ENERGY & ENVIRONMENT

WE PROVIDE A WIDE RANGE OF ENERGY AND ENVIRONMENTAL SOLUTIONS THAT ARE ESSENTIAL FOR SUSTAINABLE DEVELOPMENT.

EARNINGS HIGHLIGHTS ($ million)

	2020	2019	2018
Revenue	**3,943**	4,969	4,322
EBITDA	**(671)**	268	83
Operating Profit/(Loss)	**(822)**	116	(39)
Loss before Tax	**(1,251)**	(121)	(168)
Net Loss	**(1,181)**	(101)	(169)
Average Headcount (Number)	**12,732**	12,838	13,082
Manpower Cost	**643**	688	601

MAJOR DEVELOPMENTS IN 2020

Conducted strategic review of O&M business, and has since announced plans to transform Keppel O&M and position it higher up the value chain as a developer and integrator of offshore energy and infrastructure assets.

Keppel O&M secured new order wins of about $1 billion, with offshore renewables and LNG solutions making up 65% of new orders.

Keppel Infrastructure secured $2.1 billion worth of WTE and district cooling contracts across Singapore, India and Thailand.

Keppel Renewable Energy (KRE) announced its first solar farm project, which is located in Australia.

FOCUS FOR 2021/2022

Execute strategic transformation of Keppel O&M, and capture opportunities in both existing and new markets.

Develop opportunities in target markets with a focus on value-enhancing environmental projects for Keppel Infrastructure.

Further strengthen Keppel Infrastructure's retail and marketing capabilities.

Expand cooling business in local and overseas markets, and leverage MET Group to grow European presence.

Continue to explore opportunities in the renewable energy sector through KRE.

Deepen collaboration across business units to develop better and smarter solutions, as well as with Keppel Capital to tap third-party funds for growth.

EARNINGS REVIEW

The Energy & Environment segment provides solutions and services spanning offshore & marine (O&M), energy infrastructure and renewables, as well as environmental infrastructure. The segment includes Keppel O&M, Keppel Infrastructure and Keppel Renewable Energy, as well as the Group's investment in associate KrisEnergy.

Revenue from Energy & Environment decreased by $1 billion or 21% to $3.9 billion for FY 2020, due mainly to lower revenue from the O&M business arising from the significant downtime as a result of COVID-19, fewer new contracts in 2020 and the termination and deferment of some projects during the year. In addition, revenue was affected by lower progressive revenue recognition from waste-to-energy (WTE) projects under development.

For FY 2020, Energy & Environment reported a net loss of $1.2 billion, compared to a net loss of $101 million for FY 2019, after impairments of $908 million which related mainly to Keppel O&M's contract assets, receivables, stocks and share of impairment provisions from Floatel. The O&M business, which was particularly affected by the COVID-19 crisis and the fall in global demand for oil, was faced with deferments and terminations of some projects.

Excluding impairments, the segment's net loss was $273 million for the whole of 2020. Weaker performance in the O&M business, which had been impacted by slower progress on projects due to significant downtime as a result of COVID-19, was partly offset by higher contributions from the energy infrastructure and environmental infrastructure businesses, as well as the absence of a share of loss from KrisEnergy and fair value loss on KrisEnergy warrants as compared to FY 2019.

Keppel O&M's floating living lab will be a launchpad for the development and test bedding of sustainable marine solutions in Singapore.

OPERATING REVIEW

ENERGY

Offshore & Marine

In 2020, Keppel O&M was significantly affected by the COVID-19 pandemic, following the sharp fall in global demand for oil. The pandemic also brought about many challenges ranging from supply chain disruptions to lockdowns. Notably, COVID-19 and the measures to contain its spread caused a sharp drop in manpower at Keppel O&M's yards in Singapore in the second and third quarters. As at end-2020, work has resumed at all yards, with safe management measures in place.

During the year, Keppel O&M reduced its direct headcount to 10,500 as at end-2020, from 13,500 as at end-2019. Keppel O&M has put in place cost management measures which will reduce annual overheads by over $90 million starting from 2021, and is working on further cost reduction. Keppel O&M will continue to manage its costs carefully as it navigates industry headwinds.

In line with the Group's Vision 2030, Keppel O&M continued to strengthen its offerings in the growing renewables and gas-related segments. Keppel O&M secured new order wins of about $1 billion in 2020, with offshore renewables and Liquefied Natural Gas (LNG) solutions making up 65% of new orders.

Key contracts secured in 2020 include a Jones Act compliant wind installation vessel for Dominion Energy worth $600 million, as well as a high-specification Trailing Suction Hopper Dredger (TSHD) for Manson Construction, an LNG carrier to Floating Storage and Regasification Unit conversion, and module integration for two Floating Production Storage & Offloading (FPSO) units.

As at end-2020, Keppel O&M's orderbook stood at $3.3 billion, of which over 80% related to renewables and gas solutions.

Despite the operational challenges and disruptions brought about by COVID-19, Keppel O&M continued to focus on the execution of existing projects. During the year, Keppel O&M delivered two jackup rigs to Borr Drilling, a TSHD to Jan De Nul, and an LNG bunkering vessel to Avenir LNG. Keppel O&M also completed two FPSO vessel conversion/modification projects and the fabrication of a turret.

Keppel O&M secured new order wins of about $1 billion in 2020, with offshore renewables and LNG solutions making up 65% of new orders.

In Singapore, Keppel O&M repaired 208 vessels in 2020, compared to 288 vessels in 2019, as fewer vessels were docked at the yards due to border closures related to COVID-19. Keppel O&M also completed 27 scrubber and 34 Ballast Water Treatment Systems (BWTS) retrofit projects in 2020.

Meanwhile, in the Philippines, Keppel Subic and Keppel Batangas repaired a total of 98 vessels in 2020 for domestic and foreign customers, including four BWTS retrofit projects.

In Brazil, BrasFELS secured its seventh FPSO-related contract from MODEC. The yard continued to support its repeat customer with offshore services on several FPSO units including FPSO Fluminense and FPSO Cidade de Niteroi, amongst others.

In the US, work on two dual-fuel containerships for Pasha Hawaii is ongoing at Keppel O&M's yard in Brownsville, Texas. The vessels are scheduled for delivery in 2021.

As part of Keppel O&M's digital transformation, it has operationalised its AssetCare digital services solution at the Keppel O&M Digital Space and Living Lab in Singapore. In 2020, AssetCare was used to complete a remote survey from Singapore to certify that Cantarell III, operating offshore Mexico, was fit for service. Cantarell III is one of the industry's first drilling rigs with Smart Notations equipped with AssetCare.

In line with Keppel's Vision 2030 push towards sustainability, Keppel O&M announced a partnership with Energy Market Authority (EMA) to develop innovative energy solutions in the marine sector. The partnership aims to develop energy solutions in the areas of distributed energy resources, digitalisation and emerging low carbon alternatives.

In 2020, Keppel O&M and EMA jointly awarded a research grant to a consortium led by Envision Digital to pilot Singapore's first floating Energy Storage System (ESS). Keppel O&M will work with the consortium to deploy a 7.5MW/7.5MWh lithium-ion battery ESS on Keppel O&M's Floating Living Lab (FLL). To be completed in 2023, the FLL will be a launchpad for the development and test bedding of sustainable marine solutions in Singapore.

In 2020, Keppel O&M announced that it had successfully complied with its obligations under the Deferred Prosecution Agreement (DPA) entered into with the U.S. Department of Justice in December 2017, and that the DPA had accordingly concluded. The DPA was part of Keppel O&M's global resolution with criminal authorities in the US, Brazil and Singapore.

Floatel International Ltd (Floatel), in which Keppel O&M holds a 49.92% stake through a wholly-owned subsidiary, FELS Offshore Pte Ltd (FELS Offshore), reported in February 2020 that its liquidity was under pressure and cast significant doubt on Floatel's ability to continue as a going concern.

On 5 December 2020, Floatel entered into a Lock-Up Agreement with FELS Offshore, an ad hoc group of holders of Floatel's 9% senior secured 1L Bonds, other consenting 1L Bondholders and certain 2L Bondholders, which commits the aforementioned stakeholders to use reasonable endeavours to implement a comprehensive financial and corporate restructuring of the Floatel group. Under this Lock-Up Agreement, FELS Offshore has committed to use reasonable endeavours to procure the provision and funding of a new US$100,000,000 Revolving Credit Facility (RCF) for Floatel, and another member of the Group may provide credit support for the RCF in the form of risk participation.

By 12 February 2021, Floatel's restructuring plan had received the necessary approvals from the various stakeholders. At the date of these financial statements, Floatel's restructuring was progressing well and Keppel was also in advanced discussions with financial institutions to provide the RCF. More details on Floatel's restructuring can be found on page 74 of this annual report.

Energy Infrastructure

Keppel's energy infrastructure business performed well in 2020 despite challenging market conditions which were further exacerbated by COVID-19.

During the year, Keppel Electric maintained its position as one of Singapore's leading electricity retailers, with a commercial and industrial (C&I) retail market share of 13% as at November 2020. It also retained its position as Singapore's largest Open Electricity Market (OEM) electricity provider, with a market share of 23% as at October 2020. While the C&I retail market was impacted due to the COVID-19 pandemic,

OFFSHORE & MARINE STRATEGIC REVIEW

Amidst the global energy transition and major disruptions facing the oil industry, Keppel Corporation announced plans to carry out a comprehensive transformation of Keppel O&M to better align it to Keppel's Vision 2030. The goal of the restructuring is to create a slimmer and more competitive Keppel O&M that is well-placed to support the energy transition, even as Keppel continues to explore inorganic options.

Reflecting Keppel's commitment to sustainability, Keppel O&M will exit the offshore rigbuilding business, after completing the existing rigs under construction. In line with the Group's more disciplined approach towards capital allocation, Keppel O&M will not undertake any new project requiring large upfront capex or without milestone payments. It will also progressively exit low value-adding repairs and other activities with low bottom-line contribution, and focus on higher value-adding work.

As part of the transformation, Keppel O&M's business will be restructured into three parts: a Rig Co and a Development Co (Dev Co), which will be transient entities created to hold its about $2.9 billion worth of completed and uncompleted rig assets; and most importantly, an Operating Co (Op Co), comprising the rest of Keppel O&M, which will be transformed into an asset-light and people-light developer and integrator of offshore energy and infrastructure assets, focusing on design, engineering and procurement.

As part of its people-light and asset-light approach, fabrication work would be subcontracted to its eco-system of contractors, including other yards.

Keppel O&M's yard operations will be streamlined, including repurposing or divesting part of its global network of yards. At the same time, the Op Co will invest in capability building as it seizes new opportunities. It will seek opportunities in floating infrastructure and infrastructure-like projects that can deliver predictable streams of cashflow, including renewable energy projects such as offshore wind farms and solar farms, gas solutions, production assets and new energy solutions such as hydrogen and tidal energy. It will also collaborate with other Keppel business units and harness the synergies of the Group to provide diverse solutions for sustainable urbanisation, such as offshore and nearshore infrastructure and floating data centre parks, and also explore how Keppel O&M's offshore rig technology can be repurposed for other uses.

With a healthy balance sheet and undistracted by its stranded rig assets, the Op Co will seize opportunities in the energy transition, and is expected to be self-sustaining, financially independent and profitable over time.

Keppel Infrastructure secured $2.1 billion of new contracts in 2020, including a contract to build, own and operate a DCS plant in Bulim Phase 1 of the Jurong Innovation District.

especially during the Circuit Breaker period in Singapore, the impact was cushioned by a notable increase in electricity consumption by Keppel Electric's sizeable residential base.

Keppel Gas' performance remained resilient in 2020 despite COVID-19, as most of its customers operated in essential or key industry sectors. In 2020, Keppel Gas remained focused on providing customised and diversified solutions such as alternative pricing structures. This customer-centric approach enabled the company to grow its customer base in 2020.

Likewise, Pipenet continued to expand in 2020, securing several long-term service corridor and utility contracts with new customers on Jurong Island in Singapore. Pipenet also successfully completed a pipe rack construction for JTC Corporation (JTC). Meanwhile, completion of the construction of pipelines and ancillary facilities for JTC on Jurong Island was delayed to 2H 2021 due to COVID-19.

2020 was an active year for Keppel DHCS. In Singapore, Keppel DHCS was awarded a $300 million contract by JTC to build, own and operate a new 14,000 Refrigeration Tonnes (RT) district cooling system (DCS) plant to be located in the upcoming Bulim Phase 1 of the Jurong Innovation District. Keppel DHCS' 30-year operation & maintenance phase of the contract will commence in 2022. Deepening its presence in Singapore, Keppel DHCS also secured five new long-term retail cooling contracts.

In Thailand, as part of a consortium with Thai renewable energy company, BCPG Public Company, and Thai engineering consultancy, TEAM Consulting Engineering and Management Public Company, Keppel DHCS was awarded a contract for a 18,000 RT DCS plant worth about $330 million. Keppel DHCS will lead the 20-year operation & maintenance phase of the contract which is expected to commence in 2022.

In Europe, MET Group, in which Keppel Infrastructure has a 20% stake, expanded its new energy portfolio with the acquisition of a 42MW wind park in Bulgaria, as part of its growth strategy to develop a significant new energy portfolio in the Central and Eastern Europe regions.

In response to disruptions from the COVID-19 pandemic, Keppel Infrastructure adopted a more agile model for its operations & maintenance business. During the year, the teams at the various DCS facilities in Singapore studied the implementation of remote monitoring and centralised their operations where possible. These initiatives will be progressively rolled out to improve operational excellence and support the expansion of the new energy business.

Renewable Energy

During the year, Keppel Renewable Energy (KRE) entered into an agreement to acquire a 45% stake in Harlin Solar to develop a large-scale, greenfield solar farm in Queensland, Australia. This acquisition is in line with Keppel's Vision 2030, which puts sustainability at the core of the Group's strategy, and envisages the Group growing its renewable energy portfolio as it contributes to the accelerating energy transition.

Expected to be completed in 2023, the solar farm project will have a capacity of at least 500MW and can generate enough energy to power over 142,000 average Australian homes. When operationally ready, the solar farm will be connected to the national energy market (NEM) for public consumption and will also provide renewable energy through the NEM to businesses seeking sustainable energy solutions, including Keppel-related companies in Australia.

Others

2020 was a challenging year for KrisEnergy as it continued to navigate headwinds arising from COVID-19, macroeconomic factors and oil price volatility, while executing its financial restructuring.

KrisEnergy continued to make progress since the announcement of its final restructuring proposal in August 2020. On 30 December 2020, the Revolving Credit Facility's maturity date was extended for an initial period of six months to 30 June 2021 with a further extension to 30 June 2024 upon successful completion of the restructuring. KrisEnergy had, as at February 2021, also obtained the necessary acceptances from its scheme creditors and noteholders for its restructuring plans. As the final stage in the restructuring process, KrisEnergy will be convening an Extraordinary General Meeting for shareholders of the company to approve the issuance of shares for the proposed conversion of the company's debt to equity.

In parallel with the ongoing restructuring, KrisEnergy also achieved a significant operational milestone in December 2020 with the commencement of production at the first of five development wells in Mini Phase 1A of the Cambodia Block A (CBA) offshore oil field.

Keppel is a significant direct creditor of KrisEnergy, arising from its holding of zero coupon notes due 2024 issued by KrisEnergy, with detachable warrants, as well as an up to US$87 million CBA loan facility. Keppel also holds an indirect interest, through a bilateral contract with DBS Bank (DBS), in a claim of about $247 million of outstanding principal as at 31 December 2020 owed by KrisEnergy to DBS. In addition, Keppel also has contract assets with carrying value of about $29 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.

ENVIRONMENT

In April 2020, Keppel Seghers, through a Keppel-led consortium, secured a $1.5 billion engineering, procurement and construction contract for the Tuas Integrated

OPERATING & FINANCIAL REVIEW
ENERGY & ENVIRONMENT

In 2020, significant progress was made on the land reclamation works for the HKIWMF.

Waste Management Facility (IWMF) Phase 1 from the National Environmental Agency. The IWMF will be Singapore's first integrated facility to treat multiple waste streams. Under the contract, the consortium will design, construct and commission a 2,900 tonnes per day (tpd) WTE facility to treat incinerable waste, as well as a 250 tpd Materials Recovery Facility (MRF) with advanced technologies to sort metals, paper, cardboard and plastics automatically. The MRF will improve sorting efficiency and improve the overall domestic recycling rate in Singapore.

In June 2020, Keppel Infrastructure commenced commercial operations for the dual-mode Keppel Marina East Desalination Plant (KMEDP) in Singapore and began the plant's 25-year concession period. The successful completion of KMEDP and commencement of operations despite COVID-19 attests to Keppel Infrastructure's execution excellence, resilience and Can Do spirit. The plant can produce up to 137,000m^3 of fresh drinking water daily from either seawater or water from the Marina Reservoir, depending on the prevailing weather conditions. During rainy weather, the plant will utilise rainwater collected in the reservoir to produce potable water, which requires less energy and fewer steps in the treatment process as compared to desalination.

In China, Keppel Seghers maintained its track record as a leading imported WTE technology solutions provider. In 2020, it successfully commissioned three plants, including Baoan III WTE plant in Shenzhen, one of the world's largest WTE facilities. Keppel Seghers is currently executing another three projects in China.

In Australia, the WTE project in Kwinana achieved good progress on the engineering design work and delivery of key equipment despite disruptions due to COVID-19. Completion of the project is expected in 2022.

In Hong Kong, engineering design work on the HKIWMF has progressed well. Along with significant progress in reclamation works, prefabrication of the plant's process modules commenced in 2020.

In response to COVID-19, Keppel's environmental infrastructure operations & maintenance teams effectively implemented the necessary business contingency plans and safe management measures to ensure continuity of the essential services it provides. These include split team arrangements and extra temporary living arrangements for its workers. Through the diligence and hard work of the local and overseas teams, Keppel Infrastructure delivered uninterrupted operations safely across its operations in 2020.

With its wide range of technical expertise in the energy sector, Keppel is building new muscles and developing solutions to support the energy transition.

MARKET REVIEW & OUTLOOK

ENERGY

In 2020, travel restrictions and government-imposed lockdowns to curb the spread of the COVID-19 virus had a considerable impact on global energy demand, particularly for oil, which experienced a sharp decline in demand. The global transition to cleaner sources of fuel was further accelerated as governments and oil majors fast-tracked plans in the shift towards gas and renewables.

During the year, global gas demand remained relatively resilient, declining by about 2.5% according to the International Energy Agency (IEA). Global gas prices, however, experienced significant volatility between January and April 2020. According to IEA, following a series of OPEC production cuts, rebound in global demand for oil, as well as improved market optimism, gas demand and prices have since recovered as of early-2021, as colder winters increased demand and tightened supply. Looking further ahead, DNV GL estimates that natural gas, as a transition fuel, is projected to overtake oil to become the world's largest energy source by 2026.

Demand for renewable energy on the other hand, saw a small overall increase of 1% in 2020 on the back of growing international concerns about climate change. In 2020, net installed renewable capacity grew by nearly 4% globally to reach 200GW, underpinned by increases in China and the US.

Amidst the hastening energy transition, the shares of gas, renewables and new energy solutions in the energy mix are expected to continue growing. With its wide range of technical expertise in the energy sector, Keppel is building new muscles and developing solutions to support the energy transition.

Offshore Energy & Renewables

In 2020, six new floating production units were awarded, compared to 17 units in 2019. While Energy Maritime Associates (EMA) expects further project delays in 2021, cancellations of production units are not expected. Looking ahead, EMA expects total capital spending on floating production systems to reach US$83 billion by 2025, with Brazil leading the way.

In the LNG space, Wood Mackenzie estimates that global LNG demand would continue to grow by about 4% per annum from now till 2030 and believes that continuing improvement in the macro environment and gas prices would help to clear up the backlog of final investment decisions (FIDs) for several major liquefaction projects. Despite delays in FIDs for LNG projects, Keppel O&M continues to receive interest for its Floating Liquefied Natural Gas (FLNG) conversion solution, following the success of Hilli Episeyo, the world's first converted FLNG vessel.

Meanwhile, offshore wind is expected to be a strong contributor to post-COVID economic recovery worldwide. The Global Wind Energy Council estimates that over 205GW of new offshore wind capacity would be added globally through to 2030, led by Asia Pacific and Europe. In a separate report, the American Wind Energy Association estimates that the US market alone has the potential to develop about 86GW of offshore wind projects by 2050, of which some 14 developments, with a total of over 9GW, are expected to be operational by 2026.

Keppel O&M, with its wide-ranging design and development capabilities for solutions such as wind turbine foundations, substation platforms and installation and support vessels, is well-placed to support the global offshore wind market.

In 2021, IEA expects 196GW of renewable capacity additions, an increase of 18% from 2020's additions. In the solar PV sector, IEA anticipates nearly 117GW of installations globally in 2021, about 10% higher than 2020's installations.

In response to the growing opportunities, KRE will continue to focus on the development of utility-scale wind and solar projects, as well as integrating state-of-the-art technology, energy storage systems and digital platforms for the efficient management of renewables assets. KRE will collaborate with other Keppel business units and harness the Group's capabilities to develop, own and operate renewable energy infrastructure in a cost-efficient, safe and reliable manner. It will also work with the Group's asset management platforms, including the Keppel Asia Infrastructure Fund, to attract third-party funding for its projects.

Gas & Power

In Singapore, the government has launched a Request for Proposal for the importation and sale of re-gasified LNG in Singapore. This presents an opportunity for Keppel Gas to diversify its LNG source. Keppel Gas will

KRE will collaborate with other Keppel business units and harness the technical and commercial capabilities across the Group to develop, own and operate renewable energy infrastructure.

With its advanced technology and strong execution track record, Keppel is well-positioned to support governments and industries with its sustainable environmental solutions.

continue to deepen its collaboration with industry partners to enhance its ability to procure highly competitive gas supplies from the global market, and to add value through innovative gas solutions for its customers.

In the wholesale energy market, Singapore's average electricity demand fell 2.5% year-on-year, compared to 2019's moderately positive growth rate, mainly due to the economic downturn and reduced electricity consumption on the back of COVID-19. This lower offtake is expected to continue in the near to medium term.

In Singapore, the ongoing development of the Forward Capacity Market, which will introduce a structure for advance capacity payments, is set to alter the dynamics of the current energy-only market where generation companies are remunerated based on the electricity that they produce. The changes in Singapore's energy market presents both challenges and opportunities for Keppel Electric. Keppel Electric will continue to optimise its power portfolio and stay ahead in the rapidly changing market environment. Looking ahead, Keppel Electric will improve the customer experience and provide new, sustainable bundled products.

District Cooling

Similarly, the DCS sector was impacted by COVID-19, with Singapore's Circuit Breaker measures resulting in short-term load reduction. Nevertheless, with new customers signed on during the year, Keppel DHCS continued to grow at a compounded annual growth rate of 7.2% since 2010. Keppel DHCS will continue to pursue growth opportunities in Asia to expand its geographical reach.

Keppel Infrastructure's robust track record across gas, power, DCS and pipeline corridor services places it in good stead to seize opportunities in its existing markets, as well as adjacent new energy spaces. Focusing on new energy, Keppel Infrastructure will continue to collaborate with MET Group, leveraging its extensive presence in Europe to jointly pursue investment opportunities.

ENVIRONMENT

The COVID-19 pandemic has altered waste generation dynamics globally, driving the need for nations to relook at waste management and sanitation solutions. The pandemic resulted in the increased generation of a wide variety of medical waste such as masks, gloves and various protective equipment. Lockdowns across the world also increased the delivery of products, groceries and food, leading to a rise in disposable packaging and municipal waste.

The focus on climate change and environmental degradation have also increased in importance worldwide. The continuing global mindset shift towards zero waste and a circular economy model will continue to drive policies toward a greater focus on sustainable and integrated waste management solutions.

With its advanced technology and strong execution track record, Keppel Seghers is well-positioned to support governments and industries with its sustainable environmental solutions.

The post COVID-19 world will continue to urbanise, presenting huge opportunities for Keppel Seghers. Governments around the world have become more proactive in sourcing sustainable waste management and water solutions amidst fast-depleting landfill capacities, rising public awareness of environmental issues and increased water demand. There has also been increasing interest by various governments to adopt WTE technology as the preferred long-term waste management solution. More countries are also exploring water recycling solutions to cater to the increasing water demand from their growing populations.

In China, sustainable waste management remains a focus area of the government. With over 100 WTE facilities expected to be built in the next few years, China will continue to be a focus market for Keppel Seghers.

As WTE facilities rapidly gain acceptance as a long-term cost-effective solution for municipal waste management, major cities across Southeast Asia are potential markets for Keppel Seghers. Leveraging its track record and technical expertise, Keppel Seghers will also continue to explore opportunities in Australia, the UK and Europe.

Looking ahead, Keppel Seghers will continue to focus on enhancing its technology expertise and sharpening its operating capabilities. It will also work with Keppel Capital to develop and invest in infrastructure projects in line with Keppel's Vision 2030 and grow recurring income for the Group.

As countries develop and urbanise, governments have become more proactive in sourcing water solutions, such as those provided by Keppel, to support the increased demand for water.

PERFORMANCE REVIEW

OPERATING & FINANCIAL REVIEW

URBAN DEVELOPMENT

WE PROVIDE COMPELLING URBAN SOLUTIONS INCLUDING VIBRANT HOMES, OFFICES, AS WELL AS COMMERCIAL AND INTEGRATED DEVELOPMENTS.

EARNINGS HIGHLIGHTS ($ million)

	2020	2019	2018
Revenue	**1,275**	1,336	1,340
EBITDA	**645**	545	1,083
Operating Profit	**605**	507	1,050
Profit before Tax	**720**	676	1,201
Net Profit	**438**	483	950
Average Headcount (Number)	**2,576**	2,792	3,059
Manpower Cost	**166**	176	204

MAJOR DEVELOPMENTS IN 2020

Keppel Land sold about 3,340 homes in Asia, mainly in Singapore, China and Vietnam.

Keppel Land announced asset divestments totalling about $1.3 billion for the whole of 2020, spanning Singapore, China, Vietnam and the UK.

Keppel Land announced the acquisition of a stake in a co-living solutions provider, as well as new residential projects in China and India.

SSTEC sold two residential land plots and two industrial land plots in the Sino-Singapore Tianjin Eco-City.

FOCUS FOR 2021/2022

Accelerate asset monetisation at Keppel Land, unlocking capital that can be reinvested for growth and higher returns across the Group.

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

Invest strategically and selectively in new projects across Asia.

Continue to seek new opportunities in master development, and develop Saigon Sports City in Vietnam.

Continue to develop the Sino-Singapore Tianjin Eco-City in China as a model for sustainable urbanisation.

Deepen collaboration across business units to develop better and smarter solutions, as well as with Keppel Capital to tap third-party funds for growth.

KEPPEL LAND'S TOTAL ASSET DISTRIBUTION BY COUNTRY (%)
as at 31 December 2020

Singapore		33.8
China		46.0
Vietnam		9.2
Indonesia		5.4
Others		5.6
Total	**$14.8 billion**	**100.0**

KEPPEL LAND'S TOTAL ASSET DISTRIBUTION BY SEGMENT (%)
as at 31 December 2020

Property Trading		48.0
Property Investments		44.5
Others		7.5
Total	**$14.8 billion**	**100.0**

EARNINGS REVIEW

The Urban Development segment's business activities span property trading and investment as well as end-to-end master development. The segment includes Keppel Land and Keppel Urban Solutions, as well as the Group's investment in associated company, the Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd (SSTEC).

In FY 2020, revenue from Urban Development decreased by $61 million to $1,275 million mainly due to lower revenue generated from hospitality and commercial properties and lower revenue from property trading projects in Singapore and Vietnam. These were partly offset by higher revenue from property trading projects in China.

Net profit from the segment decreased by $45 million to $438 million for FY 2020, mainly due to the absence of tax write-backs as compared to FY 2019 and lower contribution from Singapore and Vietnam property trading projects. These were partly offset by higher fair value gains from investment properties, higher contribution from property trading projects in China, as well as higher contribution from SSTEC.

OPERATING REVIEW

PROPERTY DEVELOPMENT

In 2020, Keppel Land continued to unlock capital to seek new growth opportunities in line with the Group's Vision 2030 roadmap. During the year, Keppel Land announced six asset divestments worth about $1.3 billion across Singapore, China, Vietnam and the UK.

In Singapore, the announced divestment of Keppel Bay Tower (KBT) to Keppel REIT is a prime example of how Keppel is able to create and extract value across the lifespan of an asset through the Group's value creation eco-system. Over the holding period of about 20 years, the total profit from KBT, including the total capital gains and operating profit attributable to Keppel Corporation and Keppel Land, was about $426 million. Following the divestment, the Group will continue to derive fees from rendering property management services, as well as benefit from rental income and any potential capital value appreciation in KBT through Keppel's stake in Keppel REIT.

During the year, Keppel Land expanded its portfolio with the announced acquisitions of stakes in two residential projects in China and India. Focused on generating higher returns, Keppel Land will continue to turn its assets proactively through en-bloc sales and divestments, while investing strategically to capture growth opportunities as well as build new capabilities.

Keppel Land continued to create new operating platforms and adjacent services to complement its core real estate business. In 2020, Keppel Land acquired a stake in Cove, one of Southeast Asia's fastest growing co-living companies. It is also collaborating with Keppel Capital's 50% owned US-based senior living operator, Watermark Retirement Communities, to acquire new knowledge and insights into the sector.

With a pipeline of about 54,000 residential units and a total commercial portfolio of 1.7 million square metres (sm) of gross floor area (GFA) in key Asian cities, including commercial properties under development, Keppel Land is well-positioned to capitalise on the long-term demand for homes, office and retail spaces in its target markets.

China

Despite the COVID-19 pandemic, home buyer interest remained strong in China. During the year, Keppel Land sold about 2,110 units, compared to about 3,400 units sold in 2019, mainly due to fewer sales launches in 2020. The drop in home sales year-on-year (yoy) was also because Keppel Land had brought forward some of 2020's pipeline of project launches to 2019, riding on the positive sales momentum in that year.

Home sales in 2020 were mainly from Waterfront Residences, Park Avenue Heights and Seasons Residences in Wuxi, Seasons Residences in Shanghai, City Park in Chengdu, as well as China Chic in Nanjing. Despite COVID-19, Keppel Land sold 1,335 units in Wuxi in 2020, 29% higher yoy, riding on positive take-up from three project launches in Wuxi.

Keppel Land continued to focus on the Jing-Jin-Ji region, Yangtze River Delta, Greater Bay Area and the Chengdu metropolis to capture opportunities. During the year, Keppel Land deepened its presence in Shanghai's residential market with the acquisition of a 15% stake in a residential project in Jiading District. The project launched 360 units in March 2021, and sold 90% of the released units on the day of launch.

Following the lifting of lockdown measures in various Chinese cities, the performance of Keppel Land's commercial assets quickly stabilised due to their good locations and on the back of overall economic growth. In 2020, Keppel Land completed asset enhancement initiatives (AEI) at The Kube in Zhangjiang, Shanghai and Westmin Plaza in Guangzhou. Both assets are generating higher rental income following the completion of the AEI.

Singapore

As showflats closed due to the Circuit Breaker in Singapore, Keppel Land introduced virtual show galleries and digitalised the sales process. Keppel Land also leveraged technology to

During the year, Keppel Land announced 6 asset divestments worth about $1.3 billion across Singapore, China, Vietnam and the UK.

safeguard office tenants' health and well-being during the pandemic, such as through the implementation of facial recognition for contactless access, mobile application access, as well as installing Ultraviolet-C lights for air sterilisation, amongst other measures.

In 2020, Keppel Land sold about 370 residential units in Singapore, higher than the 250 units sold in 2019. These were mainly from The Garden Residences, which sold about 330 units during the year. As at end-2020, the project was 93% sold and is expected to be completed in 2021. Also during the year, 38 units were sold at Reflections and Corals at Keppel Bay. The two projects at Keppel Bay were 97% and 87% sold respectively as at end-2020.

In January 2021, Keppel Land, together with Mapletree Investments, launched The Reef at King's Dock. The project saw strong take-up with over 90% of the 300 units released sold over the launch weekend. The project will be developed into a luxury, waterfront living development and is expected to be completed by 2025. Keppel Land is also developing 19 Nassim into a luxurious 101-unit condominium which will be completed in 2023. Meanwhile, plans for Keppel Bay Plot 6, a residential site located on Keppel Island, are currently under review.

The redevelopment of Keppel Towers into a full commercial development is currently in progress. Meanwhile, Keppel Land's retail mall i12 Katong, which closed in 2020 for major asset enhancement works, is expected to re-open in 2H 2021. The mall will be a showpiece for new retail concepts.

In November 2020, Keppel Land and Sustainable Singapore Gallery, managed by PUB, launched a public outreach programme, "R.I.S.E. to the Challenge", to raise awareness on rising sea levels and climate action. The programme comprises a series of exhibitions and workshops to be conducted over the next two years.

In 2020, Keppel Land received international recognition at the Global Real Estate Sustainability Benchmark 2020. It also received the Building and Construction Authority's (BCA) Quality Excellence Award - Quality Champion (Platinum) for the second consecutive year, and several accolades for residential projects in Singapore including The Reef at King's Dock and 19 Nassim. Notably, in December 2020,

RESIDENTIAL LANDBANK

54,000

High-quality homes across key Asian cities.

COMMERCIAL PORTFOLIO

1.7m sm

In total gross floor area, of which half is under development.

Upon completion of the asset enhancement works in 2021, Keppel Land's retail mall i12 Katong will be a showpiece for new retail concepts.

OPERATING & FINANCIAL REVIEW
URBAN DEVELOPMENT

Keppel Land's residential development, Celesta Rise in HCMC, Vietnam, sold almost all of the 519 launched units within a month.

KBT became the first commercial building in Singapore to receive the Green Mark Platinum (Zero Energy) certification from BCA.

Vietnam

Due to slower approval of new project launches, Keppel Land sold about 550 units in 2020, compared to 950 units in 2019. 2020's home sales were mainly from Celesta Rise, as well as Narra Residences, The View and The Infiniti, all of which are in Ho Chi Minh City (HCMC). As at end-2020, Narra Residences and The Infiniti were 88% and 95% sold respectively, while The View was fully sold.

Notwithstanding the slower approval of new launches, the demand for quality homes remained strong in Vietnam. In November 2020, Keppel Land launched 519 units of Celesta Rise and almost all the launched units were sold out within a month.

In December 2020, Keppel Land, in collaboration with Keppel Capital, launched the US$600 million Keppel Vietnam Fund, a Vietnam-focused real estate fund, and achieved a first closing of US$400 million. The fund seeks to invest alongside Keppel Land in real estate projects, including residential and commercial properties, as well as mixed-use projects and townships in Vietnam, with a focus on HCMC and Hanoi.

Others

In Indonesia, Keppel Land sold 115 units in West Vista, slightly more than the 97 units sold in 2019. Meanwhile, the final phase of The Riviera at Puri was launched with most of the released units sold as at end-2020. Occupancy of co-living units at West Vista remained stable at about 80% in 2020. In the commercial sector, Keppel Land commenced operations of KLOUD, its serviced co-office platform, at IFC Tower 2 in Jakarta.

In India, sales at Provident Park Square in Bangalore continued at a steady pace, with about 67% of launched units sold as at end-2020. Keppel Land and its partner Rustomjee Group have embarked on developing the residential and supporting retail units in the 51.4-hectare (ha) integrated township development in Thane, Mumbai.

In partnership with Puravankara, Keppel Land is developing its first commercial development in Bangalore, which is expected to be completed in 2025. During the year, Smartworks, one of India's leading home-grown flexible space operators, in which Keppel Land is invested, achieved a footprint of 2.3 million sf and 47,000 desks across major cities in India, and continues to scale up steadily.

Keppel Land remains on the lookout for investment opportunities that dovetail with Keppel's Vision 2030 goals. It will continue to deepen collaboration with other Keppel business units, focus on assets that provide more recurrent and sustainable income streams, as well as leverage third-party funds through Keppel Capital to expand its capital base for growth.

URBAN SOLUTIONS

Keppel Urban Solutions (KUS) is an end-to-end master developer of smart, sustainable urban townships that leverages the Group's capabilities and strong track record in the planning and development of large-scale projects in Asia Pacific.

In Vietnam, the development of Saigon Sports City (SSC), a collaboration between KUS and Keppel Land, continued to progress during the year. SSC is poised to be a core township within the HCMC New Innovation District that will see the amalgamation of Districts 2, 9 and Thu Duc into a vibrant and environmentally resilient district. As an integrated sports-centric township, SSC will offer innovative and sustainable urban solutions to create a high-quality live, work and play environment.

In China, KUS is working with Keppel Land China to transform the 166-ha precinct in the Northern District of the Sino-Singapore Tianjin Eco-City into a model for smart and environmentally-responsible urban living. KUS is well-positioned to provide and deliver integrated digital and physical next-generation urban infrastructure solutions, in line with the sustainable development goals set out in China's 14th Five-Year Plan and 2060 carbon neutrality goals.

KUS is currently developing its proprietary Keppel Smart City Operating System (KOS), which will serve as a digital platform for the development and operation of large-scale townships. When completed, KOS can harness the power of data to provide a more efficient environment for the operation and maintenance of the Group's assets and developments.

SINO-SINGAPORE TIANJIN ECO-CITY

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

Over the years, the Eco-City has evolved into a vibrant community with diverse amenities including 20 schools with more than 15,000 students, neighbourhood centres, libraries, a hospital and three health services centres, among others. To date, 120,000 people[1] live in the Eco-City which has over 10,000 registered companies[1].

In 2020, the Eco-City continued to gain traction as a leading smart Eco-City. The Eco-City continued to enhance its smart developments and achieved full 5G coverage across its built-up areas.

Despite a soft property market in Tianjin in 2020, the Eco-City remained an attractive residential township. A total of about 4,000 homes were sold in 2020, of which about 290 homes were from projects developed by SSTEC.

Reflecting the market's continued confidence in the Eco-City's future growth, SSTEC successfully sold two residential land plots in the Start-Up Area and the Central District, as well as two industrial plots in the Northern District in 2020. SSTEC is currently focusing on developing the future city centre in the Central District of the Eco-City.

To further the Eco-City's goal of promoting sustainable urbanisation, the China-Singapore Tianjin Eco-City Administrative Committee (ECAC), the Keppel Group, SSTEC and other Chinese partners will jointly establish the Global Institute for Sustainable Urban Development (Sino-Singapore Tianjin Eco-City) as a platform to publicise, promote and export the Eco-City's development experience to various Chinese cities and also other countries along the Belt and Road.

During the year, various business units in the Keppel Group continued to contribute towards the Eco-City's development.

In 2020, Keppel Land sold 150 homes in the Eco-City. Since 2008, Keppel Land has launched a total of about 5,100 homes in the Eco-City, of which about 95% have been sold. Meanwhile, Phase 1 of Seasons City, Keppel Land's commercial development in the Eco-City, is on track for completion in 2021.

During the year, Keppel Land handed over Seasons Heights, the Eco-City's first smart estate, to homeowners. Seasons Heights is a pilot development under the Guidelines for the Construction of Smart Residential Areas in Tianjin Eco-City, which were jointly established by the ECAC, Keppel Land, SSTEC and other Tianjin partners, and includes some 30 smart technology applications, such as a 5G contactless thermal scanner and smart waste sorting stations. Meanwhile, Keppel Telecommunications & Transportation's logistics distribution centre in the Eco-City and 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 operate well, despite the disruptions caused by COVID-19.

Keppel Land's Seasons Heights, which was handed over to homeowners in 2020, is the Eco-City's first smart estate.

MARKET REVIEW & OUTLOOK

Rapid urbanisation and a fast-growing middle class continue to drive demand for high-quality urban living solutions in many Asian cities. In addition, rapidly ageing populations are also expected to drive demand for customised urban living solutions. Meanwhile, new trends in co-living and co-working are being fuelled by accelerated digitalisation, changing demographics as well as the shift towards work-from-home and other flexible working arrangements accelerated by the COVID-19 pandemic.

As a Group, Keppel will continue to position itself to seize opportunities arising from this changing landscape by leveraging its sizeable property portfolio and the diverse strengths of the Group to develop integrated, smart urban solutions as well as launch new real estate concepts. Keppel will further enhance its solutions offerings through continual investments in technology and to hone new capabilities for co-living, co-working and senior living, among others.

CHINA

In China, Gross Domestic Product (GDP) growth in 2020 was 2.3%, and the Chinese government has targeted GDP growth of over 6% for 2021. During the year, China's residential market saw gradual improvements, with total transacted value and volume increasing by 10.8% and 3.2% yoy respectively. There was also continued demand for homes in Tier-2 cities such as Nanjing, Wuxi and Chengdu where Keppel Land is present.

To rein in a potential residential bubble, the Chinese government introduced control measures for specific cities where there were signs of overheating,

1 These figures include the Central Fishing Port and Tourism District.

Keppel will focus on building better and smarter capabilities in the areas of property technology and new real estate solutions to offer a full suite of urban living solutions that are underpinned by technology.

and also introduced the "Three Red Lines" to tighten developers' access to bank loans. While the measures have had no immediate impact on Keppel's operations in China during the year, the Group will continue to monitor the developments closely. Meanwhile, China's commercial sector as a whole continued to draw investments, although pressure on occupancies and rental growth in Tier-1 cities persists.

SINGAPORE
Singapore's residential property remained resilient, despite its economy contracting by 5.4% in 2020 due to COVID-19. According to the Urban Redevelopment Authority, 9,982 homes were sold in 2020, compared to 9,912 units sold in 2019. Meanwhile, the 2020 private property price index rose 2.2% yoy.

Against the backdrop of COVID-19, CBRE estimated that Grade A (Core CBD) office rents in 2020 declined by 10% yoy, reversing gains seen in 2019. Weaker demand also led to a higher vacancy rate of 6.2% in 2020, a 2% increase yoy. This was mitigated by improved demand from the technology and insurance sectors in 2020. Singapore remains an attractive destination for companies looking to operate in the region, even as companies explore flexible working arrangements and review their office requirements following COVID-19.

Amidst the challenging macro environment, Keppel Land will focus on executing its current residential and commercial projects under development, while continuing to look out for good business opportunities in Singapore.

VIETNAM
In Vietnam, GDP rose by about 2.9% yoy in 2020, and the Asian Development Bank (ADB) expects Vietnam's GDP to grow by 6.3% in 2021. Despite COVID-19, the residential market in HCMC remained strong, underpinned by economic growth, stable foreign investments, high urbanisation rate and a growing middle class.

According to CBRE Vietnam, over 17,000 units were launched in HCMC in 2020, as compared to 27,000 in 2019, with an absorption rate of about 88%. Average selling price (ASP) in the high-end segment decreased by 1% yoy, while ASP in the mid-end segment increased 5% yoy. In the commercial space, Grade A office rent fell 5.3% yoy, while occupancy rate reduced to about 82% due to new office supply and the impact of COVID-19.

OTHERS
In Indonesia, 2020 GDP contracted by 2.07% yoy. However, ADB expects this to turn into a growth of 5.3% in 2021. In the short term, JLL expects the Grade A office and high-rise apartment markets to continue facing headwinds due to oversupply. Conversely, demand for landed housing is expected to remain resilient due to strong fundamentals.

In India, ADB forecasts real GDP to contract by 9% in 2020. This is expected to recover to a forecasted 8% growth in 2021. Notwithstanding the headwinds, the long-term outlook for office and residential markets of key Indian cities remains positive, as they are backed by sound fundamentals including rapid urbanisation and rising household incomes.

To meet the emerging trends and differentiate itself, Keppel will focus on building better and smarter capabilities in the areas of property technology and new real estate solutions to offer a full suite of urban living solutions that are underpinned by technology.

Leveraging the Group's strengths, Keppel Land, KUS and SSTEC will continue to collaborate with one another, as well as with other business units, to develop compelling urban solutions that contribute to sustainable urbanisation.

Residents at Cove's co-living properties in Singapore.

Keppel is building new capabilities to tap the rising trends in co-living and co-working which are fuelled by accelerated digitalisation and changing demographics.

PERFORMANCE REVIEW

OPERATING & FINANCIAL REVIEW

CONNECTIVITY

WE CONNECT PEOPLE AND BUSINESSES IN THE DIGITAL ECONOMY.

EARNINGS HIGHLIGHTS ($ million)

	2020	2019	2018
Revenue	**1,220**	1,128	182
EBITDA	**259**	385	(5)
Operating Profit	**46**	210	(27)
Profit before Tax	**29**	196	5
Net Profit	**13**	136	–
Average Headcount (Number)	**2,446**	1,990	1,490
Manpower Cost	**204**	193	67

MAJOR DEVELOPMENTS IN 2020

Embarked on a new data centre development in Singapore with SPH, as well as a greenfield data centre in Huizhou, China.

M1 secured one of Singapore's 5G standalone licences jointly with StarHub, and unveiled its new brand identity and digital connectivity platform.

Conducted strategic review of logistics business, in line with sharpened focus under Vision 2030. In 1Q 2021, further announced plans to divest the logistics business to a third party.

FOCUS FOR 2021/2022

Continue to expand portfolio of quality data centre assets and provide higher value services to customers.

Continue to explore innovative solutions to reduce the carbon footprint of data centres.

Continue to drive M1's transformation as a digital and bespoke communications solution provider and the 5G network rollout.

Work towards divestment of the logistics business.

Deepen collaboration across business units to develop better and smarter solutions, as well as with Keppel Capital to tap third-party funds for growth.

Alpha DC Fund entered into the fast-growing data centre market in China with the development of a greenfield data centre in Tonghu Smart City in Huizhou, Guangdong.

Digitalisation, accelerated by COVID-19 and flexible working arrangements, continues to drive demand for data centres.

EARNINGS REVIEW

The Connectivity segment includes Keppel Telecommunications & Transportation (Keppel T&T) and M1, whose business activities span data centres and logistics, as well as telecommunications.

In 2020, Connectivity recorded a revenue of $1.2 billion, up $92 million from $1.1 billion in 2019, mainly due to higher revenue from M1 which was consolidated from March 2019. This was partly offset by lower contribution from Keppel Logistics following the divestment of some Chinese logistics assets in November 2019.

The segment turned in a net profit of $13 million for 2020, as compared to $136 million for 2019, mainly due to the absence of the fair value gain recognised in 2019 from the remeasurement of the previously held interest in M1 at acquisition date, as well as lower contribution from M1. These were partly offset by gain from the disposal of interest in Business Online Public Company Limited, and lower losses from the logistics business.

OPERATING REVIEW

DATA CENTRES

In 2020, Keppel Data Centres Holding (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.

During the year, KDCH and Alpha Data Centre Fund (Alpha DC Fund) expanded its portfolio with two new data centres in Singapore and China. Including these, KDCH has five data centres under development across Singapore, China, Malaysia, Indonesia and Australia. As at end-2020, the Group had a portfolio of 28 data centres across 19 cities in Asia Pacific and Europe, including data centres under development.

Despite COVID-19, KDCH's operations remained stable. Data centres are classified as essential services in Singapore, and the Group's data centres around the world continued operating throughout the pandemic. In 2020, KDCH continued to receive enquiries from customers on new data centre capacity.

Digitalisation, accelerated by COVID-19 and flexible working arrangements, continues to drive demand for data centres.

Building on the success of Alpha DC Fund, Keppel launched the US$1 billion Keppel Data Centre Fund II (KDC Fund II) and achieved a first close of more than US$500 million. KDC Fund II will focus on making strategic investments in the fast-growing data centre sector in Asia Pacific and Europe.

As part of Keppel's commitment to sustainability, the Group is actively taking steps to reduce the carbon footprint of its data centres. During the year, Keppel T&T, in collaboration with other business units in the Group, entered into several strategic partnerships with external parties to explore innovative new solutions including a cold energy harnessing facility and a hydrogen powered tri-generation plant for data centres in Singapore.

With the support of the National Research Foundation, Keppel T&T also signed a memorandum of understanding (MOU) with other industry leaders namely Chevron, Pan-United and Surbana Jurong, to harness their combined resources and jointly develop the first end-to-end decarbonisation process in Singapore. The collaboration aims to accelerate the development of a highly integrated clean and energy efficient carbon capture, utilisation & sequestration system that can help advance a low-carbon economy and be applied to potential commercial developments in Singapore.

TELECOMMUNICATIONS

As at end-2020, M1's customer base was 2.08 million, down from 2.33 million customers year-on-year (yoy). This was largely driven by the drop in prepaid customers following the reduction in incoming travellers and less activity in the foreign workers' segment due to COVID-19. On the other hand, M1 grew both its postpaid and fibre customer base by 5% and 2.7% yoy respectively.

As part of its business transformation, M1 unveiled a new brand identity and also launched Bespoke mobile plans that provide subscribers with more flexibility in the selection of products and services as well as payment schedules. Following a comprehensive revamp of its technology stack in February 2021, M1 launched its new digital connectivity platform, which is set to greatly improve customer experience, and will also roll out a series of made-to-measure new offerings progressively over the rest of the year.

In June 2020, M1 secured a 5G standalone (SA) license jointly with StarHub, enabling M1 to provide 5G service at an affordable cost to customers. The 5G rollout is expected to create more use-cases for 5G applications for businesses and communities alike. The benefits of 5G extend beyond faster download speed for consumers, but also to the low latency and network slicing that have vast applications for industries and businesses.

M1 is Singapore's first telco to open up 5G access to all its customers, without any limitations on the number of sign-ups or restrictions on any plans. In September 2020, M1 launched its 5G non-standalone (NSA) network. The 5G NSA network enables M1's mobile users to enjoy the benefits of 5G including ultra-low latency and faster speeds ahead of the SA network rollout.

In 2020, M1 embarked on several 5G trials and collaborations with technology companies and government agencies. In partnership with the Infocomm Media Development Authority (IMDA), the Maritime and Port Authority of Singapore (MPA) and Airbus, M1 is conducting real-world environment coastal 5G network trials at the Singapore Maritime Drone Estate, to ensure unmanned aerial vehicles can operate safely and efficiently during all phases of flight, including operations in the designated drone-fly zones. This continues Singapore's efforts to build an open and inclusive 5G innovative eco-system around the use-cases of port operations, and incident management and response.

M1 also announced a partnership with IBM, IMDA and Samsung to conduct Singapore's first 5G Industry 4.0 trial to demonstrate the transformative impact of 5G for enterprises across various sectors. M1 is also collaborating with DBS to jointly develop digital banking solutions and provide bundled services to large corporates and small-to-medium enterprises.

In January 2021, M1, Continental Automotive Singapore and JTC Corporation jointly announced a collaboration to conduct autonomous transport systems 5G SA trials for Autonomous Mobile Robots operations.

LOGISTICS

As part of the more focused and disciplined approach towards capital allocation under Vision 2030, Keppel announced plans to divest its third-party logistics business in Southeast Asia (SEA) and Australia, as well as its channel management business to a third party who may be better able to scale up the business. Rothschild & Co was appointed as Keppel T&T's financial adviser and has been engaging potential buyers. Keppel is keeping its options open and may decide to divest the logistics business completely or retain a minority stake.

During the year, COVID-19 presented growth opportunities for Keppel Logistics as work-from-home arrangements and other pandemic-related curbs increased demand for e-commerce and urban logistics. Keppel Logistics ramped up its storage capacity to support the increase in customers' warehousing needs. In 2020, warehousing occupancy in Singapore averaged about 80%.

UrbanFox, an omnichannel logistics and channel management solutions brand, also benefitted from the surge in e-commerce on the back of COVID-19. In 2020, the company tripled its Gross Merchandise Value in Singapore and doubled total last mile deliveries as compared to 2019. UrbanFox also continued to expand its overseas operations in Vietnam and Malaysia in 2020, and currently handles 70 brands across the two countries.

In Vietnam, Indo-Trans Keppel Logistics consolidated its operations into nine warehouses from 10 previously.

In Australia, the occupancy rate of its warehouse in Rochedale, Brisbane increased to 85% as at end-2020.

In China, Keppel Logistics' operations continued with minimal disruption despite COVID-19. In Anhui province, cargo handling

M1, through its 5G network rollout in Singapore, is set to help create more 5G use-cases and applications for businesses and communities.

M1 will leverage 5G and its digital solutions to collaborate with other Keppel business units in enhancing the Group's suite of solutions for sustainable urbanisation.

at the Wuhu Sanshan Port increased as cargo was diverted from neighbouring ports. Meanwhile, operations remained stable at the Keppel Logistics Tianjin Eco-City warehouse and Keppel Wanjiang Integrated Cold Chain Logistics Park.

MARKET REVIEW & OUTLOOK

DATA CENTRES

In 2020, the COVID-19 pandemic triggered an accelerated wave of digital transformation and adoption of new ways of working, underscoring the importance of digital connectivity. Additionally, the continued rise of Internet of Things, big data and cloud-based services also drove demand for data centres.

Today, large enterprises consume the bulk of the colocation services as businesses aim to decrease operational expenses. According to P&S Intelligence, this is expected to drive the growth of the global data centre colocation market at a compounded annual growth rate of 14.8% between 2020 and 2030.

Data centres will be key to enabling 5G in all applications and devices. To create a seamless wireless network connecting devices and applications, centres of data exchange will need to be located near end-users.

Leveraging digitalisation trends, KDCH will continue to work closely with Keppel Capital and Keppel DC REIT to proactively seek new development and acquisition opportunities in the Asia Pacific and Europe. It will also continue to collaborate with other Keppel business units to sharpen its value proposition, especially in the areas of enhancing connectivity, and explore innovative and sustainable data centre designs and technologies, such as floating data centre parks.

DIGITAL CONNECTIVITY

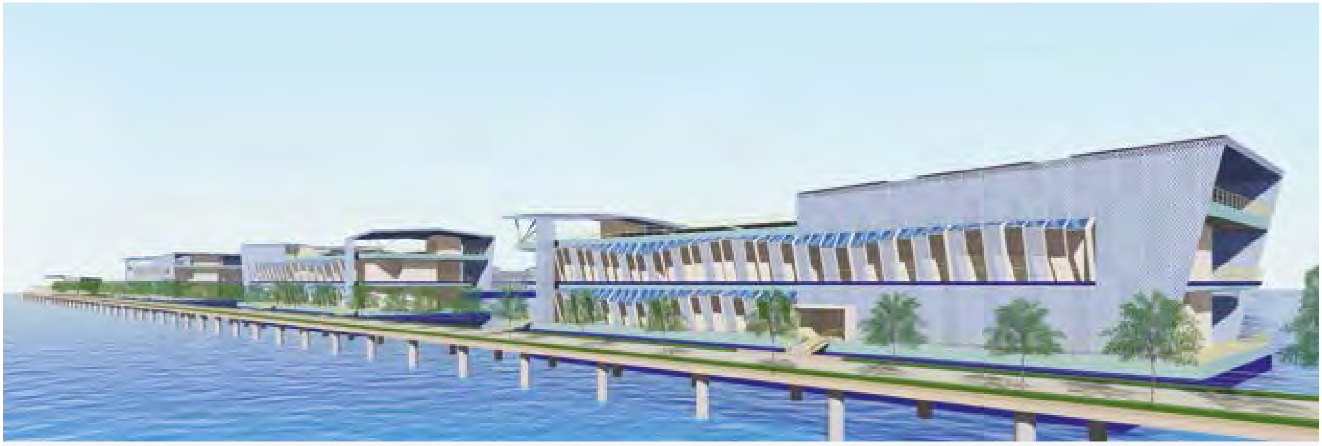
In the 5G space, GSM Association reported that by 2025, 5G will account for 20% of global connections, with take-up predominantly in developed Asia, North America and Europe. Of the US$1.1 trillion expected investments in mobile capex globally, about 80% would be for 5G networks. In Singapore, the 5G SA network will be rolled out over the next few years and is expected to be fully ready by 2025. In the year ahead, M1 will focus on rolling out its 5G SA network to all customers, as well as executing 5G use-case trials in collaboration with industry partners and government agencies which will help to advance Singapore's Smart Nation initiative and Industry 4.0.

As Singapore works at progressively reopening the economy, M1 will continue to offer a range of solutions and services to its enterprise customers and small and medium-sized enterprises, helping them thrive in the new landscape with new ways of working. M1 will also leverage 5G and its digital solutions to collaborate with other Keppel business units in enhancing the Group's suite of solutions for sustainable urbanisation.

LOGISTICS

E-commerce has been growing rapidly in recent years and was given a further boost in 2020 by COVID-19. According to The Economic Intelligence Unit, gross domestic product of SEA countries are estimated to grow by between 3% to 6% in 2021. In addition, research firm PPRO expects SEA's e-commerce market to grow 5.5% in 2021, as the economies continue to grow and develop.

Notwithstanding the growth in demand for urban logistics and channel management, Keppel is engaging potential buyers to divest its logistics business in line with Keppel's Vision 2030 and its more disciplined approach towards capital allocation. For now, Keppel will keep its options open and may decide to divest the logistics business completely or retain a minority stake.



KDCH is pursuing innovative new data centre solutions, such as floating data centre parks, to increase the energy efficiency as well as lower the carbon footprint of its assets.

ASSET MANAGEMENT

WE CREATE ENDURING VALUE WITH QUALITY INVESTMENT PRODUCTS AND PLATFORMS.

EARNINGS HIGHLIGHTS ($ million)

	2020	2019	2018
Revenue	**135**	145	119
EBITDA	**276**	123	106
Operating Profit	**273**	120	106
Profit before Tax	**304**	239	220
Net Profit	**280**	214	192
Average Headcount (Number)	**216**	206	197
Manpower Cost	**43**	39	40

MAJOR DEVELOPMENTS IN 2020

Keppel Capital grew its assets under management[1] (AUM) from $33 billion as at end-2019 to $37 billion as at end-2020, and raised total equity of about $4.5 billion in 2020.

Keppel's listed REITs and Trust continued to grow through strategic acquisitions to deliver sustainable returns to Unitholders.

Keppel Capital's private funds had an active year with the launch of new funds and strategic investments, as well as proactive asset management and value creation initiatives.

FOCUS FOR 2021/2022

Continue to grow the asset management business through harnessing the Group's synergies to co-create cashflow generating real assets for investors and Unitholders.

Collaborate with Keppel's various business units to tap third-party funds for growth and achieve higher returns for the Group.

Engender pull-through work for various business units in the creation of quality real assets.

[1] Gross asset value of investments and uninvested capital commitments on leveraged basis to project fully-invested AUM.

OPERATING & FINANCIAL REVIEW
ASSET MANAGEMENT

EARNINGS REVIEW

The Asset Management segment comprises Keppel Capital, as well as the Group's holdings in the listed REITs and business trust, and private funds.

In FY 2020, Asset Management recorded a revenue of $135 million, $10 million lower than FY 2019, mainly due to lower acquisition and divestment fees, partly offset by higher management fees.

The segment generated a net profit of $280 million for FY 2020, a 31% growth from FY 2019, bolstered by gains from the reclassification of Keppel Infrastructure Trust (KIT), sale of units in Keppel DC REIT, divestment of interest in Gimi MS Corporation, as well as dividend income from KIT and higher contribution from Keppel DC REIT. These were partly offset by mark-to-market losses from investments, lower investment income and lower contributions from Keppel REIT and Alpha Data Centre Fund (Alpha DC Fund), as well as the absence of a dilution gain arising from Keppel DC REIT's private placement exercise in 2019.

OPERATING REVIEW

Keppel Capital's AUM[1] grew approximately 12% to $37 billion as at end-2020 from $33 billion as at end-2019, while asset management fees[2] were $165 million in FY 2020, up from $149 million in FY 2019. In 2020, Keppel Capital completed over $7 billion of acquisitions and divestments. It also launched a series of new private fund initiatives across data centres, education, infrastructure, logistics, mezzanine debt and real estate, raising total equity of approximately $4.5 billion from sovereign wealth funds and global institutional investors.

REAL ESTATE

In 2020, Keppel REIT Management remained focused on executing its portfolio optimisation strategy to improve portfolio yield, as well as generating stable income for the REIT and delivering sustainable growth in total Unitholder returns. During the year, Keppel REIT achieved practical completion for the Victoria Police Centre[3] in Melbourne, Australia, and acquired Pinnacle Office Park in Sydney's Macquarie Park, a key Australian metropolitan office market. It also announced the proposed acquisition of Keppel Bay Tower in Singapore from Keppel Land, which complements the REIT's core CBD offering. The acquisition is consistent with both the Keppel Group's eco-system for value creation and Keppel REIT's strategy of strengthening and diversifying its portfolio, while staying focused on its core markets.

Keppel REIT expanded its presence in Australia with the acquisition of Pinnacle Office Park in Sydney's Macquarie Park.

Keppel REIT's portfolio performance remained resilient in 2020, supported by its quality well-located assets with established tenants from diversified sectors. As at end-2020, Keppel REIT reported high portfolio committed occupancy of 97.9% and a long portfolio weighted average lease expiry (WALE) of 6.7 years.

While telecommuting has become widely adopted during the COVID-19 pandemic, the Manager believes that companies will continue to need office space, although the form and function will evolve in line with the new ways of working and safe management considerations. In their evaluation of office requirements, tenants are likely to take into account the need for more robust business continuity plans, increased health and safety requirements, as well as spaces to facilitate collaboration, and to build corporate identity and culture.

Looking ahead, office spaces may be re-designed to cater to changing needs. Instead of traditional work desks and cubicles, more spaces for employees to meet, learn, brainstorm, interact and collaborate may be created. There may also be greater focus on health and wellness, which are already key features at Keppel REIT's properties. Keppel REIT will continue to be nimble, customer-focused and adapt to meet the evolving market requirements. The Manager will continue to optimise Keppel REIT's portfolio and calibrate its leasing and investment strategy to meet potential shifts in occupier demand.

Meanwhile, Keppel Pacific Oak US REIT's (KORE) leasing momentum held steady, with most of the leasing activity occurring mainly in Seattle – Bellevue/Redmond, Atlanta and Sacramento. As at end-2020, portfolio committed occupancy was at 92.3% and portfolio WALE at 3.8 years[4], while rental reversion was 10.2%, driven mainly by strong rent growth in Seattle – Bellevue/Redmond, Sacramento and Austin.

According to JLL Research, many businesses in the US are re-evaluating their space needs and moving toward decentralising their workforce. KORE's suburban office buildings and business campuses are well positioned to benefit from the potential shift away from downtown and CBD locations. At the same time, KORE's strategic exposure to the historically fast-expanding technology hubs provides future income resilience as businesses accelerate their digital transformation strategies due to COVID-19.

Meanwhile, Prime US REIT, in which Keppel Capital is a strategic partner, completed the maiden accretive acquisition of Park Tower in Sacramento, California, partially funded by proceeds from a US$120 million private placement.

During the year, Alpha Investment Partners (Alpha) launched the follow-on Alpha Asia Macro Trends Fund IV (AAMTF IV), achieving first close of US$295 million including co-investments.

In collaboration with Keppel Land, Alpha launched the Keppel Vietnam Fund, a Vietnam-focused real estate fund with a first closing of US$400 million.

1 Gross asset value of investments and uninvested capital commitments on leveraged basis to project fully-invested AUM.
2 Includes 100% fees from subsidiary managers, joint ventures and associated entities, as well as share of fees based on shareholding stake in associates with which Keppel has strategic alliance.
3 Formerly known as 311 Spencer Street.
4 By cash rental income.

DATA CENTRES

Keppel DC REIT Management delivered strong performance supported by acquisitions. The REIT strengthened its European presence with the acquisitions of the remaining 999-year leasehold land interest at Keppel DC Dublin 1 in Ireland, Kelsterbach Data Centre in Germany and Amsterdam Data Centre in the Netherlands. Capitalising on strong demand for data centre space, the Manager embarked on proactive asset enhancement initiatives to improve portfolio returns, including fitout works to convert unutilised space to data centre space and improve energy efficiency at various facilities.

As at end-2020, Keppel DC REIT's portfolio occupancy remained high at 97.8% with a long WALE of 6.8 years by leased area, which will continue to provide income visibility to Unitholders.

In the private equity space, Alpha DC Fund, the Group's first data centre fund launched in 2016, continued to expand its portfolio with quality assets. During the year, Alpha DC Fund made its first foray into China's fast-growing data centre market, through the acquisition and development of a high-specification data centre in Huizhou's Tonghu Smart City in Guangdong Province for RMB 1.5 billion. By end-2020, Alpha DC Fund's portfolio spanned over 1.38 million square feet of gross floor area with investments in key economic hubs including Singapore, Malaysia, Indonesia, Germany, Australia and China.

Building on the success of Alpha DC Fund, Keppel Capital launched the US$1 billion Keppel Data Centre Fund II (KDC Fund II), which will focus on strategic data centre investments in Asia Pacific and Europe.

KDC Fund II has attracted initial capital commitments from various financial institutional investors and achieved a first close of over US$500 million.

INFRASTRUCTURE

In March 2020, KIT was reclassified from an associated company to an investment of Keppel. KIT, in which Keppel retains a strategic interest, delivered resilient performance in FY 2020, driven by robust operations and growth across its portfolio of essential and highly defensive businesses and assets through the COVID-19 pandemic.

During the year, KIT announced the acquisition of Philippine Tank Storage International (Holdings) Inc., which owns Philippine Coastal Storage & Pipeline Corporation, the largest petroleum products import storage facility in the Philippines. The acquisition, which was completed in January 2021, increases KIT's exposure to essential evergreen businesses, strengthening long-term sustainability of cash flows and the Trust's growth prospects.

In the private equity space, Keppel Capital achieved rolling closes for the Keppel Asia Infrastructure Fund (KAIF), with total aggregate capital commitments close to its target fund size of US$1 billion. KAIF will leverage Keppel Capital's fund management expertise and investor network, and amalgamate these with the Group's project development and asset management capabilities, to grow its portfolio which will include both operational assets and select greenfield projects in the Asia Pacific region. During the year, KAIF acquired an interest in the Gimi FLNG facility, which is currently undergoing conversion at Keppel Offshore & Marine.

Keppel Capital is expanding its portfolio with new asset classes such as education assets.

Keppel Capital also announced a strategic cooperation with National Pension Service of Korea to explore investment opportunities for private infrastructure in Asia.

ALTERNATIVE ASSETS

In 2020, Keppel Capital entered the private educator sector with the Keppel Education Asset Fund, raising more than half of its target commitment of US$500 million. As its first investment, the Fund acquired a 70% stake in a premium K12 school property in China. Other education-related assets in the Fund's deal pipeline include properties located in Singapore, Australia, China, South Korea and Vietnam. Keppel Capital also completed the acquisition of a 50% interest in Watermark Retirement Communities, a US senior living operator.

Alpha, together with Manulife Financial Corporation and Mega Manunggal Property, launched a new venture focusing on Indonesia's fast-growing logistics property sector. Comprising Keppel-MMP Indonesia Logistics Fund, an Indonesian parallel fund, as well as co-investment capital from Manulife, the venture has attained an initial close of US$100 million.

MARKET REVIEW & OUTLOOK

As a result of the COVID-19 pandemic, which has further accelerated the growth of the digital economy, sectors such as data centres and logistics performed well in 2020. Quality and well-located office properties have also demonstrated resilience and Keppel Capital continues to see keen competition for such office assets. In the real estate space, there could be increased demand for city-fringe or metropolitan office spaces as some tenants seek cost-effective solutions or hub-and-spoke business models for both regular operations and business continuity purposes.

On the other hand, the pandemic and the disruptions that it has created may give rise to opportunities to acquire quality alternative assets at potentially attractive valuations. These include various asset classes such as infrastructure, senior living and education, which are well sought after by investors.

In line with Vision 2030, which charts the Group's growth as one integrated business providing solutions for sustainable urbanisation, Keppel Capital will work closely with business units across the Group to co-create real assets that the Group can develop, own and operate, thus pursuing growth opportunities and capturing new profit pools.

Moving forward, Keppel Capital will continue to harness the Group's synergies to co-create quality solutions and deliver higher returns to shareholders and investors. Keppel Capital will continue toward its goal of being the trusted choice for investors looking to invest in prime real assets that the Keppel Group can develop and operate.

OPERATING & FINANCIAL REVIEW

MANAGEMENT DISCUSSION & ANALYSIS

WE WILL CREATE VALUE THROUGH OUR FOUR KEY BUSINESS AREAS, WHICH ARE PART OF A CONNECTED VALUE CHAIN.

KEY PERFORMANCE INDICATORS

	2020 $ million	20 vs 19 % +/(-)	2019 $ million	19 vs 18 % +/(-)	2018 $ million
Revenue	**6,574**	(13)	7,580	27	5,965
Net (loss)/profit	**(506)**	n.m.f.	707	(25)	948
(Loss)/Earnings Per Share	**(27.8) cts**	n.m.f.	38.9 cts	(26)	52.3 cts
Return on Equity	**(4.6)%**	n.m.f.	6.3%	(25)	8.4%
Economic Value Added	**(1,368)**	n.m.f.	188	(29)	263
Operating cash flow	**202**	n.m.f.	(825)	n.m.f.	125
Free cash flow[1]	**497**	n.m.f.	(653)	n.m.f.	515
Total cash dividend per share	**10.0 cts**	(50)	20.0 cts	(33)	30.0 cts[2]

1 Free cash flow excludes expansionary acquisitions & capital expenditure, and major divestments.
2 Comprised 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.f. = No meaningful figure

GROUP OVERVIEW

The Group reported a net loss of $506 million for 2020, compared to a net profit of $707 million a year ago, after impairments of $952 million mainly due to the offshore & marine (O&M) business. Excluding impairments in both years, the Group would have registered a net profit of $446 million for 2020, as compared to a net profit of $828 million for 2019. Apart from Keppel O&M, all key business units remained profitable in 2020.

Loss per share was 27.8 cents, as compared to earnings per share of 38.9 cents in 2019. Return on Equity (ROE) was negative 4.6%, compared to positive 6.3% for 2019. Economic Value Added (EVA) was negative $1,368 million for 2020, compared to positive $188 million for 2019.

Free cash inflow was $497 million, compared to free cash outflow of $653 million for 2019, mainly due to lower working capital requirements and higher proceeds from en-bloc sales. Net gearing for 2020 was 0.91 times, compared to 0.85 times for 2019.

Total cash dividend for 2020 will be 10.0 cents per share. This comprises a proposed final cash dividend of 7.0 cents per share, as well as an interim cash dividend of 3.0 cents per share paid in the third quarter of 2020.

SEGMENT OPERATIONS

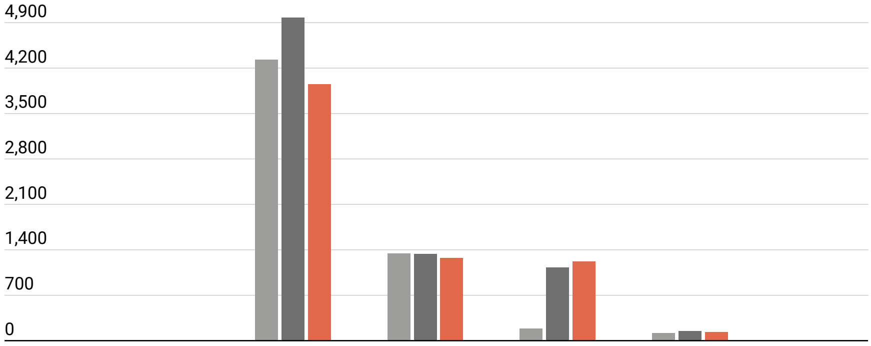
Group revenue of $6,574 million for 2020 was $1,006 million or 13% lower than the preceding year. Revenue from Energy & Environment decreased by $1,026 million or 21% to $3,943 million led by lower revenue in the O&M business due to slower progress from certain on-going projects as a result of COVID-19 related disruptions, the suspension of revenue recognition on Awilco contracts, fewer new contracts secured in 2020 and the deferment of some projects, which were partly offset by revenue from new projects. The lower revenue was also due to lower electricity sales, lower progressive revenue recognition from the Hong Kong Integrated Waste Management Facility project, as well as the completion of the Keppel Marina East Desalination Plant project in the second quarter of 2020 in the infrastructure business. Major jobs delivered by the O&M business in 2020 include two jackup rigs, a dual-fuel bunker tanker, a Floating Production Storage and Offloading (FPSO) vessel modification and upgrading project, a Liquefied Natural Gas (LNG) Carrier, a trailing suction hopper dredger and a production barge. Revenue from Urban Development decreased by $61 million to $1,275 million mainly due to lower revenue generated from hospitality and commercial properties and lower revenue from property trading projects in Singapore and Vietnam, which were partly offset by higher revenue from property trading projects in China. Revenue for Connectivity grew by $92 million to $1,220 million mainly due to M1, which was consolidated from March 2019. This was partly offset by lower contribution from the logistics business following the divestment of certain China logistics assets in November 2019. Revenue from Asset Management decreased by $10 million to $135 million mainly due to lower acquisition and divestment fees, partly offset by higher management fees.

Group net loss attributable to shareholders was $506 million as compared to net profit of $707 million in 2019. The net loss for 2020 included impairment provisions, largely from the O&M business, amounting to $952 million. Excluding these impairments, the Group achieved a net profit of $446 million which was 46% or $382 million lower than the net profit of $828 million (excluding impairments) for 2019.

Energy & Environment's net loss was $1,181 million as compared to net loss of $101 million in 2019. Excluding impairments of $908 million, the net loss was $273 million. This was largely due to weaker performance in the O&M business, which had been impacted by slower progress on projects due principally to significant downtime as a result of COVID-19, higher share of losses from associated companies and joint ventures, higher net interest expense, and fair value loss on investment, which were partially mitigated by lower overheads and government relief measures related to the COVID-19 pandemic. These were partly offset by higher contributions from the energy infrastructure and environmental infrastructure businesses, as well as the absence of a share of loss from KrisEnergy and the fair value loss on KrisEnergy warrants as compared to 2019.

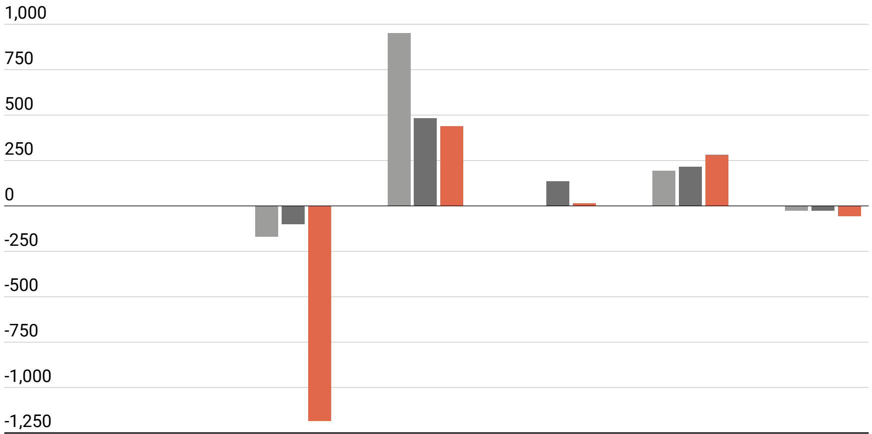
Profit from Urban Development decreased by $45 million to $438 million mainly due to lower write-backs of tax provision as compared to 2019, higher taxation from property trading projects in China, as well as lower contributions from associated companies and joint ventures. These were partly offset by higher fair value gains from investment properties, higher contributions from property trading projects in China, as well as higher contribution from the Sino-Singapore Tianjin Eco-City.

REVENUE ($ million)



	Energy & Environment	Urban Development	Connectivity	Asset Management	Corporate & Others
2018	4,322	1,340	182	119	2
2019	4,969	1,336	1,128	145	2
2020	**3,943**	**1,275**	**1,220**	**135**	**1**

NET (LOSS)/PROFIT ($ million)



	Energy & Environment	Urban Development	Connectivity	Asset Management	Corporate & Others
2018	(169)	950	–	192	(25)
2019	(101)	483	136	214	(25)
2020	**(1,181)**	**438**	**13**	**280**	**(56)**

Profit from Connectivity was $13 million, which was $123 million below that of 2019. This was mainly due to the absence of a fair value gain recognised in 2019 from the remeasurement of previously held interest in M1 at acquisition date, as well as lower contribution from M1. These were partly offset by gain from the disposal of interest in Business Online Public Company Limited, and lower losses from the logistics business.

Asset Management's profit increased by $66 million to $280 million mainly due to a mark-to-market gain of $131 million recognised from the reclassification of the Group's interest in Keppel Infrastructure Trust (KIT) from an associated company to an investment following the loss of significant influence over KIT, a gain from sale of units in Keppel DC REIT, a gain from divestment of interest in Gimi MS Corporation, as well as dividend income from KIT and higher contribution from Keppel DC REIT. These were partly offset by mark-to-market losses from investments, lower investment income and lower contributions from Keppel REIT and Alpha Data Centre Fund, as well as the absence of a dilution gain arising from Keppel DC REIT's private placement exercise in 2019.

In 2020, losses in the Energy & Environment segment were partly offset by profits from the Urban Development, Asset Management and Connectivity segments.

FINANCIAL REVIEW & OUTLOOK

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

PROSPECTS

VISION 2030

A key highlight during the year was the unveiling of Keppel's Vision 2030 in May 2020. Vision 2030 is a roadmap to guide the Group's strategy and transformation as one integrated business providing solutions for sustainable urbanisation. Building on Keppel's strengths in engineering, developing and operating specialised assets, as well as capital and asset management, the Group will focus on four key business areas, namely Energy & Environment, Urban Development, Connectivity and Asset Management – all part of a connected value chain.

As part of the Group's sharpened business focus and asset-light model, Keppel is taking a disciplined approach to capital allocation, to deploy more capital to our growth platforms and create value from more integration and synergies within the Group, while continuing to recycle capital to enhance the Group's overall return.

In September 2020, the Group embarked on further steps in the Vision 2030 roadmap, including the strategic review of the offshore & marine (O&M) business, and a $3–5 billion asset monetisation programme over three years to free up the Group's balance sheet to pursue new growth opportunities. To this end, a transformation office was established to drive the implementation of Vision 2030 to create sustainable value for all stakeholders, while a 100-day programme was also launched to expedite execution.

Between October and December 2020, the Group announced divestments worth over $1.2 billion, well on its way to meeting the three-year target, as well as various new initiatives to take Keppel forward on its growth trajectory.

After a tumultuous year during which the COVID-19 pandemic caused immense human suffering and battered the global economy, the recent progress in vaccine development and distribution gives hope that the end of the pandemic may be in sight. However, the situation remains volatile as COVID-19 continues to spread internationally. Keppel would need to continue to rigorously implement safe management measures to curb the further spread of the virus, and safeguard the health and well-being of our employees and stakeholders.

Notwithstanding the adverse impact of COVID-19, the pandemic has also accelerated many macrotrends that the Group had identified as part of Vision 2030, including growing digitalisation and e-commerce. At the same time, international concerns about climate change continue to grow, accelerating the energy transition and spurring the need for different solutions that contribute to a more sustainable future. Together, these trends are expected to further drive the demand for solutions for sustainable urbanisation, and create new opportunities for the Group.

BUSINESS SEGMENTS

In the Energy & Environment segment, Keppel Offshore & Marine's (Keppel O&M) net orderbook, excluding the Sete rigs, stood at $3.3 billion as at 31 December 2020. The O&M industry continues to face severe challenges arising from the impact of COVID-19 and the fall in global demand for oil, which significantly impacted the performance of the segment. While the market for oil-related solutions remains weak, Keppel O&M has over the past few years pivoted to cleaner fossil fuels such as LNG and renewables, which together made up about 65% of the approximately $1 billion of new orders it had secured in 2020.

On 28 January 2021, the Group announced that, amidst the global energy transition and major disruptions facing the oil industry, it will carry out a comprehensive transformation of Keppel O&M to better align it to the Group's Vision 2030 and to create a more competitive Keppel O&M that is well-placed to support the energy transition. As part of the transformation, Keppel O&M's business will be reorganised into three parts, namely a Rig Co and a Development Co (Dev Co), which will be transient entities created to hold approximately $2.9 billion worth of completed and uncompleted rig assets, and an Operating Co (Op Co) comprising the rest of Keppel O&M. This reorganisation into distinct parts provides better clarity for Keppel O&M to focus on its plans. Keppel O&M's completed rigs will be placed under Rig Co, which will put the completed rigs to work, or sell them if there are suitable opportunities. Uncompleted rigs will come under Dev Co, which will focus on completing the rigs while prudently managing cash flow.

Op Co will progressively transit to a developer and integrator role, focusing on design, engineering and procurement. It will exit the offshore rigbuilding business and progressively exit low value-adding repairs and other activities with low bottom-line contribution. Op Co will seek opportunities in floating infrastructure and infrastructure-like projects that can deliver predictable streams of cash flow, including renewables projects such as offshore wind farms and solar farms, gas solutions, production assets and new energy solutions such as hydrogen and tidal energy. The reorganisation has commenced and the transformation is expected to be executed over the next two to three years. Reflecting its new focus, Keppel O&M will carry out a rebranding exercise and refine its vision and purpose.

Meanwhile, Keppel Infrastructure will continue to develop opportunities in its target markets with a focus on value-enhancing energy and environmental projects. Keppel Infrastucture will further strengthen its retail and marketing capabilities, and also expand its district cooling business in Singapore and overseas. It will also leverage MET Group, in which it has a 20% stake, to grow its European presence.

With the goal of growing the Group's renewable energy portfolio to 7GW by 2030, a new business unit, Keppel Renewable Energy, was set up to explore opportunities as a developer and operator of renewable energy assets. In December 2020, Keppel Renewable Energy announced the planned development of a 500MW solar farm in Australia, and will continue to seek other opportunities in renewables.

In the Urban Development segment, Keppel Land sold about 3,340 homes in 2020, which comprised about 2,110 in China, 370 in Singapore, 550 in Vietnam, 140 in Indonesia and 170 in India. It will remain focused on its key markets such as China, Singapore and Vietnam, and scale up in other markets such as India and Indonesia, while actively seeking opportunities to unlock value and recycle capital. Keppel Urban Solutions will harness opportunities as an end-to-end master developer of smart, sustainable cities. Starting with Saigon Sports City in Ho Chi Minh City, Vietnam, Keppel Urban Solutions will also explore opportunities in other cities across Asia. The Sino-Singapore Tianjin Eco-City Investment and Development Company Ltd will continue to drive the further development of the Sino-Singapore Tianjin Eco-City (Eco-City), including selling land parcels to accelerate the Eco-City's development.

In the Connectivity segment, M1 will complement the Group's mission as a solutions provider for sustainable urbanisation. Through a multi-year transformation plan, M1 seeks to develop and implement new strategic and operational plans to sharpen its competitive edge, increase its momentum in digital transformation and undertake growth initiatives. It will focus on strengthening its consumer business to meet changing customer needs and expectations, developing platforms and initiatives to support enterprise customers, collaborating actively with other Keppel entities to create smarter and future-ready offerings, and working closely with Singapore government agencies, industry players and enterprises to co-develop 5G use cases. With the award of the 5G network licence to M1 and Starhub Limited by the Infocomm Media Development Authority (IMDA), M1 is starting to rollout its 5G standalone network coverage across Singapore.

FREE CASH INFLOW

$497m

As compared to outflow of $653 million for FY 2019.

TOTAL CASH DIVIDEND PER SHARE

10.0cts

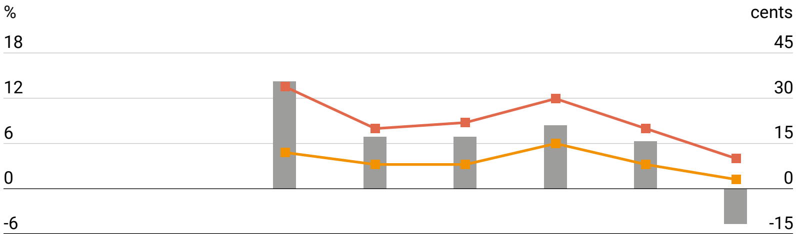
This comprises a proposed final cash dividend of 7.0cts/share, as well as an interim cash dividend of 3.0cts/share paid in 3Q 2020.

Keppel Telecommunications & Transportation (Keppel T&T) will, in collaboration with Keppel Capital, continue to actively pursue new development opportunities to grow its data centre footprint beyond its traditional areas of operation, while concurrently exploring innovative new solutions to reduce the environmental footprint of its data centres and strengthen its market position. Following a strategic review of the logistics business, Keppel T&T has decided to divest its logistics portfolio in Southeast Asia and Australia, and has launched the sale process through its financial advisor.

In the Asset Management segment, 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 alternative asset classes. During the year, Keppel Capital launched and achieved two closings for the Keppel Asia Infrastructure Fund, as well as first close for several funds, namely the Keppel-Pierfront Private Credit Fund, the Keppel MMP-Indonesia Logistics Fund, the Keppel Education Asset Fund and the Keppel Vietnam Fund. Riding on the success of the earlier funds, Keppel Capital also launched and achieved first close for the follow-on Alpha Asia Macro Trends Fund IV and Keppel Data Centre Fund II. The listed REITs and Trust also continued to grow through strategic acquisitions during the year.

The Keppel Group will continue to execute its integrated business strategy to provide solutions for sustainable urbanisation by deepening collaboration across business units, being agile and innovative as it invests in the future.

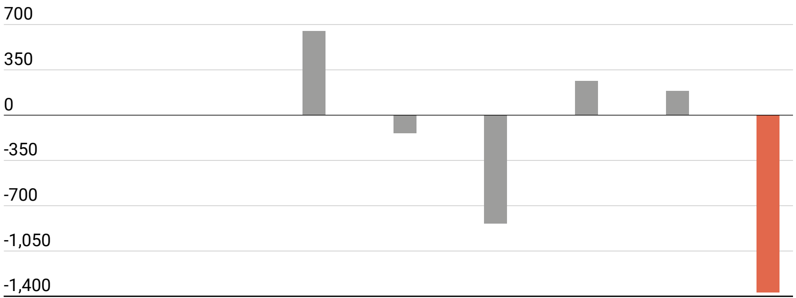
ROE & DIVIDEND



	2015	2016	2017	2018	2019	**2020**
ROE (%)	14.2	6.9	6.9[1]	8.4	6.3	**(4.6)**
Full-Year Dividend (cts)	34	20	22	30	20	**10**
Interim Dividend (cts)	12	8	8	15[2]	8	**3**

1 Excludes one-off financial penalty from global resolution & related costs.
2 Includes special cash dividend of 5.0cts/share.

EVA ($ million)



2015	2016	2017	2018	2019	**2020**
648	(140)	(839)	263	188	**(1,368)**

SHAREHOLDER RETURNS

Return on Equity (ROE) was negative 4.6%, compared to positive 6.3% in the previous year, mainly due to net loss recorded as compared to net profit in the previous year.

The Company will be distributing a total cash dividend of 10.0 cents per share for 2020, comprising a proposed final cash dividend of 7.0 cents per share as well as the interim cash dividend of 3.0 cents per share distributed in the third quarter of 2020. On a per share basis, it translates into a gross yield of 1.9% on the Company's last transacted share price of $5.38 as at 31 December 2020.

ECONOMIC VALUE ADDED

In 2020, Economic Value Added (EVA) decreased by $1,556 million to negative $1,368 million. This was attributable to net operating loss after tax and higher capital charge.

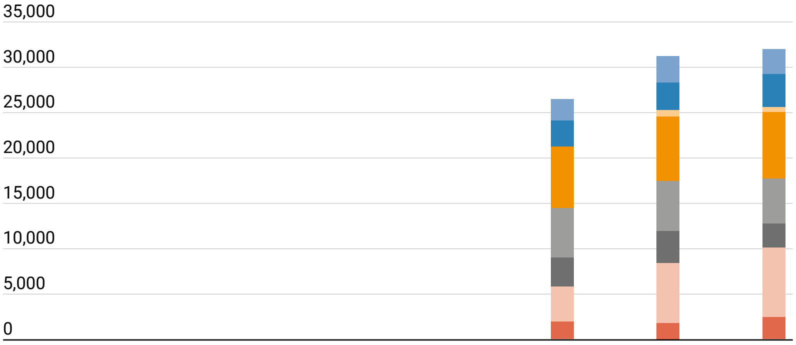
Capital charge increased by $15 million as a result of higher Average EVA Capital, partly offset by lower Weighted Average Cost of Capital (WACC). WACC decreased from 5.47% to 4.95% mainly due to a decrease in risk-free rate and lower Cost of Debt. Average EVA Capital increased by $2,188 million from $18.07 billion to $20.25 billion mainly due to higher borrowings.

EVA

	2020 $ million	**20 vs 19 +/(-)**	**2019 $ million**	**19 vs 18 +/(-)**	**2018 $ million**
Profit/(loss) after tax (Note 1)	**(732)**	(1,526)	794	(103)	897
Adjustment for:					
Interest expense	**292**	(21)	313	108	205
Interest expense on non-capitalised leases	**–**	–	–	(20)	20
Tax effect on interest expense adjustments (Note 2)	**(50)**	3	(53)	(14)	(39)
Provisions, deferred tax, amortisation & other adjustments	**125**	3	122	46	76
Net Operating Profit After Tax (NOPAT)	**(365)**	(1,541)	1,176	17	1,159
Average EVA Capital Employed (Note 3)	**20,254**	2,188	18,066	1,533	16,533
WACC (%) (Note 4)	**4.95**	(0.52)	5.47	0.05	5.42
Capital Charge	**(1,003)**	(15)	(988)	(92)	(896)
EVA	**(1,368)**	(1,556)	188	(75)	263

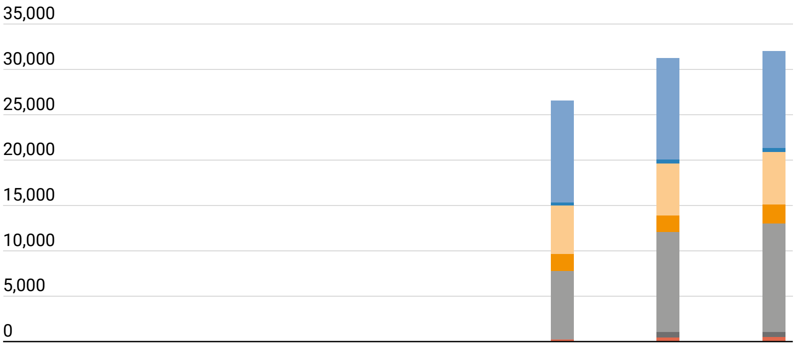
Notes:
1. Profit/(loss) after tax excludes net revaluation gain on investment properties.
2. The reported current tax is adjusted for statutory tax impact on interest expenses.
3. Average EVA Capital Employed is derived from the averages of net assets, interest-bearing liabilities, timing of provisions 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% (2019: 5.0%);
   b. Risk-free rate of 1.75% (2019: 2.27%) based on yield-to-maturity of Singapore Government 10-year Bonds;
   c. Unlevered beta at 0.72 (2019: 0.72); and
   d. Pre-tax Cost of Debt at 1.48% (2019: 2.09%) using 5-year Singapore Dollar Swap Offer Rate plus 60 basis points (2019: 60 basis points).

TOTAL ASSETS OWNED ($ million)



	2018	2019	**2020**
Fixed assets	2,373	2,902	**2,716**
Properties	2,851	3,022	**3,674**
Right-of-use assets	–	760	**583**
Associated companies, joint ventures & investments	6,825	7,121	**7,355**
Stocks	5,496	5,543	**4,959**
Contract assets	3,213	3,497	**2,657**
Debtors & others	3,849	6,693	**7,682**
Bank balances, deposits & cash	1,981	1,784	**2,480**
Total	26,588	31,322	**32,106**

TOTAL LIABILITIES OWED AND CAPITAL INVESTED ($ million)



	2018	2019	**2020**
Shareholders' funds	11,268	11,211	**10,728**
Non-controlling interests	309	435	**428**
Creditors	5,355	5,795	**5,831**
Contract liabilities	1,918	1,825	**2,072**
Term loans & bank overdrafts	7,549	11,060	**12,039**
Lease liabilities	–	597	**564**
Other liabilities	189	399	**444**
Total	26,588	31,322	**32,106**

FINANCIAL POSITION

Group shareholders' funds decreased by $0.48 billion to $10.73 billion at 31 December 2020. The decrease was mainly attributable to retained losses for 2020, payment of final dividend of 12.0 cents per share in respect of financial year 2019, payment of interim dividend of 3.0 cents per share in respect of the half year ended 30 June 2020 and fair value losses from cash flow hedges, partly offset by foreign exchange translation gains.

In 4Q 2020, the Group announced the divestment of interests in Chengdu Hilltop Development Co Ltd (Chengdu Hilltop), Dong Nai Waterfront City LLC (Dong Nai Waterfront), Keppel Bay Tower Pte Ltd (Keppel Bay Tower), and First King Properties Limited (First King Properties). These divestments would be completed upon the fulfillment of certain conditions precedent. In accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of Keppel Bay Tower and First King Properties, as well as the investments in Chengdu Hilltop and Dong Nai Waterfront that are accounted for as associated companies, have been presented separately as assets classified as held for sale and liabilities directly associated with assets classified as held for sale as at 31 December 2020.

Group total assets were $32.11 billion as at 31 December 2020, $0.78 billion higher than the previous year-end. Non-current assets increased mainly due to a reclassification from stocks to investment properties, fair value gains in investment properties and an increase in investments and long-term assets, partly offset by a decrease in investments in associated companies, joint ventures and fixed assets, as well as the reclassification of investment properties, fixed assets, right-of-use assets and investments in associated companies to assets classified as held for sale in relation to the divestments mentioned above. The increase in current assets was due mainly to increases in bank balances and deposits & cash, partly offset by a reclassification from stocks to investment properties and decrease in contract assets.

Group total liabilities of $20.95 billion as at 31 December 2020 were $1.27 billion higher than the previous year-end. This was largely attributable to the increase in term loans and contract liabilities, partly offset by the decrease in amounts due to associated companies and joint ventures.

Group net debt increased by $0.25 billion to $10.12 billion as at 31 December 2020.

Group net gearing ratio increased from 85% as at 31 December 2019 to 91% at 31 December 2020. This was largely driven by the impact from lower equity due to the

TOTAL SHAREHOLDER RETURN (%)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Keppel	(6.4)	22.9	9.0	(17.8)	(22.3)	(6.3)	30.9	(16.4)	18.5	**(18.6)**
STI	(14.0)	23.3	3.2	9.5	(11.4)	3.8	22.0	(6.5)	9.4	**(8.1)**

Source: Bloomberg

CASH FLOW

	2020 $ million	20 vs 19 +/(-)	2019 $ million	19 vs 18 +/(-)	2018 $ million
Operating profit	**8**	(869)	877	(178)	1,055
Depreciation, amortisation & other non-cash items	**30**	(87)	117	611	(494)
Cash flow provided by operations before changes in working capital	**38**	(956)	994	433	561
Provisions made for stocks, contract assets and doubtful debts	**701**	662	39	(84)	123
Working capital changes	**(107)**	1,369	(1,476)	(1,157)	(319)
Interest receipt and payment & tax paid	**(430)**	(48)	(382)	(142)	(240)
Net cash from/(used in) operating activities	**202**	1,027	(825)	(950)	125
Investments & capital expenditure	**(451)**	(113)	(338)	112	(450)
Divestments & dividend income	**687**	274	413	(644)	1,057
Advances from/(to) associated companies & joint ventures	**59**	(38)	97	314	(217)
Net cash from investing activities	**295**	123	172	(218)	390
Free cash flow[1]	**497**	1,150	(653)	(1,168)	515
Dividend paid to shareholders of the Company & subsidiaries	**(297)**	133	(430)	116	(546)

[1] Free cash flow excludes expansionary acquisitions & capital expenditure, and major divestments.

significant impairments recorded in the current year, as well as increase in net debt arising from investments made, working capital requirements and dividend payments.

TOTAL SHAREHOLDER RETURN

Keppel is committed to delivering value to shareholders through earnings growth. Guided by Vision 2030, the Group will leverage our business model and harness our unique strengths, as well as the synergies of the Group, to seize opportunities.

Our 2020 Total Shareholder Return (TSR) of negative 18.6% was 10.5 percentage points below the benchmark Straits Times Index's (STI) TSR of negative 8.1%. Our 10-year annualised TSR growth rate was negative 2.3% as compared to STI's positive 2.3%.

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 data centre facilities), meant for long-term growth for the Group and major divestments.

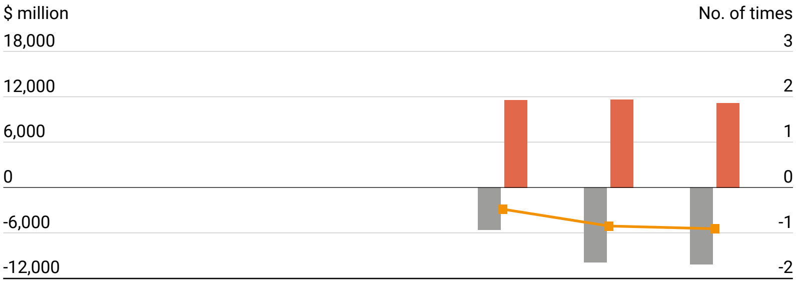
Net cash from operating activities was $202 million for 2020 as compared to net cash used in operating activities of $825 million for 2019. This was due mainly to lower working capital requirements.

After excluding expansionary acquisitions, capital expenditure and major divestments, net cash from investment activities was $295 million. The Group spent $451 million on investments and operational capital expenditure. After taking into account the proceeds from divestments, dividend income of $687 million and net advances from associated companies and joint ventures of $59 million, the free cash inflow was $497 million.

Total distribution to shareholders of the Company and non-controlling shareholders of subsidiaries for the year amounted to $297 million.

NET CASH/(GEARING)

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



	2018	2019	**2020**
Net Debt	(5,567)	(9,874)	**(10,123)**
Total Equity	11,577	11,646	**11,156**
Net Gearing	(0.48)	(0.85)	**(0.91)**

FINANCIAL RISK MANAGEMENT

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and price risk), 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 of the Company and includes Chief Financial Officers 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 movements of these foreign currencies against the Singapore dollar, which is the Group's measurement currency. 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 the benchmark fuel price indices of High Sulphur Fuel Oil (HSFO) 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 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[1]

The Group borrows from local and foreign banks in the form of short-term and long-term loans and project loans. The Group also taps the debt capital market via issuance of primarily Singapore dollar bonds. Total Group borrowings excluding lease liabilities as at end-2020 were $12.0 billion (2019: $11.1 billion and 2018: $7.5 billion). As at end-2020, 37% (2019: 41% and 2018: 20%) of Group borrowings were repayable within one year, with the balance largely repayable more than three years later.

Unsecured borrowings constituted 94% (2019: 96% and 2018: 92%) 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 $2.22 billion (2019: $0.96 billion and 2018: $1.07 billion).

Fixed rate borrowings constituted 62% (2019: 63% and 2018: 67%) of total borrowings after taking into account the effect of derivative financial instruments with the balance at floating rates. The Group has cross currency swap and interest rate swap agreements with notional amounts totalling $4,681 million whereby it receives foreign currency fixed rate or variable rate equal to EURIBOR (in the case of the cross-currency swaps) and variable rates equal to SOR and LIBOR (in the case of the interest rate swaps) and pays fixed rates of between 0.19% and 3.62% on the notional amount. Details of these derivative financial instruments are disclosed in the notes to the financial statements.

Singapore dollar borrowings represented 73% (2019: 78% and 2018: 75%) of total borrowings after taking into account the effect of derivative financial instruments. 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 three years at end-2019 and at end-2020 with a decrease in average cost of funds as compared to end-2019.

CAPITAL STRUCTURE & FINANCIAL RESOURCES

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

New investments are evaluated against strict criteria including return on investment, cash flow generation, risk management as well as environmental, social and governance considerations. 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 end-2020 was $11.16 billion as compared to $11.65 billion as at end-2019 and $11.58 billion as at end-2018. The Group was in a net debt (including lease liabilities) position of $10,123 million as at end-2020, which was above the $9,874 million as at end-2019 and the $5,567 million as at end-2018. The Group's net gearing ratio was 0.91 times as at end-2020, compared to 0.85 times as at end-2019.

[1] Borrowings exclude lease liabilities.

Interest coverage decreased from 5.99 times in 2018 to 3.77 times in 2019 before decreasing to 0.11 times in 2020. Interest coverage in 2020 was lower due to lower Earnings before Interest expense and Tax (EBIT).

Cash flow coverage decreased from 1.52 times in 2018 to -1.46 times in 2019 before increasing to 1.60 times in 2020. This was mainly due to operational cash inflow in 2020, as compared to an outflow in 2019.

At the annual general meeting in 2020, shareholders gave their approval for the mandate to buy back shares. During the year, 3,866,628 shares were bought back and held as treasury shares. The Company also transferred 2,829,890 treasury shares to employees upon vesting of shares released under the KCL Share Plans. As at end-2020, the Company had 3,051,474 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.

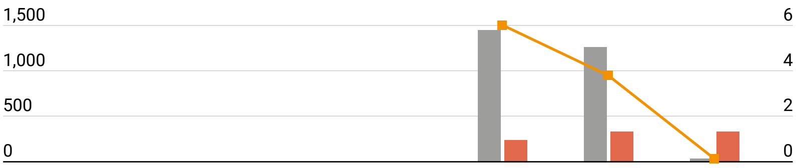
The Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time. Cash flow, debt maturity profile and overall liquidity position are actively reviewed on an ongoing basis.

As at end-2020, total available credit facilities, including cash at Corporate Treasury and bank guarantee facilities, amounted to $6.53 billion (2019: $8.19 billion).

INTEREST COVERAGE

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

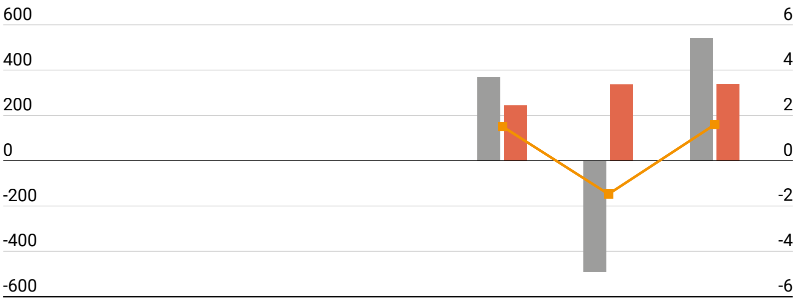
Note: EBIT = Profit before tax + Interest expense



	2018	2019	**2020**
EBIT	1,450	1,266	**38**
Total Interest Cost	242	336	**337**
Interest Cover	5.99	3.77	**0.11**

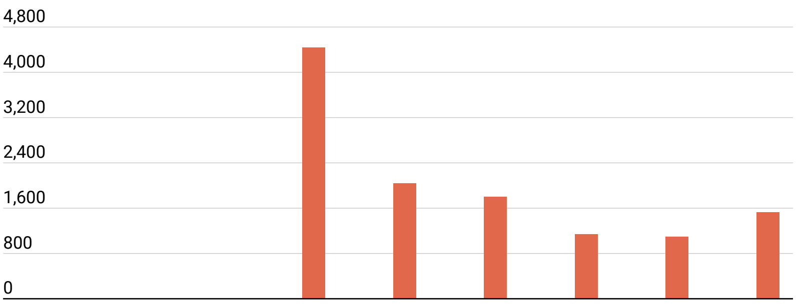
CASH FLOW COVERAGE

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



	2018	2019	**2020**
Operating Cash Flow + Interest	367	(489)	**539**
Total Interest Expense + Interest Capitalised	242	336	**337**
Cash Flow Coverage	1.52	(1.46)	**1.60**

DEBT MATURITY ($ million)



<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years
4,432	2,037	1,798	1,142	1,099	1,531

Note: The borrowings exclude lease liability.

FINANCIAL CAPACITY

	$ million	Remarks
Cash at Corporate Treasury	728	29% of total cash of $2.48 billion
Available credit facilities to the Group	5,806	Credit facilities of $12.08 billion, of which $6.28 billion was utilised
Total	**6,534**	

CRITICAL ACCOUNTING JUDGMENTS & 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 judgments and estimates are described below.

COVID-19 and volatility in oil prices

The evolving situation of the COVID-19 pandemic and volatility in oil prices, including the sharp reduction in global oil demand, could impact the assessment of the carrying amounts of the Group's assets and liabilities. As these events and conditions have significant financial reporting implications, Accounting and Corporate Regulatory Authority of Singapore (ACRA) had published financial reporting practice guidance notes in May and December 2020 highlighting key focus areas when preparing and reviewing the financial statements, especially in areas where estimates, assumptions and judgment are required. In the assessment for the current year, management has carried out a review to assess the assumptions used in the assessment of the carrying values of certain assets of the Group. Management has exercised judgment in determining the significant assumptions used and has relied on information currently available, including the COVID-19 official updates from the authorities, experts' consensus on global oil prices and the work performed by independent advisors on certain assets, in the assessment of the appropriateness of the carrying values of the Group's assets, including but not limited to the following assets as at 31 December 2020:

- Recoverability of contract assets and receivable balances in relation to offshore & marine construction contracts with Sete Brasil and other customers
- Valuation of investment properties
- Estimation of net realisable value of stocks
- Impairment of non-financial assets
- Investments in associated companies and joint ventures, including KrisEnergy Limited (KrisEnergy) and Floatel International Limited (Floatel) and related exposures

As the COVID-19 situation continues to evolve, the Group will proactively implement measures to mitigate the potential impact on the Group. Should the COVID-19 situation take a longer than expected period to recover and/or the recovery of long-term oil prices, dayrates or utilisation rates take a longer period or fall to a lower level than expected, the assessment of the carrying amounts of the assets of the Group could be impacted, and material provisions may be made and additional liabilities may arise in the subsequent financial years.

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 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 subsidiaries, two of which are special-purpose entities (SPEs) for uncompleted rigs constructed by the Group, were 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, its Judicial Reorganisation Plan.

In December 2019, Petrobras issued a press release to communicate their Board's approval on the continuation of four charter agreements, and for Magni and their operator Etesco to step in as the new party to the agreements. Since then, the Group has been in constructive discussions with Magni to finalise the construction contracts for the two rigs and with Sete to close out the condition precedents in the Settlement Agreement. As a result of the global COVID-19 pandemic and the extended time required for Magni to secure financing, finalisation of the agreements between the various parties has been delayed. On 12 November 2020, Petrobras issued a press release stating that their mediation agreement deadline with Sete had been extended to 31 January 2021 for Sete to conclude their sale transaction. As of the date of these financial statements, Magni had yet to secure the full financing required to complete the sale transaction with Sete.

On 26 January 2021, Petrobras issued a media release to inform that it had received notification from Sete that it would not be able to comply with the conditions in the mediation agreement by the extended due date of 31 January 2021 and Sete had requested to begin a new negotiation with Petrobras. The Executive Board of Petrobras has authorised this request from Sete, in search of a joint solution with Sete.

Notwithstanding that the deadline to complete the mediation agreement has not been extended, the Group believes that Petrobras, in approving a new negotiation, will continue to seek solutions for these rigs with the relevant stakeholders which may yield several other alternative arrangements between the stakeholders. The Group will also be in active discussions with Sete and Magni, as Sete enters into the new negotiation with Petrobras.

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

Arising from the above assessment, the loss allowance for trade debtors of

$183,000,000 (2019: $183,000,000) and the provision for related contract costs of $245,000,000 (2019: $245,000,000) made in prior years remain adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to EPC contracts with Sete.

Taking into consideration 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 as at 31 December 2020 (31 December 2019: $476,000,000).

The above assessment had been made with the following key assumptions:

i. Petrobras will continue to require the rigs for execution of its business plans and will charter them at the dayrates and tenure previously agreed with Sete;

ii. Magni will be able to secure financing to complete the purchase of the rigs with Sete and complete the construction contract with the Group at the terms previously discussed with Magni; and

iii. The future costs of construction of the rigs are not materially different from management's current estimation.

At the date of these financial statements, the commencement of a new negotiation between Petrobras and Sete has been authorised by the Executive Board of Petrobras. Should the conclusion of the negotiation result in significant changes to the key assumptions above, additional material provision may be required, including adjustments to the net carrying amounts (net of total cumulative losses as described above) relating to the Sete contracts amounting to $113,645,000 as at 31 December 2020.

Other contracts
As at 31 December 2020, 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 and have higher counterparty risks. In the event that the customers are unable to fulfil their contractual obligations, the Group can exercise the right to retain payments received to date and retain the titles to the rigs.

The Group had also delivered rigs to customers where receipt of the construction revenue had been deferred under certain financing arrangements, amounting to $848,117,000 as at 31 December 2020 (2019: $778,734,000) of which $772,443,000 (2019: $638,973,000) is secured on the rigs and $75,674,000 (2019: $139,761,000) is unsecured but the Group has obtained parental guarantee from the customers.

Management has assessed each deferred construction project individually to make 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 expected credit loss on contract assets and trade receivables of deferred projects and of rigs delivered on financing arrangements to determine if a provision for expected loss is necessary.

The global economic environment has been and continues to be significantly affected by COVID-19. The oil & gas industry, in particular, has experienced an unprecedented and very difficult period as a result of lower expected demand. The Group remains cognisant of these developments and has been closely monitoring the market and industry developments relating to utilisation rates, dayrates, oil price outlook and other relevant information.

For the above contract assets and secured trade receivables, in the event that the customers are unable to fulfil their contractual obligations, management has considered that the most likely outcome for the rigs delivered or under construction is for the Group to take possession of these assets and charter them out to work. The value of the rig on this basis would be based on an estimation of the Value-in-use (VIU) of the rig, i.e. through estimating the net present value of cash flows from operating the rig over the useful life of the asset.

Management has engaged independent professional firms to assist in their assessment on whether the VIU of the rigs would exceed the carrying values of contract assets and trade receivables as at 31 December 2020. The VIU model used by the independent firm is consistent with prior years and is based on Discounted Cash Flow calculations that cover each class of rig. In addition to the independent firm responsible for the valuation based on VIU calculations, management has also engaged a separate industry expert to independently provide a view of the market outlook, assumptions and parameters

		Financing to customers		
	Contract assets $'000	**Secured $'000**	**Unsecured $'000**	**Total $'000**
As at 31 December 2020				
Gross balance	2,933,715	871,605	138,595	3,943,915
Less: Expected credit loss				
Balance, 1 January	21,000	–	–	21,000
Currency alignment	–	(4,634)	(2,894)	(7,528)
Impairment charged	430,842	103,796	65,815	600,453
Reclassification (Note 15)	(19,301)	–	–	(19,301)
Balance, 31 December	432,541	99,162	62,921	594,624
Net balance	2,501,174	772,443	75,674	3,349,291
As at 31 December 2019				
Gross balance	3,345,020	638,973	139,761	4,123,754
Less: Expected credit loss				
Balance, 1 January and 31 December	21,000	–	–	21,000
Net balance	3,324,020	638,973	139,761	4,102,754

which are used in the valuations based on the estimation of VIU. Key inputs into the estimation of the VIU include dayrates and cost assumptions, utilisation rates, discount rates and estimated commencement of deployment of the assets. The valuation of the rigs would decrease if the expected income from operating the rigs decline, or discount rates were higher, or the estimated commencement of deployment was delayed.

Management has also appointed an independent advisor to conduct an assessment of the recoverability of unsecured receivables as at 31 December 2020.

Accordingly, the Group recognised an expected credit loss allowance of $430,842,000 (2019: $nil) on contract assets, and $169,611,000 (2019: $nil) on long-term receivables during the financial year ended 31 December 2020, as shown in the table on page 72.

The valuations of the rigs based on estimated VIU are most sensitive to discount rates and dayrates.

- A discount rate of 7% has been used in the valuation as at 31 December 2020 (31 December 2019: 6.8%). An increase of 1% of the discount rate would increase the expected credit loss by approximately $7,000,000 (31 December 2019: $nil).
- A decrease in dayrates of US$5,000 per day across the entire asset useful life of 25 years would not result in any further expected credit loss (31 December 2019: $nil).

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 (CGUs). This requires the Group to estimate the future cash flows expected from the CGUs and an appropriate discount rate in order to calculate the present value of the future cash flows. Management performed impairment tests on fixed assets (Note 6), investments in subsidiaries (Note 9), investments in associated companies and joint ventures (Note 10), and intangibles (Note 13) as at 31 December 2020.

Management has performed the impairment assessment of its investments in KrisEnergy and Floatel and related exposures on the basis of the restructuring steps taken by these investees. Refer to Note 10(c) and Note 10(f) respectively for more details on the impairment assessment of Group's investments in KrisEnergy and Floatel.

Management has also performed an impairment assessment of the goodwill arising from acquisition of M1. Details of the impairment testing is disclosed in Note 13.

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 has also requested a suspension of trading of its securities on Singapore Exchange Securities Trading Ltd (SGX). At the date of these financial statements, the moratorium has been further extended to 16 April 2021.

In April 2020, the Group entered into a credit facility agreement with two wholly-owned indirect subsidiaries of KrisEnergy (the Borrowers), with the Group agreeing to grant a project financing loan in two or more tranches for an aggregate principal amount not exceeding US$87 million (the CBA Loan Facility) to the Borrowers. As at 31 December 2020, the total aggregate amount of funds drawn down by the Borrowers through the CBA Loan Facility was US$57,700,000.

KrisEnergy published an initial restructuring proposal on 16 June 2020, followed by the publication of the final restructuring proposal on 21 August 2020. The final restructuring proposal is to be implemented via four inter-conditional processes that require the consent of the requisite majority of each respective group of creditors and shareholders:

- reaching an agreement for an extension of secured Revolving Credit Facility (RCF) with the lender;
- conversion of debts and claims into equity for unsecured creditors under the Scheme of Arrangement (Scheme);
- partial conversion of claims into equity for Zero Coupon Noteholders under the Consent Solicitation Exercise (CSE)
- requisite approval from the shareholders for the issuance of new shares in the restructuring proposal in Extraordinary General Meeting (EGM)

On 30 December 2020, the RCF maturity date was extended for an initial period of 6 months to 30 June 2021 with a further extension to 30 June 2024 upon successful completion of restructuring. A Scheme was released by KrisEnergy on 20 November 2020 setting out the details of the proposed restructuring terms. On 14 January 2021, the unsecured creditors of KrisEnergy approved the Scheme through a Singapore court supervised process. The Scheme was effective on 15 February 2021, following the lodgment of a copy of the order of the Court approving the Scheme with the Registrar of Companies. The CSE process for KrisEnergy's zero coupon noteholders that was launched on 20 January 2021 has been approved on 11 February 2021. As at the date of these financial statements, the final component of the restructuring, which is the EGM to seek KrisEnergy shareholders' approval for the issuance of new shares pursuant to the Scheme and the CSE, had not yet taken place.

Management performed an impairment assessment to estimate the recoverable amount of the Group's exposures in KrisEnergy as at 31 December 2020. Management reviewed the cash flow projections prepared by its financial advisor who 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. The cash flow estimates were based on forecasted oil prices, determined by taking reference from external information sources, ranging from US$50 to US$62 per barrel for 2021 to 2029 (2019: US$63 to U$70 per barrel for 2020 to 2028). The impairment assessment has taken into consideration the terms of restructuring.

Based on the impairment assessment, an impairment provision of $39,200,000 was recognised for the year ended 31 December 2020, and the carrying amount of the Group's investment in the zero-coupon notes was reduced to $35,084,000. No impairment allowance was made against the loan receivable and contract assets, and no liabilities were recorded for the Group's guarantee given to the bank for the loan granted to KrisEnergy as the Group has priority over the cash flows on the assets of KrisEnergy. In the financial year ended 31 December 2019, management had performed a similar assessment and recognised an impairment charge of $37,000,000 on the equity investment.

The estimates and assumptions used are subject to risk and uncertainty. If the oil prices were to decrease by 2% across the forecasted period of 2021 to 2029, the estimated cash available from producing assets and forecasted production from assets under development would decrease, and this would result in an additional impairment of $34,400,000.

Floatel
In February 2020, Floatel reported that its financial situation was unsustainable as liquidity was under pressure. There was a material uncertainty as to whether Floatel would be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which cast 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.

On 5 December 2020, at the expiry of the forbearance under a Forbearance Agreement entered into between Floatel and certain bondholders, Floatel entered into a Lock-Up Agreement with FELS Offshore Pte Ltd (the member of the Group with the equity interest in Floatel), an ad hoc group (the AHG) of holders of Floatel's 9% senior secured 1L Bondholders, and other consenting 1L Bondholders holding in aggregate over 56% by value of the 1L Bonds and 2L Bondholders holding in aggregate close to 13% of the 2L Bonds (the Lock-Up Agreement). The Lock-Up Agreement commits Floatel, the Group, the AHG and any acceding 1L Bondholders and 2L Bondholders to use reasonable endeavours to implement a comprehensive financial and corporate restructuring of the Floatel group (the Restructuring). As part of the Lock-Up Agreement, FELS Offshore Pte Ltd has committed to use reasonable endeavours to procure the provision and funding of a new US$100,000,000 Revolving Credit Facility (RCF) for Floatel and another member of the Group may provide credit support for the RCF in the form of a risk participation.

On 16 December 2020, Floatel announced an increased level of support of the Lock-Up Agreement by the 1L (more than $^{2}/_{3}$) and 2L Bondholders. In addition, the terms of new warrants to be issued were also agreed in a revised Lock-Up Agreement on 14 December 2020. On 8 January 2021, bank lenders of Floatel agreed to accept a cash settlement of US$46,000,000 less Lenders' advisory fees for full settlement of amounts owing to them and release of the charge on one of the five vessels owned by Floatel. On 12 February 2021, the 2L Bondholders approved the restructuring.

As the loan from the relevant member of the Group to Floatel is considered as part of the Group's net investment in Floatel (i.e. settlement is neither planned nor foreseen), management has continued to equity account for its share of loss in Floatel's results against the carrying value of the loan to Floatel, after reducing the carrying value of the equity investment in Floatel to zero as of 30 June 2020. For the financial year ended 31 December 2020, the Group has recognised a total share of operating loss from Floatel of $82,779,000 and share of impairment loss of vessels of $228,107,000. The latter was estimated based on industry parameters provided by an independent industry advisor and adopted in the VIU calculation of the vessels. In addition, the carrying value of preference shares, based on the fair value assessment conducted by an independent financial advisor using the dividend discount model had similarly been written down to nil as at 31 December 2020.

The Group has considered that the recovery of its net investment in Floatel is dependent on Floatel successfully carrying out the Restructuring and continuing operation of its fleet of vessels. Management has retained an independent financial advisor to support the review of Floatel's business plan and cash flow projections. In the event that the Restructuring of Floatel fails to go through, Floatel would not have adequate cash from its operations and cash on hand to continue as a going concern beyond year 2021 and in this scenario the Group's investment in Floatel is not expected to be recoverable.

As at the date of these financial statements, the Restructuring is progressing positively and the Group is in advanced stages of discussion with financial institutions to provide the US$100,000,000 RCF.

Revenue recognition and contract cost
The Group recognises contract revenue and contract cost over time by referencing 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 determinations are 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 etc. 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.

EIG Energy Fund XIV, L.P., et al. v. Keppel Offshore & Marine Ltd., (United States District Court, Southern District of New York)
In February 2018, the Company's subsidiary, Keppel Offshore & Marine Ltd (Keppel O&M) 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 sought 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 Keppel O&M. The case was dismissed by the Court on 30 March 2017.

In March 2018, Keppel O&M submitted a letter pursuant to the Court's rules seeking permission to file a motion to dismiss the Complaint. In April 2018, in response to Keppel O&M's letter, the Plaintiffs filed the First Amended Complaint which added, among other things, a state law claim for aiding and abetting fraud.

In July 2018, Keppel O&M filed a motion to dismiss the First Amended Complaint. The Plaintiffs filed their brief in opposition to the motion in August 2018 and Keppel O&M filed its reply brief in August 2018.

In May 2020, the Court issued an order granting in part and denying in part Keppel O&M's

motion to dismiss. The Court dismissed the Plaintiffs' civil RICO conspiracy claim but found that the First Amended Complaint adequately pleaded an aiding and abetting fraud claim under New York state law and denied Keppel O&M's motion to dismiss that claim.

Consequently, the Plaintiffs currently seek damages of US$221,000,000 (without the earlier treble damage claim of US$663 million under RICO in respect of which Keppel O&M has been successful in dismissing the claim), plus punitive damages, interest, attorneys' fees, costs and disbursements, based on their remaining claim for aiding and abetting fraud.

Management is of the view that the remaining claim for aiding and abetting fraud is without merit and Keppel O&M will vigorously defend itself. As at the date of these financial statements, it is premature to predict or determine the eventual outcome of this remaining claim and hence, the potential amount of loss cannot currently be assessed.

Termination of two mid-water semisubmersible drilling rig contracts
As disclosed in Note 2.28(b)(ix), a subsidiary of Keppel Offshore & Marine Ltd (KOM subsidiary) terminated two contracts with subsidiaries of a customer for the construction of two mid-water semisubmersible drilling rigs for harsh environment use:

i. In June 2020, the buyer under the first of these contracts (First Contract) alleged a breach of contract by the KOM subsidiary and purportedly terminated the First Contract and sought recovery of the payments already made to the KOM subsidiary with interest. The allegations by the buyer were refuted and the purported termination of the contract was rejected by the KOM subsidiary. The buyer subsequently failed to pay an instalment due under the First Contract. Non-payment of any instalment by the customer is a default in accordance with the First Contract, entitling the KOM subsidiary to terminate the First Contract, retain all payments received to date (approximately US$54 million), and seek compensation for the work done to date and claim ownership of the rig. The KOM subsidiary had therefore issued a notice of termination of the First Contract to the buyer and commenced arbitration to enforce its rights under the First Contract against the buyer.

ii. In December 2020, the KOM subsidiary issued a notice of termination of the second of these contracts (Second Contract) and commenced arbitration to enforce its rights under the Second Contract against the buyer, which rights include the right to retain the amounts already paid by the buyer to date of approximately US$43 million and to seek reimbursement of the KOM subsidiary's costs of the project to the date of termination.

   Subsequent to the issuance of this notice of termination, the KOM subsidiary has received a notice from the buyer purporting to terminate the Second Contract, alleging breaches under the Second Contract. As it had already terminated the Second Contract, the KOM subsidiary's position is that the notice of termination can have no effect. In any event, the KOM subsidiary refutes the abovementioned allegations by the buyer in the notice.

The Group is working with legal advisors to enforce its rights and will continue to evaluate the potential financial impact in consultation with its advisors. Based on currently available information, no provision was made in respect of the recovery of the payments already made to the Group by the two buyers.

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

As part of the global resolution, Keppel O&M 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 Keppel O&M, 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 Keppel O&M, 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.

Keppel O&M has successfully complied with its obligations under the DPA and the DPA has accordingly concluded. Keppel O&M has also been in compliance with its obligations under the Conditional Warning issued by the CPIB and the Leniency Agreement entered into with the MPF. As part of the applicable fines payable under the global resolution, a sum of US$52,777,122.50 (less any penalties that Keppel O&M may pay to specified Brazilian authorities) was payable to CPIB within three years from the date of the Conditional Warning and has been included in accrued expenses since FY 2017. The discussions with the specified Brazilian authorities remain ongoing, and CPIB has agreed to extend this three-year period for a further 12 months until 22 December 2021.

In June 2020, the Company announced that it was brought to the Company's attention that the Office of the Comptroller General of Brazil (CGU) has published a notice in the Official Gazette (Notice) to the effect that CGU has initiated an administrative enforcement procedure (AEP) against Keppel O&M, Prismatic Services Ltd., Keppel FELS Ltd., Keppel FELS Brasil S.A., and BrasFELS S.A., in relation to alleged irregularities under the Brazilian Anti-Corruption Statute, and appointed two CGU officials to form a panel to preside over the proceedings. The Company has been advised that, following the issuance of the Notice, the CGU would carry out further internal investigations, and the panel has to thereafter decide whether any summons is to be served on the defendants, and if so, the defendants will then have 30 days thereafter to file a defence. Neither the Notice nor any summons has been served on any of the foregoing entities to-date.

The Notice does not provide any factual particulars and the Company is therefore currently unable to assess the matter or its impact, if any. The Company understands from CGU that the AEP will not affect the ongoing negotiations with the Brazil authorities, and that the AEP has been suspended pending these ongoing discussions.

Over the course of the DPA reporting period, Keppel Group continued its remediation efforts and implemented significant compliance enhancements across its businesses. Keppel O&M's successful completion of the DPA reflects Keppel Group's ongoing commitment to ethics, integrity and robust controls in all its business operations. In 2019, Keppel O&M successfully achieved global certification for the ISO 37001 Anti-Bribery Management System, and Keppel is progressively implementing the same standard throughout the Group.

Anti-bribery and corruption compliance audits were also performed on entities within the Keppel O&M Group. These audits revealed that the enhanced policies and procedures put in place to-date were, in general, functioning as intended. The results of the audits performed in 2020 were satisfactory with no adverse findings requiring follow-up actions.

Based on currently available information, no additional provision was made in relation to the ongoing discussions with the specified Brazilian authorities.

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 profit and loss account, determined annually by independent professional valuers on the highest and best use basis except for significant investment properties which are revalued on a half-yearly basis.

For the purpose of the financial statements for the year ended 31 December 2020, valuations were obtained from the valuers for the Group's investment properties, and the resultant fair value changes were recognised in the profit and loss account.

In determining the 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, price of comparable plots and properties, net initial yield and discount rate. The valuation reports obtained from independent valuers for certain properties have highlighted the heightened uncertainty of the COVID-19 outbreak and material valuation uncertainty where a higher degree of caution should be attached to the valuation than would normally be the case. Accordingly, the valuation of these investment properties may be subjected to more fluctuation than during normal market conditions.

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 of stocks represents the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

As at 31 December 2020, stocks under work-in-progress amounted to $1,072,890,000 (after a provision of $41,508,000 recognised in FY 2020 and $50,000,000 in prior years). This amount included a balance of $447,337,000 which were transferred from contract assets during FY 2020 as described in Note 2.28(b)(vi) – Termination of Two Mid-Water Semisubmersible Drilling Rig Contracts.

The assessment of the carrying value of these stocks were performed in conjunction with the recoverability assessment of contract assets based on a VIU approach as described in Note 2.28(b)(ii).

Based on the results of the assessments, the Group recognised an impairment provision of $41,508,000 on stocks under work-in-progress during the financial year ended 31 December 2020.

The valuation of these stocks under work-in-progress based on estimated VIU are most sensitive to discount rates and dayrates.

- An increase of 1% of the discount rate would result in an impairment of approximately $158,000,000 (31 December 2019: $nil).
- A decrease in dayrates of US$5,000 per day across the entire asset life of 25 years would result in an impairment of approximately $21,000,000 (31 December 2019: $nil).

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 estimates and assumptions used are subject to risk and uncertainty in view of the economic uncertainty brought about by the COVID-19 pandemic. 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.

OPERATING & FINANCIAL REVIEW
GROUP STRUCTURE

KEPPEL CORPORATION LIMITED

ENERGY & ENVIRONMENT

- Offshore & Marine
- Energy Infrastructure
- Environmental Infrastructure
- Renewable Energy

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%

KEPPEL INFRASTRUCTURE HOLDINGS PTE LTD 100%

Keppel Gas Pte Ltd	100%
Keppel Electric Pte Ltd	100%
Keppel DHCS Pte Ltd	100%
Keppel Seghers Pte Ltd	100%
Keppel Infrastructure Services Pte Ltd	100%
Keppel Merlimau Cogen Pte Ltd	49%

KEPPEL RENEWABLE ENERGY PTE LTD 100%

KRISENERGY LTD[4] *Cayman Islands* 40%

URBAN DEVELOPMENT

- Property Development & Investment
- End-to-End Master Development

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 URBAN SOLUTIONS PTE LTD 100%

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

CONNECTIVITY

- Data Centres
- Telecommunications
- Logistics

KEPPEL TELECOMMUNICATIONS & TRANSPORTATION LTD 100%

Keppel Data Centres Holding Pte Ltd[6]	100%
Keppel Logistics Pte Ltd	100%
UrbanFox Pte Ltd	100%

M1 LIMITED[2] 100%

ASSET MANAGEMENT

- Asset Management
- REITs & Trust
- Private Funds

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[5]	100%
Keppel Capital Alternative Asset Pte Ltd	100%
Keppel Pacific Oak US REIT Management Pte Ltd	50%

Keppel REIT[3,4] 49%

Keppel DC REIT[4,7] 21%

KEPPEL PACIFIC OAK US REIT[4] 7%

GROUP CORPORATE SERVICES

Control & Accounts	Information Technology	Strategy & Development
Corporate Communications	Internal Audit	Tax
Cyber Security	Legal	Treasury
Health, Safety & Environment	Mergers & Acquisitions	
Human Resources	Risk & Compliance	

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 company jointly owned by Keppel Corporation and Singapore Press Holdings.
3. Owned by Keppel Land Limited (43%) and Keppel Capital Holdings Pte Ltd (6%).
4. Public listed company.
5. Owned by Keppel Capital Holdings Pte Ltd (50%) and Keppel Telecommunications & Transportation Ltd (50%).
6. Owned by Keppel Telecommunications & Transportation Ltd (70%) and Keppel Land Limited (30%).
7. Owned by Keppel Telecommunications & Transportation Ltd (20.6%) and Keppel DC REIT Management Pte Ltd (0.4%).

Updated as at 10 March 2021. The complete list of subsidiaries and significant associated companies is available at https://www.kepcorp.com/annualreport2020.