

# First Quarter 2014 Financial Results

16 April 2014

# Scope of Briefing

- Address by CEO
- Group Financial Highlights by CFO

# Address by CEO

# Uneven Global Recovery

- Encouraging growth signals from US
- Patchy recovery in Europe
- Volatility in emerging markets
- Lower growth in China

# Performance Highlights

- 1Q 2014 net profit was S\$339m
- Annualised ROE was 13.4%
- EVA was S\$151m

# Offshore & Marine



*Keppel FELS, Singapore*

## Sound industry fundamentals

- Stable Brent oil price at above US\$100 per barrel.
- Sustained long-term investments by NOCs and IOCs.



# Offshore & Marine



*Delivered FPSO Armada Claire to Bumi Armada*



*Built one of world's largest jackup for Maersk*

## 1Q 2014

- **New orders won:** S\$1.9b including 5 jackups, 1 FPSO turret fabrication, 5 specialised vessels.
- **Net orderbook as at 31 March:** S\$14.4b with visibility into 2019.
- **Major jobs completed:** a jackup, an FPSO and a jackup upgrade, a bulk carrier and a semi repair.

# Offshore & Marine



Lower hull of the first DSS™38E semi for Sete Brasil arrived safely at BrasFELS for integration with the remaining blocks

## Meeting customers' needs

Creating value through *Near Market, Near Customer* strategy.

- 30-year agreement to manage Titan Quanzhou Shipyard, China.
- Introducing innovative solutions such as the KFELS N Plus jackup for China.
- First three DSS™38E semis for Sete Brasil progressing well.



# Infrastructure



*Greater Manchester EfW Plant Phase 1 is undergoing commissioning*

## Shaping for growth

- Sharpening focus on energy and related infrastructure.
- Widening the mandate of the Infrastructure Trust.
- Greater Manchester EfW Plant Phase 1 has successfully completed its first burn as part of its commissioning process.

# Infrastructure

## Building logistics network and data centre portfolio

- Keppel Datahub 2 is on track for completion in end-2014.
- Logistics projects in Anhui, Jilin and Tianjin to be operational in 2015.
- Tampines Logistics Hub to be completed in early-2015.



*Tampines Logistics Hub, Singapore*



*Keppel Datahub 2, Singapore*

# Property



*Highline Residences, Tiong Bahru, Singapore*



*Park Avenue Heights, Chengdu, China*

## Tapping regional demand for quality homes and office space

### ■ Residential developments:

- 3-ha West Jakarta residential site acquired in 1Q14.
- Highline Residences in Tiong Bahru ready to launch in 2Q14.

### ■ **Commercial portfolio:** about 540,000sqm of GFA under development.



# Property

## Sustaining market interest

- Sold 714 homes in Asia in 1Q14.
- MBFC Tower 3 occupancy is now 96%.

## Positioning fee-based businesses for further growth

- Combined AUM of S\$17.7b.



*Marina Bay Financial Centre and  
Ocean Financial Centre, Singapore*



*8 Chifley Square, Australia*

# Group Financial Highlights by CFO

# 1Q 2014 Financial Performance

<b>Net Profit</b>	↓	5% to S\$339m
<b>EPS</b>	↓	6% to 18.7cts
<b>Annualised ROE</b>	↓	from 14.1% to 13.4%
<b>EVA</b>	↓	from S\$217m to S\$151m
<b>Cash Outflow</b>	↓	from S\$438m to S\$395m
<b>Net Gearing</b>	↑	from net gearing of 0.11x to 0.14x



# Financial Highlights

<b>S\$m</b>	<b><u>1Q 2014</u></b>	<b><u>1Q 2013</u></b>	<b><u>% Change</u></b>
<b>Revenue</b>	2,996	2,759	9
<b>EBITDA</b>	478	451	6
<b>Operating Profit</b>	415	397	5
<b>Profit Before Tax</b>	492	496	(1)
<b>Net Profit</b>	339	357	(5)
<b>EPS (cents)</b>	18.7	19.8	(6)

# Revenue by Segments

<b>S\$m</b>	<u>1Q 2014</u>	<u>%</u>	<u>1Q 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	1,919	64	1,702	62	13
<b>Infrastructure</b>	736	25	757	27	(3)
<b>Property</b>	329	11	298	11	10
<b>Investments</b>	12	-	2	-	500
<b>Total</b>	2,996	100	2,759	100	9

# Pre-tax Profit by Segments

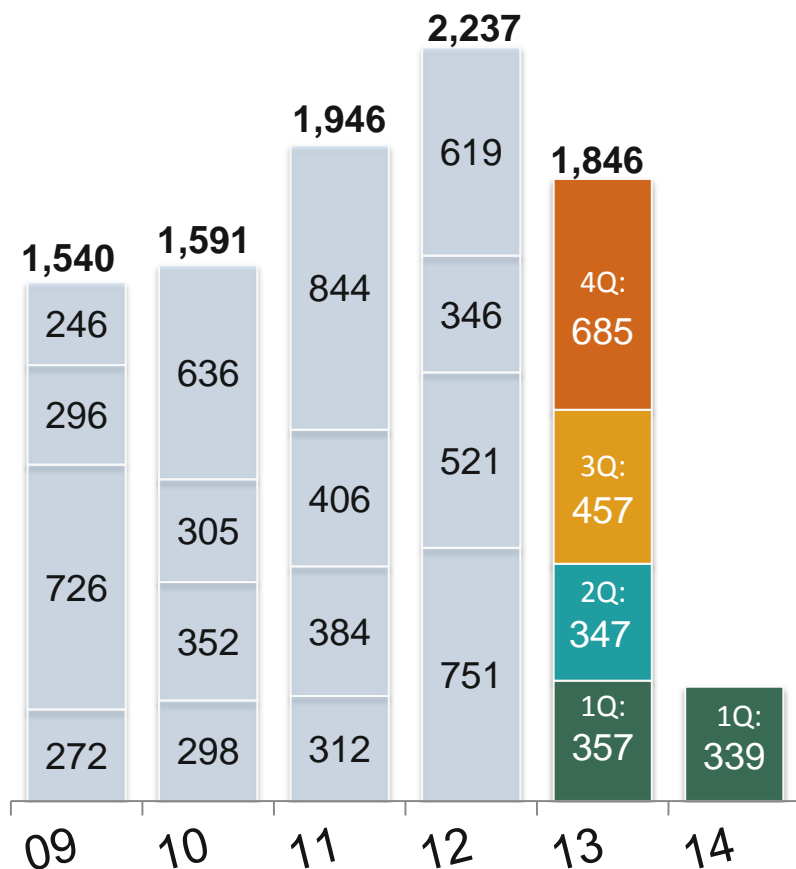
<b>S\$m</b>	<u>1Q 2014</u>	<u>%</u>	<u>1Q 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	304	62	272	55	12
<b>Infrastructure</b>	46	9	67	14	(31)
<b>Property</b>	131	27	133	27	(2)
<b>Investments</b>	11	2	24	4	(54)
<b>Total</b>	492	100	496	100	(1)

# Net Profit by Segments

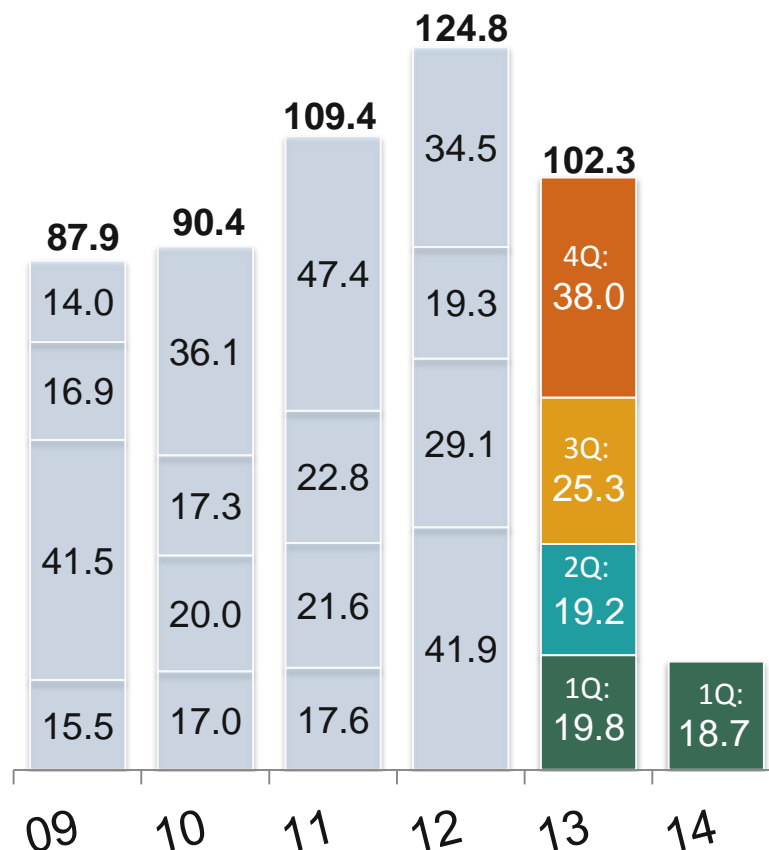
<b>S\$m</b>	<u>1Q 2014</u>	<u>%</u>	<u>1Q 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	231	68	208	58	11
<b>Infrastructure</b>	32	9	53	15	(40)
<b>Property</b>	62	18	81	23	(23)
<b>Investments</b>	14	5	15	4	(7)
<b>Total</b>	339	100	357	100	(5)

# Net Profit & EPS

## Net Profit (\$m)



## EPS (Cents)



# Free Cash Flow

	<u>1Q 2014</u>	<u>1Q 2013</u>
	S\$m	S\$m
Operating profit	415	397
Depreciation & other non-cash items	63	33
	478	430
Working capital changes	(760)	(781)
Interest & tax paid	(54)	(67)
<b>Net cash used in operating activities</b>	<b>(336)</b>	<b>(418)</b>
Investments & capex	(125)	(71)
Divestments & dividend income	66	51
<b>Net cash used in investing activities</b>	<b>(59)</b>	<b>(20)</b>
<b>Cash outflow</b>	<b>(395)</b>	<b>(438)</b>

Free cash flow excludes expansionary acquisitions and capex, and major divestments.



**Configured for growth and  
value creation through  
innovation and discipline.**

# 1Q 2014 Results

## Q&A

# Additional Information

# Revenue by Geography

1Q 2014

	<u>Total</u> S\$m	<u>Overseas</u> <u>Customers</u> %	<u>Singapore</u> <u>Customers</u> %
Offshore & Marine	1,919	90	10
Infrastructure	736	12	88
Property	329	57	43
Investments	12	36	64
<b>Total</b>	<b>2,996</b>	<b>67</b>	<b>33</b>

**67% of total revenue came from overseas customers**

# EBITDA by Segments

<b>S\$m</b>	<u>1Q 2014</u>	<u>%</u>	<u>1Q 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	314	66	273	61	15
<b>Infrastructure</b>	73	15	78	17	(6)
<b>Property</b>	92	19	84	19	10
<b>Investments</b>	(1)	-	16	3	(106)
<b>Total</b>	478	100	451	100	6

# Capital/Gearing/ROE

<b>S\$m</b>	<b><u>31 Mar 2014</u></b>	<b><u>31 Dec 2013</u></b>
<b>Shareholders' Funds</b>	9,993	9,701
<b>Capital Employed</b>	14,033	13,689
<b>Net Debt</b>	1,935	1,535
<b>Net Gearing Ratio</b>	0.14x	0.11x
<b>ROE</b>	13.4%	14.1%



# OFFSHORE & MARINE

# Financial Highlights – Offshore & Marine

<b>S\$m</b>	<u>1Q 2014</u>	<u>1Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	1,919	1,702	13
<b>EBITDA</b>	314	273	15
<b>Operating Profit</b>	280	239	17
<b>Profit Before Tax</b>	304	272	12
<b>Net Profit</b>	231	208	11

# Offshore & Marine Review

- S\$1.9 billion contracts secured in 1Q 2014:  
5 Jackups, 2 Semi Repairs, 1 FPSO Turret Fabrication, and 5 Specialised Vessels
- Major contract completions in 1Q 2014:  
1 Jackup, 1 Jackup Upgrade, 1 FPSO Upgrade, 1 Accommodation Semi Repair and 1 Bulk Carrier

# Offshore & Marine Orderbook

Order  
Balance  
S\$m

Client

## For delivery in 2014

6 JUs/3 Semi Upgrades/2 Semi Repairs/1 JU Integration/  
3 FPSO Conversions/3 FPSO Upgrades/  
1 FPSO Modules Fab. & Integration/2 Turret Fabrications/  
1 Floating Crane/1 Transformer Platform/  
1 Depletion Compression Platform/1 Diving Support Vessel/  
1 Bulk Carrier/6 Tugs/1 Submersible Barge/1 Crane Vessel Repair

Maersk/Ensco/UMW/GDI/Perforadora Central/  
Star Drilling/Diamond Offshore/JDC/Ezion/  
Bumi Armada/M3nergy/PTSC Asia Pacific/  
Apache Energy/Modec-Toyo/SBM/  
Emas AMC/Asian Lift/Wetfeet/Shell/  
Bhagwan Marine/OK Tedi/Smit/  
592 KSP Towage/Saipem

## For delivery in 2015

15 JUs/1 Semi/2 Accomodation Semis/1 FPSO Conversion/  
1 FPSO Modules Integration/1 Turret Fabrication/1 Pipelay Vessel/  
2 Ice Class Supply Vessels/1 Ice Class Multi-Purpose Duty Rescue  
Vessel/1 Submersible Barge

Maersk/Pemex/Grupo R/Parden/Ensco/  
Falcon Energy/PV Drilling/Clearwater/UMW/  
Perforadora Central/Setebras/Floatel/SBM/  
3,890 Modec-Toyo/SOFEC/McDermott/Bumi Armada/Smit

## For delivery in 2016

8 JUs/2 Semis/1 FPSO Modules Fab. & Integration

Transocean/Ensco/Clearwater/Fecon/  
4,043 Setebras/SOCAR/Petrobras

## For delivery in 2017-2019

3 JUs/4 Semis/1 FPSO Modules Fab. & Integration

5,860 Transocean/TS Offshore/Setebras/Petrobras

**TOTAL as at 31 March 2014**

14,385

# INFRASTRUCTURE

# Financial Highlights - Infrastructure

<b>S\$m</b>	<u>1Q 2014</u>	<u>1Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	736	757	(3)
<b>EBITDA</b>	73	78	(6)
<b>Operating Profit</b>	48	65	(26)
<b>Profit Before Tax</b>	46	67	(31)
<b>Net Profit</b>	32	53	(40)

# PROPERTY



# Financial Highlights - Property

<b>S\$m</b>	<u>1Q 2014</u>	<u>1Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	329	298	10
<b>EBITDA</b>	92	84	10
<b>Operating Profit</b>	88	77	14
<b>Profit Before Tax</b>	131	133	(2)
<b>Net Profit</b>	62	81	(23)

# INVESTMENTS

# Financial Highlights - Investments

<b>S\$m</b>	<u>1Q 2014</u>	<u>1Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	12	2	500
<b>EBITDA</b>	(1)	16	(106)
<b>Operating Profit</b>	(1)	16	(106)
<b>Profit Before Tax</b>	11	24	(54)
<b>Net Profit</b>	14	15	(7)

*This release may contain forward-looking statements which are subject to risks and uncertainties that could cause actual results to differ materially from such statements. Such risks and uncertainties include industry and economic conditions, competition, and legal, governmental and regulatory changes. The forward-looking statements reflect the current views of Management on future trends and developments.*

**ADDRESS BY KEPPEL CORPORATION LIMITED'S  
CHIEF FINANCIAL OFFICER, CHAN HON CHEW**

**AT THE 1Q 2014 RESULTS PRESENTATION**

**WEDNESDAY, 16 APRIL 2014**

**1. Group Financial Highlights by CFO (Slide 13)**

**2. 1Q 2014 Financial Performance (Slide 14)**

Thank you, Chin Hua. Good evening.

Before I begin my presentation, I would like to highlight that the group financials presented in our results presentations from this quarter onwards will include revaluation, major impairment and divestments, which is consistent with the presentation of our financial statements for SGXNET.

For the first quarter, the Group's net profit was \$339 million, 5% below the same period last year.

Earnings per share posted a similar decrease to 18.7 cents.

Annualised ROE dropped to 13.4%, while EVA was \$151 million.

Net gearing at the end of the first quarter increased to 14%.

**3. Financial Highlights (Slide 15)**

As Chin Hua mentioned, the Group's operating performance improved with an \$18 million or 5% increase in operating profit, led by higher revenue and operating margins from the Offshore & Marine and Property divisions.

Despite registering higher operating profit, profit before tax was at about the same level as the corresponding period last year as this was offset by lower share of associated companies' results of \$31 million. Pre-tax profit for the first quarter of 2013 benefited from higher profit recognition from associates such as Marina Bay Suites, The Botanica in Chengdu and FloaTEC.

Net profit after tax and non-controlling interests was \$18 million or 5% lower due to higher taxation expense at Offshore & Marine in 2014 and write-back of tax provision at Property division in the first quarter of 2013.

#### **4. Revenue by Segments (Slide 16)**

Overall revenue rose by \$237 million or 9%, driven largely by the revenue growth in the Offshore & Marine and Property divisions.

Revenue for Offshore & Marine improved because of higher volume of work. We have commenced revenue recognition on some jobs such as the second semi for Sete Brasil during the quarter.

Infrastructure's drop in revenue was due mainly to lower revenue from our power and gas business as a result of lower prices.

Higher contribution from residential projects in China led to an increase in revenue for the Property division.

#### **5. Pre-tax Profit by Segments (Slide 17)**

Offshore & Marine's pre-tax profit improved \$32 million or 12% from higher revenue and operating margins. This quarter's operating margin at 14.2% was slightly higher compared to 14.0% for the corresponding quarter in 2013.

However, Infrastructure's pre-tax earnings posted a \$21 million or 31% decrease from the same period last year. Pre-tax profit for the first quarter of 2013 was higher due to the write-back of provision following the completion of the sale of the power barge business in Ecuador.

Pre-tax profit of the Property division was at the same level as the previous year.

#### **6. Net Profit by Segments (Slide 18)**

Offshore & Marine, the top contributor to the Group's earnings, increased its net profit by \$23 million or 11% compared to the same period last year.

Property reported \$19 million or 23% lower net profit in the first quarter due to higher taxation expense. Net profit in the previous year included a write-back of tax provision arising from the finalisation of prior years' taxation in Singapore.

## **7. Net Profit and EPS (Slide 19)**

Net profit of \$339 million for the first quarter is \$18 million below the corresponding period in 2013, while EPS of 18.7 cents is 1.1 cents lower than the previous year.

If we exclude the one-off gains resulting from the reversal of provision due to the sale of the power barge and Property's write-back of tax provision from 2013's first quarter results, the net profit for this quarter is largely in line with the previous year.

## **8. Free Cash Flow (Slide 20)**

The Group continued to generate good cash flow from operations. The first quarter saw \$478 million of cash flow generated from operations, 11% above the previous year. However, after taking into account working capital requirements mainly from the Offshore & Marine and Property divisions, operating cash outflow for the quarter was \$336 million.

\$125 million was spent on investments and operational capital expenditure mainly for the Offshore & Marine division. Including dividend income and divestment proceeds of \$66 million, net cash used in investing activities amounted to \$59 million.

The resultant cash outflow was \$395 million for the quarter.

## **9. Outlook (Slide 21)**

We remain focused on fortifying our core competencies and executing well in our key businesses in Offshore & Marine, Infrastructure and Property. In our strive for sustainable growth, the Group has been consistently investing in productivity and technological improvements, and sharpening our technology know-how in innovative solutions to provide a better value proposition to our customers.

Our strong balance sheet, coupled with a disciplined and proactive investment approach, also puts us in good stead to capture attractive investment opportunities in our existing core businesses or close adjacencies. We are confident that our financial discipline and drive for execution excellence and innovation will build a stronger Keppel and create sustainable shareholder value in the long term.

Thank you.