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## **MEDIA RELEASE**

### **Keppel Land Limited Unaudited Results for the Full Year Ended 31 December 2014**

**21 January 2015**

The Directors of Keppel Land Limited advise the following results of the Company and of the Group for the full year ended 31 December 2014.

These figures have not been audited.

Presentation materials are available at [www.kepcorp.com](http://www.kepcorp.com) and [www.keppelland.com](http://www.keppelland.com)

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## PRESS RELEASE

### Keppel Land's Financial Highlights for the Year Ended 31 December 2014

21 January 2015

#### Recycling of Assets Lifts Profits

- Net profit of \$752.5 million supported by divestment gains of Singapore and overseas assets
- Fund management contribution rose 19.4% y-o-y from \$46.7 million to \$55.8 million
- Net debt/equity ratio improved from 0.38x as at end-2013 to 0.20x at end-2014
- Net asset value per share increased 9.5% y-o-y from \$4.52 to \$4.95
- Proposed final dividend of 14 cents per share higher than the 13 cents paid in 2013

Keppel Land recorded higher pre-tax profit before fair value gain of \$733.1 million in 2014, supported by the recycling of its assets through divestment of assets in Singapore and overseas. The sale of a one-third interest in Marina Bay Financial Centre Tower 3 (MBFC Tower 3) and a 65% stake in Equity Plaza contributed net gains of \$94.5 million and \$59.5 million respectively. Overseas divestments include our stakes in Al Mada Towers in Jeddah, BG Junction in Surabaya, Indonesia and Elita Garden Vista in Kolkata, India. Net profit was lower at \$752.5 million, mainly due to a lower fair value gain on investment properties of \$200.5 million compared with \$302.2 million in 2013.

Net profit from property trading fell to \$188.9 million on lower contribution from Singapore and China projects. Fund management contribution rose 19.4% to \$55.8 million, accounting for 14.3% of net profit compared with 10.8% in 2013 due to higher fees earned by Keppel REIT and Alpha Investment Partners (Alpha). Total assets under management (AUM) by Keppel REIT and Alpha grew 5.6% y-o-y to about \$18.7 billion as at end-2014.

With the divestment proceeds, net debt/equity ratio has improved to 0.20x and the cash position has doubled to \$2.6 billion, putting the Group in a strong position to seize investment opportunities. To mitigate the impact of interest rate hikes, the Group has increased its fixed rate debt from 58% a year ago to 66% of total debt.

Net asset value per share increased to \$4.95 as at end-2014, up 9.5% from \$4.52 as at end-2013.

The Group has proposed a final dividend of 14 cents per share, compared with 13 cents paid in 2013. The proposed dividend is expected to be paid on or about 7 May 2015 upon shareholders' approval.

#### Financial Highlights

(\$m)	Year Ended		Quarter Ended	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Turnover	1,497.2	1,461	705.4	505.7
Pre-tax Profit Before Fair Value Gain	733.1 <sup>(1)</sup>	669.7 <sup>(2)</sup>	309.5 <sup>(1)</sup>	301.6 <sup>(2)</sup>
Net Profit Before Fair Value Gain	552 <sup>(1)</sup>	583.7 <sup>(2)</sup>	244 <sup>(1)</sup>	265.1 <sup>(2)</sup>
Net Profit	752.5 <sup>(1)</sup>	885.9 <sup>(2)</sup>	444.5 <sup>(1)</sup>	567.3 <sup>(2)</sup>
Net Debt/Equity Ratio (x)	0.20	0.38	0.20	0.38
NAV/Share (\$)	4.95	4.52	4.95	4.52

(1) Includes gain from divestment of stakes in MBFC Tower 3 and Equity Plaza

(2) Includes gain from divestment of stakes in Jakarta Garden City and Hotel Sedona Manado

### **Continued Sales amidst Challenging Markets**

Impacted by cooling measures, new home sales in Singapore halved to about 7,400 units in 2014, while home prices fell by 4% compared with 1.1% increase in 2013.

Keppel Land sold 304 units in 2014, mainly from Highline Residences, which sold 148 of total 500 units as at end-2014.

In China, buyers' sentiment improved after mortgage rule relaxation and rate cut. The Group sold about 490 units in the fourth quarter, up from about 360 units sold in the third quarter. About 1,900 units were sold in 2014, mostly from Central Park City, The Botanica, Stamford City and The Springdale. The Group completed a record 5,100 units in 2014. It has a healthy pipeline to meet the pent-up demand as the property market recovers spurred by the relaxation of the home purchase restrictions.

In Vietnam, the Group saw steady home sales with about 160 units sold in 2014, mainly from The Estella and Riviera Point. The new foreign property ownership rule effective from 1 July 2015 is expected to boost the market. A special preview of Estella Heights for Keppel Home buyers last weekend attracted crowds, and 120 units out of 150 launched units were sold.

### **Scale Up Presence in Key Markets**

The Group continues to deepen its presence in key markets in Asia. It recently acquired a second residential site in West Jakarta. Coupled with the upcoming launch of West Vista, the Group is well-positioned to meet the city's growing demand for well-located homes.

While Keppel Land focuses on its key markets, it also seized the opportunity to invest in a prime residential development in Manhattan, New York, in the US. The investment will be managed by Alpha.

### **Expand Overseas Commercial Presence**

The Group is developing several new prime commercial projects overseas including a Grade A office tower in Yangon's CBD and an office tower at Saigon Centre Phase 2, Ho Chi Minh City. It is also redeveloping International Financial Centre Jakarta Tower 1 and expanding the SM-KL project in Ortigas, Manila under Phase 2.

The Group also acquired a 75% stake in Array Real Estate, a retail management company with an experienced team involved in developing and managing three million sf of retail space, which will allow the Group to strengthen its retail management capability.

### **Grow Fund Management**

During the year, Alpha Asia Macro Trends Fund II, a fund managed by Alpha, acquired International Capital Plaza in Shanghai, YG Tower and Olive Tower in Seoul, and a site for development of luxury apartments in Taipei. Other Alpha's funds divested a total of five properties in Singapore and Japan. The acquisition of MBFC Tower 3 and the divestment of Prudential Tower further strengthened Keppel REIT's position as the leading landlord of Grade A offices in Singapore's business and financial districts.

### **Continuous Improvement in Sustainability**

Keppel Land has moved up from 17<sup>th</sup> to 4<sup>th</sup> position in Corporate Knight's Global 100 Most Sustainable Corporations 2015. It made it to the RobecoSAM Sustainability Yearbook 2015 for the fifth year. It is one of two Singapore companies to be featured in the yearbook. It was conferred the World Green Council Business Leadership Award, Building & Construction Authority's Green Champion Award and 2014 Asia Excellence Brand Award by Yazhou Zhoukan.

### **Disclaimer**

*This release may contain statements which are subject to risks and uncertainties that could cause actual results to differ materially from such statements. You are cautioned not to place undue reliance on such statements, which are based in the current views of Management on future developments and events.*

KEPPEL LAND LIMITED

ADDRESS BY CEO ANG WEE GEE

FULL YEAR ENDED 31 December 2014

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### **Performance Highlights**

Keppel Land has performed creditably in 2014, despite the challenges in our major markets with the property cooling measures affecting home sales in Singapore and China. We achieved revenue of \$1.5 billion for the year, similar to the previous year. Our pre-tax profit before fair value gain on investment properties increased 9.5% to \$733.1m, from \$669.7m a year earlier. However, net profit before fair value gain on investment properties was slightly lower by 5.4% to \$552m. Net profit including fair value, divestment and other gains was \$752.5m, down 15% from 2013 mainly due to lower fair value gain on investment properties which was about \$100m lower than in 2013. Keppel Land has proposed a final dividend of 14 cents per share, higher than 13 cents paid last year, translating to a 39% payout ratio.

### **Sustainability and Innovation**

Keppel Land continues to make good progress in capability building through sustainability and innovation. We have improved our position in the prestigious Corporate Knights Global 100 Most Sustainable Corporations in the World for 2015. We now rank 4th, up from 17th last year, and remain top in Asia and in the real estate sector worldwide. We have also retained our position in The Sustainability Yearbook 2015 for the fifth consecutive year as one of the top 15% companies worldwide in sustainability leadership.

Keppel Land's numerous Green Awards demonstrate our firm commitment in developing premium quality developments which are also eco-friendly. In May, we were conferred the highest honour BCA Green Mark Champion at the BCA Awards 2014. Ocean Financial Centre, which Keppel Land developed and subsequently divested to Keppel REIT, bagged the Gold

Award for Best Innovation Green Building category at the 2014 MPIM Asia Awards, which recognises excellence and innovation in Asian real estate development.

Keppel Land was named the Most Admired ASEAN Enterprise under the corporate excellence category at the ASEAN Business Awards, which recognises companies that have made significant contributions to ASEAN's economic growth and progress. This is the third time Keppel Land has received accolades at this Awards, having won in the CSR category in 2010 and 2013.

These prestigious accolades, including others, re-affirm that Keppel Land is moving in the right direction in our efforts to build a world-class organisation.

### **Market Review**

2015 is likely to be another challenging year as the economic conditions in our core markets of Singapore and China are not expected to improve significantly. Singapore's economy has been affected by an uneven global recovery. The property cooling measures are unlikely to be lifted soon. However, we expect demand for well-located and well-planned residential projects, such as our Highline Residences, located in Tiong Bahru, to hold up better.

China's economy has so far avoided a hard landing as the government plans to transform the economy into one driven by domestic consumption. In the second half of 2014, the relaxation of the Home Purchase Restrictions, through improved mortgage availability and lower mortgage cost, has improved affordability and attracted buyers back to the market.

In our growth market of Indonesia, economic growth is expected to be sustained by a recovery in investments and stronger exports. The Jakarta residential market remains resilient as apartments continue to see good demand supported by growing middle market

and urbanisation. The office market in Jakarta's CBD remains healthy given favourable demand.

For Vietnam, our other growth market, as part of the government's efforts to overhaul the financial system, banks have increased lending and stimulated the economy. The government's impending relaxation of foreign housing ownership restrictions in July this year will improve sentiments and boost demand.

We just held a weekend preview of Estella Heights in Ho Chi Minh City for Keppel Home buyers. The response has been encouraging as 120 of the 150 launched units were sold during the preview.

### **Focus on Key Markets**

We will continue to scale up our presence in our two core markets Singapore and China and our growth markets Indonesia and Vietnam. In China, we will focus on the cities of Shanghai, Beijing, Tianjin, Chengdu and Wuxi, while in Indonesia and Vietnam, Jakarta and Ho Chi Minh City respectively.

In Indonesia, we strengthened our position in West Jakarta with the acquisition of a second residential site located near our West Vista project to tap on the demand for middle market residential developments. In Vietnam, we raised our stake in Estella Heights from 55% to 98%.

### **Grow Commercial Presence Overseas**

Keppel Land has stepped up its commercial development overseas. We announced the redevelopment of the existing International Financial Centre Jakarta (IFC) Tower 1 as Tower 2 nears completion towards the end of this year. IFC Tower 1 will be redeveloped into a

state-of-the art office tower that will cater to the growing demand for prime office space in Jakarta CBD.

We reinforced our leadership position in Vietnam with the development of Saigon Centre Phase 2 in Ho Chi Minh City, which will comprise a retail podium, and an office-cum-serviced apartment tower. We also kick-started SM-KL Project Phase 2, a mixed-use development in the Ortigas CBD in Manila, Philippines, where office demand has been driven by the business processing outsourcing sector in recent years.

In Myanmar, leveraging our first-mover advantage, we entered into a joint venture to develop a Grade A office tower in Yangon CBD. Located near major landmarks, the 23-storey office tower, when completed, will cater to the strong demand for prime office space as more international companies enter Yangon.

We will capitalise on our strong commercial development and management expertise in Singapore and our regional capabilities and network to further grow our commercial presence overseas.

### **Investing in Strategic Platforms and Other Opportunities**

In line with our brand philosophy to think unboxed and pursue new ways of doing business to build new competencies, we strengthened our capability in retail management with the acquisition of a 75% stake in Array Real Estate, which has an experienced team involved in the development and management of 3 million sf of retail space. We will leverage Array's capabilities and network as we grow our commercial assets. We will continue to be on the look out to seize such opportunities to invest strategically in new platforms for growth.

While we continue to focus on our key markets of Singapore, China, Indonesia and Vietnam, we will also invest opportunistically in other existing and new markets.

With this new investment approach, we made our maiden investment in a residential development in Manhattan, New York in July last year. This investment will be managed by Alpha Investment Partners (Alpha), our private property fund management vehicle.

### **Unlock Value and Recycle Capital to Maximise Returns**

In accordance with our capital recycling strategy, Keppel Land monetised several assets in 2014. We divested our stakes in Marina Bay Financial Centre Tower 3, Equity Plaza and two data centres in Singapore, as well as our overseas projects Elita Garden Vista in Kolkata, India and Al Mada Towers, in Jeddah, Saudi Arabia, and BG Junction, our shopping mall in Surabaya, Indonesia. Our divestments in 2014 provided \$1b in net proceeds.

Proceeds from these divestments will be redeployed to growing our presence in our key markets, investing strategically to strengthen our capabilities, as well as seizing investment opportunities in other markets. In 2014, we committed \$1.1b to investments in new projects and subsequent phases of existing projects.

### **Grow Fund Management Business**

In 2014, both Keppel REIT and Alpha continued to acquire and divest assets prudently. Alpha Asia Macro Trends Fund (AAMTF) II, made several prime acquisitions in Taipei, Shanghai and Seoul while its other funds divested a total of five properties in Singapore and Japan. Meanwhile, Keppel REIT's divestment of its 92.8% interest in Prudential Tower and acquisition of a one-third stake in MBFC Tower 3 further strengthened its position as the leading landlord of Grade A offices in Singapore.

### **Financial and Human Capital**

The proceeds from the divestment of our assets of \$1 billion has strengthened our current financial position and lowered our debt/equity ratio to 20%. Our enhanced financial

capacity will enable us to weather severe market downturn and allow us to seize attractive investment opportunities that may arise.

Keppel Land has implemented various initiatives to attract, retain and engage talent and will continue to improve on them and introduce new ones.

We aim to foster an open, collaborative, entrepreneurial and innovative environment where ideas can thrive. As we grow in our overseas markets, localisation is an important pillar of our people strategy.

Our recognition as an organisation with Leading HR Practices in Learning & Human Capital Development, Talent Management, Retention & Succession Planning, and Compensation & Rewards Management at the 2014 Singapore HR Awards is an affirmation that we are heading in the right direction in our human capital efforts.

Going forward, we will deepen our presence in our key markets and invest strategically to build competencies. We will continue to step up our commercial presence overseas and undertake a disciplined and proactive approach in the recycling of capital to maximise returns for our shareholders. Our strong financial capacity puts us in a good position to seize investment opportunities. Our people remain central to our strategy and will provide us with a sustainable competitive edge to improve on our position as a leading property company.