

Keppel Corporation 1Q 2015 Results Webcast

Question & Answer Session

16 April 2015, 5:30pm

Panelists:

LCH	Loh Chin Hua, CEO of Keppel Corporation
CHC	Chan Hon Chew, CFO of Keppel Corporation
CYY	Chow Yew Yuen, CEO of Keppel Offshore & Marine
AWG	Ang Wee Gee, CEO of Keppel Land
PT	Paul Tan, Group Controller of Keppel Corporation

Mohammad Razali, retail investor: Back in 2014, Xcite Energy signed a MOU with COSL for provision of a new Keppel N-class jackup for drilling offshore UK. Is Keppel still in negotiation with COSL for the new N Class jackup or has the project been shelved due to current low oil price?

CYY: The negotiation is still on..

Mohammad Razali, retail investor: Also back in November 2014, operation updates from Bumi Armada mentioned that it is in advanced negotiations with Keppel for an FSRU project. Is Keppel still in negotiation with Bumi Armada for the FSRU conversion or has the project also been shelved due to the current low oil price?

CYY: The Bumi Armada FSRU, the project is still on and under negotiations.

Mohammad Razali, retail investor: Are the options for the two new jackups for Gulf Drilling still valid or have they lapsed?

CYY: The options are still valid.

Ling Xin Jin, Morgan Stanley: Hi, Good evening. Could you provide details of deferment of delivery of rigs? How many units are there and how long is the deferment? A shareholder of Sete mentioned lowering the rig requirement to 13-17 units. How would this impact Keppel?

CYY: There have been some requests for deferment of the delivery of rigs by about six months. Altogether, the request is for eight rigs; five from Transocean and three from Fecon. Based on the progress of our semi projects for Sete, we think it is unlikely that our projects will be cancelled because of the good progress that we've been making on them.

LCH: If I can just add on the deferment, I think this is something that we obviously will discuss or have discussed with customers. Usually, there will also be some compensation and the projects are just moved to the right. And to a certain extent, it also helps in terms of our workload in the yard, which is currently quite busy.

CYY: We will still be delivering 16 rigs this year. Like Chin Hua said, the deferred projects are pushed to the right but do not in any way affect our orderbook.

Cheryl Lee, UBS: Hi, Good Evening. On Offshore & Marine, regarding the comment that “a couple of customers have approached us to defer their rig deliveries”, if construction is slowed down, how will utilisation of the yards be affected? Does Q1 offshore results already reflect lower utilisation of yards?

LCH: The answers have already been provided earlier in the comments that both YY and I have provided. Our yards remain very busy for this year and next.

Wee Lee, Nomura Singapore: Can we have an update on the plans to redevelop the GE Towers and Keppel Towers? Are they on track to occur in 2015?

AWG: We have decided to defer the redevelopment of Keppel and GE Towers so we will not proceed with the redevelopment in 2015.

LCH: This is a freehold property and we are under no rush to redevelop it. In the meantime, it is actually collecting rental income for us.

Abhijit Attavar, Jefferies: Can you elaborate on the jump in investment income for 1Q15? Also, why is operating margin lower in O&M in 1Q15 despite there being quite a number of jack-up deliveries?

CHC: On the first question on investment income, yes, there is an increase by about \$50 million that is arising from the sale of some listed equities during the quarter that gave us a net profit of about \$50 million.

The O&M operating profit margin for first quarter, as we had mentioned in the presentation, is at 12% compared to 14.2% last year, and about 13.3% if you compare to the fourth quarter of last year. As we have indicated in the past, our operating margins range between 10% and 12%, so the first quarter’s operating margin is still at the top end of that range.

As to your question on deliveries, the revenues that we recognise is based on the progress of construction, rather than based on completion and delivery. So it’s not correlated with deliveries but rather progress of the construction.

Gerald Wong, Credit Suisse: Could you provide an update on the JV with Pemex to develop a new yard in Mexico?

CYY: Both Pemex and ourselves are still very keen to develop the new yard over there. When we are able to reach an agreement, we will make the announcement.

LCH: The Mexican market we believe is a very strong growth market for the future, and we are still excited about this potential venture with Pemex. And I think both sides, like what YY said, have reaffirmed our commitment to get this done in the future.

Lim Siew Khee, CIMB: Can you please provide updates on the semi-subs payment from Sete Brasil?

CHC: For the semi-subs that we are constructing for Sete Brasil, these are based on milestone payments as we have explained in previous quarters. As of now, looking at what we have incurred, we are still cash-flow positive. I think you have read in the press that Sete Brasil is working with their banks to get the financing. And the latest development is that there is a 90-day standstill agreement with the creditors and I think that's positive for Sete Brasil in terms of fundraising. As you know, in terms of the semis that we are building for Sete Brasil, we are in the most advanced stage, and given that our payments are based on milestones, our semi-subs have the lowest risk in terms of cancellation.

Saurabh Chugh, CLSA: Hi good evening, just one question: Can you update us on the status of the MOU with Pemex, when do you expect to have a firm agreement on this?

LCH: I think Mr Chow has just updated. This will be deferred for the time being. Both sides have agreed to extend the MOU, so the MOU is still with us. When we have a firm agreement, we'll announce it. Thank you.

<End of Q&A session>