

# Second Quarter and First Half 2014 Financial Results

24 July 2014

**Keppel Corporation**

# Scope of Briefing

- Address by CEO
- Group Financial Highlights by CFO

# Address by CEO

# Global Recovery

- US economic recovery on track
- Europe's recovery still frail
- Lingering concerns on China's hard landing
- Risks exist amidst favourable sentiments

# Performance Highlights

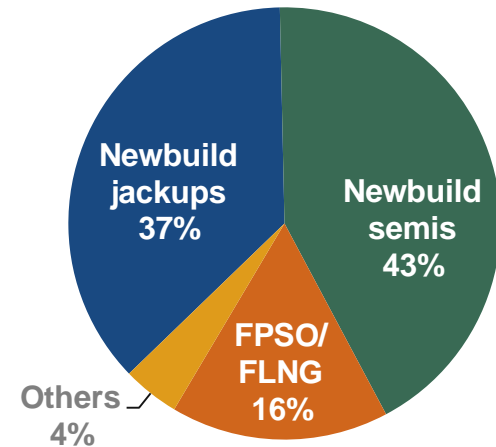
- 2Q 2014 net profit was S\$406m
- 1H 2014 net profit was S\$745m
- 1H 2014 EVA was S\$341m
- Annualised ROE was 14.3%
- Interim dividend of 12.0 cts per share

# Offshore & Marine



*Keppel FELS, Singapore*

**Net orderbook of S\$14.1b  
as at 30 June 2014**



- **New orders won in 1H14:** S\$3.2b including an FLNG vessel conversion, 5 jackups, an FPSO conversion and a subsea construction vessel.
- **Net orderbook as at 30 June 2014:** S\$14.1b with visibility into 2019.

# Offshore & Marine



First DSS™ 38E semi under construction at Keppel FELS Brasil's yard in Angra dos Reis

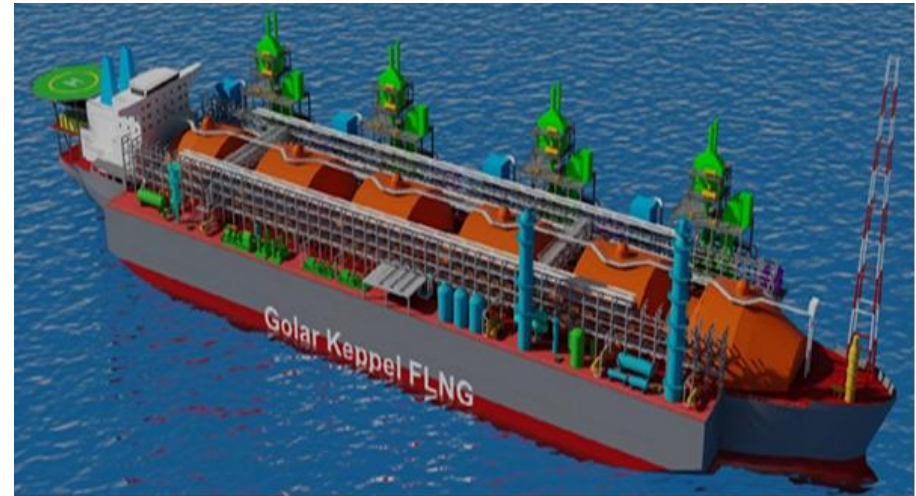
## Semis for Sete Brasil on schedule:

- *1<sup>st</sup> unit:*  
completed about 70%
- *2<sup>nd</sup> unit:*  
achieved over 30%
- *3<sup>rd</sup> unit:*  
in initial stages

# Offshore & Marine

## Breaking new ground

- Secured first FLNG vessel conversion job from Golar LNG.
- Building on track record of over 100 FPSO, FSO and FSRU conversions.
- Innovating midstream solutions for small and mid-scale LNG projects.



*The global FLNG market is expected to draw US\$65b of investments from 2014 to 2020.*



# Infrastructure

## EPC project updates:

- Doha North in testing & commissioning phase, and ready to take in sewage.
- Commissioning of Greater Manchester EfW Plant Phase 1 on track for completion this year.



*Doha North Sewage Treatment Works, Qatar*



*Greater Manchester EfW, UK*

# Infrastructure

## Logistics & data centres

- Keppel Datahub 2 is completed and clients have started moving in.
- Tampines Logistics Hub in Singapore, Integrated Distribution Centre in Tianjin Eco-City, China and 3PL distribution centre in Vietnam to complete by end-2014.



*Keppel Datahub 2, Singapore*



*Integrated Distribution Centre, Tianjin, China*

# Property



*Highline Residences, Singapore*



*Marina Bay Financial Centre, Singapore*

## Providing quality homes and office space

- 1,300 homes sold in Asia in 1H14.
- New launch-ready projects include Highline Residences in Singapore and Hillcrest Villas in Chengdu, China.
- MBFC Tower 3's occupancy is about 96%.

# Property

## Unlocking value

- Keppel Land and Alpha sold Equity Plaza, Singapore.
- Keppel REIT divested Prudential Tower, Singapore.
- Divested Elita Garden Vista, Kolkata.

## Recycling capital

- Acquired 3-ha residential site in West Jakarta.
- Increased stake in The Estella, Ho Chi Minh City.



*The Estella, Vietnam*

# Group Financial Highlights by CFO

# 2Q 2014 Financial Performance

**Net Profit**



17% to S\$406m

**EPS**



16% to 22.3cts

**EVA**



from S\$187m to S\$190m

**Cash Outflow**



from S\$501m to S\$390m

# 2Q 2014 Financial Highlights

<b>S\$m</b>	<b><u>2Q 2014</u></b>	<b><u>2Q 2013</u></b>	<b><u>% Change</u></b>
<b>Revenue</b>	3,177	3,076	3
<b>EBITDA</b>	533	482	11
<b>Operating Profit</b>	467	423	10
<b>Profit Before Tax</b>	593	519	14
<b>Net Profit</b>	406	347	17
<b>EPS (cents)</b>	22.3	19.2	16

## 2Q 2014 Revenue by Segments

<b>S\$m</b>	<u>2Q 2014</u>	<u>%</u>	<u>2Q 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	2,062	65	1,818	59	13
<b>Infrastructure</b>	761	24	850	28	(10)
<b>Property</b>	348	11	400	13	(13)
<b>Investments</b>	6	-	8	-	(25)
<b>Total</b>	3,177	100	3,076	100	3



## 2Q 2014 Pre-tax Profit by Segments

<b>S\$m</b>	<u>2Q 2014</u>	<u>%</u>	<u>2Q 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	345	58	300	58	15
<b>Infrastructure</b>	49	8	54	10	(9)
<b>Property</b>	160	27	154	30	4
<b>Investments</b>	39	7	11	2	255
<b>Total</b>	593	100	519	100	14

## 2Q 2014 Net Profit by Segments

<b>S\$m</b>	<u>2Q 2014</u>	<u>%</u>	<u>2Q 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	270	67	237	68	14
<b>Infrastructure</b>	35	9	37	11	(5)
<b>Property</b>	67	16	66	19	2
<b>Investments</b>	34	8	7	2	386
<b>Total</b>	406	100	347	100	17

# 1H 2014 Financial Performance

<b>Net Profit</b>	↑	6% to S\$745m
<b>EPS</b>	↑	5% to 41.0cts
<b>Annualised ROE</b>	↓	from 14.7% to 14.3%
<b>EVA</b>	↓	from S\$404m to S\$341m
<b>Cash Outflow</b>	↓	from S\$939m to S\$785m
<b>Net Gearing</b>	↑	from net gearing of 0.11x to 0.22x
<b>Interim Cash Dividend</b>	↑	to 12.0 cts per share

# 1H 2014 Financial Highlights

<b>S\$m</b>	<u>1H 2014</u>	<u>1H 2013</u>	<u>% Change</u>
<b>Revenue</b>	6,173	5,835	6
<b>EBITDA</b>	1,011	933	8
<b>Operating Profit</b>	882	820	8
<b>Profit Before Tax</b>	1,085	1,015	7
<b>Net Profit</b>	745	704	6
<b>EPS (cents)</b>	41.0	39.0	5

# 1H 2014 Revenue by Segments

<b>S\$m</b>	<u>1H 2014</u>	<u>%</u>	<u>1H 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	3,981	65	3,520	60	13
<b>Infrastructure</b>	1,497	24	1,607	28	(7)
<b>Property</b>	677	11	698	12	(3)
<b>Investments</b>	18	-	10	-	80
<b>Total</b>	6,173	100	5,835	100	6

# 1H 2014 Pre-tax Profit by Segments

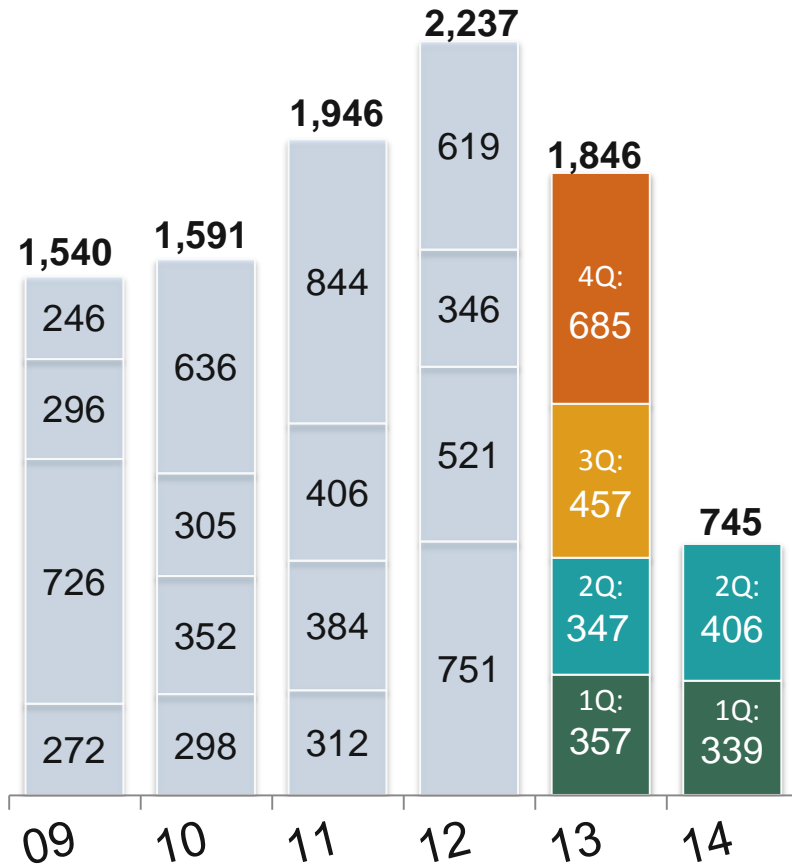
<b>S\$m</b>	<u>1H 2014</u>	<u>%</u>	<u>1H 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	649	60	572	56	13
<b>Infrastructure</b>	95	9	121	12	(21)
<b>Property</b>	291	27	287	28	1
<b>Investments</b>	50	4	35	4	43
<b>Total</b>	1,085	100	1,015	100	7

# 1H 2014 Net Profit by Segments

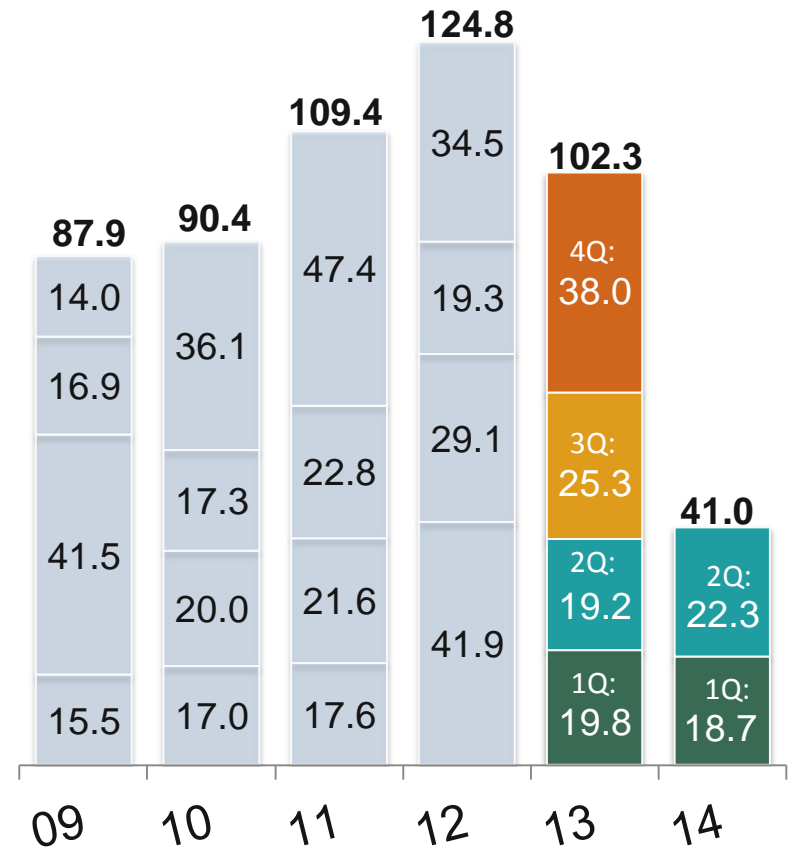
<b>S\$m</b>	<u>1H 2014</u>	<u>%</u>	<u>1H 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	501	67	445	63	13
<b>Infrastructure</b>	67	9	90	13	(26)
<b>Property</b>	129	17	147	21	(12)
<b>Investments</b>	48	7	22	3	118
<b>Total</b>	745	100	704	100	6

# Net Profit & EPS

## Net Profit (\$m)

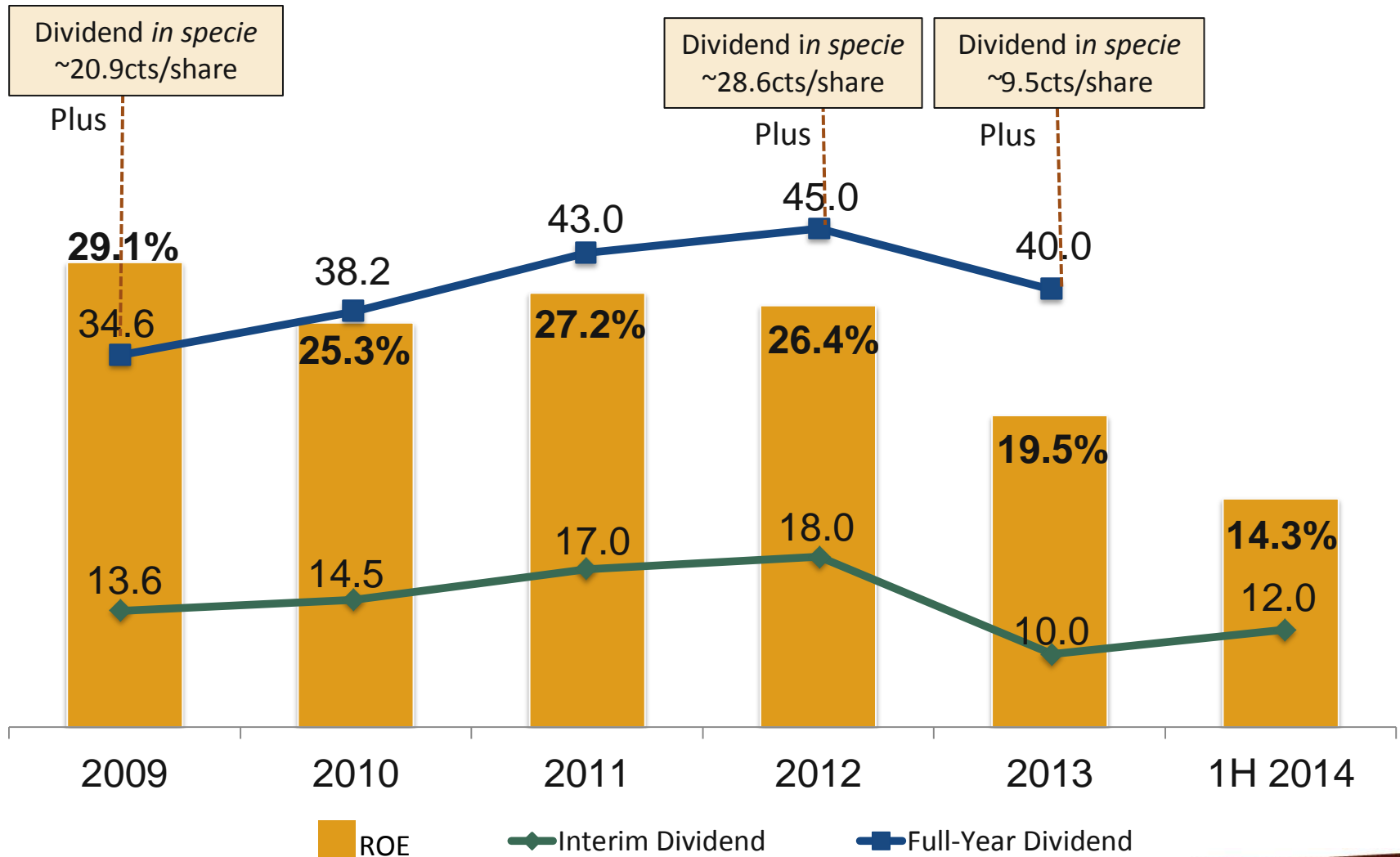


## EPS (Cents)





# ROE & Dividend



# Free Cash Flow

	<u>1H 2014</u>	<u>1H 2013</u>
	S\$m	S\$m
Operating profit	882	820
Depreciation & other non-cash items	131	100
	<hr/>	<hr/>
	1,013	920
Working capital changes	(1,452)	(1,461)
Interest & tax paid	(203)	(354)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(642)</b>	<b>(895)</b>
Investments & capex	(318)	(174)
Divestments & dividend income	175	130
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(143)</b>	<b>(44)</b>
<b>Cash outflow</b>	<b>(785)</b>	<b>(939)</b>
	<hr/>	<hr/>
<b>Dividend paid</b>	<b>(665)</b>	<b>(614)</b>

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

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

# 2Q & 1H 2014 Results

## Q&A

# Additional Information

# Revenue by Geography

1H 2014

	<u>Total</u> S\$m	<u>Overseas</u> <u>Customers</u> %	<u>Singapore</u> <u>Customers</u> %
<b>Offshore &amp; Marine</b>	3,981	91	9
<b>Infrastructure</b>	1,497	12	88
<b>Property</b>	677	47	53
<b>Investments</b>	18	25	75
<b>Total</b>	<u>6,173</u>	67	33

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

# EBITDA by Segments

<b>S\$m</b>	<u>1H 2014</u>	<u>%</u>	<u>1H 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	651	64	565	61	15
<b>Infrastructure</b>	155	15	145	15	7
<b>Property</b>	177	18	208	22	(15)
<b>Investments</b>	28	3	15	2	87
<b>Total</b>	1,011	100	933	100	8

# Capital/Gearing/ROE

<b>S\$m</b>	<u>30 Jun 2014</u>	<u>31 Dec 2013</u>
<b>Shareholders' Funds</b>	9,966	9,701
<b>Capital Employed</b>	13,912	13,689
<b>Net Debt</b>	3,053	1,535
<b>Net Gearing Ratio</b>	0.22x	0.11x
<b>ROE</b>	14.3%	19.5%



# OFFSHORE & MARINE

# Financial Highlights – Offshore & Marine

<b>S\$m</b>	<u>2Q 2014</u>	<u>2Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	2,062	1,818	13
<b>EBITDA</b>	337	292	15
<b>Operating Profit</b>	302	258	17
<b>Profit Before Tax</b>	345	300	15
<b>Net Profit</b>	270	237	14

# Financial Highlights – Offshore & Marine

<b>S\$m</b>	<u>1H 2014</u>	<u>1H 2013</u>	<u>% Change</u>
<b>Revenue</b>	3,981	3,520	13
<b>EBITDA</b>	651	565	15
<b>Operating Profit</b>	582	497	17
<b>Profit Before Tax</b>	649	572	14
<b>Net Profit</b>	501	445	13

# Offshore & Marine Review

- S\$1.3 billion contracts secured in 2Q 2014:  
1 FLNG conversion, 1 FPSO conversion, 1 Subsea Construction Vessel and 1 Jackup Repair
- Major contract completions in 2Q 2014:  
1 Jackup, 1 Semi Upgrade, 1 FPSO Upgrade, 1 FPSO Conversion, 1 Semi Repair, 1 Crane Vessel Repair, 1 Bulk Carrier and 2 Tugs

# Offshore & Marine Orderbook

	<u>Order Balance</u> <u>S\$m</u>	<u>Client</u>
<b><u>For delivery in 2014</u></b>		
5 JUs/2 Semi Upgrades/1 Semi Repair/1 JU Integration/ 1 JU Repair/2 FPSO Conversions/1 FPSO Upgrade/ 1 FPSO Modules Fab. & Integration/2 Turret Fabrications/ 1 Floating Crane/1 Transformer Platform/ 1 Depletion Compression Platform/1 Diving Support Vessel/ 4 Tugs/1 Submersible Barge	303	Maersk/Ensco/GDI/Star Drilling/ Perforadora Central/JDC/ Noble/Ezion/M3energy/ Bumi Armada/Modec-Toyo/SBM/ Emas AMC/Asian Lift/Wetfeet/ Shell/Bhagwan Marine/Smit/KSP Towage
<b><u>For delivery in 2015</u></b>		
15 JUs/1 Semi/2 Accomodation Semis/2 FPSO Conversions/ 1 FPSO Upgrade/1 FPSO Modules Integration/ 1 Turret Fabrication/1 Pipelay Vessel/2 Ice Class Supply Vessels/ 1 Ice Class Multi-Purpose Duty Rescue/1 Submersible Barge	2,941	Maersk/Pemex/Grupo R/Parden/Ensco/ Falcon Energy/PV Drilling/Clearwater/UMW/ Arabian Drilling Co./Perforadora Central/ Setebras/Floatel/SBM/Bumi Armada/Apache/ Modec-Toyo/SOFEC/McDermott/Smit
<b><u>For delivery in 2016</u></b>		
8 JUs/2 Semis/1 FPSO Modules Fab. & Integration	3,825	Transocean/Ensco/Clearwater/Fecon/ Setebras/SOCAR/Petrobras
<b><u>For delivery in 2017-2019</u></b>		
3 JUs/4 Semis/1 FPSO Modules Fab. & Integration/ 1 FLNG Conversion/1 Subsea Construction Vessel	<u>7,013</u>	Transocean/TS Offshore/Setebras/Petrobras/ Golar/Baku Shipyard
<b>Total as at 30 June 2014</b>	<u><u>14,082</u></u>	

# INFRASTRUCTURE

# Financial Highlights - Infrastructure

<b>S\$m</b>	<u>2Q 2014</u>	<u>2Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	761	850	(10)
<b>EBITDA</b>	82	67	22
<b>Operating Profit</b>	56	48	17
<b>Profit Before Tax</b>	49	54	(9)
<b>Net Profit</b>	35	37	(5)

# Financial Highlights - Infrastructure

<b>S\$m</b>	<u>1H 2014</u>	<u>1H 2013</u>	<u>% Change</u>
<b>Revenue</b>	1,497	1,607	(7)
<b>EBITDA</b>	155	145	7
<b>Operating Profit</b>	104	113	(8)
<b>Profit Before Tax</b>	95	121	(21)
<b>Net Profit</b>	67	90	(26)



# PROPERTY

# Financial Highlights - Property

<b>S\$m</b>	<u>2Q 2014</u>	<u>2Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	348	400	(13)
<b>EBITDA</b>	85	124	(31)
<b>Operating Profit</b>	81	118	(31)
<b>Profit Before Tax</b>	160	154	4
<b>Net Profit</b>	67	66	2

# Financial Highlights - Property

<b>S\$m</b>	<u>1H 2014</u>	<u>1H 2013</u>	<u>% Change</u>
<b>Revenue</b>	677	698	(3)
<b>EBITDA</b>	177	208	(15)
<b>Operating Profit</b>	169	195	(13)
<b>Profit Before Tax</b>	291	287	1
<b>Net Profit</b>	129	147	(12)

# INVESTMENTS

# Financial Highlights - Investments

<b>S\$m</b>	<u>2Q 2014</u>	<u>2Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	6	8	(25)
<b>EBITDA</b>	29	(1)	NM
<b>Operating Profit</b>	28	(1)	NM
<b>Profit Before Tax</b>	39	11	255
<b>Net Profit</b>	34	7	386

# Financial Highlights - Investments

<b>S\$m</b>	<u>1H 2014</u>	<u>1H 2013</u>	<u>% Change</u>
<b>Revenue</b>	18	10	80
<b>EBITDA</b>	28	15	87
<b>Operating Profit</b>	27	15	80
<b>Profit Before Tax</b>	50	35	43
<b>Net Profit</b>	48	22	118

*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 HALF YEAR 2014 RESULTS PRESENTATION**

**THURSDAY, 24 JULY 2014**

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

**1.1 2Q 2014 Financial Performance (Slide 14)**

Thank you, Chin Hua. Good evening to all.

The Group had a good quarter with net profit for the second quarter of 2014 increasing \$59 million or 17% to \$406 million as compared to the same quarter last year.

Earnings per share for the quarter rose by 16% to 22.3 cents while EVA was at \$190 million.

**1.2 2Q 2014 Financial Highlights (Slide 15)**

The Group's revenue for the second quarter grew 3% from the same quarter last year, led by higher revenue from the Offshore & Marine division.

Coupled with higher operating margins from the Offshore & Marine and Property divisions, and write-back of impairment of associated companies, the Group achieved 10% improvement in operating profit.

In addition, the Group benefited from higher profit recognition from associates such as The Botanica in Chengdu and FloaTEC, partially offset by decrease from Marina Bay Suites, resulting in pre-tax profit growing at a faster pace of 14%.

After tax and non-controlling interest, Group net profit improved 17%, and correspondingly, earnings per share (EPS) grew 16%.



### **1.3 2Q 2014 Revenue by Segments (Slide 16)**

Overall revenue rose by 3%, driven by revenue growth in the Offshore & Marine division, which registered a 13% increase in revenue and remained the main contributor to Group revenue at 65% for the second quarter.

Revenue for Offshore & Marine improved because of higher volume of work. During the quarter, we started revenue recognition for three jack-ups and 1 Floating Accommodation Semi.

Lower power generation and prices of energy resulted in the decrease in revenue for Infrastructure.

The softer property markets in Singapore and China, as well as the deconsolidation of Keppel REIT on 31 August 2013 led to a fall in Property revenue in the second quarter.

### **1.4 2Q 2014 Pre-tax Profit by Segments (Slide 17)**

Offshore & Marine's pre-tax profit for the second quarter was 15% higher due to higher revenue and better operating margins at 14.7% compared to 14.2% for the same quarter in 2013.

Pre-tax profits of Infrastructure and Property divisions are \$49 million and \$160 million respectively for second quarter of 2014, comparable to the same quarter last year.

The Investment division reported \$28 million higher pre-tax profit mainly due to write back of impairment of associated companies and sale of investments during the quarter.

### **1.5 2Q 2014 Net Profit by Segments (Slide 18)**

Group net profit in the second quarter of 2014 grew by 17% from \$347 million to \$406 million. All divisions posted higher net profits, except for Infrastructure which reported a slight decline.

## **1.6 1H 2014 Financial Performance (Slide 19)**

For the first six months of the year, the Group posted a 6% increase in net profit to \$745 million from \$704 million in the previous year, mainly driven by higher revenue, better operating margins and write-back of impairment of associated companies.

Earnings per share saw a similar increase to 41.0 cents.

Annualised ROE declined marginally to 14.3% while EVA was lower at \$341 million.

Our net gearing increased from 11% to 22%, largely due to capital expenditure and operational working capital requirements.

We are pleased to declare an interim dividend of 12.0 cents per share for the first half of the year.

## **1.7 1H 2014 Financial Highlights (Slide 20)**

With two quarters of revenue growth, the Group registered a 6% improvement in the top line to \$6.17 billion for the first half of 2014.

This translates to an 8% increase in operating profit for the half year, as Offshore & Marine continued to report higher revenue and operating margins in the second quarter.

However, after tax and non-controlling interests, net profit increased at a slightly slower pace of 6%. As highlighted during the first quarter, there was a write-back of tax provision at Property division in 1Q of 2013.

## **1.8 1H 2014 Revenue by Segments (Slide 21)**

Half year revenue at \$6.2 billion was 6% higher than 2013.

At Offshore & Marine, good progress was made on its current projects, including those in Brazil, thus resulting in higher revenue being recognised. Major jobs completed in the first half of the year include two jack-up rigs, two FPSO upgrades and an FPSO conversion.

Infrastructure's lower revenue was attributed mainly to decrease in revenue from power generation plant.

Lower property sales in Singapore and the effects of deconsolidation of Keppel REIT on 31 August 2013 were partially negated by higher China sales in the first six months of this year.

## **1.9 1H 2014 Pre-tax Profit by Segments (Slide 22)**

Higher revenue and better operating margin resulted in Offshore & Marine reporting a 13% jump in pre-tax profit for the first half of the year. The Division also recorded higher net investment and interest income arising from higher deposits.

As highlighted in first quarter of this year, Infrastructure's pre-tax profit for the first quarter of 2013 was higher due to the write-back of provision following completion of the sale of the power barge business in Ecuador. Excluding this reversal, Infrastructure's pre-tax profit in the first half of 2014 is comparable to the same period in 2013.

Pre-tax profit of the Property division was at the same level as the corresponding six month period in 2013.

## **1.10 1H 2014 Net Profit by Segments (Slide 23)**

Net profit of Offshore & Marine was 13% higher than previous year. It remains the top contributor to the Group's earnings, at 67%.

Property registered a 12% fall in net profit after tax despite registering a flat pre-tax profit. As highlighted during the first quarter, net profit in the first six months of 2013 included a write-back of tax provision arising from the finalisation of prior years' taxation.

## **1.11 Net Profit and EPS (Slide 24)**

Net profit for the first six months of the year of \$745 million is \$41 million higher than 2013.

## **1.12 ROE & Dividend (Slide 25)**

Annualised ROE decreased to 14.3% in 2014. ROE of 19.5% in 2013 included revaluation gains from investment properties which would be assessed only at each year end.

An interim dividend of 12.0 cents per share has been declared. This represents a payout ratio of 29.3% of our profit for the first half.

### **1.13 Free Cash Flow (Slide 26)**

Cash flow generated from operations continues to be strong. In the first half of 2014, the Group generated \$1 billion of cash from operations, \$93 million or 10% higher than 2013.

However, the working capital requirements of the Offshore & Marine and Property divisions resulted in cash outflow from operations for the half year of \$642 million, \$253 million lower than in 2013.

Net cash used in investing activities amounted to \$143 million. \$318 million was spent on capital expenditure for Offshore & Marine and Property divisions. Receipt from divestments and dividend income was \$175 million.

The resultant cash outflow was \$785 million for the first half of 2014, which is \$154 million lower than 2013.

### **1.14 Outlook (Slide 27)**

The discipline to maintain a strong balance sheet, coupled with our commitment to stay in the forefront of our chosen businesses through technology and innovation have allowed us to compete, excel and grow in the marketplace.

With global economy fraught with uncertainties, the Keppel Group is positioned to meet the challenges as we remain vigilant, looking out for opportunities to capture and further grow shareholder value in a sustainable manner over time.