

# Third Quarter and Nine Months 2014 Financial Results

21 October 2014

**Keppel Corporation**

## Scope of Briefing

- Address by CEO
- Group Financial Highlights by CFO

# Address by CEO

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The logo for Keppel Corporation, featuring the word "Keppel" in a grey box with a red checkmark above the 'e', followed by the word "Corporation" in red.

## Global Economy

- Encouraging signals from US
- Lacklustre recovery in Eurozone
- Slowdown in emerging economies
- China settling into acceptable rate of growth

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The logo for Keppel Corporation, featuring the word "Keppel" in a grey box with a red checkmark above the 'e', followed by the word "Corporation" in red.

## Performance Highlights

- 3Q 2014 net profit was S\$414m
- 9M 2014 net profit was S\$1,159m
- 9M 2014 EVA was S\$1,032m
- Annualised ROE was 14.5%

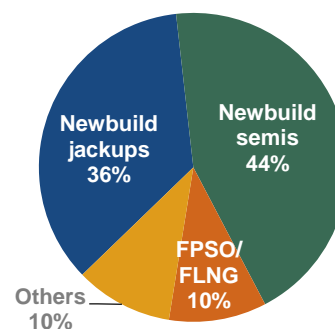
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## Offshore & Marine



*Keppel FELS, Singapore*

**Net orderbook  
as at 30 September 2014**



- New orders YTD of S\$3.7b despite challenging environment.
- Net orderbook of S\$12.7b as at 30 Sep 2014 with deliveries into 2019.

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## Offshore & Marine

### Execution excellence in Brazil

#### *DSS<sup>TM</sup>38E semis*

- *1<sup>st</sup> unit:* over 75% completed
- *2<sup>nd</sup> unit:* over 40% completed
- *3<sup>rd</sup> unit:* almost 20% completed



*First DSS<sup>TM</sup>38E semi*

#### *FPSOs*

- Cidade de Mangaratiba: safety and early delivery bonus.
- 3 other fabrication and integration jobs progressing well.



*FPSO Cidade de Mangaratiba*

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## Offshore & Marine

### Further in-roads into FLNG

- Awarded LOI for Golar Gimi – the second FLNG conversion project.
- Acquired 10% stake in Golar Hilli project.
- HILLI LNG carrier has arrived at Keppel Shipyard.



*Golar's HILLI LNG carrier at Keppel Shipyard for conversion*

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## Infrastructure



*Doha North Sewage Treatment Works, Qatar*



*Senoko WTE Plant, Singapore*

- Doha North Sewage Treatment Works' testing and commissioning underway.
- Greater Manchester EfW Plant Phase 1 close to completion; Phase 2 on track for completion in the first half of next year.
- Asset enhancement of Senoko WTE Plant to increase incineration capacity by up to 10%.

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## Infrastructure



*Keppel Datahub and Keppel Datahub 2, Singapore*

### Data Centres

- Keppel Datahub 2 enjoying healthy growth in occupancy.
- Exploring the potential of a data centre REIT.

### Logistics

- Logistics facility in Brisbane, Australia began operations.
- Construction of distribution centres in Singapore, Vietnam and Tianjin Eco-City, China to be completed by end-2014.

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## Property

- About 1,900 homes sold in Asia in 9M14.
  - Sold more than a quarter of 500 homes at Highline Residences, Singapore.
- Potential new launches:
  - Hill Crest Villa, Chengdu
  - Waterfront Residence, Nantong
  - West Vista, West Jakarta
  - Estella Heights, Ho Chi Minh City



*Highline Residences, Singapore*

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## Property

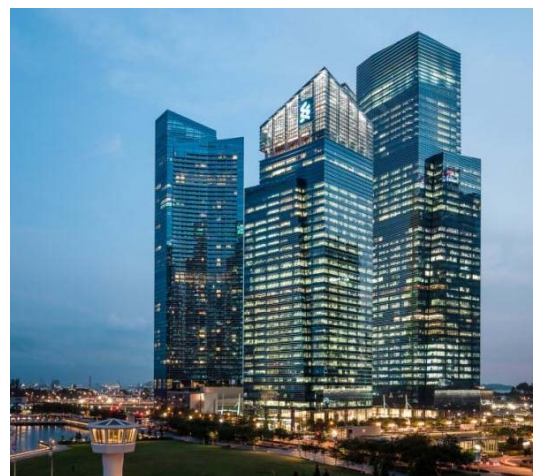
### Recycling capital in 3Q for higher returns

#### *Divestments*

- Marina Bay Financial Centre T3 in Singapore.
- BG Junction in Surabaya.
- Completed sale of Equity Plaza and Prudential Tower in Singapore.

#### *Investments*

- Prime residential development in New York.
- Saigon Centre Phase 2 (office) and stake increase in The Estella (residential) in Ho Chi Minh City.



*Marina Bay Financial Centre, Singapore*

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# Group Financial Highlights by CFO

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## 3Q 2014 Financial Performance

**Net Profit**



9% to S\$414m

**EPS**



9% to 22.9cts

**EVA**



from S\$332m to S\$620m

**Free Cash Flow**



from outflow of S\$83m to inflow of S\$655m

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## 3Q 2014 Financial Highlights

S\$m	<u>3Q 2014</u>	<u>3Q 2013</u>	<u>% Change</u>
Revenue	3,185	2,947	8
EBITDA	632	633	-
Operating Profit	565	568	(1)
Profit Before Tax	642	670	(4)
Net Profit	414	457	(9)
EPS (cents)	22.9	25.3	(9)

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## 3Q 2014 Revenue by Segments

S\$m	<u>3Q 2014</u>	<u>%</u>	<u>3Q 2013</u>	<u>%</u>	<u>% Change</u>
Offshore & Marine	2,199	69	1,535	52	43
Infrastructure	762	24	877	30	(13)
Property	219	7	532	18	(59)
Investments	5	-	3	-	67
<b>Total</b>	<b>3,185</b>	<b>100</b>	<b>2,947</b>	<b>100</b>	<b>8</b>

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## 3Q 2014 Pre-tax Profit by Segments

S\$m	<u>3Q 2014</u>	<u>%</u>	<u>3Q 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	359	56	282	42	27
<b>Infrastructure</b>	54	8	48	7	13
<b>Property</b>	198	31	316	47	(37)
<b>Investments</b>	31	5	24	4	29
<b>Total</b>	642	100	670	100	(4)

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## 3Q 2014 Net Profit by Segments

S\$m	<u>3Q 2014</u>	<u>%</u>	<u>3Q 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	252	61	215	47	17
<b>Infrastructure</b>	38	9	34	8	12
<b>Property</b>	92	22	193	42	(52)
<b>Investments</b>	32	8	15	3	113
<b>Total</b>	414	100	457	100	(9)

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## 9M 2014 Financial Performance

<b>Net Profit</b>	—	from \$1,161m to S\$1,159m
<b>EPS</b>	—	63.9cts
<b>Annualised ROE</b>	↓	from 16.3% to 14.5%
<b>EVA</b>	↑	from S\$736m to S\$1,032m
<b>Cash Outflow</b>	↓	from S\$1,022m to S\$127m
<b>Net Gearing</b>	↑	from net gearing of 0.11x to 0.19x

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## 9M 2014 Financial Highlights

<b>S\$m</b>	<u>9M 2014</u>	<u>9M 2013</u>	<u>% Change</u>
<b>Revenue</b>	9,358	8,782	7
<b>EBITDA</b>	1,643	1,566	5
<b>Operating Profit</b>	1,447	1,388	4
<b>Profit Before Tax</b>	1,727	1,685	2
<b>Net Profit</b>	1,159	1,161	-
<b>EPS (cents)</b>	63.9	64.3	(1)

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## 9M 2014 Revenue by Segments

S\$m	<u>9M 2014</u>	<u>%</u>	<u>9M 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	6,180	66	5,055	58	22
<b>Infrastructure</b>	2,259	24	2,484	28	(9)
<b>Property</b>	896	10	1,230	14	(27)
<b>Investments</b>	23	-	13	-	77
<b>Total</b>	<u>9,358</u>	<u>100</u>	<u>8,782</u>	<u>100</u>	<u>7</u>

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## 9M 2014 Pre-tax Profit by Segments

S\$m	<u>9M 2014</u>	<u>%</u>	<u>9M 2013</u>	<u>%</u>	<u>% Change</u>
<b>Offshore &amp; Marine</b>	1,008	58	854	51	18
<b>Infrastructure</b>	149	9	169	10	(12)
<b>Property</b>	489	28	603	36	(19)
<b>Investments</b>	81	5	59	3	37
<b>Total</b>	<u>1,727</u>	<u>100</u>	<u>1,685</u>	<u>100</u>	<u>2</u>

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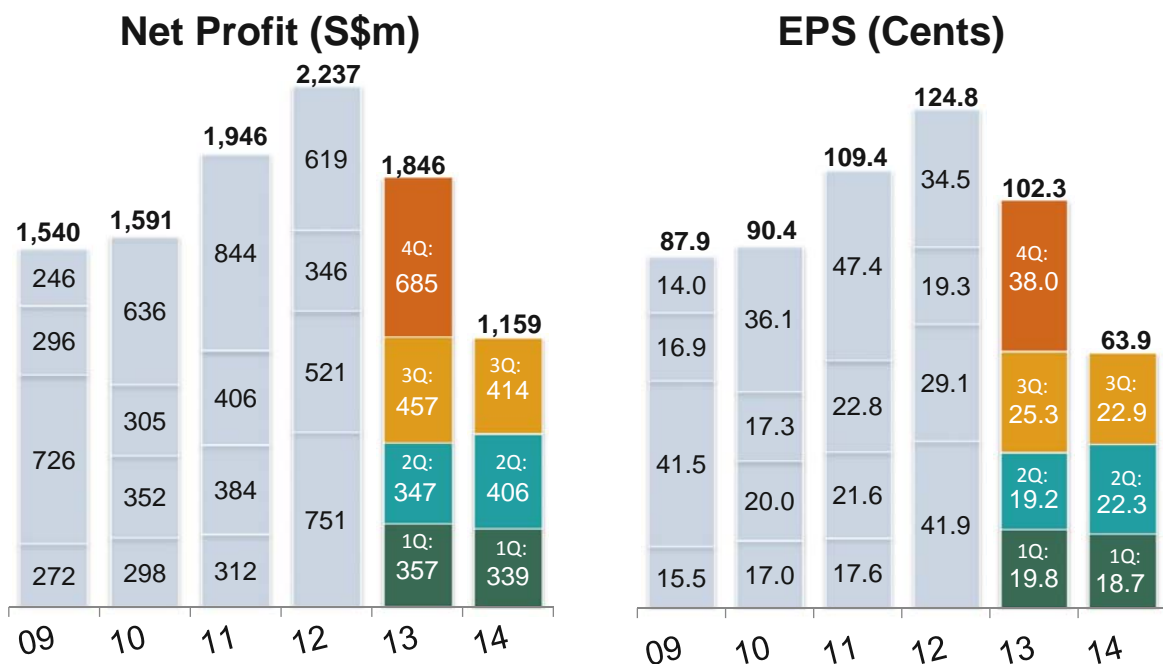
## 9M 2014 Net Profit by Segments

S\$m	9M 2014	%	9M 2013	%	% Change
Offshore & Marine	753	65	660	57	14
Infrastructure	105	9	124	11	(15)
Property	221	19	340	29	(35)
Investments	80	7	37	3	116
<b>Total</b>	<b>1,159</b>	<b>100</b>	<b>1,161</b>	<b>100</b>	<b>-</b>

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## Net Profit & EPS



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## Free Cash Flow

	<u>9M 2014</u> S\$m	<u>9M 2013</u> S\$m
Operating profit	1,447	1,388
Depreciation & other non-cash items	90	127
	1,537	1,515
Working capital changes	(1,673)	(1,832)
Interest & tax paid	(335)	(547)
<b>Net cash used in operating activities</b>	<b>(471)</b>	<b>(864)</b>
Investments & capex	(545)	(350)
Divestments & dividend income	889	192
<b>Net cash from/(used in) investing activities</b>	<b>344</b>	<b>(158)</b>
<b>Cash outflow</b>	<b>(127)</b>	<b>(1,022)</b>
<b>Dividend paid</b>	<b>(954)</b>	<b>(840)</b>

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

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

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## 3Q & 9M 2014 Results Q&A

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## Additional Information

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## Revenue by Geography

9M 2014

	<u>Total</u> S\$m	<u>Overseas</u> <u>Customers</u> %	<u>Singapore</u> <u>Customers</u> %
Offshore & Marine	6,180	92	8
Infrastructure	2,259	13	87
Property	896	45	55
Investments	23	18	82
<b>Total</b>	<b>9,358</b>	<b>68</b>	<b>32</b>

**68% of total revenue came from overseas customers**

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## EBITDA by Segments

S\$m	<u>9M 2014</u>	<u>%</u>	<u>9M 2013</u>	<u>%</u>	<u>% Change</u>
Offshore & Marine	1,016	62	852	54	19
Infrastructure	239	15	215	14	11
Property	337	20	477	31	(29)
Investments	51	3	22	1	132
<b>Total</b>	<b>1,643</b>	<b>100</b>	<b>1,566</b>	<b>100</b>	<b>5</b>

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## Capital/Gearing/ROE

S\$m	<u>30 Sep 2014</u>	<u>31 Dec 2013</u>
Shareholders' Funds	10,057	9,701
Capital Employed	14,105	13,689
Net Debt	2,738	1,535
Net Gearing Ratio	0.19x	0.11x
ROE	14.5%	19.5%

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## OFFSHORE & MARINE

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## Financial Highlights – Offshore & Marine

<b>S\$m</b>	<u>3Q 2014</u>	<u>3Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	2,199	1,535	43
<b>EBITDA</b>	365	287	27
<b>Operating Profit</b>	329	253	30
<b>Profit Before Tax</b>	359	282	27
<b>Net Profit</b>	252	215	17

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## Financial Highlights – Offshore & Marine

<b>S\$m</b>	<u>9M 2014</u>	<u>9M 2013</u>	<u>% Change</u>
<b>Revenue</b>	6,180	5,055	22
<b>EBITDA</b>	1,016	852	19
<b>Operating Profit</b>	911	750	22
<b>Profit Before Tax</b>	1,008	854	18
<b>Net Profit</b>	753	660	14

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## Offshore & Marine Review

- S\$471 million contracts secured in 3Q 2014:  
1 Jackup, 1 FPSO Conversion, 1 Submersible Barge,  
1 Jackup Repair, 1 Semi Repair and 1 Platform Repair.
  
- Major contract completions in 3Q 2014:  
3 Jackups, 1 Semi Upgrade, 1 FPSO Conversion, 1 Jackup Repair,  
1 Semi Repair, 1 Diving Support Vessel and 1 Tug.

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## Offshore & Marine Orderbook

	<u>Order Balance S\$m</u>	<u>Client</u>
<b><u>For delivery in 2014</u></b>		
2 JUs/1 Semi Upgrade/1 Semi Repair/1 JU Integration/ 1 Platform Repair/2 FPSO Conversions/1 FPSO Upgrade/ 2 Turret Fabrications/1 Transformer Platform/ 1 Floating Crane/1 Depletion Compression Platform/ 3 Tugs/1 Submersible Barge	118	Star Drilling/Perforadora Central/ Ensco/Ezion/M3nergy/ Bumi Armada/SBM/Emas AMC/ Wetfeet/Asian Lift/Shell/ Smit
<b><u>For delivery in 2015</u></b>		
15 JUs/1 Semi/2 Accom. Semis/1 JU Repair/3 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/2 Submersible Barges	2,149	Maersk/Pemex/Grupo R/Parden/Ensco/ Falcon Energy/PV Drilling/UMW/Arabian Drilling Co./Perforadora Central/Setebras/ Floatel/Paragon Offshore/SBM/Bumi Armada/ Apache/Modec-Toyo/SOFEC/McDermott/Smit
<b><u>For delivery in 2016</u></b>		
9 JUs/2 Semis/1 FPSO Modules Fab. & Integration	3,521	Transocean/Ensco/Clearwater/Fecon/Setebras/ Gulf Drilling Int./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>6,903</u>	Transocean/TS Offshore/Setebras/Petrobras/ Golar/Baku Shipyard
<b>Total as at 30 Sep 2014</b>	<u><u>12,691</u></u>	

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# INFRASTRUCTURE

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## Financial Highlights - Infrastructure

<b>S\$m</b>	<u>3Q 2014</u>	<u>3Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	762	877	(13)
<b>EBITDA</b>	84	70	20
<b>Operating Profit</b>	57	46	24
<b>Profit Before Tax</b>	54	48	13
<b>Net Profit</b>	38	34	12

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## Financial Highlights - Infrastructure

<b>S\$m</b>	<u>9M 2014</u>	<u>9M 2013</u>	<u>% Change</u>
<b>Revenue</b>	2,259	2,484	(9)
<b>EBITDA</b>	239	215	11
<b>Operating Profit</b>	161	159	1
<b>Profit Before Tax</b>	149	169	(12)
<b>Net Profit</b>	105	124	(15)

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## PROPERTY

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## Financial Highlights - Property

<b>S\$m</b>	<u>3Q 2014</u>	<u>3Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	219	532	(59)
<b>EBITDA</b>	160	269	(41)
<b>Operating Profit</b>	155	262	(41)
<b>Profit Before Tax</b>	198	316	(37)
<b>Net Profit</b>	92	193	(52)

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## Financial Highlights - Property

<b>S\$m</b>	<u>9M 2014</u>	<u>9M 2013</u>	<u>% Change</u>
<b>Revenue</b>	896	1,230	(27)
<b>EBITDA</b>	337	477	(29)
<b>Operating Profit</b>	324	457	(29)
<b>Profit Before Tax</b>	489	603	(19)
<b>Net Profit</b>	221	340	(35)

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# INVESTMENTS

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## Financial Highlights - Investments

<b>S\$m</b>	<u>3Q 2014</u>	<u>3Q 2013</u>	<u>% Change</u>
<b>Revenue</b>	5	3	67
<b>EBITDA</b>	23	7	229
<b>Operating Profit</b>	24	7	243
<b>Profit Before Tax</b>	31	24	29
<b>Net Profit</b>	32	15	113

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## Financial Highlights - Investments

<b>S\$m</b>	<u>9M 2014</u>	<u>9M 2013</u>	<u>% Change</u>
<b>Revenue</b>	23	13	77
<b>EBITDA</b>	51	22	132
<b>Operating Profit</b>	51	22	132
<b>Profit Before Tax</b>	81	59	37
<b>Net Profit</b>	80	37	116

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*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.*

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

**AT THE 9M 2014 RESULTS PRESENTATION**

**TUESDAY, 21 OCTOBER 2014**

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

**2. 3Q 2014 Financial Performance (Slide 14)**

Thank you, Chin Hua. A very good evening to all.

For the third quarter of 2014, the Group recorded a net profit of \$414 million. While this is 9% below the same quarter last year, it is a 2% improvement from the \$406 million profit we reported in the second quarter.

Earnings per share similarly decreased by 9% to 22.9 cents, while EVA improved from \$332 million to \$620 million mainly because of the sale of Equity Plaza.

The positive free cash flow of \$655 million for the quarter is mainly due to proceeds from the sale of Equity Plaza.

**3. 3Q 2014 Financial Highlights (Slide 15)**

The Group's revenue for the third quarter grew by \$238 million or 8% from the same quarter last year, led by higher revenues from the Offshore & Marine division.

Operating profit at \$565 million was at about the same level as last year. While Offshore & Marine continued to report higher profits, this was offset by weaker performance from Property division.

Despite operating profit maintaining at comparable levels as last year, profit before tax decreased \$28 million or 4%, due to lower contributions from associates such as Kris Energy, k1 Ventures, Seafox 5, and FloaTEC.

The Group's net profit after tax and non-controlling interests was \$43 million or 9% lower, and correspondingly earnings per share (EPS) decreased by 9%.

#### **4. 3Q 2014 Revenue by Segments (Slide 16)**

Overall revenue rose by 8%, driven largely by the revenue growth in the Offshore & Marine division, which continues to be the main contributor to the Group's revenue at 69%.

Offshore & Marine's 43% increase in revenue is a result of higher volume of work. During the quarter, we started revenue recognition for four jack-ups, two supply vessels, a multi-purpose rescue vessel and a FPSO topside fabrication and integration.

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

Property also saw a decrease in revenue, primarily due to fewer residential units sold in Singapore and China as compared to the third quarter of 2013. The effects of the deconsolidation of Keppel REIT from 31 August 2013 also contributed to the decrease.

#### **5. 3Q 2014 Pre-tax Profit by Segments (Slide 17)**

Offshore & Marine posted a 27% or \$77 million increase in pre-tax profit as a result of higher revenues recognised from higher volume of work during the quarter.

Infrastructure division posted a \$6 million or 13% increase in pre-tax earnings from the same period last year, driven by higher earnings from Logistics and Data Centre businesses.

Property division reported a lower pre-tax profit of \$198 million, a decrease of 37% from last year, mainly due to a decline in Singapore and China sales during the current quarter as well as deconsolidation of Keppel REIT from 31 August 2013.

Investment division's pre-tax profit increased mainly due to write back of impairment of investment during the quarter.

#### **6. 3Q 2014 Net Profit by Segments (Slide 18)**

Offshore & Marine performed well to achieve a 17% or \$37 million improvement in its net profit compared to the same period last year.

Infrastructure and Investment divisions too registered improvement in net profit.

However, the Property division's 52% or \$101 million decline in net profit has offset the improvement in profit from all other divisions.

Consequently, the Group's net profit in the third quarter decreased 9% from \$457 million to \$414 million this year.

## **7. 9M 2014 Financial Performance (Slide 19)**

Now I shall take you through the performance for the first nine months of the year.

Net profit for the first nine months of 2014 of \$1.16 billion is the same level as that for the same period in 2013.

Earnings per share was 64 cents. Annualised ROE declined to 14.5% while EVA was higher at \$1 billion due to gains from the sale of Equity Plaza.

Our net gearing increased from 11% at the end of the last financial year to 19%, largely due to capital expenditure and operational working capital requirements.

## **8. 9M 2014 Financial Highlights (Slide 20)**

With three quarters of revenue growth, the Group registered a 7% or \$576 million improvement in the top line to \$9.4 billion, largely due to higher revenue from the Offshore & Marine division.

This translates to a 4% or \$59 million increase in operating profit, as Offshore & Marine continued to report higher revenue. The gain from divestment of Equity Plaza also contributed to the higher operating profit.

After tax and non-controlling interests, net profit was at the same level as the corresponding nine month period in 2013 at \$1.16 billion.

## **9. 9M 2014 Revenue by Segments (Slide 21)**

The Group earned total revenues of \$9.4 billion in the first nine months of the year, 7% higher than the same period last year, on the back of higher revenues from Offshore & Marine.

At Offshore & Marine, good progress was made on ongoing projects, including those in Brazil, thus resulting in higher revenue being recognised.

Major jobs completed so far this year include five jack-up rigs, two FPSO upgrades, one FPSO conversion and one FPSO integration.

Infrastructure's lower revenue was attributed mainly to decreases in revenue from the power generation plant, partially offset by higher revenues from Logistics and Data Centre businesses.

Property revenue decreased, with an overall lower volume of sales in Singapore & China in 2014 as compared to the same period in 2013, as well as the effects of deconsolidation of Keppel REIT from 31 August 2013.



**10. 9M 2014 Pre-tax Profit by Segments (Slide 22)**

Higher revenues in the Offshore & Marine division drove an 18% increase in pre-tax profit for the first nine months of the year. Net investment and interest income was higher, partly offset by lower contributions from associates. Offshore & Marine operating margin for the nine months at 14.6% was comparable to 14.8% in the same period last year.

Infrastructure's pre-tax profit was lower for the first nine months of 2014. The higher profit in the prior period was due to the reversal of provisions following the finalisation of the sales of the power barge. Excluding this reversal, Infrastructure's pre-tax profit in the first nine months of 2014 is comparable to the same period in 2013.

The Property division reported lower pre-tax profit. There was an overall lower volume of sales in residential projects like Reflections and Corals at Keppel Bay in Singapore, and 8 Park Avenue in Shanghai. This quarter also saw the absence of revenue from The Lakefront Residences with the project's TOP in May 2014. The effects of the deconsolidation of Keppel REIT from 31 August 2013 also contributed to the decrease.

Investment division's pre-tax profit increased mainly due to write back of impairment of investment.

**11. 9M 2014 Net Profit by Segments (Slide 23)**

Offshore & Marine reported 14% higher profits for the first nine months of 2014 than previous year, and remains the top contributor to the Group's earnings, at 65%.

Property registered a 35% fall in net profit after tax, also a result of lower contribution from property projects in Singapore and China. As highlighted in previous quarters, net profit in the first nine months of 2013 included a write-back of tax provision arising from the finalisation of prior years' taxation.

**12. Net Profit and EPS (Slide 24)**

Net profit of \$1.16 billion and earnings per share of 64 cents for the first nine months of the year is at the same level as the corresponding period in 2013.

### **13. Free Cash Flow (Slide 25)**

In the first nine months of 2014, the Group continued to generate strong cash flows from its operations. \$1.54 billion of cash flow was generated from operations, \$22 million more than the previous year. After taking into account higher working capital requirements mainly from the Offshore & Marine and Property divisions, operating cash outflow for the nine months was \$471 million.

Net cash from investing activities amounted to \$344 million, with \$889 million of receipts coming from dividend income from associates and divestments including the sale of Equity Plaza. \$545 million was spent on investments and operational capital expenditure, mainly for the Offshore & Marine and Property divisions.

The resultant cash outflow was \$127 million for the first nine months; \$895 million lower than 2013.

### **14. Outlook (Slide 26)**

Keppel continues to fortify our strengths, while remaining focused on our core businesses. We have established a robust balance sheet and sufficient liquidity to provide us with the necessary financial muscle and flexibility to respond to challenges and opportunities that may come with the changing macro conditions.

Through consistent innovation to achieve execution excellence in our core operations and a commitment to financial discipline, we remain steadfast in our goal to ensure sustainable growth and long-term value creation for our shareholders and customers.

Thank you.