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Media Release

Keppel's 9M 2018 net profit up 18% year on year to S$809m

Singapore, 18 October 2018 – Keppel Corporation Limited (Keppel) reported a net profit of S$809 million for the nine months ended 30 September 2018, 18% higher than the S$688 million achieved a year ago. This was underpinned by stronger contributions from the Property and Infrastructure divisions, which more than offset losses incurred by the Offshore & Marine (O&M) and Investments divisions.

The Group's 9M 2018 revenue of S$4,288 million was slightly lower compared with S$4,419 million for 9M 2017. Revenue recognition from the rigs sold to Borr Drilling, coupled with increased power and gas sales, were offset by lower contributions from property trading and asset management, a decrease in the O&M Division's work volume, as well as the absence of the sale of investments.

For the first nine months of 2018, the Group achieved an annualised return on equity of 9.3%. Net gearing was 0.41x as at 30 September 2018, compared to 0.46x as at 31 December 2017. Free cash inflow was S$828 million in 9M 2018 compared to S$1,042 million in 9M 2017.

The Group's net profit for 3Q 2018 was S$226 million, 15% lower than the S$265 million for 3Q 2017, mainly due to lower contributions from the Investments and Property divisions, offset by stronger performance in the Infrastructure and O&M divisions. The O&M Division registered a net profit of S$2 million for 3Q 2018, an improvement from the losses incurred in the preceding three quarters.

Meanwhile, Group revenue of S$1,295 million for 3Q 2018 was 20% lower than the $1,617 million registered a year ago. Higher revenue recognition from ongoing O&M projects and increased power and gas sales were offset by lower contributions from property trading, asset management, as well as the absence of the sale of investments.

Mr Loh Chin Hua, CEO of Keppel Corporation, said, "Keppel continued to deliver strong results in the first nine months of 2018, during which we announced our expansion into new markets and asset classes such as senior living, early education and Australian retail real estate.

"More recently, we announced our pre-conditional voluntary general offer, together with SPH, to gain majority control of M1 to drive business transformation and enable it to compete more effectively. We have also announced a scheme of arrangement to privatise Keppel Telecommunications & Transportation.

"These are strategic initiatives, which would further expand and enhance the Group's earnings while positioning Keppel for long-term growth."

Offshore & Marine

The Offshore & Marine (O&M) Division incurred a net loss of S$38 million for 9M 2018 as compared to net profit of $11 million in 9M 2017. This was mainly due to lower operating results, its share of associated companies' losses as compared to share of associated companies' profits in 2017, as well as the absence of gain from divestment of Keppel Verolme, partly offset by lower net interest expense. At the operating level, the O&M Division achieved a profit of S$20 million for 9M 2018. In the year to date, the O&M Division secured new contracts worth about S$1.4 billion.

Property

The Property Division, whose net profit grew by 110% year on year to S$764 million, remained the largest profit contributor to the Group for 9M 2018. This increase was due mainly to the en-bloc sale of development projects, the gain from the divestment of a stake in a commercial project in Beijing, as well as fair value gain on Nassim Woods which has been re-designated for redevelopment for sale. The positive variance was partly offset by lower contribution from China and Vietnam property trading, and a lower share of associated companies' profits.

Infrastructure

The Infrastructure Division's net profit was up 25% year on year to S$121 million for 9M 2018 mainly due to higher contributions from Environmental Infrastructure and Infrastructure Services, coupled with gains from the dilution of stakes in Keppel DC REIT following its private placement exercise and also from the sale of a 4.08% stake in the latter. The positive variance was partly offset by lower contributions from Energy Infrastructure and Keppel Infrastructure Trust, as well as the absence of a gain from the divestment of GE Keppel Energy Services Pte Ltd in 1H 2017.

Investments

The Investments Division recorded a net loss of S$38 million for 9M 2018, as compared to a net profit of S$217 million a year ago, due to its share of losses from associated companies as well as lower contributions from land sales in the Sino-Singapore Tianjin Eco-City and the asset management business. Keppel Capital continued to contribute steadily to the Group, although earnings were slightly lower due to higher expenses for growth initiatives and lower one-off performance fees.

In the nine months of 2017, the Investments Division had benefited from the share of profit from k1 Ventures, a write-back of provision for impairment of an investment, as well as profit from the sale of investments.

Financial Highlights

	9M 2018 (S$ m)	9M 2017 (S$ m)	Change (%)	3Q 2018 (S$ m)	3Q 2017 (S$ m)	Change (%)
Revenue	4,288	4,419	(3)	1,295	1,617	(20)
Operating Profit	996	630	58	271	297	(9)
Net Profit	809	688	18	226	265	(15)
Earnings per Share	44.6 cents	37.9 cents	18	12.4 cents	14.6 cents	(15)

** 3Q & 9M 2017 financial figures have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International).*

- Annualised ROE was 9.3% for 9M 2018
- Net Gearing was 0.41x at end-September 2018
- Free cash inflow was S$828m in 9M 2018 compared to S$1,042m in 9M 2017

– END –

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Keppel Corporation

KEPPEL CORPORATION LIMITED

Co. Reg. No. 196800351N
(Incorporated in the Republic of Singapore)

THIRD QUARTER AND NINE MONTHS 2018 FINANCIAL STATEMENTS

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KEPPEL CORPORATION LIMITED

Third Quarter and Nine Months 2018 Financial Statements

UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the third quarter and nine months ended 30 September 2018.

1. GROUP PROFIT AND LOSS ACCOUNT for the third quarter and nine months ended 30 September

	Note	Third Quarter			Nine Months		
		30.9.2018 $'000	30.9.2017 $'000 Restated	+/- %	**30.9.2018 $'000**	30.9.2017 $'000 Restated	+/- %
Revenue		**1,295,681**	1,616,797	-19.9	**4,288,414**	4,419,071	-3.0
Materials & subcontract costs	(i)	**(876,270)**	(1,034,747)	-15.3	**(3,020,282)**	(2,900,027)	+4.1
Staff costs	(ii)	**(253,983)**	(258,756)	-1.8	**(707,778)**	(773,876)	-8.5
Depreciation & amortisation		**(43,077)**	(50,524)	-14.7	**(133,082)**	(163,487)	-18.6
Other operating Income	(iii)	**148,038**	24,046	NM	**568,394**	47,821	NM
Operating profit		**270,389**	296,816	-8.9	**995,666**	629,502	+58.2
Investment income		**949**	11,231	-91.6	**4,305**	15,721	-72.6
Interest income	(iv)	**64,158**	28,817	+122.6	**130,668**	94,949	+37.6
Interest expenses	(v)	**(51,541)**	(46,292)	+11.3	**(144,500)**	(145,557)	-0.7
Share of results of associated companies	(vi)	**39,480**	41,021	-3.8	**48,330**	240,500	-79.9
Profit before tax		**323,435**	331,593	-2.5	**1,034,469**	835,115	+23.9
Taxation	1b	**(95,789)**	(66,600)	+43.8	**(223,581)**	(142,702)	+56.7
Profit for the period		**227,646**	264,993	-14.1	**810,888**	692,413	+17.1
Attributable to:							
Shareholders of the Company		**225,666**	265,126	-14.9	**809,294**	688,040	+17.6
Non-controlling interests		**1,980**	(133)	NM	**1,594**	4,373	-63.5
		227,646	264,993	-14.1	**810,888**	692,413	+17.1
Earnings per ordinary share							
- basic		**12.4 cts**	14.6 cts	-15.1	**44.6 cts**	37.9 cts	+17.7
- diluted		**12.3 cts**	14.5 cts	-15.2	**44.3 cts**	37.6 cts	+17.8

NM – Not Meaningful

The results for third quarter and nine months ended 30 September 2017 are restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s"). Please refer to paragraph 9 for the details on the financial impact from the adoption of SFRS(I)s.

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

1a. Pre-tax profit of the Group is arrived at after charging/(crediting) the following:

	Note	Third Quarter			Nine Months		
		30.9.2018 $'000	30.9.2017 $'000 Restated	+/- %	**30.9.2018 $'000**	30.9.2017 $'000 Restated	+/- %
Share-based payment expenses		**9,614**	6,835	+40.7	**28,445**	18,447	+54.2
Profit on sale of investments	(vii)	**–**	(17,302)	NM	**–**	(36,368)	NM
Loss/(profit) on sale of fixed assets	(viii)	**74**	4,286	-98.3	**(1,793)**	(13,218)	-86.4
Provision/(write-back)							
- Stocks	(ix)	**1,733**	4	NM	**(21,410)**	162	NM
- Doubtful debts	(x)	**(1,186)**	1,753	NM	**(4,071)**	8,243	NM
Fair value (gain)/loss							
- Investments	(xi)	**(8,941)**	(5,861)	+52.6	**30**	3,101	-99.0
- Forward contracts	(xii)	**(3,741)**	20,079	NM	**7,019**	41,322	-83.0
- Financial derivatives		**(157)**	(436)	-64.0	**(1,576)**	31	NM
Foreign exchange loss/(gain)	(xiii)	**8,143**	(9,992)	NM	**49,523**	(55,208)	NM
Write-back of impairment of investments	(xiv)	**(313)**	(298)	+5.0	**(939)**	(46,894)	-98.0
Impairment of fixed assets		**–**	2,934	NM	**–**	2,934	NM
Gain on disposal of subsidiaries	(xv)	**(173,732)**	(100,788)	+72.4	**(598,864)**	(142,576)	NM
Gain on disposal of associated companies	(xvi)	**(5,033)**	–	NM	**(42,012)**	(43,447)	-3.3
Fair value gain on investment property	(xvii)	–	–	NM	**(48,300)**	–	NM
(Gain)/loss from change in interest in associated companies	(xviii)	**(40,227)**	1,427	NM	**(60,777)**	**4,156**	NM

NM – Not Meaningful

Note:

(i) Materials & subcontract costs increased for the nine months ended 30 September 2018 mainly as a result of higher revenue from the Infrastructure Division and Offshore & Marine Division, partly offset by lower revenue in the Property Division.

(ii) Staff costs decreased for the nine months ended 30 September 2018 due mainly to lower manpower cost in the Offshore & Marine Division, partly offset by higher manpower cost in the Investments and Property Division.

(iii) Other operating income increased for the nine months ended 30 September 2018 due mainly to the higher gain on disposal of subsidiaries (Note xv), fair value gain on investment property (Note xvii), gain from changes in interest in associated companies (Note xviii), write-back of provision for stocks (Note ix), lower fair value loss on forward exchange contracts (Note xii) and write-back of provision for doubtful debts (Note x), partly offset by foreign exchange loss (Note xiii), lower write-back of impairment of investments (Note xiv), absence of profit on sale of investments (Note vii) and lower profit on sale of fixed assets (Note viii).

(iv) Higher interest income in the current period was largely attributable to the Offshore & Marine Division.

(v) Lower interest expense for the nine months ended 30 September 2018 was mainly attributable to lower average borrowings.

(vi) Share of profit of associated companies for the nine months ended 30 September 2018 was lower due mainly to lower contribution from associated companies in the Property Division, and share of losses of associated companies in the Investments Division and Offshore & Marine Division.

(vii) The profit from sale of investments in the prior period was due mainly to the disposal of listed equities and equity funds.

(viii) Profit on sale of fixed assets for the nine months ended 30 September 2018 and 30 September 2017 was largely attributable to disposal of assets in the Offshore & Marine Division.

(ix) The write-back of provision for stocks for the nine months ended 30 September 2018 arose mainly from the Property Division.

(x) The write-back of provision for doubtful debts in the current period arose mainly from the Offshore & Marine Division.

(xi) Fair value loss (mark-to-market) on investment portfolio was due to decrease in prices of stocks and warrants.

(xii) Fair value loss on forward contracts for the nine months ended 30 September 2018 arose mainly from the hedging differential on forward exchange contracts due to elapse of time and fluctuations in interest rate, partly offset by fair value gain in relation to fair value hedge of United States dollar loan. The corresponding effects from revaluation of the United States dollar loan was recorded under foreign exchange loss (Note xiii).

(xiii) Foreign exchange loss for the nine months ended 30 September 2018 was mainly attributable to the realisation of fair value changes in cash flow hedge to profit & loss account and revaluation of net liabilities denominated in United States dollar, which appreciated against Brazilian Real, partly offset by the revaluation of net assets denominated in United States Dollar, which appreciated against Singapore dollar. Foreign exchange loss for the nine months ended 30 September 2018 also included foreign exchange loss arising from the revaluation of United States dollar loan which was hedged using forward exchange contracts. The effects from fair value on forward contracts was recorded under fair value loss on forward contracts (Note xii).

(xiv) The write-back in the current period was in relation to write-back of impairment of investments in the Infrastructure Division. The write-back in the prior period was in relation to write-back of impairment of investments in the Investments Division and the Infrastructure Division.

(xv) Gain on disposal of subsidiaries arose from the sale of Keppel China Marina Holdings Pte Ltd, Keppel Township Development (Shenyang) Co. Ltd, Keppel Bay Property Development (Shenyang) Co. Ltd and Aether Limited. In the prior period, gain on disposal of subsidiaries arose mainly from sale of Keppel Lakefront (Nantong) Property Development Co Ltd, sale of Wiseland Investment (Myanmar) Limited, sale of 80% interest in PT Sentral Tunjungan Perkasa, sale of Keppel DC Singapore 4 and sale of Keppel Verolme.

(xvi) Gain on disposal of associated companies in the current period arose from the sale of interest in Quoc Loc Phat Joint Stock Company. In the prior period, gain on disposal of associated companies arose from the sale of interest in GE Keppel Energy Services Pte Ltd and Cityone Development (Wuxi) Co., Ltd.

(xvii) Fair value gain on investment property relates to Nassim Woods which has been re-designated for redevelopment for sale.

(xviii) Gain from change in interest in associated companies in the current period relates to change in interest in Keppel REIT and Keppel DC REIT.

1b. Taxation expenses for the nine months ended 30 September 2018 were higher because of higher taxable profits in the Property Division.

1c. Earnings per ordinary share

	Third Quarter			Nine Months		
	30.9.2018	30.9.2017 Restated	+/-%	**30.9.2018**	30.9.2017 Restated	+/-%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-						
(i) Based on weighted average number of shares	**12.4 cts**	14.6 cts	-15.1	**44.6 cts**	37.9 cts	+17.7
- Weighted average number of shares (excluding treasury shares) ('000)	**1,814,157**	1,816,927	-0.2	**1,814,157**	1,816,927	-0.2
(ii) On a fully diluted basis	**12.3 cts**	14.5 cts	-15.2	**44.3 cts**	37.6 cts	+17.8
- Adjusted weighted average number of shares (excluding treasury shares) ('000)	**1,824,876**	1,829,392	-0.2	**1,824,875**	1,829,392	-0.2

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the third quarter and nine months ended 30 September

		Third Quarter			Nine Months		
		30.9.2018 $'000	30.9.2017 $'000 Restated	+/- %	**30.9.2018 $'000**	30.9.2017 $'000 Restated	+/- %
Profit for the period		**227,646**	264,993	-14.1	**810,888**	692,413	+17.1
Items that may be reclassified subsequently to profit & loss account:							
Available-for-sale assets							
- Fair value changes arising during the period	(i)	**–**	(2,446)	NM	**–**	(27,526)	NM
- Realised and transferred to profit & loss account	(ii)	**–**	(16,069)	NM	**–**	(32,092)	NM
Cash flow hedges							
- Fair value changes arising during the period, net of tax	(iii)	**(39,472)**	196,651	NM	**128,970**	291,514	-55.8
- Realised and transferred to profit & loss account	(iv)	**11,645**	(16,412)	NM	**(47,460)**	(39,882)	+19.0
Foreign exchange translation							
- Exchange differences arising during the period	(v)	**(183,793)**	(879)	NM	**(139,605)**	(150,390)	-7.2
- Realised and transferred to profit & loss account		**8,567**	2,668	+221.1	**13,176**	(2,894)	NM
Share of other comprehensive income of associated companies							
- Available-for-sale assets		**–**	120	NM	–	577	NM
- Cash flow hedges		**(1,145)**	897	NM	**23,319**	(19,219)	NM
- Foreign exchange translation		**(15,436)**	(12,562)	+22.9	**(234)**	(75,719)	-99.7
		(219,634)	151,968	NM	**(21,834)**	(55,631)	-60.8
Items that will not be reclassified subsequently to profit & loss account:							
Financial assets, at FVOCI							
- Fair value changes arising during the period	(i)	**7,524**	–	NM	**(54)**	–	NM
Foreign exchange translation							
- Exchange differences arising during the period	(v)	**(13,202)**	4,590	NM	**(6,127)**	(11,904)	-48.5
Share of other comprehensive income of associated companies							
- Financial assets, at FVOCI		**(22)**	–	NM	**711**	–	NM
		(5,700)	4,590	NM	**(5,470)**	(11,904)	-54.0
Other comprehensive income for the period, net of tax		**(225,334)**	156,558	NM	**(27,304)**	(67,535)	-59.6
Total comprehensive income for the period		**2,312**	421,551	-99.5	**783,584**	624,878	+25.4
Attributable to:							
Shareholders of the Company		**14,123**	416,997	-96.6	**788,380**	632,470	+24.7
Non-controlling interests		**(11,811)**	4,554	NM	**(4,796)**	(7,592)	-36.8
		2,312	421,551	-99.5	**783,584**	624,878	+25.4

NM – Not Meaningful

Note:

(i) Fair value changes were attributable to movements in quoted prices of financial assets measured at fair value with fair value changes recognised in other comprehensive income.

(ii) These represented fair value changes on financial assets measured at fair value through other comprehensive income, which were transferred to profit & loss account upon realization in the prior period.

(iii) Fair value differences were due mainly to the hedging differential on forward exchange contracts and fuel oil forward contracts.

(iv) These represented cash flow hedges, which were transferred to profit & loss account upon realisation.

(v) These exchange differences arose from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as from the translation of foreign currency loans that form part of the Group's net investment in foreign operations. The translation losses for the current period arose largely from weakening of foreign currencies, such as Renminbi against Singapore dollar.

The translation losses in the prior period arose largely from weakening of foreign currencies, such as United States dollar and Renminbi against Singapore dollar.

3. BALANCE SHEETS as at 30 September

	Group			Company	
	30.9.2018	31.12.2017	01.01.2017	**30.9.2018**	31.12.2017
	$'000	$'000	$'000	**$'000**	$'000
		Restated	Restated		
Share capital	**1,291,722**	1,291,310	1,288,394	**1,291,722**	1,291,310
Treasury shares	**(45,199)**	(74)	(15,523)	**(45,199)**	(74)
Reserves	**10,163,772**	10,151,498	10,395,101	**6,422,189**	6,341,656
Share capital & reserves	**11,410,295**	11,442,734	11,667,972	**7,668,712**	7,632,892
Non-controlling interests	**304,460**	530,225	676,918	**–**	–
Total equity	**11,714,755**	11,972,959	12,344,890	**7,668,712**	7,632,892
Represented by:					
Fixed assets	**2,347,966**	2,432,963	2,645,456	**503**	296
Investment properties	**2,415,252**	3,460,608	3,550,290	**–**	–
Subsidiaries	**–**	–	–	**7,972,859**	7,972,849
Associated companies	**5,900,584**	5,913,777	5,423,831	**–**	–
Investments	**456,015**	458,638	377,704	**15,012**	15,012
Long term assets	**606,552**	774,316	814,438	**9,428**	14,346
Intangibles	**130,095**	132,594	140,669	**–**	–
	11,856,464	13,172,896	12,952,388	**7,997,802**	8,002,503
Current assets					
Stocks	**5,394,424**	5,765,337	6,545,568	**–**	–
Contract assets	**2,540,606**	3,016,914	3,480,237	**–**	–
Amounts due from:					
- subsidiaries	**–**	–	–	**3,576,307**	3,498,920
- associated companies	**328,972**	342,960	433,380	**1,249**	733
Debtors	**3,165,429**	3,169,417	3,373,841	**11,028**	4,590
Derivative assets	**131,564**	181,226	98,984	**18,814**	93,530
Short term investments	**170,814**	202,776	273,928	**27,442**	–
Bank balances, deposits & cash	**2,010,380**	2,273,788	2,087,078	**284**	2,213
	13,742,189	14,952,418	16,293,016	**3,635,124**	3,599,986
Current liabilities					
Creditors	**4,482,803**	5,371,618	4,753,492	**72,726**	68,585
Derivative liabilities	**48,726**	37,969	379,910	**41,548**	29,528
Contract liabilities	**1,631,208**	1,764,874	1,669,466	**–**	–
Provisions	**79,396**	115,972	81,679	**–**	–
Amounts due to:					
- subsidiaries	**–**	–	–	**157,413**	236,403
- associated companies	**109,401**	253,331	111,543	**–**	–
Term loans	**589,294**	1,714,084	1,835,321	**77,306**	551,530
Taxation	**245,031**	194,299	339,108	**43,019**	33,955
	7,185,859	9,452,147	9,170,519	**392,012**	920,001
Net current assets	**6,556,330**	5,500,271	7,122,497	**3,243,112**	2,679,985
Non-current liabilities					
Term loans	**6,262,887**	6,078,919	7,217,721	**3,501,562**	2,939,800
Deferred taxation	**199,361**	334,674	331,175	**–**	–
Other non-current liabilities	**235,791**	286,615	181,099	**70,640**	109,796
	6,698,039	6,700,208	7,729,995	**3,572,202**	3,049,596
Net assets	**11,714,755**	11,972,959	12,344,890	**7,668,712**	7,632,892
Group net debt	*4,841,801*	*5,519,215*	*6,965,964*	***n.a.***	*n.a.*
Group net gearing ratio	*0.41x*	*0.46x*	*0.56x*	***n.a.***	*n.a.*

NOTES TO BALANCE SHEETS

3a. Group's borrowings and debt securities

(i) Amount repayable in one year or less, or on demand

As at 30.9.2018		As at 31.12.2017	
Secured $'000	**Unsecured $'000**	Secured $'000	Unsecured $'000
110,831	**478,463**	150,591	1,563,493

(ii) Amount repayable after one year

As at 30.9.2018		As at 31.12.2017	
Secured $'000	**Unsecured $'000**	Secured $'000	Unsecured $'000
182,543	**6,080,344**	580,825	5,498,094

(iii) Details of any collateral

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The Group has mortgaged certain properties and assets of up to an aggregate amount of $651,195,000 (31 December 2017: $1,894,728,000) to banks for loan facilities.

3b. Net asset value

	Group			**Company**		
	30.9.2018	31.12.2017 Restated	+/-%	**30.9.2018**	31.12.2017	+/-%
Net asset value per ordinary share *	**$6.30**	$6.29	+0.2	**$4.23**	$4.20	+0.7
Net tangible asset per ordinary share *	**$6.22**	$6.22	–	**$4.23**	$4.20	+0.7

* Based on share capital of 1,812,441,588 ordinary shares (excluding treasury shares) as at the end of the financial period (31 December 2017: 1,818,323,392 ordinary shares (excluding treasury shares).

3c. Balance sheet analysis

Group shareholder's funds decreased by $0.03 billion to $11.41 billion at 30 September 2018. The decrease was mainly attributable to purchase of treasury shares for the nine months ended 30 September 2018, foreign exchange translation losses, decrease in revenue reserves arising from the adoption of SFRS(I) 9 *Financial Instruments,* payment of final dividend of 14.0 cents per share in respect of financial year 2017 and payment of interim and special dividends of 15.0 cents for half year ended 30 June 2018, partly offset by retained profits for the nine months ended 30 September 2018 and increase in fair value on cash flow hedges.

Group total assets were $25.60 billion at 30 September 2018, $2.53 billion lower than the previous year end. Decrease in current assets was due mainly to decrease in contract assets, stocks and bank balances, deposits & cash. Non-current assets decreased due mainly to decrease in investment properties following the divestment of Aether Limited and decrease in long term assets arising from the adoption of SFRS(I) 9.

Group total liabilities of $13.88 billion at 30 September 2018 were $2.27 billion lower than the previous year end. Total liabilities decreased due mainly to the reduction in creditors and net repayment of term loans.

Group net debt decreased by $0.68 billion to $4.84 billion at 30 September 2018.

Group net gearing ratio improved from 46% at 31 December 2017 to 41% at 30 September 2018. This was largely driven by decrease in group net debt.

4. STATEMENTS OF CHANGES IN EQUITY for the third quarter and nine months ended 30 September

4a. Statement of changes in equity of the Group

	Attributable to owners of the Company							
	Share Capital $'000	Treasury Shares $'000	Capital Reserves $'000	Revenue Reserves $'000	Foreign Exchange Translation Account $'000	Share Capital & Reserves $'000	Non-controlling Interests $'000	Total Equity $'000
2018								
As at 31 December 2017								
As previously reported	**1,291,310**	**(74)**	**281,407**	**10,486,054**	**(626,009)**	**11,432,688**	**527,746**	**11,960,434**
Adoption of SFRS(I) 1	**–**	**–**	**–**	**(302,453)**	**302,453**	**–**	**–**	**–**
Adoption of SFRS(I) 15	**–**	**–**	**–**	**10,046**	**–**	**10,046**	**2,479**	**12,525**
As restated at 31 December 2017	**1,291,310**	**(74)**	**281,407**	**10,193,647**	**(323,556)**	**11,442,734**	**530,225**	**11,972,959**
Adoption of SFRS(I) 9	**–**	**–**	**1,058**	**(236,172)**	**–**	**(235,114)**	**(255)**	**(235,369)**
As restated at 1 January 2018	**1,291,310**	**(74)**	**282,465**	**9,957,475**	**(323,556)**	**11,207,620**	**529,970**	**11,737,590**
Total comprehensive income for first half								
Profit for first half	**–**	**–**	**–**	**583,628**	**–**	**583,628**	**(386)**	**583,242**
Other comprehensive income *	**–**	**–**	**126,630**	**–**	**63,999**	**190,629**	**7,401**	**198,030**
Total comprehensive income for first half	**–**	**–**	**126,630**	**583,628**	**63,999**	**774,257**	**7,015**	**781,272**
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividend paid	**–**	**–**	**–**	**(254,290)**	**–**	**(254,290)**	**–**	**(254,290)**
Share-based payment	**–**	**–**	**17,997**	**–**	**–**	**17,997**	**268**	**18,265**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(12,259)**	**(12,259)**
Shares issued	**412**	**–**	**–**	**–**	**–**	**412**	**–**	**412**
Purchase of treasury shares	**–**	**(84,116)**	**–**	**–**	**–**	**(84,116)**	**–**	**(84,116)**
Treasury shares reissued pursuant to share plans and share option scheme	**–**	**45,321**	**(40,450)**	**–**	**–**	**4,871**	**–**	**4,871**
Transfer of statutory, capital and other reserves from revenue reserves	**–**	**–**	**11,948**	**(11,948)**	**–**	**–**	**–**	**–**
Contributions to defined benefits plans	**–**	**–**	**(9)**	**–**	**–**	**(9)**	**–**	**(9)**
Other adjustments	**–**	**–**	**–**	**30**	**–**	**30**	**4,442**	**4,472**
Total contributions by and distributions to owners	**412**	**(38,795)**	**(10,514)**	**(266,208)**	**–**	**(315,105)**	**(7,549)**	**(322,654)**
Changes in ownership interests in subsidiaries								
Acquisition of additional interest in subsidiaries	**–**	**–**	**(1,605)**	**–**	**–**	**(1,605)**	**70**	**(1,535)**
Disposal of interest in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**5,554**	**5,554**
Total change in ownership interests in subsidiaries	**–**	**–**	**(1,605)**	**–**	**–**	**(1,605)**	**5,624**	**4,019**
Total transactions with owners	**412**	**(38,795)**	**(12,119)**	**(266,208)**	**–**	**(316,710)**	**(1,925)**	**(318,635)**
As at 30 June 2018	**1,291,722**	**(38,869)**	**396,976**	**10,274,895**	**(259,557)**	**11,665,167**	**535,060**	**12,200,227**

4a. Statement of changes in equity of the Group (cont'd)

	Attributable to owners of the Company							
	Share Capital $'000	Treasury Shares $'000	Capital Reserves $'000	Revenue Reserves $'000	Foreign Exchange Translation Account $'000	Share Capital & Reserves $'000	Non-controlling Interests $'000	Total Equity $'000
2018								
Total comprehensive income for third quarter								
Profit for third quarter	**–**	**–**	**–**	**225,666**	**–**	**225,666**	**1,980**	**227,646**
Other comprehensive income *	**–**	**–**	**(20,881)**	**–**	**(190,662)**	**(211,543)**	**(13,791)**	**(225,334)**
Total comprehensive income for third quarter	**–**	**–**	**(20,881)**	**225,666**	**(190,662)**	**14,123**	**(11,811)**	**2,312**
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividend paid	**–**	**–**	**–**	**(271,862)**	**–**	**(271,862)**	**–**	**(271,862)**
Share-based payment	**–**	**–**	**9,117**	**–**	**–**	**9,117**	**115**	**9,232**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(3,128)**	**(3,128)**
Purchase of treasury shares	**–**	**(6,642)**	**–**	**–**	**–**	**(6,642)**	**–**	**(6,642)**
Treasury shares reissued pursuant to share plans and share option scheme	**–**	**312**	**109**	**–**	**–**	**421**	**–**	**421**
Transfer of statutory, capital and other reserves to revenue reserves	**–**	**–**	**12,264**	**(12,264)**	**–**	**–**	**–**	**–**
Contributions to defined benefits plans	**–**	**–**	**(29)**	**–**	**–**	**(29)**	**–**	**(29)**
Total contributions by and distributions to owners	**–**	**(6,330)**	**21,461**	**(284,126)**	**–**	**(268,995)**	**(3,013)**	**(272,008)**
Changes in ownership interests in subsidiaries								
Disposal of interest in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(215,776)**	**(215,776)**
Total change in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(215,776)**	**(215,776)**
Total transactions with owners	**–**	**(6,330)**	**21,461**	**(284,126)**	**–**	**(268,995)**	**(218,789)**	**(487,784)**
As at 30 September 2018	**1,291,722**	**(45,199)**	**397,556**	**10,216,435**	**(450,219)**	**11,410,295**	**304,460**	**11,714,755**

* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

4a. Statement of changes in equity of the Group (cont'd)

	Attributable to owners of the Company							
	Share Capital $'000	Treasury Shares $'000	Capital Reserves $'000	Revenue Reserves $'000	Foreign Exchange Translation Account $'000	Share Capital & Reserves $'000	Non-controlling Interests $'000	Total Equity $'000
2017								
As at 1 January 2017	1,288,394	(15,523)	11,486	10,655,379	(280,787)	11,658,949	674,691	12,333,640
Adoption of SFRS(I) 1	–	–	–	(280,787)	280,787	–	–	–
Adoption of SFRS(I) 15	–	–	–	9,023	–	9,023	2,227	11,250
As restated at 1 January 2017	1,288,394	(15,523)	11,486	10,383,615	–	11,667,972	676,918	12,344,890
Total comprehensive income for first half								
Profit for first half	–	–	–	422,914	–	422,914	4,506	427,420
Other comprehensive income *	–	–	10,776	–	(218,217)	(207,441)	(16,652)	(224,093)
Total comprehensive income for first half	–	–	10,776	422,914	(218,217)	215,473	(12,146)	203,327
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividend paid	–	–	–	(218,117)	–	(218,117)	–	(218,117)
Share-based payment	–	–	11,645	–	–	11,645	184	11,829
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(17,798)	(17,798)
Purchase of treasury shares	–	(19,428)	–	–	–	(19,428)	–	(19,428)
Treasury shares reissued pursuant to share plans and share option scheme	–	33,275	(33,228)	–	–	47	–	47
Transfer of statutory, capital and other reserves from revenue reserves			119	(119)		–	–	–
Cash subscribed by non-controlling shareholders	–	–	–	–	–	–	77	77
Contributions to defined benefits plans	–	–	77	–	–	77	–	77
Total contributions by and distributions to owners	–	13,847	(21,387)	(218,236)	–	(225,776)	(17,537)	(243,313)
Changes in ownership interests in subsidiaries								
Acquisition of additional interest in subsidiaries	–	–	(6,869)	–	–	(6,869)	(25,790)	(32,659)
Disposal of interest in subsidiaries	–	–	–	–	–	–	(5,877)	(5,877)
Total change in ownership interests in subsidiaries	–	–	(6,869)	–	–	(6,869)	(31,667)	(38,536)
Total transactions with owners	–	13,847	(28,256)	(218,236)	–	(232,645)	(49,204)	(281,849)
As at 30 June 2017	1,288,394	(1,676)	(5,994)	10,588,293	(218,217)	11,650,800	615,568	12,266,368

4a. Statement of changes in equity of the Group (cont'd)

	Attributable to owners of the Company							
	Share Capital $'000	Treasury Shares $'000	Capital Reserves $'000	Revenue Reserves $'000	Foreign Exchange Translation Account $'000	Share Capital & Reserves $'000	Non-controlling Interests $'000	Total Equity $'000
2017								
Total comprehensive income for third quarter								
Profit for third quarter	–	–	–	265,126	–	265,126	(133)	264,993
Other comprehensive income *	–	–	162,657	–	(10,786)	151,871	4,687	156,558
Total comprehensive income for third quarter	–	–	162,657	265,126	(10,786)	416,997	4,554	421,551
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividend paid	–	–	–	(145,414)	–	(145,414)	–	(145,414)
Share-based payment	–	–	6,503	–	–	6,503	172	6,675
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(2,764)	(2,764)
Treasury shares reissued pursuant to share plans and share option scheme	–	163	(163)	–	–	–	–	–
Transfer of statutory, capital and other reserves from revenue reserves	–	–	9,496	(9,496)	–	–	–	–
Contributions to defined benefits plans	–	–	19	–	–	19	5	24
Total contributions by and distributions to owners	–	163	15,855	(154,910)	–	(138,892)	(2,587)	(141,479)
Changes in ownership interests in subsidiaries								
Acquisition of additional interest in subsidiaries	–	–	95	–	–	95	(95)	–
Total change in ownership interests in subsidiaries	–	–	95	–	–	95	(95)	–
Total transactions with owners	–	163	15,950	(154,910)	–	(138,797)	(2,682)	(141,479)
As at 30 September 2017	1,288,394	(1,513)	172,613	10,698,509	(229,003)	11,929,000	617,440	12,546,440

* Details of other comprehensive income have been included in the consolidated statement of comprehensive income.

4b. Statement of changes in equity of the Company

	Share Capital $'000	Treasury Shares $'000	Capital Reserves $'000	Revenue Reserves $'000	Total $'000
2018					
As at 1 January 2018	**1,291,310**	**(74)**	**209,506**	**6,132,150**	**7,632,892**
Profit / Total comprehensive income for first half	**–**	**–**	**–**	**640,238**	**640,238**
Transactions with owners, recognised directly in equity					
Dividend paid	**–**	**–**	**–**	**(254,290)**	**(254,290)**
Share-based payment	**–**	**–**	**16,911**	**–**	**16,911**
Shares issued	**412**	**–**	**–**	**–**	**412**
Purchase of treasury shares	**–**	**(84,116)**	**–**	**–**	**(84,116)**
Treasury shares reissued pursuant to share plans and share option scheme	**–**	**45,321**	**(40,450)**	**–**	**4,871**
Other adjustments	**–**	**–**	**–**	**30**	**30**
Total transactions with owners	**412**	**(38,795)**	**(23,539)**	**(254,260)**	**(316,182)**
As at 30 June 2018	**1,291,722**	**(38,869)**	**185,967**	**6,518,128**	**7,956,948**
Profit / Total comprehensive income for third quarter	**–**	**–**	**–**	**(18,804)**	**(18,804)**
Transactions with owners, recognised directly in equity					
Dividends paid	**–**	**–**	**–**	**(271,862)**	**(271,862)**
Share-based payment	**–**	**–**	**8,651**	**–**	**8,651**
Purchase of treasury shares	**–**	**(6,642)**	**–**	**–**	**(6,642)**
Treasury shares reissued pursuant to share plans and share option scheme	**–**	**312**	**109**	**–**	**421**
Total transactions with owners	**–**	**(6,330)**	**8,760**	**(271,862)**	**(269,432)**
As at 30 September 2018	**1,291,722**	**(45,199)**	**194,727**	**6,227,462**	**7,668,712**
2017					
As at 1 January 2017	1,288,394	(15,523)	213,116	5,133,722	6,619,709
Profit / Total comprehensive income for first half	–	–	–	1,429,731	1,429,731
Transactions with owners, recognised directly in equity					
Dividend paid	–	–	–	(218,117)	(218,117)
Share-based payment	–	–	10,899	–	10,899
Purchase of treasury shares	–	(19,428)	–	–	(19,428)
Treasury shares reissued pursuant to share Plans and share option scheme	–	33,275	(33,228)	–	47
Total transactions with owners	–	13,847	(22,329)	(218,117)	(226,599)
As at 30 June 2017	1,288,394	(1,676)	190,787	6,345,336	7,822,841
Profit / Total comprehensive income for third quarter	–	–	–	(2,321)	(2,321)
Transactions with owners, recognised directly in equity					
Dividend paid	–	–	–	(145,414)	(145,414)
Share-based payment	–	–	5,805	–	5,805
Treasury shares reissued pursuant to share plans	–	163	(163)	–	–
Total transactions with owners	–	163	5,642	(145,414)	(139,609)
As at 30 September 2017	1,288,394	(1,513)	196,429	6,197,601	7,680,911

4c. Share capital

Issued share capital and treasury shares

	Number of ordinary shares	
	Issued Share Capital	Treasury Shares
As at 1 January 2018	1,818,334,180	10,788
Issue of shares under share option scheme	60,000	–
Treasury shares transferred pursuant to share option scheme	–	(706,000)
Treasury shares transferred pursuant to restricted share plan	–	(4,611,067)
Treasury shares purchased	–	10,361,000
As at 30 June 2018	1,818,394,180	5,054,721
Treasury shares transferred pursuant to share option scheme	–	(14,500)
Treasury shares transferred pursuant to restricted share plan	–	(26,629)
Treasury shares purchased	–	939,000
As at 30 September 2018	**1,818,394,180**	**5,952,592**

Treasury shares

During the nine months ended 30 September 2018, the Company transferred 5,358,196 (30 September 2017: 4,862,464) treasury shares to employees upon vesting of shares released under the KCL Share Plans and Share Option Scheme. The Company also purchased 11,300,000 treasury shares (30 September 2017: 2,850,000) during the period. As at 30 September 2018, the number of treasury shares held by the Company represented 0.33% (30 September 2017: 0.01%) of the total number of issued shares (excluding treasury shares). Except for the transfer, there was no other sale, disposal, cancellation and/or other use of treasury shares during the nine months ended 30 September 2018.

Share options

As at 30 September 2018, there were unexercised options for 1,901,185 of unissued ordinary shares (30 September 2017: 7,344,685 ordinary shares) under the KCL Share Options Scheme. 780,500 options (30 September 2017: 15,400) and 1,398,000 options were exercised during the nine months and twelve months ended 30 September 2018 respectively. Unexercised options for 3,407,100 of unissued ordinary shares (30 September 2017: 6,665,889) and 4,045,500 of unissued ordinary shares were cancelled during the nine months and twelve months ended 30 September 2018 respectively.

KCL Performance Share Plan ("KCL PSP")

As at 30 September 2018, the number of contingent shares granted but not released were 2,895,000 (30 September 2017: 2,655,000) for KCL PSP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 4,342,500 under KCL PSP.

KCL Performance Share Plan – Transformation Incentive Plan ("KCL PSP-TIP")

As at 30 September 2018, the number of contingent shares granted but not released were 6,122,491 (30 September 2017: 7,065,000) for KCL PSP-TIP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 9,183,737 under KCL PSP-TIP.

KCL Restricted Share Plan ("KCL RSP")

There are no contingent shares granted but not released as at 30 September 2018 and 30 September 2017.

As at 30 September 2018, the number of awards released but not vested was 1,665,018 (30 September 2017: 5,224,776) for KCL RSP.

KCL Restricted Share Plan – Deferred Shares ("KCL RSP-Deferred Shares")

There are no contingent shares granted but not released as at 30 September 2018 and 30 September 2017.

As at 30 September 2018, the number of awards released but not vested was 2,643,854 (30 September 2017: Nil) for KCL RSP-Deferred Shares.

The movements in the number of shares under KCL PSP, KCL PSP-TIP, KCL RSP and KCL RSP-Deferred shares are as follows:

Contingent awards:

	Number of shares					
Date of Grant	At 1.1.18	Contingent awards granted	Adjustment upon release	Released	Cancelled	At 30.9.18
KCL PSP						
31.3.2015	405,000	–	(405,000)	–	–	–
30.7.2015	170,000	–	(170,000)	–	–	–
29.4.2016	830,000	–	–	–	(185,000)	645,000
28.4.2017	1,120,000	–	–	–	(50,000)	1,070,000
30.4.2018	–	1,180,000	–	–	–	1,180,000
	2,525,000	1,180,000	(575,000)	–	(235,000)	2,895,000
KCL PSP-TIP						
29.4.2016	4,707,491	–	–	–	(625,000)	4,082,491
28.4.2017	2,040,000	–	–	–	–	2,040,000
	6,747,491	–	–	–	(625,000)	6,122,491

Awards:

	Number of shares					
Date of Grant	At 1.1.18	Awards granted	Adjustment upon release	Released	Cancelled	At 30.9.18
KCL RSP-Deferred shares						
23.2.2018	–	4,099,369	–	(4,097,507)	(1,862)	–
	–	4,099,369	–	(4,097,507)	(1,862)	–

Awards released but not vested:

	Number of shares					
Date of Grant	At 1.1.18	Released	Vested	Cancelled	Other adjustments	At 30.9.18
KCL RSP						
31.3.2014	5,400	–	–	(1,200)	–	4,200
31.3.2015	1,359,391	–	(1,312,918)	(35,473)	–	11,000
30.7.2015	224,325	–	(223,925)	(400)	–	–
29.4.2016	3,513,249	–	(1,737,200)	(126,231)	–	1,649,818
	5,102,365	–	(3,274,043)	(163,304)	–	1,665,018
KCL RSP-Deferred shares						
23.2.2018	–	4,097,507	(1,363,653)	(90,000)	–	2,643,854
	–	4,097,507	(1,363,653)	(90,000)	–	2,643,854

4d. Capital reserves

	Group		Company	
	30.9.2018 $'000	30.9.2017 $'000	**30.9.2018 $'000**	30.9.2017 $'000
Share option and share plan reserve	**197,998**	189,175	**171,997**	165,185
Fair value reserve	**101,233**	66,955	**15,012**	–
Hedging reserve	**(7,187)**	(178,305)	**–**	–
Bonus issue by subsidiaries	**40,000**	40,000	**–**	–
Others	**65,512**	54,788	**7,718**	31,244
	397,556	172,613	**194,727**	196,429

5. CONSOLIDATED STATEMENT OF CASH FLOWS for the third quarter and nine months ended 30 September

	Note	Third Quarter		Nine Months	
		30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
		$'000	$'000	**$'000**	$'000
			Restated		Restated
OPERATING ACTIVITIES					
Operating profit		**270,389**	296,816	**995,666**	629,502
Adjustments:					
Depreciation and amortisation		**43,077**	50,524	**133,082**	163,487
Share-based payment expenses		**9,614**	6,835	**28,445**	18,447
Profit on sale of investments		**–**	(17,302)	**–**	(36,368)
Loss/(profit) on sale of fixed assets		**74**	4,286	**(1,793)**	(13,218)
Write-back of impairment of investments		**(313)**	(298)	**(939)**	(46,894)
Impairment of fixed assets		**–**	2,934	**–**	2,934
Gain on disposal of subsidiaries		**(173,732)**	(100,788)	**(598,864)**	(142,576)
Gain on disposal of associated companies		**(5,033)**	–	**(42,012)**	(43,447)
Fair value gain on investment properties		**–**	–	**(48,300)**	–
(Gain)/loss from change in interest in associated companies		**(40,227)**	1,427	**(60,777)**	4,156
Unrealised foreign exchange differences		**50,409**	(40,951)	**54,518**	(85,271)
Operational cash flow before changes in working capital		**154,258**	203,483	**459,026**	450,752
Working capital changes:					
Stocks		**63,297**	190,500	**(111,751)**	470,927
Contract assets		**(58,358)**	200,579	**498,977**	377,287
Debtors		**(30,472)**	(217,128)	**(30,925)**	(53,998)
Creditors		**(106,975)**	318,979	**(291,292)**	(105,069)
Contract liabilities		**(181,694)**	37,936	**(148,221)**	(5,432)
Investments		**(5,285)**	12,524	**(31,340)**	(4,221)
Amount due to associated companies		**28,537**	30,061	**22,885**	5,935
		(136,692)	776,934	**367,359**	1,136,181
Interest received		**43,216**	28,817	**109,726**	94,949
Interest paid		**(51,541)**	(46,292)	**(144,500)**	(145,557)
Income taxes paid, net of refunds received		**(47,586)**	(75,067)	**(168,388)**	(274,417)
Net cash (used in)/from operating activities		**(192,603)**	684,392	**164,197**	811,156
INVESTING ACTIVITIES					
Acquisition and further investment in associated companies		**(63,402)**	(89,926)	**(66,188)**	(200,638)
Acquisition of fixed assets and investment properties		**(22,791)**	(66,883)	**(153,757)**	(297,431)
Disposal of subsidiaries	5a	**405,625**	481,885	**1,067,226**	704,987
Proceeds from disposal of fixed assets		**344**	7,795	**3,382**	32,003
Proceeds from disposal of associated companies and return of capital		**158,270**	2,290	**158,860**	41,902
Advances from/to associated companies		**59,781**	(230,408)	**(179,528)**	(262,781)
Dividends received from investments and associated companies		**53,667**	120,284	**221,596**	227,509
Net cash from investing activities		**591,494**	225,037	**1,051,591**	245,551

	Note	Third Quarter		Nine Months	
		30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
		$'000	$'000	**$'000**	$'000
			Restated		Restated
FINANCING ACTIVITIES					
Acquisition of additional interest in subsidiaries		**–**	–	**(1,535)**	(32,659)
Proceeds from share options exercised with issue of treasury shares		**421**	–	**5,292**	47
Purchase of treasury shares		**(6,642)**	–	**(90,758)**	(19,428)
Proceeds from non-controlling shareholders of subsidiaries		**–**	–	**–**	77
Proceeds from share issues		**–**	–	**412**	–
Proceeds from term loans		**7,429**	599,257	**1,097,652**	1,571,932
Repayment of term loans		**(289,161)**	(783,465)	**(1,888,089)**	(1,860,280)
Dividend paid to shareholders of the Company		**(271,862)**	(145,414)	**(526,152)**	(363,531)
Dividend paid to non-controlling shareholders of subsidiaries		**(3,128)**	(2,764)	**(15,387)**	(20,562)
Net cash used in financing activities		**(562,943)**	(332,386)	**(1,418,565)**	(724,404)
Net (decrease)/increase in cash and cash equivalents		**(164,052)**	577,043	**(202,777)**	332,303
Cash and cash equivalents as at beginning of period		**2,183,955**	1,736,298	**2,241,448**	2,018,772
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(32,821)**	(1,341)	**(51,589)**	(39,075)
Cash and cash equivalents as at end of period	5b	**1,987,082**	2,312,000	**1,987,082**	2,312,000

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

5a. Disposal of subsidiaries

During the financial period, the book values of net assets of subsidiaries disposed were as follows:

	Third Quarter		Nine months	
	30.9.2018	30.9.2017	**30.9.2018**	30.9.2017
	$'000	$'000 Restated	**$'000**	$'000 Restated
Fixed assets and investment properties	**(948,763)**	(206,097)	**(952,885)**	(442,883)
Stocks	–	(235,823)	**(692,651)**	(265,621)
Debtors and other assets	**(836)**	(12,615)	**(7,939)**	(58,761)
Bank balances and cash	**(277)**	(4,347)	**(38,621)**	(15,511)
Creditors and other liabilities	**365,719**	37,553	**440,984**	57,180
Current and deferred taxation	**139,774**	1	**139,774**	8,881
Borrowings	–	–	**171,380**	80,000
Non-controlling interest	**215,776**	–	**210,166**	5,877
	(228,607)	(421,328)	**(729,792)**	(630,838)
Amount accounted for as associated company	**–**	–	**–**	4,962
Net assets disposed of	**(228,607)**	(421,328)	**(729,792)**	(625,876)
Net gain on disposal	**(173,732)**	(100,788)	**(598,864)**	(142,576)
Realisation of foreign currency translation reserve	**(3,563)**	(3,198)	**(7,331)**	8,872
Sale proceeds	**(405,902)**	(525,314)	**(1,335,987)**	(759,580)
Less: Bank balances and cash disposed	**277**	4,347	**38,621**	15,511
Less: Advanced payments received in prior year	**–**	–	**174,538**	–
Less: Deferred proceeds	**–**	39,082	**55,602**	39,082
Cash flow on disposal	**(405,625)**	(481,885)	**(1,067,226)**	(704,987)

During the nine months, significant disposal of subsidiaries relates to the sale of Keppel China Marina Holdings Pte Ltd, Keppel Township Development (Shenyang) Co. Ltd, Keppel Bay Property Development (Shenyang) Co. Ltd and Aether Limited.

Significant disposal during the prior period relates to the sale of Keppel Lakefront (Nantong) Property Development Co Ltd, sale of Wiseland Investment (Myanmar) Limited, sale of 80% interest in PT Sentral Tunjungan Perkasa, sale of Keppel DC Singapore 4, sale of 90% interest in Keppel DC Singapore 3 and the sale of Keppel Verolme.

5b. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balance with banks. Cash and cash equivalents in the consolidated statement of cash flows comprise the following balance sheet amounts:

	Group	
	30.9.2018	30.9.2017
	$'000	$'000
Bank balances, deposits and cash	**2,010,380**	2,318,761
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	**(23,298)**	(6,761)
	1,987,082	2,312,000

5c. Cash flow analysis

(i) Third Quarter

Net cash used in operating activities for the quarter was $193 million compared to net cash of $684 million from operating activities for the corresponding quarter last year. This was due mainly to working capital requirements.

Net cash from investing activities for the quarter was $591 million. Divestments and dividend income amounted to $618 million and advances from associated companies amounted to $60 million. This was partly offset by the acquisitions and capital expenditure of $86 million. The acquisitions and capital expenditure comprised principally further investment in associated companies.

Net cash used in financing activities was $563 million. This was mainly attributable to the net repayment of term loans of $282 million and the dividend of $275 million that was paid to both shareholders of the Company and non-controlling shareholders of subsidiaries during the quarter.

(ii) Nine Months

Net cash from operating activities was $164 million compared to $811 million in the prior period. This was due mainly to working capital requirements.

Net cash from investing activities was $1,052 million. Divestments and dividend income amounted to $1,451 million. This was partly offset by the acquisitions and capital expenditure as well as payments to associated companies of $399 million. The acquisitions and capital expenditure comprised principally the acquisitions of fixed assets and investment properties.

Net cash used in financing activities was $1,419 million. This was mainly attributable to the net repayment of term loans of $790 million, the dividend of $542 million that was paid to both shareholders of the Company and non-controlling shareholders of subsidiaries during the period and purchase of treasury shares during the period.

6. AUDIT

The financial statements have not been audited nor reviewed by our auditors.

7. AUDITORS' REPORT

Not applicable.

8. ACCOUNTING POLICIES

Except as disclosed in paragraph 9 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2017.

9. CHANGES IN THE ACCOUNTING POLICIES

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its financial information under SFRS(I)s for the third quarter and nine months ended 30 September 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group's opening balance sheet under SFRS(I)s has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I)s.

a) Application of SFRS(I) 1

The Group has elected for the optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition at 1 January 2017. As a result, cumulative translation losses of $280,787,000 was reclassified from foreign exchange translation account to revenue reserves as at 1 January 2017.

After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition. Consequently, the gains on disposal of subsidiaries and associated companies in the third quarter and nine months ended 30 September 2017 were restated. As at 31 December 2017, cumulative translation losses of $302,453,000 was reclassified from foreign exchange translation account to revenue reserves.

The Group has presented share of taxation of associated companies under share of results of associated companies instead of taxation.

b) Adoption of SFRS(I)s

The following SFRS(I)s, and amendments and interpretations of SFRS(I)s that are relevant to the Group and the Company are effective on or after the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 16 *Leases*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The adoption of these SFRS(I)s, amendments and interpretations of SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

i) Adoption of SFRS(I) 15

SFRS(I) 15 is effective for financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively.

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Following the presentation requirements in SFRS(I) 15, the Group has presented contract assets separately from stocks. In addition, the Group has equity accounted for associated companies' impact arising from the application of SFRS(I) 15.

ii) Adoption of SFRS(I) 9

SFRS(I) 9 is effective for financial years beginning on or after 1 January 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of FRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017.

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation.

1) Classification and measurement

The Group has assessed the business models for managing the financial assets and the contractual cash flow characteristics of the financial assets to determine the appropriate classification for each financial asset under SFRS(I) 9.

As a result, certain balance sheet items and reserves were adjusted as at 1 January 2018.

2) Impairment of financial assets

Financial assets are subject to expected credit loss impairment model under SFRS(I) 9. As a result, debtors and revenue reserves as at 1 January 2018 were adjusted.

Impact on the comparatives for the Third Quarter and Nine Months ended 30 September 2018 Financial Statements

The financial effect of adopting SFRS(I)s is as follows:

Group Profit and Loss Account		Third Quarter 30.9.2017 $'000	Nine Months 30.9.2017 $'000
Decrease in other operating income		(27,273)	(20,474)
Decrease in operating profit		(27,273)	(20,474)
Decrease in share of results of associated companies		(4,380)	(71,845)
Decrease in taxation		5,096	68,097
Decrease in profit for the period		(26,557)	(24,222)
Attributable to:			
Shareholders of the Company		(26,699)	(24,429)
Non-controlling interests		142	207
		(26,557)	(24,222)
Decrease in basic EPS		(1.4) cts	(1.3) cts
Decrease in diluted EPS		(1.4) cts	(1.3) cts

Group Balance Sheets	01.01.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Increase in associated companies	–	12,525	11,250
Decrease in investments	(24,067)	–	–
Decrease in long term assets	(185,692)	–	–
Decrease in stocks	–	(3,016,914)	(3,480,237)
Increase in contract assets	–	3,016,914	3,480,237
Decrease in debtors	(25,610)	–	–
(Decrease)/Increase in net assets	(235,369)	12,525	11,250
Increase in capital reserves	1,058	–	–
Decrease in revenue reserves	(236,172)	(292,407)	(271,764)
Increase in foreign exchange translation account	–	302,453	280,787
(Decrease)/Increase in non-controlling interests	(255)	2,479	2,227
(Decrease)/Increase in total equity	(235,369)	12,525	11,250

10. REVIEW OF GROUP PERFORMANCE

(i) Third Quarter

Group revenue for 3Q 2018 of $1,295 million was $322 million or 20% below that of 3Q 2017. Revenue from the Offshore & Marine Division increased by $36 million to $416 million due mainly to higher revenue recognition from ongoing projects. Revenue from the Property Division declined by $366 million to $180 million due mainly to lower revenue from Singapore, China and Vietnam property trading. The Infrastructure Division's revenue grew by $48 million to $674 million as a result of increased sales in the power and gas businesses, partly offset by lower progressive revenue recognition from the Keppel Marina East Desalination Plant project. Revenue from the Investments Division decreased by $40 million to $25 million due mainly to the absence of sale of investments as well as lower revenue from the asset management business.

Group pre-tax profit for 3Q 2018 decreased by $8 million or 2% to $323 million. The Offshore & Marine Division's pre-tax profit was $10 million as compared to pre-tax loss of $0.4 million in the third quarter of 2017. This was mainly due to higher operating results and net interest income in 3Q 2018 as compared to net interest expense in the same period last year. The positive variance was partly offset by share of associated companies' losses as compared to share of associated companies' profits in the corresponding quarter in 2017. Pre-tax profit of the Property Division increased by $8 million to $233 million due mainly to the gain from divestment of the stake in Aether Limited, partly offset by lower contribution from China and Vietnam property trading. For the third quarter of 2017, the Property Division's pre-tax profit also included the gain from divestment of the stake in Wiseland Investment (Myanmar) Limited as well as en-bloc sale of development project (Keppel Lakefront (Nantong) Property Development Co Ltd). Pre-tax profit of the Infrastructure Division increased by $14 million to $60 million due mainly to the gain arising from the sale of stake in Keppel DC REIT and higher contribution from Infrastructure Services, partly offset by lower contribution from Energy Infrastructure and Environmental Infrastructure as well as lower share of profits from Keppel Infrastructure Trust. The Investments Division's pre-tax profit decreased by $40 million to $20 million due mainly to the absence of profit from sale of investments and absence of contribution from k1 Ventures. The negative variance was partly offset by the share of profit from Sino-Singapore Tianjin Eco-City.

Tax expenses increased by $28 million due mainly to higher taxable profits. Non-controlling interests were $3 million higher than those of 3Q 2017. After taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders for 3Q 2018 was $226 million, 15% lower than the same quarter in the previous year.

(ii) Nine months

Group net profit attributable to shareholders was $809 million, an increase of 18% over the same period in 2017. Earnings per share increased correspondingly by 18% to 44.6 cents. Annualised return on equity was 9.3% and Economic Value Added was $384 million.

Group revenue of $4,288 million for the nine months ended 30 September 2018 was $131 million or 3% lower than that of the corresponding period in 2017. Revenue from the Offshore & Marine Division of $1,355 million was $43 million above the same period in 2017 due mainly to revenue recognition in relation to the jackup rigs sold to Borr Drilling Limited, partly offset by lower volume of work. Major jobs completed and delivered in 2018 include two jackup rigs, a gas carrier refurbishment, a FPSO conversion, a RORO conversion and two dual-fuel LNG tugs. Revenue from the Property Division declined by $383 million to $967 million due mainly to lower revenue from Singapore, China and Vietnam property trading. Revenue from the Infrastructure Division grew by $271 million to $1,885 million as a result of increased sales in the power and gas businesses, partly offset by lower progressive revenue recognition from the Keppel Marina East Desalination Plant project. Revenue from the Investments Division decreased by $62 million to $81 million due mainly to the absence of sale of investments and lower revenue from the asset management business.

Group pre-tax profit was $1,034 million, $199 million or 24% above the same period in 2017. The Offshore & Marine Division's pre-tax loss was $16 million as compared to pre-tax profit of $13 million in 2017. This was mainly due to lower operating results, share of associated companies' losses as compared to share of associated companies' profits in 2017 as well as the absence of gain from divestment of Keppel Verolme, partly offset by lower net interest expense. Pre-tax profit from the Property Division increased by $472 million to $931 million due mainly to en-bloc sales of development projects (Keppel China Marina Holdings Pte Ltd, Keppel Bay Property Development (Shenyang) Co. Ltd., Keppel Township Development (Shenyang) Co. Ltd. and Quoc Loc Phat Joint Stock Company), gain from divestment of the stake in Aether Limited and fair value gain on Nassim Woods which has been re-designated for redevelopment for sale. The positive variance was partly offset by lower contribution from China and Vietnam property trading, and lower share of associated companies' profits. Pre-tax profit of the Infrastructure Division was $134 million, $16 million above the same period in 2017. This was mainly due to dilution gain following Keppel DC REIT's private placement exercise, the gain arising from the sale of stake in Keppel DC REIT, as well as higher contribution from Environmental Infrastructure and Infrastructure Services, partly offset by lower contribution from Energy Infrastructure, lower share of profits from Keppel Infrastructure Trust, and absence of gain from divestment of GE Keppel Energy Services Pte Ltd. Pre-tax loss of the Investments Division was $15 million as compared to pre-tax profit of $245 million in 2017. This was mainly due to lower land sales in the Sino-Singapore Tianjin Eco-City and lower contribution from the asset management business. In the nine months of 2017, the Investments Division also benefited from the share of profit from k1 Ventures, write-back of provision for impairment of investment, and profit from sale of investments.

Taxation expenses increased by $80 million due mainly to higher taxable profits. Non-controlling interests were $2 million lower than the corresponding period in 2017. Taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders was $809 million, an increase of $121 million from $688 million last year. The Property Division was the largest contributor to the Group's net profit with a 95% share, followed by the Infrastructure Division's 15% while the Offshore & Marine Division and Investments Division contributed negative 5% and negative 5% to the Group's net profit respectively.

11. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

12. PROSPECTS

The Offshore & Marine Division's net order book, excluding the Sete rigs, stands at $4.4 billion. The Division will continue to focus on delivering its projects well, exploring new markets and opportunities, investing in R&D and building new capabilities to position itself for the upturn. The Division is also actively capturing opportunities in production assets, specialised vessels, gas solutions, floating infrastructure and offshore renewables, as well as exploring ways to re-purpose its technology in the offshore industry for other uses.

The Property Division sold about 3,180 homes in the first nine months of 2018, comprising about 150 in Singapore, 1,830 in China, 200 in Vietnam, 230 in Indonesia and 740 in India. Keppel REIT's office buildings in Singapore and Australia maintained a high portfolio committed occupancy rate of 98% as at 30 September 2018. The Division will remain focused on strengthening its presence in its core and growth markets, while seeking opportunities to unlock value and recycle capital.

In the Infrastructure Division, Keppel Infrastructure will continue to build on its core competencies in energy and environment-related infrastructure as well as infrastructure services businesses to pursue promising growth areas. Keppel Telecommunications & Transportation will continue to develop its data centre business locally and overseas. Besides building complementary capabilities in the growing e-commerce business, it plans to transform the logistics business from an asset-heavy business to a high performing asset-light service provider in urban logistics.

In the Investments Division, Keppel Capital will continue to allow the Group to more effectively recycle capital and expand its capital base with co-investments, giving the Group greater capacity to seize opportunities for growth. Keppel Capital will also create value for investors and grow the Group's asset management business.

The newly established Keppel Urban Solutions will harness opportunities as an integrated master developer of smart, sustainable precincts, starting with Saigon Sports City in Ho Chi Minh City, while the Sino-Singapore Tianjin Eco-City Investment and Development Company Ltd will continue the development of the Eco-City, including selling further land parcels.

Recently, the Group announced a strategic initiative to gain majority control of M1 Limited (M1), in collaboration with Singapore Press Holdings Limited, via a Pre-Conditional Voluntary General Offer in order to drive business changes in M1 that will enable M1 to compete more effectively in the telecommunications industry. The initiative complements the Group's mission as a solutions provider for sustainable urbanisation, which includes connectivity. M1 can serve as a digital platform and connectivity partner to complement and augment the Group's current suite of solutions, and at the same time benefit from harnessing the synergies of the Group. In addition, Keppel Corporation and Keppel Telecommunications & Transportation are jointly proposing a Scheme of Arrangement to also provide Keppel Telecommunications & Transportation's minority shareholders with a cash exit at a compelling premium over the current share price. The proposed Scheme is consistent with the Group's strategy to simplify the group corporate structure, with a view to improving capital allocation and better aligning Keppel Telecommunications & Transportation's interests with the rest of the Keppel Group's.

The Group will continue to execute its multi-business strategy, capturing value by harnessing its core strengths and growing collaboration across divisions to unleash potential synergies, while being agile and investing in the future.

13. DIVIDEND

13a. Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?
No

13b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
No

13c. Date Payable

Not applicable.

13d. Books Closure Date

Not applicable

13e. If no dividend has been declared/recommended, a statement to that effect.

No dividend is declared for the quarter ended 30 September 2018.

Total cash distribution paid to shareholders in 2018 amounted to 29.0 cents per share. A tax exempt one-tier final cash dividend of 14.0 cents per share in respect of the year ended 31 December 2017 was paid on 10 May 2018 and a tax exempt one-tier interim cash dividend of 10.0 cents per share and a tax exempt one-tier special cash dividend of 5.0 cents per share in respect of the first half year ended 30 June 2018 was paid on 7 August 2018.

14. SEGMENT ANALYSIS

Nine months ended 30 September 2018

	Offshore & Marine $'000	Property $'000	Infra-structure $'000	Invest-ments $'000	Elimination $'000	Total $'000
Revenue						
External sales	**1,354,963**	**967,021**	**1,884,882**	**81,548**	**–**	**4,288,414**
Inter-segment sales	**–**	**5,127**	**17,266**	**50,856**	**(73,249)**	**–**
Total	**1,354,963**	**972,148**	**1,902,148**	**132,404**	**(73,249)**	**4,288,414**
Segment Results						
Operating profit	**20,159**	**867,997**	**95,613**	**10,608**	**1,289**	**995,666**
Investment income	**546**	**349**	**1,120**	**2,290**	**–**	**4,305**
Interest income	**53,200**	**37,515**	**40,873**	**224,266**	**(225,186)**	**130,668**
Interest expenses	**(89,659)**	**(53,413)**	**(12,008)**	**(213,317)**	**223,897**	**(144,500)**
Share of results of associated companies	**(345)**	**78,625**	**8,866**	**(38,816)**	**–**	**48,330**
(Loss)/profit before tax	**(16,099)**	**931,073**	**134,464**	**(14,969)**	**–**	**1,034,469**
Taxation	**(23,567)**	**(174,493)**	**(7,391)**	**(18,130)**	**–**	**(223,581)**
(Loss)/profit for the period	**(39,666)**	**756,580**	**127,073**	**(33,099)**	**–**	**810,888**
Attributable to:						
Shareholders of Company	**(37,994)**	**763,984**	**121,503**	**(38,199)**	**–**	**809,294**
Non-controlling interests	**(1,672)**	**(7,404)**	**5,570**	**5,100**	**–**	**1,594**
	(39,666)	**756,580**	**127,073**	**(33,099)**	**–**	**810,888**
Other Information						
Segment assets	**7,757,821**	**13,415,357**	**3,807,342**	**7,909,241**	**(7,291,108)**	**25,598,653**
Segment liabilities	**5,280,412**	**5,375,428**	**2,073,928**	**8,445,238**	**(7,291,108)**	**13,883,898**
Net assets	**2,477,409**	**8,039,929**	**1,733,414**	**(535,997)**	**–**	**11,714,755**
Investment in associated companies	**707,057**	**2,904,925**	**1,020,198**	**1,268,404**	**–**	**5,900,584**
Additions to non-current assets	**74,395**	**130,854**	**26,736**	**4,151**	**–**	**236,136**
Depreciation and amortisation	**73,566**	**23,798**	**33,514**	**2,204**	**–**	**133,082**
Impairment loss/(Write-back of impairment loss)	**807**	**(22,226)**	**(930)**	**–**	**–**	**(22,349)**

Geographical Information

	Singapore $'000	China $'000	Brazil $'000	Far East & Other ASEAN Countries $'000	Other Countries $'000	Elimination $'000	Total $'000
External sales	**3,184,590**	**550,282**	**212,733**	**178,640**	**162,169**	**–**	**4,288,414**
Non-current assets	**5,780,706**	**2,458,888**	**202,571**	**1,450,530**	**901,202**	**–**	**10,793,897**

Nine months ended 30 September 2017 (Restated)

	Offshore & Marine $'000	Property $'000	Infra-structure $'000	Invest-ments $'000	Elimination $'000	Total $'000
Revenue						
External sales	1,312,152	1,350,514	1,613,725	142,680	–	4,419,071
Inter-segment sales	479	4,680	16,267	46,089	(67,515)	–
Total	1,312,631	1,355,194	1,629,992	188,769	(67,515)	4,419,071
Segment Results						
Operating profit	48,314	365,977	85,087	127,045	3,079	629,502
Investment income	670	12,153	–	2,898	–	15,721
Interest income	31,751	28,125	34,671	199,671	(199,269)	94,949
Interest expenses	(96,034)	(52,461)	(12,138)	(181,114)	196,190	(145,557)
Share of results of associated companies	28,103	105,659	10,164	96,574	–	240,500
Profit before tax	12,804	459,453	117,784	245,074	–	835,115
Taxation	(14,519)	(102,133)	(15,544)	(10,506)	–	(142,702)
(Loss)/profit for the period	(1,715)	357,320	102,240	234,568	–	692,413
Attributable to:						
Shareholders of Company	11,283	363,129	97,104	216,524	–	688,040
Non-controlling interests	(12,998)	(5,809)	5,136	18,044	–	4,373
	(1,715)	357,320	102,240	234,568	–	692,413
Other Information						
Segment assets	9,873,666	14,807,542	3,402,651	7,267,015	(6,921,008)	28,429,866
Segment liabilities	7,790,130	6,910,125	1,841,213	6,262,966	(6,921,008)	15,883,426
Net assets	2,083,536	7,897,417	1,561,438	1,004,049	–	12,546,440
Investment in associated companies	598,518	2,860,309	1,058,145	1,253,056	–	5,770,028
Additions to non-current assets	86,834	312,240	219,478	62,802	–	681,354
Depreciation and amortisation	100,294	28,891	32,810	1,492	–	163,487
Impairment loss/(write-back of impairment loss)	159	–	2,043	(46,000)	–	(43,798)

Geographical Information

	Singapore $'000	China $'000	Brazil $'000	Far East & Other ASEAN Countries $'000	Other Countries $'000	Elimination $'000	Total $'000
External sales	2,825,862	645,154	376,371	355,325	216,359	–	4,419,071
Non-current assets	5,984,900	3,278,031	270,790	1,418,116	764,895	–	11,716,732

Note:

(a) The Group is organised into business units based on their products and services, and has four reportable operating segments: Offshore & Marine, Property, Infrastructure and Investments. Investments consist mainly of the Group's investments in fund management, M1 Limited, KrisEnergy Limited, k1 Ventures Limited, Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited and equities.

(b) Pricing of inter-segment goods and services is at fair market value.

(c) For the nine months ended 30 September 2018 and 30 September 2017, other than Singapore and China, no single country accounted for 10% or more of the Group's revenue.

(d) Revenue of $521,135,000 is derived from a single external customer and is attributable to the Infrastructure Division for the nine months ended 30 September 2018. No single external customer accounted for 10% or more of the Group's revenue for the nine months ended 30 September 2017.

15. REVIEW OF SEGMENT PERFORMANCE

15a. Revenue by Segments

Group revenue of $4,288 million was $131 million or 3% lower than the corresponding period in 2017. Revenue from the Offshore & Marine Division of $1,355 million was $43 million above the same period in 2017 due mainly to revenue recognition in relation to the jackup rigs sold to Borr Drilling Limited, partly offset by lower volume of work. The Property Division saw its revenue decrease by 28% to $967 million due mainly to lower revenue from Singapore, China and Vietnam property trading. Revenue from the Infrastructure Division grew by $271 million to $1,885 million as a result of increased sales in the power and gas businesses, partly offset by lower progressive revenue recognition from the Keppel Marina East Desalination Plant project. Revenue from the Investments Division decreased by $62 million to $81 million due mainly to the absence of sale of investments and lower revenue from the asset management business.

15b. Net profit by Segments

Group net profit of $809 million was $121 million or 18% higher than that of corresponding period in 2017. The Offshore & Marine Division's loss was $38 million as compared to net profit of $11 million in 2017. This was mainly due to lower operating results, share of associated companies' losses as compared to share of associated companies' profits in 2017 as well as the absence of gain from divestment of Keppel Verolme, partly offset by lower net interest expense. Profit from the Property Division increased by $401 million to $764 million due mainly to en-bloc sales of development projects, gain from divestment of the stake in Aether Limited and fair value gain on Nassim Woods which has been re-designated for redevelopment for sale. The positive variance was partly offset by lower contribution from China and Vietnam property trading, and lower share of associated companies' profits. Profit of the Infrastructure Division was $121 million, $24 million above the same period in 2017. This was mainly due to dilution gain following Keppel DC REIT's private placement, the gain arising from the sale of stake in Keppel DC REIT, as well as higher contribution from Environmental Infrastructure and Infrastructure Services, partly offset by lower contribution from Energy Infrastructure, lower share of profits from Keppel Infrastructure Trust, and absence of gain from divestment of GE Keppel Energy Services Pte Ltd. Loss of the Investments Division was $38 million as compared to profit of $217 million in 2017. This was mainly due to lower land sales in the Sino-Singapore Tianjin Eco-City and lower contribution from the asset management business. In the nine months of 2017, the Investments Division also benefited from the share of profit from k1 Ventures, write-back of provision for impairment of investment, and profit from sale of investments. The Property Division was the largest contributor to Group net profit with 95% share, followed by the Infrastructure Division at 15%, while the Offshore & Marine Division and the Investments Division contributed negative 5% and negative 5% respectively.

15c. Revenue by Geographical Segments

Revenue from Singapore of $3,185 million was $359 million higher than that of corresponding period in 2017, due largely to higher revenue from the Infrastructure Division and the Offshore & Marine Division.

16. INTERESTED PERSON TRANSACTIONS

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 20 April 2018. During the financial period, the following interested person transactions were entered into by the Group:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual. (excluding transactions less than $100,000)	
	Nine Months 30.9.2018 $'000	Nine Months 30.9.2017 $'000	**Nine Months 30.9.2018 $'000**	Nine Months 30.9.2017 $'000
Transaction for the Sale of Goods and Services				
CapitaLand Group	**–**	–	**–**	165,000
PSA International Group	**–**	–	**77**	5,061
SATS Group	**–**	–	**–**	24,400
SembCorp Marine Group	**–**	–	**2,202**	1,783
Singapore Power Group	**–**	–	**451**	2,657
Singapore Technologies Engineering Group	**–**	–	**233**	180
Transaction for the Purchase of Goods and Services				
CapitaMalls Asia Group	**–**	–	**–**	254
Certis CISCO Security Group	**–**	–	**525**	691
Mapletree Investments Group	**–**	–	**–**	1,020
Pavilion Gas Pte Ltd	**–**	–	**52,000**	51,000
PSA International Group	**–**	–	**182**	179
Singapore Power Group	**–**	–	**43**	348
Singapore Technologies Engineering Group	**–**	–	**350**	3,289
Singapore Telecommunications Group	**–**	–	**–**	39
SMRT Corporation Group	**–**	–	**209**	–
Temasek Holdings Group (other than the above)	**–**	–	**351**	419
Total Interested Person Transactions	**–**	–	**56,623**	256,320

17. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

CAROLINE CHANG/LEON NG
Company Secretaries

18 October 2018

CONFIRMATION BY THE BOARD

We, LEE BOON YANG and LOH CHIN HUA, being two directors of Keppel Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the third quarter 2018 financial statements to be false or misleading in any material respect.

On behalf of the board of directors

LEE BOON YANG
Chairman

LOH CHIN HUA
Chief Executive Officer

Singapore, 18 October 2018