-efficient retail cooling systems and street lighting; smart metering for monitoring and predictive maintenance; water-sensitive urban design features to enhance flood resiliency and biodiversity; smart Internet of Things (IoT) home devices, smart car-parking solutions and an integrated SSC mobile application to help create engaged, active and inclusive communities.

In China, KUS and Keppel Land China are jointly developing a 166-hectare (ha) land plot in the Northern district of the Sino-Singapore Tianjin Eco-City. The precinct is envisioned to be a model for smart sustainable development, which will apply state-of-the-art technology and solutions in domains such as mobility, security and resource efficiency to enhance liveability and connectedness within the township.

In Indonesia, KUS and Keppel Land will collaborate to jointly develop a 30-ha township strategically located in Bogor, Indonesia. In December 2019, Keppel Land signed a memorandum of understanding (MOU) with the landowners and construction of the township is expected to commence in 2021. The township is envisaged to be an iconic river township in Bogor and greater Jakarta, incorporating Singapore's Active, Beautiful, Clean Waters Design Guidelines, walkable and self-sufficient town planning principles, energy-efficient sustainable solutions and innovative residential products.

In 2019, KUS signed an MOU with AECOM, the world's leading infrastructure firm, to cooperate in the area of urban solutions. This partnership enables both companies to combine their respective strengths and expertise to jointly explore development opportunities in the Asia Pacific region.

M1

In FY 2019, M1's total revenue grew to $1.1 billion, 4% higher compared to FY 2018's revenue. Of this, mobile services revenue decreased by 5% to $542 million and accounted for 48% of M1's revenue, compared to $569 million a year ago.

M1 expanded its customer base to 2.33 million as at end-2019, of which mobile customers increased by 152,000 year-on-year (y-o-y) to 2.11 million and fibre customers increased by 13,000 y-o-y to 222,000.

Postpaid mobile customer base grew by 151,000 y-o-y to 1.54 million, driven by the launch of the new One Plan in May 2019, while prepaid mobile customer base rose by 1,000 y-o-y to 573,000.

Strengthening its consumer business to meet changing customer needs and expectations, M1 refined its mobile offerings by replacing all its 19 plans with one new base plan each for SIM-only and handset bundles in May 2019. Customers can also build and personalise the plans over the base plan according to their expected usage and needs. The simplification offers customers greater flexibility and personalisation through a made-to-measure mobile plan. To further improve customer experience, M1 also revamped its website to incorporate a streamlined interface that is more intuitive for customers.

M1 is also actively collaborating with other Keppel entities to create smarter, future-ready offerings such as smarter rigs, advanced yards of the future, autonomous vessels and smarter urban solutions. For example, Keppel O&M is partnering M1 to leverage M1's ultra-low latency 4.5G network connectivity to establish standards and data transfer links in terms of latency and reliability for ship-to-shore communication, and support mission-critical IoT maritime applications.

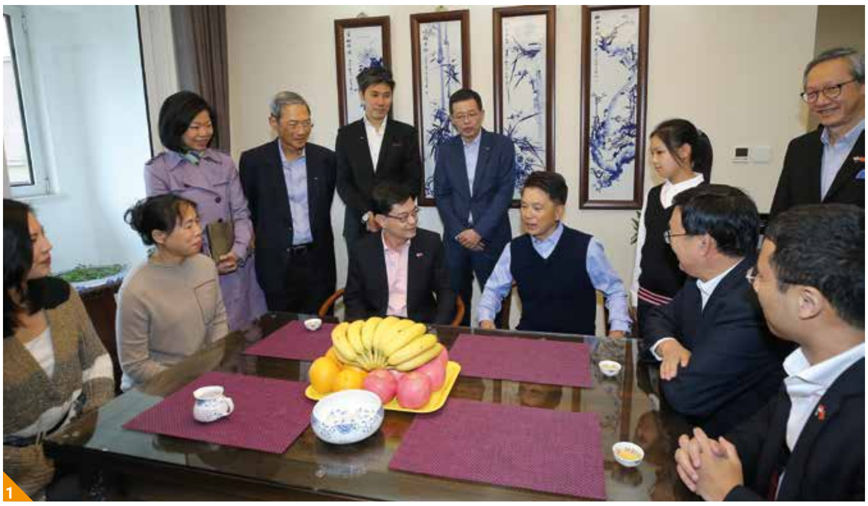
The enterprise business segment is a key pillar of growth as M1 continues to harness synergies as part of the Keppel Group, and also enhance capabilities and offerings across its connectivity, and information and communications technology (ICT) businesses through AsiaPac Distribution. Since its privatisation, M1 has achieved strong double-digit customer growth of about 200% y-o-y for its mobile, fixed and ICT business.

Tapping the $16 billion[1] B2B Connectivity and ICT market in Singapore, a key area of focus for M1 is the development of platforms and initiatives to support enterprise customers such as governments, large corporations, as well as small and medium-sized enterprises (SMEs). In 2019, M1 participated in the Smart Digital initiative launched by Infocomm Media Development Authority (IMDA) and Enterprise Singapore. This is part of M1's plans to participate in more of IMDA's initiatives catered for SMEs and introduce more customised solutions for enterprise customers.

In 2019, M1 stepped up its efforts and made significant headway into 5G developments, embarking on several 5G trials and research collaborations. Teaming up with institutes of higher learning, M1 is partnering Nanyang Technological University to develop Singapore's first standalone 5G C-V2X (cellular vehicle-to-everything) research testbed and trials, and with Singapore University of Technology and Design to embark on a joint research partnership around remote operation of tactile robots using 5G technology.

M1 is also working closely with Singapore government agencies, industry players and enterprises to co-develop 5G use cases for selected markets. In June 2019, M1 won a 5G trial tech call from IMDA and Port of Singapore Authority to test 5G technologies in a live Smart Port environment, focused on early trials of 5G-enabled innovative Smart Port use-cases including tele-remote-controlled equipment and automated guided vehicles. In addition, M1 also announced its first F&B and retail 5G use-case collaboration with Haidilao to set up a trial 5G network for the chain's first 5G experimental smart restaurant.

In February 2020, M1 and StarHub submitted a joint bid for a 5G licence.


1

[1] Gartner Market Statistics – Forecast: IT Services, Worldwide, 2017-2023, 3Q19 Update.
[2] These figures include the Tourism District and Central Fishing Port.

SINO-SINGAPORE TIANJIN ECO-CITY

In 2019, the Sino-Singapore Tianjin Eco-City (Eco-City) built on the strong foundation of its first decade by further integrating smart city elements into its development, with the launch of a smart city KPI system and the establishment of a Smart City Operations Centre.

Keppel leads the Singapore consortium, which works with its Chinese partner to guide the 50-50 joint venture (JV) – Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (SSTEC) – in its role as master developer of the Eco-City.

Since breaking ground in 2008, the Eco-City has evolved into a thriving community featuring three neighbourhood centres, five libraries, three health services centres, a hospital and 18 schools with about 12,000 students. Over 100,000 people[2] live and work in the Eco-City, with over 8,800 registered companies[2] to date.

Notwithstanding the property cooling measures in Tianjin, the Eco-City remains a highly sought-after residential township within the Tianjin Binhai New Area. Demand for homes in the Eco-City remained healthy in 2019, with a total of about 4,100 homes sold, up 49.5% from 2018. With the development of the Start-Up Area successfully completed, SSTEC is focusing on developing the Eco-City's future city centre in the Central District. Reflecting the continued market confidence in the Eco-City's growth, SSTEC sold two residential land plots in the Central District in 2019. In addition, in 2019, projects developed by SSTEC sold about 360 homes, while its JV projects sold about 300 homes.

The Eco-City continues to be a key government-to-government project and platform for bilateral cooperation between Singapore and China. At the 11th Tianjin Eco-City Joint Steering Council (JSC) meeting in October 2019 co-chaired by Singapore's Deputy Prime Minister (DPM) Heng Swee Keat and Chinese Vice Premier Han Zheng, an MOU to promote the replication of the Eco-City's development experience in other Chinese cities and along the Belt and Road, was signed. DPM Heng, together with other ministers and senior officials, also made a visit to the Eco-City after the JSC.

Different business units in the Keppel Group are contributing to the Eco-City's development. In 2019, Keppel Land China sold about 300 homes in the Eco-City. As at end-2019, Keppel Land China had launched about 5,000 homes in the Eco-City, of which about 94% had been sold.

1 DPM Heng Swee Keat (seated, third from left) visited the home of a resident in Tianjin Eco-City. He was accompanied by Singapore's ministers and officials, Keppel Corporation's Chairman Dr Lee Boon Yang (standing, second from left) and senior management from Keppel Land China.

2 M1 is actively collaborating with other Keppel entities to create smarter, future-ready solutions.

Seasons City, Keppel Land China's commercial development in the Eco-City, is currently under construction. Phase 1, comprising a five-storey retail complex and a 10-storey office tower, is targeted for completion in 2021. Reflecting Keppel's focus on sustainability, in June 2019, Keppel Land secured its first green loan facility amounting to RMB850 million from HSBC Group China for the development of Seasons City (Phase 1).

In October 2019, Keppel Land signed a non-binding Smart City Strategic Cooperation Agreement with the Sino-Singapore Tianjin Eco-City Administrative Committee to develop the Sino-Singapore Smart City Innovative Research Cooperation Platform, where both parties will conduct research and explore smart applications in areas such as smart buildings, smart energy management, clean energy, community living and environmental protection.

During the year, Keppel Telecommunications & Transportation's logistics distribution centre in the Eco-City enhanced its customer portfolio and increased the volume of cargo handled by 25% y-o-y. The Sino-Singapore Tianjin Eco-City Water Reclamation Centre, a JV between Keppel Infrastructure and Tianjin Eco-City Investment and Development Co., Ltd, continued to perform well in 2019. The Centre treats wastewater effluent from an existing wastewater treatment plant to produce recycled water that meets China's most stringent standards for miscellaneous urban water consumption.

KRISENERGY

2019 was a challenging year as KrisEnergy continued to navigate headwinds arising from macroeconomic factors and oil price volatility.

On 14 August 2019, KrisEnergy applied to the High Court of Singapore to commence debt restructuring and to seek a moratorium against enforcement actions and legal proceedings by creditors pursuant to Section 211B of the Companies Act. A moratorium was granted on 9 September 2019 and was subsequently extended to 27 May 2020.

Keppel is a significant direct creditor of KrisEnergy, arising from its holding of zero coupon notes due 2024 issued by KrisEnergy, issued with detachable warrants. Keppel also holds an indirect interest, through a bilateral contract with DBS Bank (DBS), in a claim of about $263 million of outstanding principal as at 31 December 2019 owed by KrisEnergy to DBS. In addition, Keppel also has contract assets with carrying value of about $21 million in relation to a construction contract for a production barge for KrisEnergy. As at the date of this report, Keppel Corporation holds an approximate 40% equity interest in KrisEnergy.

MANAGEMENT DISCUSSION & ANALYSIS

WE ARE CONFIGURED FOR GROWTH, BUILDING ON AN INSTITUTIONAL QUALITY BALANCE SHEET.

Free Cash Outflow

$653m

As compared to inflow of $515m for FY 2018.

Earnings Per Share

38.9cts

A decrease from 52.3cts for FY 2018.

KEY PERFORMANCE INDICATORS

	2019 $ million	19 vs 18 % +/(-)	2018[1] $ million	18 vs 17 % +/(-)	2017 $ million
Revenue	**7,580**	27	5,965	<0.1	5,964
Net profit	**707**	(25)	948	384	196[2]
Earnings Per Share	**38.9 cts**	(26)	52.3 cts	384	10.8 cts[2]
Return on Equity	**6.3%**	(25)	8.4%	394	1.7%[2]
Economic Value Added	**188**	(29)	263	n.m.	(839)[2]
Operating cash flow	**(825)**	n.m.	125	(90)	1,203
Free cash flow[3]	**(653)**	n.m.	515	(71)	1,802
Total cash dividend per share	**20.0 cts**	(33)	30.0 cts[4]	36	22.0 cts

1 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*
2 Includes the one-off financial penalty and related costs of $619 million.
3 Free cash flow excludes expansionary acquisitions and capital expenditure, and major divestments.
4 Comprises a proposed final cash dividend of 15.0 cents per share, an interim cash dividend of 10.0 cents per share and a special cash dividend of 5.0 cents per share.

n.m. = Not meaningful

GROUP OVERVIEW

Group net profit was $707 million, a decrease of 25% from $948 million for 2018 largely due to lower earnings from the Property Division. This was partly offset by earnings from the Offshore & Marine (O&M) and Investment divisions, as compared to their losses in 2018.

Earnings Per Share was 38.9 cents, a decrease of 26% from 52.3 cents for 2018. Return on Equity was 6.3%, compared to 8.4% for 2018. Meanwhile, Economic Value Added was positive $188 million for 2019, compared to positive $263 million for 2018.

Free cash outflow was $653 million, compared to free cash inflow of $515 million for 2018, mainly due to working capital requirements. Net gearing for 2019 was 0.85 times, compared to 0.48 times for 2018.

Total cash dividend for 2019 will be 20.0 cents per share. This comprises a proposed final cash dividend of 12.0 cents per share as well as an interim cash dividend of 8.0 cents per share paid in the third quarter of 2019.

SEGMENT OPERATIONS

Group revenue of $7,580 million for 2019 was $1,615 million or 27% higher than in 2018. Revenue from the O&M Division improved by $345 million or 18% to $2,220 million mainly due to higher revenue recognition from ongoing projects, partly offset by the absence of revenue recognised in 2018 from the sale of jackup rigs to Borr Drilling. Major jobs delivered in 2019 include five jackup rigs, three Floating Production Storage and Offloading/ Floating Storage and Re-gasification Unit conversions and four dredgers. Revenue from the Property Division decreased marginally by $4 million to $1,336 million due mainly to lower revenue from Singapore property trading projects, partly offset by higher revenue from China property trading projects. Revenue from the Infrastructure Division grew by $298 million to $2,927 million as a result of increased sales in the power and gas businesses, as well as higher progressive revenue recognition from the Keppel Marina East Desalination Plant project and the Hong Kong Integrated Waste Management Facility project. Revenue from the Investments Division increased by $976 million to $1,097 million due mainly to the consolidation of M1 and higher revenue from the asset management business.

Group net profit of $707 million for 2019 was $241 million or 25% lower than 2018.

The O&M Division's profit was $10 million as compared to loss of $109 million in 2018. This was mainly due to higher operating results, lower impairment provisions, lower net interest expense and higher write-back of tax provision, partly offset by share of losses from associated companies and absence of write-back of provisions for claims in 2018.

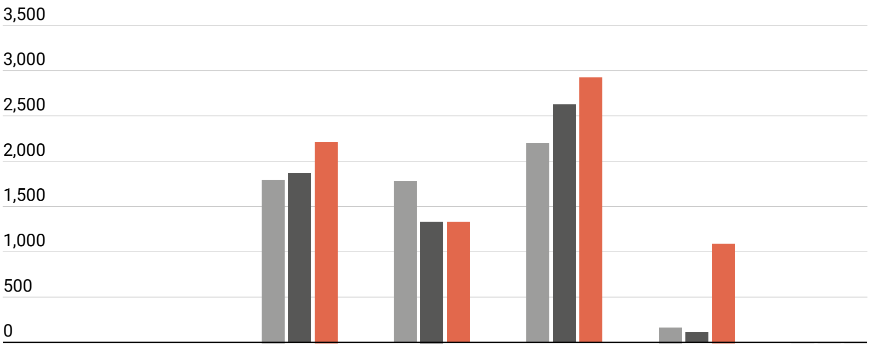
Profit from the Property Division decreased by $425 million to $517 million mainly due to lower gains from the en-bloc sale of development projects and absence of gain from divestment in 2019 as compared to 2018, lower contribution from Singapore property trading projects and higher net interest expense, partly offset by higher contribution from China property trading projects, higher investment income, higher fair value gains on investment properties and higher contribution from associated companies.

Infrastructure Division's profit of $169 million in 2019 was flat compared to 2018.

Profit from the Investments Division was $11 million in 2019, as compared to loss of $54 million in 2018. This was mainly due to fair value gain from the re-measurement of previously held interest in M1 at acquisition date, higher contribution from the asset management business, higher contribution from M1 resulting from the consolidation of M1 and lower provision for impairment of KrisEnergy. This was partly offset by lower share of profit from the Sino-Singapore Tianjin Eco-City, higher net interest expense, higher fair value loss on KrisEnergy warrants, financing cost and amortisation of intangibles arising from acquisition of M1, as well as the write-off of a receivable.

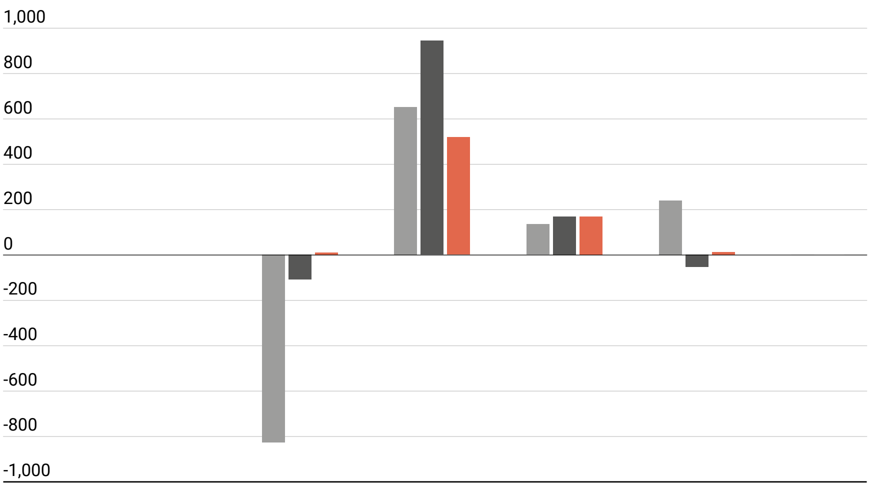
In 2019, the Property Division was the largest contributor to the Group's net profit with a 73% share, followed by the Infrastructure Division's 24%, the Investments Division's 2% and the O&M Division's 1%.

REVENUE ($ million)



	Offshore & Marine	Property	Infrastructure	Investments	Total
2017	1,802	1,782	2,207	173	5,964
2018	1,875	1,340	2,629	121	5,965
2019	**2,220**	**1,336**	**2,927**	**1,097**	**7,580**

NET PROFIT ($ million)



	Offshore & Marine	Property	Infrastructure	Investments	Total
2017	(826)[2]	650	134	238	196
2018[1]	(109)	942	169	(54)	948
2019	**10**	**517**	**169**	**11**	**707**

1 Net profit for 2018 has been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*
2 Includes the one-off financial penalty and related costs of $619 million.

FINANCIAL REVIEW & OUTLOOK

WE WILL SUSTAIN VALUE CREATION THROUGH EXECUTION EXCELLENCE, TECHNOLOGY INNOVATION AND FINANCIAL DISCIPLINE.

Total Assets

$31.3b

Up 18% from $26.6b for FY 2018, mainly due to increase in non-current assets.

Total Cash Dividend Per Share

20.0cts

This represents 51% of Group net profit for FY 2019.

PROSPECTS

The Offshore & Marine (O&M) Division's net orderbook, excluding the Sete Brasil (Sete) rigs, stood at $4.4 billion as at end-2019. The Division will continue to focus on delivering its projects well, exploring new markets and opportunities, investing in R&D and building new capabilities. The Division is also actively capturing opportunities in gas solutions, offshore renewables, production assets, specialised vessels and floating infrastructure, as well as exploring ways to re-purpose its technology in the offshore industry for other uses.

The Property Division sold about 5,150 homes in 2019, comprising about 250 in Singapore, 3,400 in China, 950 in Vietnam, 300 in Indonesia and 250 in India. Keppel REIT's office buildings in Singapore, Australia and South Korea maintained a high portfolio committed occupancy rate of 99% as at 31 December 2019. The Division will remain focused on strengthening its presence in key markets such as Singapore, China and Vietnam and scaling up in other markets such as Indonesia and India, while seeking opportunities to unlock value and recycle capital.

In the Infrastructure Division, Keppel Infrastructure will continue to build on its core competencies in the energy and environment-related infrastructure as well as infrastructure services businesses to pursue promising growth areas. Keppel Telecommunications & Transportation (Keppel T&T) will continue to develop its data centre business locally and overseas.

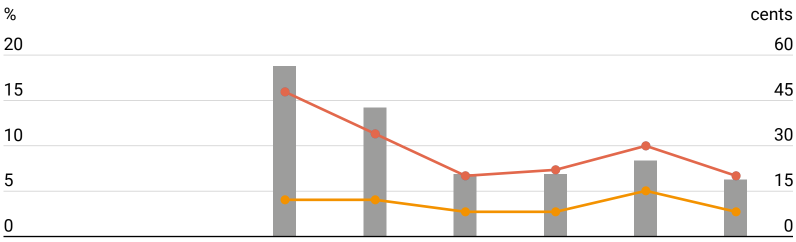
Besides building complementary capabilities in the growing e-commerce business, it is transforming its logistics business from an asset-heavy business to an asset-light service provider in urban logistics.

In the Investments Division, Keppel Capital continues to leverage the Group's core competencies to create innovative investment solutions and connect investors with quality real assets in fast growing sectors fuelled by urbanisation trends. This includes seizing growth opportunities across our chosen sectors, as well as expanding into new markets and asset classes including the infrastructure, senior living and education sectors.

Keppel Urban Solutions (KUS) will harness opportunities as an integrated master developer of smart, sustainable precincts. Starting with Saigon Sports City in Ho Chi Minh City, Vietnam, KUS will also explore opportunities in other cities across Asia. The Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. will continue the development of the Sino-Singapore Tianjin Eco-City (Eco-City), including selling land parcels to drive the Eco-City's further development.

The strategic acquisition of M1 complements the Group's mission as a solutions provider for sustainable urbanisation, which includes connectivity. M1 serves as a digital platform and connectivity partner to complement and augment the Group's suite of solutions. At the same time, M1 can benefit from harnessing the synergies of the Group.

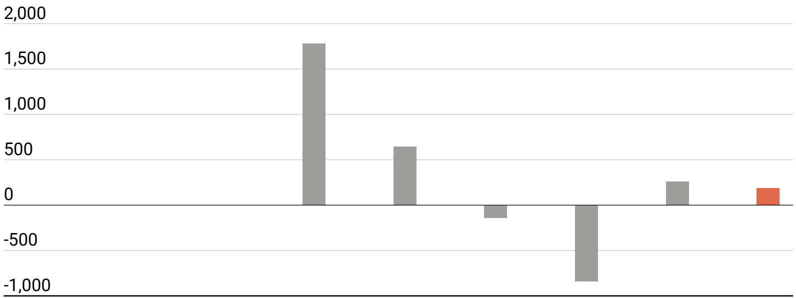
ROE & DIVIDEND



	2014	2015	2016	2017	2018	**2019**
ROE (%)	18.8	14.2	6.9	6.9	8.4[1]	**6.3**
Full-Year Dividend (cts)	48	34	20	22	30	**20**
Interim Dividend (cts)	12	12	8	8	15[2]	**8**

1 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*
2 Comprises an interim cash dividend of 10.0 cents per share and a special cash dividend of 5.0 cents per share.

EVA ($ million)



2014	2015	2016	2017	2018	**2019**
1,778	648	(140)	(839)	263[1]	**188**

1 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*

The Group will continue to execute its integrated business strategy to provide solutions for sustainable urbanisation, and deepen collaboration across divisions, while being agile and innovative, and investing in the future.

Return on Equity decreased to 6.3% in 2019 from 8.4% in the previous year, mainly due to lower net profit.

The Company will be distributing a total cash dividend of 20.0 cents per share for 2019, comprising a proposed final cash dividend of 12.0 cents per share as well as the interim cash dividend of 8.0 cents per share distributed in the third quarter of 2019. Total cash dividend for 2019 represents 51% of Group net profit. On a per share basis, it translates into a gross yield of 3.0% on the Company's last transacted share price of $6.77 as at 31 December 2019.

Economic Value Added
In 2019, Economic Value Added (EVA) decreased by $75 million to $188 million. This was attributable to higher capital charge, partially offset by higher net operating profit after tax.

Capital charge increased by $92 million as a result of higher Average EVA Capital Employed and higher Weighted Average Cost of Capital (WACC). WACC increased from 5.42% to 5.47% due mainly to an increase in risk-free rate and higher cost of debt. Average EVA Capital Employed

EVA

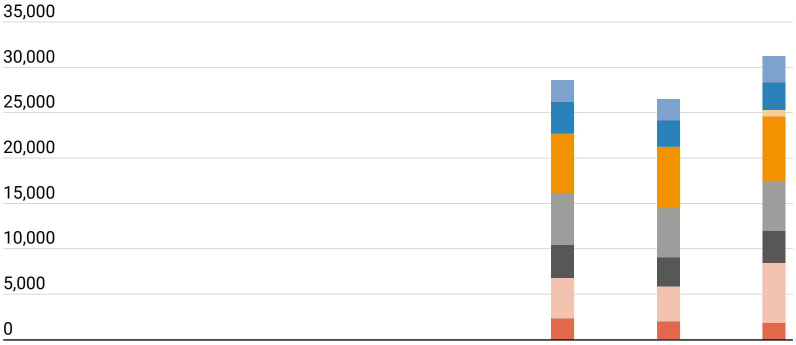
	2019 $ million	**19 vs 18 +/(-)**	**2018[1] $ million**	**18 vs 17 +/(-)**	**2017[2] $ million**
Profit/(loss) after tax (Note 1)	**794**	(103)	897	914	(17)
Adjustment for:					
Interest expense	**313**	108	205	16	189
Interest expense on non-capitalised leases	**–**	(20)	20	(6)	26
Tax effect on interest expense adjustments (Note 2)	**(53)**	(14)	(39)	(1)	(38)
Provisions, deferred tax, amortization & other adjustments	**122**	46	76	–	76
Net Operating Profit After Tax (NOPAT)	**1,176**	17	1,159	923	236
Average EVA Capital Employed (Note 3)	**18,066**	1,533	16,533	(2,158)	18,691
WACC (%) (Note 4)	**5.47**	0.05	5.42	(0.33)	5.75
Capital Charge	**(988)**	(92)	(896)	179	(1,075)
EVA	**188**	(75)	263	1,102	(839)

1 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*
2 Includes the one-off financial penalty and related costs of $619 million.

Notes:
1. Profit/(loss) after tax excludes net revaluation gain on investment properties.
2. The reported current tax is adjusted for statutory tax impact on interest expenses.
3. Average EVA Capital Employed is derived from the averages of net assets, interest-bearing liabilities, timing of provisions, present value of operating leases and other adjustments.
4. WACC is calculated in accordance with the Keppel Group EVA Policy as follows:
   a. Cost of Equity using Capital Asset Pricing Model with market risk premium set at 5.0% (2018: 5.0%);
   b. Risk-free rate of 2.27% (2018: 2.06%) based on yield-to-maturity of Singapore Government 10-year Bonds;
   c. Unlevered beta at 0.72 (2018: 0.75); and
   d. Pre-tax Cost of Debt at 2.09% (2018: 1.85%) using 5-year Singapore Dollar Swap Offer Rate plus 60 basis points (2018: 60 basis points).

OPERATING & FINANCIAL REVIEW
FINANCIAL REVIEW & OUTLOOK

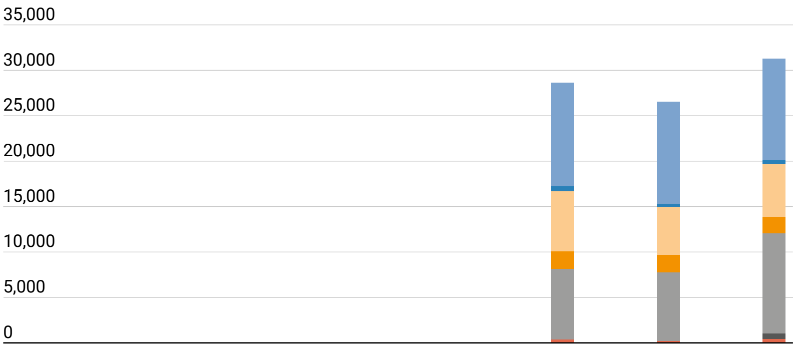
TOTAL ASSETS OWNED ($ million)



	2017	2018[1]	**2019**
Fixed assets	2,433	2,373	**2,902**
Properties	3,461	2,851	**3,022**
Right-of-use assets	–	–	**760**
Investments	6,575	6,825	**7,121**
Stocks	5,780	5,496	**5,543**
Contract assets	3,643	3,213	**3,497**
Debtors & others	4,520	3,849	**6,693**
Bank balances, deposits & cash	2,274	1,981	**1,784**
Total	28,686	26,588	**31,322**

[1] 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*

TOTAL LIABILITIES OWED AND CAPITAL INVESTED ($ million)



	2017	2018[1]	**2019**
Shareholders' funds	11,443	11,268	**11,211**
Non-controlling interests	530	309	**435**
Creditors	6,635	5,355	**5,795**
Contract liabilities	1,950	1,918	**1,825**
Term loans & bank overdrafts	7,793	7,549	**11,060**
Lease liabilities	–	–	**597**
Other liabilities	335	189	**399**
Total	28,686	26,588	**31,322**

[1] 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*

increased by $1,533 million from $16.53 billion to $18.07 billion mainly due to higher borrowings and recognition of lease liabilities following the adoption of SFRS(I) 16 *Leases*.

FINANCIAL POSITION

Group shareholders' funds of $11.21 billion at 31 December 2019 were $0.06 billion or 1% lower than the previous year end. The decrease was mainly attributable to payment of final dividend of 15.0 cents per share in respect of financial year 2018, payment of interim dividend of 8.0 cents per share in respect of half year ended 30 June 2019, adoption of SFRS(I) 16 *Leases*, and acquisition of the remaining stake in Keppel T&T, foreign exchange translation losses, decrease in value of investments accounted for at fair value through other comprehensive income, partly offset by retained profits for 2019.

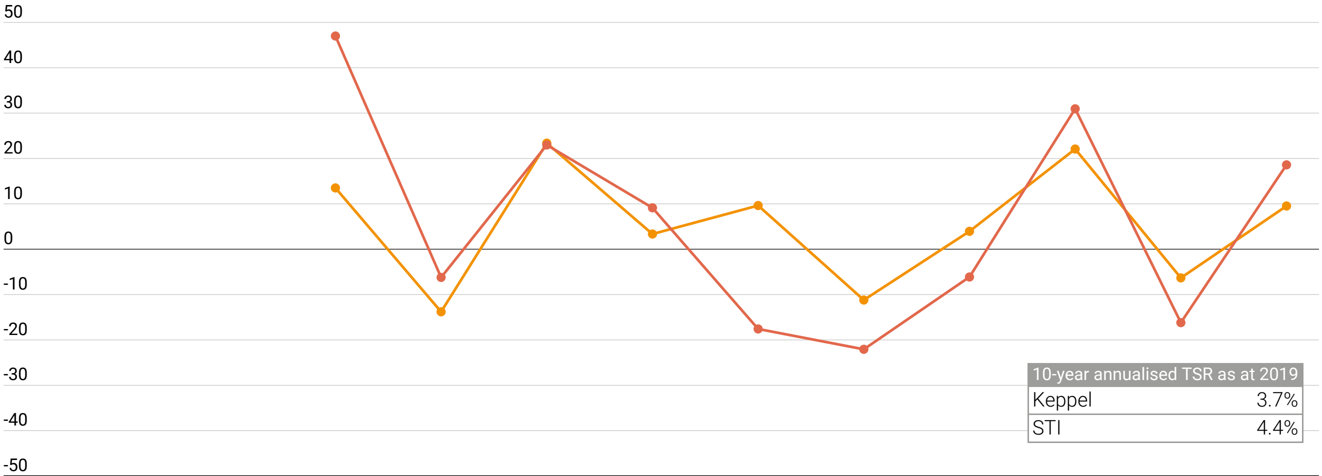
Group total assets of $31.32 billion at 31 December 2019 were $4.73 billion or 18% higher than the previous year end. Non-current assets increased due mainly to increase in fixed assets following the consolidation of M1, recognition of intangibles due to the M1 acquisition, recognition of right-of-use assets arising from the adoption of SFRS(I) 16 *Leases* and increase in long-term assets. Increase in current assets was due mainly to the increase in contract assets and advances to associated companies, partly offset by decrease in bank balances, deposits and cash.

Group total liabilities of $19.68 billion at 31 December 2019 were $4.66 billion or 31% higher than the previous year end. This was largely attributable to the increase in term loans, recognition of lease liabilities arising from the adoption of SFRS(I) 16 *Leases*, as well as deposits by and advances from associated companies.

Group net debt of $9.87 billion at 31 December 2019 was $4.31 billion or 77% higher than the previous year end. This was due mainly to the acquisition of M1 of $1.23 billion, consolidation of M1's net debt of $0.34 billion, acquisition of remaining interest in Keppel T&T of $0.22 billion, payment of the final dividend in respect of financial year 2018 of $0.27 billion, payment of the interim dividend in respect of half year ended 30 June 2019 of $0.15 billion, the recognition of lease liabilities arising from adoption of SFRS(I) 16 *Leases* of $0.60 billion, as well as working capital requirements of $1.44 billion.

Group net gearing ratio increased to 85% at 31 December 2019 from 48% at 31 December 2018. This was largely driven by the increase in Group net debt.

TOTAL SHAREHOLDER RETURN (%)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
Keppel	47.0	(6.4)	22.9	9.0	(17.8)	(22.3)	(6.3)	30.9	(16.4)	**18.5**
STI	13.4	(14.0)	23.3	3.2	9.5	(11.4)	3.8	22.0	(6.5)	**9.4**

Source: Bloomberg

TOTAL SHAREHOLDER RETURN

Keppel is committed to delivering value to shareholders through earnings growth. To achieve this, the Group will rely on our multi-business strategy and core strengths to build on what we have done successfully, as well as to proactively seize new opportunities.

Our 2019 Total Shareholder Return (TSR) of 18.5% was 9.1 percentage points above the benchmark Straits Times Index's (STI) TSR of 9.4%. Our 10-year annualised TSR growth rate of 3.7% was lower than STI's 4.4%.

CASH FLOW

To better reflect our operational free cash flow, the Group had excluded expansionary acquisitions (e.g. investment properties) and capital expenditure (e.g. building of new logistics or data centre facilities), meant for long-term growth for the Group, and major divestments.

Net cash used in operating activities was $825 million for 2019 as compared to net cash from operating activities of $125 million for 2018, mainly to higher working capital requirements.

After excluding expansionary acquisitions, capital expenditure and major divestments, net cash from investment activities was $172 million. The Group spent $338 million on investments and operational capital expenditure. After taking into account the proceeds from divestments and dividend income of $413 million and net advances from associated companies of $97 million, free cash outflow was $653 million.

Total distribution to shareholders of the Company and non-controlling shareholders of subsidiaries for the year amounted to $430 million.

CASH FLOW

	2019 $ million	**19 vs 18 +/(-)**	**2018[2] $ million**	**18 vs 17 +/(-)**	**2017 $ million**
Operating profit	**877**	(178)	1,055	254	801
Depreciation, amortisation & other non-cash items	**117**	611	(494)	(212)	(282)
Cash flow provided by operations before changes in working capital	**994**	433	561	42	519
Working capital changes	**(1,437)**	(1,241)	(196)	(1,297)	1,101
Interest receipt and payment & tax paid	**(382)**	(142)	(240)	177	(417)
Net cash (used in)/from operating activities	**(825)**	(950)	125	(1,078)	1,203
Investments & capital expenditure	**(338)**	112	(450)	(263)	(187)
Divestments & dividend income	**413**	(644)	1,057	228	829
Advances from/(to) associated companies	**97**	314	(217)	(174)	(43)
Net cash (used in)/from investing activities	**172**	(218)	390	(209)	599
Free cash flow[1]	**(653)**	(1,168)	515	(1,287)	1,802
Dividend paid to shareholders of the Company & subsidiaries	**(430)**	116	(546)	(156)	(390)

1 Free cash flow excludes expansionary acquisitions and capital expenditure, and major divestments.
2 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*

OPERATING & FINANCIAL REVIEW
FINANCIAL REVIEW & OUTLOOK

FINANCIAL RISK MANAGEMENT

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency, interest rate and price risks), credit risk and liquidity risk. Financial risk management is carried out by Keppel's Group Treasury department in accordance with established policies and guidelines. These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer (CFO) of the Company and includes CFOs of the Group's key operating companies and Head Office specialists.

The Group's financial risk management is discussed in more detail in the notes to the financial statements. In summary:

- The Group has receivables and payables denominated in foreign currencies with the largest exposures arising from US dollars, Brazilian Real and Renminbi. Foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the functional currencies of the respective Group entities, which are mainly in Singapore dollars. The Group utilises forward foreign currency contracts to hedge its exposure to specific currency risks relating to receivables and payables. The bulk of these forward foreign currency contracts are entered into to hedge any excess US dollars arising from the O&M contracts based on the expected timing of receipts. The Group does not engage in foreign currency trading.

- The Group hedges against price fluctuations arising from the purchase of natural gas that affect cost. Exposure to price fluctuations is managed via fuel oil forward contracts, whereby the price of natural gas is indexed to benchmark fuel price indices of High Sulphur Fuel Oil 180-CST and Dated Brent.

- The Group hedges against fluctuations in electricity prices arising from its daily sales of electricity. Exposure to price fluctuations is managed via electricity futures contracts.

- The Group maintains a mix of fixed and variable rate debt/loan instruments with varying maturities. Where necessary, the Group uses derivative financial instruments to hedge interest rate risks. These may include cross currency swaps, interest rate swaps, swaptions and interest rate caps.

- The Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

- The Group adopts stringent procedures on extending credit terms to customers and the monitoring of credit risk.

BORROWINGS*

The Group borrows from local and foreign banks in the form of short-term and long-term loans, project loans and bonds. Total Group borrowings excluding lease liabilities as at end-2019 were $11.1 billion (2018: $7.5 billion and 2017: $7.8 billion). As at end-2019, 41% (2018: 20% and 2017: 22%) of Group borrowings were repayable within one year with the balance largely repayable more than three years later.

Unsecured borrowings constituted 96% (2018: 92% and 2017: 91%) of total borrowings with the balance secured by properties and other assets. Secured borrowings are mainly for financing of investment properties and project finance loans for property development projects. The net book value of properties and assets pledged/mortgaged to financial institutions amounted to $0.96 billion (2018: $1.07 billion and 2017: $1.89 billion).

Fixed rate borrowings constituted 63% (2018: 67% and 2017: 65%) of total borrowings with the balance at floating rates. The Group has cross currency swap and interest rate swap agreements with notional amount totalling $2,752 million whereby it receives foreign currency fixed rate (in the case of the cross currency swaps) and variable rates equal to SOR and LIBOR (in the case of interest rate swaps) and pays fixed rates of between 1.41% and 3.62% on the notional amount. Details of these derivative instruments are disclosed in the notes to the financial statements.

Singapore dollar borrowings represented 78% (2018: 75% and 2017: 73%) of total borrowings. The balance was mainly in US dollars. Foreign currency borrowings were drawn to hedge against the Group's overseas investments and receivables that were denominated in foreign currencies.

The weighted average tenor of the Group's debt was about four years at the end of 2018 and about three years at the end of 2019 with a decrease in average cost of funds as compared to end of 2018.

CAPITAL STRUCTURE & FINANCIAL RESOURCES

The Group maintains a strong balance sheet and an efficient capital structure to maximise return for shareholders.

Every new investment will have to satisfy strict criteria for return on investment, cash flow generation, EVA creation, risk management and environmental impact. New investments will be structured with an appropriate mix of equity and debt after careful evaluation and management of risks.

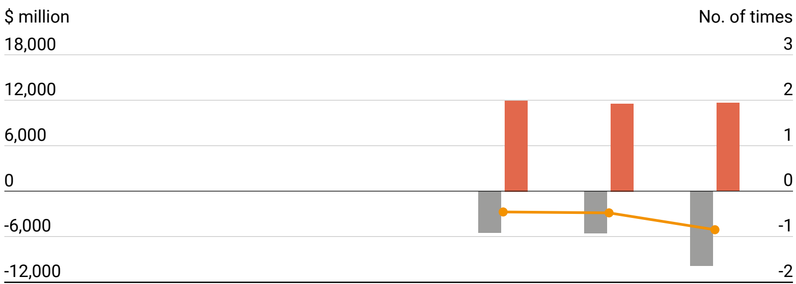
Capital Structure

Total equity as at the end-2019 was $11.65 billion as compared to $11.58 billion as at end-2018 and $11.97 billion as at end-2017. The Group was in a net debt (including lease liabilities) position of $9,874 million as at end-2019, which was above the $5,567 million as at end-2018 and the $5,519 million as at end-2017. The Group's net gearing ratio was 0.85 times as at end-2019, compared to 0.48 times as at end-2018.

* Borrowings exclude lease liabilities.

NET GEARING

Net Gearing = $\frac{\text{Borrowings + Lease Liabilities – Cash}}{\text{Total Equity}}$



	2017	2018[1]	2019
Net Debt	(5,519)	(5,567)	**(9,874)**
Total Equity	11,973	11,577	**11,646**
Net Gearing	(0.46)	(0.48)	**(0.85)**

[1] 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) *1-23 Borrowing costs eligible for capitalisation.*

Interest coverage increased from 2.61 times in 2017 to 5.99 times in 2018 before decreasing to 3.77 times in 2019. Interest coverage in 2019 was lower due to lower Earnings before Interest expense and Tax (EBIT).

Cash flow coverage decreased from 5.98 times in 2017 to 1.52 times in 2018 before decreasing to negative 1.46 times in 2019. This was mainly due to operational cash outflow in 2019, as compared to cash inflow in 2018.

At the Annual General Meeting in 2019, shareholders gave their approval for mandate to buy back shares. During the year, 770,000 shares were bought back and held as treasury shares. The Company also transferred 4,691,308 treasury shares to employees upon vesting of shares released under the KCL Share Plans and Share Option Scheme. As at end-2019, the Company had 2,014,736 treasury shares. Except for the transfer, there was no other sale, transfer, disposal, cancellation and/or use of treasury shares during the year.

Financial Resources
The Group continues to be able to tap into the debt capital market at competitive terms.

As part of its liquidity management, the Group has built up adequate cash reserves as well as sufficient undrawn banking facilities and capital market programmes. Funding of working capital requirements, capital expenditure and investment needs was made through a mix of short-term money market borrowings, bank loans, as well as medium/long term bonds via the debt capital market.

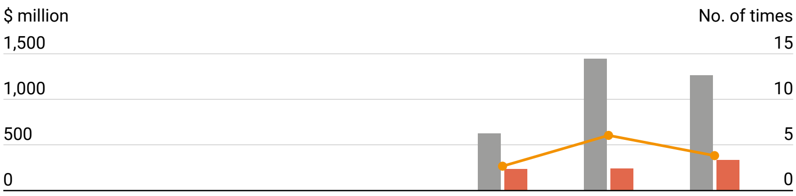
The Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time. Cash flow, debt maturity profile and overall liquidity position are actively reviewed on an ongoing basis.

As at end-2019, total available credit facilities, including cash at Corporate Treasury and bank guarantee facilities, amounted to $8.19 billion (2018: $9.37 billion).

INTEREST COVERAGE

$$\text{Interest Coverage} = \frac{\text{EBIT}}{\text{Interest Cost}}$$

Note: EBIT = Profit before tax + Interest expense

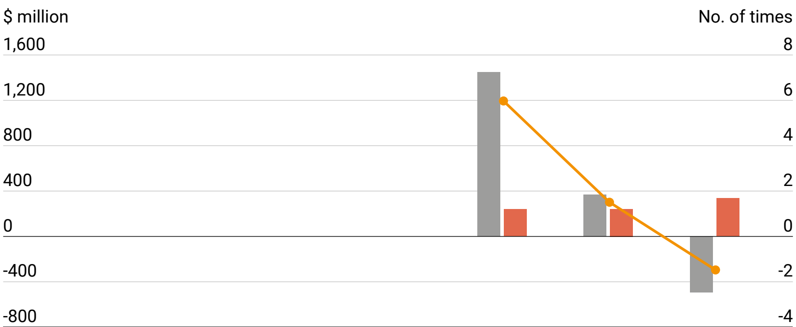


	2017	2018[1]	2019
EBIT	631	1,450	**1,266**
Total Interest Cost	241	242	**336**
Interest Cover	2.61	5.99	**3.77**

[1] 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*

CASH FLOW COVERAGE

$$\text{Cash Flow Coverage} = \frac{\text{Operating Cash Flow + Interest Cost}}{\text{Interest Cost}}$$



	2017	2018[1]	2019
Operating Cash Flow + Interest	1,444	367	**(489)**
Total Interest Expense + Interest Capitalised	241	242	**336**
Cash Flow Coverage	5.98	1.52	**(1.46)**

[1] 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation.*

CRITICAL ACCOUNTING POLICIES & ESTIMATES

The Group's significant accounting policies are discussed in more detail in the notes to the financial statements. The preparation of financial statements requires management to exercise its judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions which affect the reported amounts of assets, liabilities, income and expenses. Critical accounting estimates and judgment are described below.

Expected credit loss on financial assets measured at amortised cost and fair value through other comprehensive income
The Group assesses on a forward looking basis the expected credit losses (ECLs) associated with its financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income (FVOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

The carrying amounts of trade, intercompany and other receivables, and financial assets at FVOCI are disclosed in the balance sheet.

Recoverability of contract assets and receivable balances in relation to Offshore & Marine construction contracts
Contracts with Sete Brasil (Sete)
The Group had previously entered into contracts with Sete for the construction of six rigs for which progress payments from

OPERATING & FINANCIAL REVIEW
FINANCIAL REVIEW & OUTLOOK

Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. In October 2019, the Settlement Agreement as well as the winning bid proposal for Magni Partners (Bermuda) Ltd (Magni) to purchase four Sete Brasil subsidiaries, two of which are special-purpose entities (SPEs) for uncompleted rigs constructed by Keppel Offshore & Marine Ltd (KOM), was approved by the creditors. As part of the Settlement Agreement, which is subject to fulfilment of certain conditions precedent, the Group will take over ownership of the remaining four uncompleted rigs and will be able to explore various options to extract the best value from these assets. The engineering, procurement and construction (EPC) contracts and related agreements entered into in relation to these four rigs will be deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims. The Group has a receivable of approximately US$260 million from Sete and this amount has been included in Sete's court-approved Judicial Reorganisation Plan.The outstanding amount will be paid to the Group proportionally and pari passu with other creditors of Sete as part of, and out of proceeds of, the Judicial Reorganisation Plan.

Management has performed an assessment to estimate the cost of discontinuance of related agreements of the EPC contracts, offset by possible options in extracting value from the uncompleted rigs and possible payout from the Judicial Reorganisation Plan. In addition, management has estimated the net present value of the cash flows relating to the impending construction contract for two rigs with Magni.

Arising from the above assessment, management is of the opinion that the loss allowance for trade debtors of $183,000,000 (Note 12) (2018: $183,000,000) and the provision for related contract costs of $245,000,000 (Note 20) (2018: $245,000,000) are adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to these EPC contracts.

Taking into consideration the cost of completion, cost of discontinuance, salvage cost and unpaid progress billings with regards to these rigs, the total cumulative loss recognised in relation to these rig contracts amounted to $476,000,000 (2018: $476,000,000).

Other contracts
As at 31 December 2019, the Group had several rigs that were under construction for customers, where customers had requested for deferral of delivery dates of the rigs in prior years. See Note 15 on contract assets balances.

Management has assessed each deferred construction project individually to make a judgment as to whether the customers will be able to fulfil their contractual obligations and take delivery of the rigs at the revised delivery dates.

Management has also performed an assessment of the ECL on contract assets and trade receivables of deferred projects to determine if a provision for expected loss is necessary.

In the event that the customers are unable to fulfil their contractual obligations, the Group can exercise their right to retain payments received to date and the legal possession of the rigs under construction. Management has further assessed if the values of the rigs would exceed the carrying values of contract assets and trade receivables. Management has estimated, with the assistance of an independent professional firm, the values of the rigs using Discounted Cash Flow (DCF) calculations that cover each class of rig under construction. The most significant inputs to the DCF calculations include dayrates and discount rates.

During the financial year ended 31 December 2019, no further (2018: $21,000,000) ECL on contract assets was recognised.

Impairment of non-financial assets
Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of fixed assets, investments in subsidiaries, investment in associates and joint ventures, and intangibles are disclosed in the balance sheet. Management performed impairment tests on these non-financial assets as at 31 December 2019. Refer to Notes 6, 9, 10 and 13 to the financial statements for more details.

KrisEnergy
As at 31 December 2019, the carrying value of the Group's investment in KrisEnergy amounted to $74,284,000 in zero-coupon notes. In addition, the Group also had $20,541,000 of contract assets in relation to a construction contract for a production barge for KrisEnergy and, through a bilateral agreement between the Group and a bank, guaranteed $262,825,000 in respect of the bank loan granted to KrisEnergy (Note 32). The zero-coupon notes and guarantee are secured by the assets of KrisEnergy.

On 14 August 2019, KrisEnergy made an application to the High Court of the Republic of Singapore to commence a court-supervised process to reorganise its liabilities and seek a moratorium against enforcement actions and legal proceedings by creditors against KrisEnergy pursuant to section 211B of the Companies Act (Cap. 50). It had also requested a suspension of trading of its securities on Singapore Exchange Securities Trading Ltd. The High Court of Republic of Singapore approved the application for an initial period of three months up to 14 November 2019. At the date of these financial statements, the debt moratorium was extended to 27 May 2020. As at the end of the current financial year, KrisEnergy had not presented a restructuring plan.

Management performed an impairment assessment to estimate the recoverable amount of the Group's exposure in KrisEnergy as at 31 December 2019. With assistance from its financial advisor, management estimated the amount of cash available from producing assets and forecasted production from assets under development, taking into consideration the relative priority of each group of stakeholders to these cash flows based on their respective rights. Management will evaluate the above assessment when a restructuring plan is presented by KrisEnergy in due course, which may give rise to the adjustments to be made. The estimates and assumptions used are subject to risk and uncertainty.

FINANCIAL CAPACITY

	$ million	Remarks
Cash at Corporate Treasury	397	22% of total cash of $1.78 billion
Available credit facilities to the Group	7,794	Credit facilities of $13.16 billion, of which $5.37 billion was utilised
Total	**8,191**	

Based on the assessment, the Group recognised an impairment loss of $37,000,000 during the financial year, and the carrying value of the Group's equity investment was reduced to zero. In 2018, management had performed an assessment on the recoverable amount using a DCF model based on a cash flow projection and recognised an impairment charge of $53,000,000.

Floatel

The carrying amount of the Group's investment in Floatel International amounted to $476,874,000 as at 31 December 2019 (2018: $524,404,000), comprising $311,000,000 in equity shares (2018: $362,760,000), $10,449,000 in preference shares (2018: $21,845,000) (Note 11) and $155,425,000 in long-term receivables (2018: $139,799,000) (Note 12).

In November 2019, credit rating agencies downgraded Floatel's credit rating, citing market environment for accommodation vessels remaining difficult with limited activity and pressure on dayrates. The rating agencies also commented that if Floatel fails to contract work for its idle vessels in the near future, it may not be able to meet its leverage covenant at its first test at the year-end 2020.

Floatel subsequently reported that its financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty as to whether Floatel will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which casts significant doubt on Floatel's ability to continue as a going concern. The long term viability of Floatel's business depends on it finding a solution to its financial situation and Floatel's management has initiated discussions with key creditors, in which, in the view of Floatel's board of directors, there is reasonable expectations of success. In a situation where going concern for Floatel no longer can be assumed, there is a risk for significant write down of its assets.

Management performed an impairment assessment of the recoverability of the Group's total exposure in Floatel by first performing an assessment to ascertain whether Floatel would reasonably continue as a going concern in the next 12 months. If Floatel cannot reasonably continue as a going concern in the next 12 months, the carrying amount of the Group's investment in Floatel may be subject to significant write down.

Management conducted a review of the business and cash flow projections through discussions with Floatel's management and corroborated those information based on management's understanding of the business environment that Floatel operates in. Management also discussed with Floatel's management to understand the ongoing dialogue with Floatel's lenders and advisors. Based on the results of the review, discussions and information currently available, management concurred with the judgment made by Floatel's management and board of directors in relation to the going concern matter.

In assessing impairment of the equity shares, management had focused on whether Floatel's vessels were stated at their appropriate recoverable amounts. The Group's carrying value of investment in Floatel's equity shares was reduced by its share of loss of $50,724,000, which included impairment loss on the carrying value of three vessels amounting to $19,642,000. The recoverable amounts of the vessels were determined on their value-in-use, using a DCF model. Management reviewed the appropriateness of key inputs used in the estimation of the recoverable amount of Floatel's vessels.

With respect to the preference shares, management had performed an estimation of its fair value as at 31 December 2019 using a dividend discount model, and recognised a fair value loss of $11,395,000.

In assessing the ECL of the loan receivable repayable on 31 December 2025, management expects full recovery of the receivable on the basis that Floatel operates in a niche market and supply of similar services should normalise over time. Given the extended date before the loan is due for repayment, management expects Floatel to continue as a viable business in the longer term and will be able to repay the loan when due in 2025.

Revenue recognition and contract cost

The Group recognises contract revenue and contract cost over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion is measured in accordance with the accounting policy stated in Note 2.20. Significant assumptions are required in determining the stage of completion and significant judgment is required in the estimation of the physical proportion of the contract work completed for the contracts; and the estimation of total costs on the contracts, including contingencies that could arise from variations to original contract terms and claims. In making the assumption, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 24.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant assumptions are required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of taxation and deferred taxation are disclosed in the balance sheet.

Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

Civil action by EIG funds

In February 2018, the Company's subsidiary, KOM was served a summons by eight investment funds (plaintiffs) managed by EIG Management Company, LLC (EIG) where a civil action was commenced by the plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act (RICO) in the United States District Court, Southern District of New York. The plaintiffs were seeking damages for its loss of investment of US$221 million in Sete, trebled under RICO to US$663 million, plus interest, costs and mandatory attorneys' fees under RICO.

This new lawsuit came after an earlier civil action commenced by eight of EIG's managed funds in the United States District Court, District of Columbia against, among others, the Company and KOM. The case was dismissed by the Court on 30 March 2017.

Management is of the view that the reported cause of action by the plaintiffs is without merit and KOM will vigorously defend itself. As at the date of these financial statements, it is premature to predict or determine the eventual outcome of the action and hence, the potential amount of any loss cannot currently be assessed. KOM has filed a motion to dismiss EIG's complaint.

Global resolution with criminal authorities in relation to corrupt payments

In 2017, KOM reached a global resolution with the criminal authorities in the United States of America (USA), Brazil and Singapore in relation to corrupt payments made in relation to KOM's various projects with Petrobras and Sete in Brazil, which were made with knowledge or approval of former KOM executives. Fines in an aggregate amount of US$422,216,980, or equivalent to approximately S$570 million, paid/payable had been allocated between the three jurisdictions.

As part of the global resolution, KOM accepted a Conditional Warning from the Corrupt Practices Investigation Bureau (CPIB) in Singapore, and entered into a Deferred Prosecution Agreement (DPA) with the U.S. Department of Justice (DOJ), while Keppel FELS Brasil S.A., a wholly-owned subsidiary of KOM, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministerio Publico Federal (MPF) which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc (KOM USA), also a wholly-owned subsidiary of KOM, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and entered into a Plea Agreement with the DOJ.

Pursuant to the DPA, KOM paid a monetary penalty of US$105,554,245, of which US$4,725,000 was paid as a criminal fine by KOM USA, to the United States Treasury in 2018. In addition, KOM paid a monetary penalty of US$211,108,490 to MPF and a monetary penalty of US$52,777,122.50 to CPIB in 2018. A further US$52,777,122.50, which amount payable has been included as accrued expenses since FY 2017, will be payable to CPIB within three years (or an extended period as approved by CPIB and DOJ) from the date of the Conditional Warning (less any penalties that KOM may pay to specified Brazilian authorities during this period, for which discussions with the specified authorities are ongoing).

As part of the global resolution with the authorities, the Group had also committed to strengthening the compliance and governance regime in KOM. Amongst others, it included a commitment to secure certification of ISO 37001 Anti-Bribery Management System and testing of the effectiveness of the policies and procedures put in place. As of the date of these financial statements, KOM entities in Singapore, Brazil, Bulgaria, China, India, Philippines, United Arab Emirates and the USA had secured certification of the ISO 37001 Anti-Bribery Management System.

Anti-bribery and corruption compliance audits were also performed on entities within the KOM Group. These audits revealed enhanced policies and procedures put in place to-date were, in general, functioning as intended. The audits performed in 2018 had, however, identified certain matters relating to contracts entered into several years ago which required follow-up actions and further review. The follow-up actions and further reviews were concluded in 2019.

Based on currently available information, management is of the opinion that no additional provision is required.

Useful lives of network and related application systems

The cost of network and related application systems is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimated the useful lives of these fixed assets to be within five to 25 years. These are common life expectancies applied in the telecommunications industry. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's network and related application systems at the end of the reporting period are disclosed in Note 6 to the financial statements.

Revaluation of investment properties

The Group carries its investment properties at fair value with changes in fair value being recognised in the profit and loss account. In determining fair values, the valuers have used valuation techniques which involve certain estimates. The key assumptions to determine the fair value of investment properties include market-corroborated capitalisation rate, terminal yield and discount rate.

In relying on the valuation reports, management has exercised its judgment to ensure that the valuation methods and estimates are reflective of current market conditions. The carrying amount of investment properties and the key assumptions used to determine the fair value of the investment properties are disclosed in Notes 7 and 34.

Estimating net realisable value of stocks

The net realisable value (NRV) of stocks represent the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

For construction projects under work-in-progress, the Group determines the estimated selling price based on based on recent sale transactions for similar assets or DCF models where recent sale transactions for similar assets were not available. For properties held for sale, provision is arrived at after taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on recent selling prices for the development project or comparable projects and the prevailing market conditions. The estimated total construction costs include contracted amounts plus estimated costs to be incurred based on historical trends. The provision is progressively reversed for those residential units sold above their carrying amounts.

The Group has stocks (work-in-progress) amounting to $598,800,000 (after a provision of $50,000,000 made in the prior year) (Note 14). The carrying amount represented the estimated NRV of the stocks. Management has determined the NRV of the stocks based on arrangements to market the asset and a DCF model.

GROUP STRUCTURE

KEPPEL CORPORATION LIMITED

Offshore & Marine

- Offshore rig design, construction, repair and upgrading
- Ship conversion and repair
- Specialised shipbuilding

KEPPEL OFFSHORE & MARINE LTD 100%

Keppel FELS Limited	100%
Keppel Shipyard Limited	100%
Keppel Singmarine Pte Ltd	100%
Keppel LeTourneau	100%
Keppel Nantong Shipyard Company Limited *China*	100%
Offshore Technology Development Pte Ltd	100%
Keppel Marine & Deepwater Technology Pte Ltd	100%
Keppel AmFELS LLC *United States*	100%
Keppel FELS Brasil SA *Brasil*	100%
Keppel Philippines Marine Inc *The Philippines*	98%
Keppel Subic Shipyard Inc *The Philippines*	86%
Floatel International Ltd *Bermuda*	50%
Dyna-Mac Holdings Limited[4]	24%

Property

- Property development
- Investments

KEPPEL LAND LIMITED 100%

Keppel Land – various holding companies *Southeast Asia and India*	100%
Keppel Land China *China*	100%
Keppel Bay Pte Ltd	100%
Keppel REIT[3,4]	49%

Infrastructure

- Energy infrastructure
- Environmental infrastructure
- Infrastructure services
- Logistics and data centres
- Investments

KEPPEL INFRASTRUCTURE HOLDINGS PTE LTD 100%

ENERGY INFRASTRUCTURE	
Keppel Gas Pte Ltd	100%
Keppel Electric Pte Ltd	100%
Keppel DHCS Pte Ltd	100%
Keppel Merlimau Cogen Pte Ltd[5]	49%
ENVIRONMENTAL INFRASTRUCTURE	
Keppel Seghers Pte Ltd	100%
INFRASTRUCTURE SERVICES	
Keppel Infrastructure Services Pte Ltd	100%
INVESTMENTS	
Keppel Infrastructure Trust[4]	18%

KEPPEL TELECOMMUNICATIONS & TRANSPORTATION LTD 100%

LOGISTICS & DATA CENTRES	
Keppel Logistics Pte Ltd	100%
Keppel Data Centres Holding Pte Ltd[7]	100%
UrbanFox Pte Ltd	85%
Keppel DC REIT[4]	23%

Investments

- Asset management
- Master development
- Investments
- Communications

KEPPEL CAPITAL HOLDINGS PTE LTD 100%

Keppel REIT Management Limited	100%
Alpha Investment Partners Ltd	100%
Keppel Infrastructure Fund Management Pte Ltd	100%
Keppel DC REIT Management Pte Ltd[6]	100%
Keppel Pacific Oak US REIT Management Pte Ltd	50%
Keppel Pacific Oak US REIT[4]	7%

KEPPEL URBAN SOLUTIONS PTE LTD 100%

M1 LIMITED[2] 100%

KEPPEL RENEWABLE ENERGY PTE LTD 100%

KRISENERGY LTD[4] *Cayman Islands* 40%

SINO-SINGAPORE TIANJIN ECO-CITY INVESTMENT AND DEVELOPMENT CO., LTD[1] *China* 50%

GROUP CORPORATE SERVICES

Control & Accounts	Human Resources	Tax
Corporate Communications	Legal	Treasury
Strategy & Development	Risk & Compliance	Information Systems
Corporate Development	Audit	Health, Safety & Environment

Notes:
1 Owned by a Singapore Consortium, which is in turn 90%-owned by the Keppel Group.
2 Owned by Keppel Telecommunications & Transportation Ltd (19%), a wholly-owned subsidiary of Keppel Corporation, and Konnectivity (81%), a joint venture between Keppel Corporation and Singapore Press Holdings.
3 Owned by Keppel Land Limited (44%) and Keppel Capital Holdings Pte Ltd (5%).
4 Public listed company.
5 Owned by Keppel Infrastructure Holdings Pte Ltd (49%) and Keppel Infrastructure Trust (51%).
6 Owned by Keppel Capital Holdings Pte Ltd (50%) and Keppel Telecommunications & Transportation Ltd (50%).
7 Owned by Keppel Telecommunications & Transportation Ltd (70%) and Keppel Land Limited (30%).

Updated as at 27 February 2020. The complete list of subsidiaries and significant associated companies is available at www.kepcorp.com/annualreport2019.