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MEDIA RELEASE

Keppel Corporation Limited Unaudited Results for the Second Quarter and Half Year Ended 30 June 2014

Singapore, 24 July 2014 – The Directors of Keppel Corporation Limited advise the following unaudited results of the Group for the Second Quarter and Half Year ended 30 June 2014.

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This media release is also available at www.kepcorp.com.

KEPPEL CORPORATION LIMITED

SECOND QUARTER & FIRST HALF 2014 REPORT CARD

1. 2Q 2014 Net Profit up 17% to S\$406 million, compared to 2Q 2013's S\$347 million.
2. 1H 2014 Net Profit up 6% to S\$745 million, compared to 1H 2013's S\$704 million.
3. Earnings per Share of 41.0 cents, up 5% from 1H 2013's 39.0 cents.
4. Annualised Return on Equity of 14.3%.
5. 1H 2014 Economic Value Added decreased to S\$341 million from S\$404 million YoY.
6. Cash outflow of S\$785 million.
7. Net gearing of 0.22x.
8. Interim cash dividend of 12.0 cents per share.

KEPPEL CORPORATION LIMITED

Co. Reg. No. 196800351N

(Incorporated in the Republic of Singapore)

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Address by Mr Loh Chin Hua, Chief Executive Officer, Keppel Corporation Limited

SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014

Welcome

1. A very good evening to all of you. On behalf of my colleagues, a warm welcome to this conference and webcast on our results and performance in the Second Quarter and First Half of 2014.

Global Recovery

2. Thus far, the global economy seems to be navigating through this period of change quite well. The US and European economies appear to be on track in their recoveries, although the former is probably in a stronger position.

3. Recently, there was a sell off in a Portuguese bank, Banco Espirito Santo which triggered concerns that the European recovery, especially in those countries that had needed bailout, would somehow be derailed. Although the problems at Banco Espirito Santo and its holding company appear to be company specific, the market nervousness shows that the recovery in Europe is still frail and tentative.

4. Closer to home, there are still some concerns that the slowing Chinese economy may be headed for a hard landing despite some evidence to the contrary. Abe's economic revival plan for Japan appears on track, and has been well received by the market. Janet Yellen's recent announcement that the US Federal Reserve does not see short term capital market exuberance as a potential threat to the financial system, and the signal that the easy monetary policy would be maintained to counteract a slowdown from the Fed's tapering, gave the market much cheer.

5. The global economy has performed reasonably well and the markets have reacted favourably thus far. Goldilock's porridge has been served just right by the policy makers – neither too hot nor too cold. That said, considerable risks still exist to derail this happy confluence of market, economy and policies. Tensions in various hotspots such as Ukraine, Syria, Iraq, Iran, and the South China Sea threaten to boil over. We have to make our plans on the basis that the global economy is on a firmer footing for modest growth with policy makers making the right decisions, whilst keeping a watchful eye on what could potentially flare up to change this reasonably favourable outlook.

Performance Highlights

6. Against this backdrop, our business divisions continued to build on their operational strengths, contributing positively to a net profit of S\$406 million in the second quarter of 2014, or a 17% growth year-on-year.

7. On a half yearly basis, net profit rose to S\$745 million in 2014, almost 6% above the same period in 2013. Annualised ROE was 14.3% while EVA was S\$341 million for the period.

8. To reward shareholders, the Board of Directors has approved an interim distribution of 12.0 cents per share for the first half of 2014.

Business Updates

9. Despite some uncertainties in the global economy, we remain confident of the long-term fundamentals in our key businesses and industries.

Offshore & Marine

10. In recent years, global oil consumption growth has exceeded production by a wide margin, aggravated by declining oil fields worldwide and supply disruptions from major oil-producing countries particularly in the Middle East and North Africa. As macroeconomic conditions improve, global oil demand growth is set to rise by about 1.2 million barrels per day in 2014 and another 1.4 million barrels per day in 2015.

11. Hovering at above US\$100 a barrel over the last three years, Brent oil price has been high but remarkably stable, and continues to support global exploration and production (E&P) spending. In spite of what we believe to be a temporary, selective pullback by some oil majors, global E&P spending is forecast to grow by 6% to US\$712 billion this year, and will further improve in 2015 with increasing investments by national oil companies.

12. Amidst concerns of capital expenditure cutbacks and softening day rates particularly in the ultra deepwater sector, we continue to experience good enquiries for jackups and semisubmersibles in addition to other offshore vessels in our suite of proprietary offerings.

13. In the first half of 2014, Keppel Offshore & Marine secured S\$3.2 billion worth of new contracts. Among these are our first Floating LNG (FLNG) vessel conversion project from Golar LNG and five newbuild jackup rigs including the first KFELS N Plus jackup for China. We also partnered the Seafox Group on a study to develop one of the world's first plug and abandonment jackups with accommodation for subsea fields reaching the end of their productive lives.

14. We are heartened that returning customers as well as new customers across the world continue to place their confidence in Keppel's proven track record for safe, on-time and on-budget deliveries, and ability to provide the best value proposition to them. As at end-June 2014, our net orderbook stood at S\$14.1 billion, with a healthy spread of offshore and marine projects, spanning newbuild jackups and semis, FPSO and FLNG vessel conversions, as well as other construction, upgrading and repair work.

Updates on Projects for Sete Brasil

15. Our yards are executing well. The first three DSSTM38E semis that we are building for Sete Brasil are progressing efficiently and on schedule. To date, we have achieved 70% completion on the first unit, which arrived at our yard in Brazil earlier this year. The second semi is now over 30% completed and is scheduled to depart Singapore for Brazil in the fourth quarter of this year. Meanwhile, the third unit is in initial stages of construction.

16. Brazilian projects contributed nearly a fifth of the Offshore & Marine Division's revenue in the first half of 2014. Excluding gains from the sale of Keppel Kazakhstan in February this year, Offshore & Marine operating margins continued to hold up at 14.5% for the first six months of 2014, registering a year-on-year improvement from 14.1% for the same period in 2013.

17. To Keppel, the bottom line is just as, if not more important, than the top line. We continue to be prudent in selecting projects that we are confident of executing well and earning the best risk-adjusted returns.

18. Our ability to manage and execute complex projects innovatively and with precision across various locations was made possible through sustained investments to improve the skills and productivity of our global yards. We stand committed to our *Near Market, Near Customer* strategy and delivering on our promises wherever we plant the Keppel flag.

Breaking New Ground

19. Towards the end of the second quarter, we clinched a highly-anticipated contract to convert a first-of-its-kind FLNG vessel for Golar LNG, worth US\$735 million. This was the fruition of a year-long Front-End Engineering and Design study in partnership with our trend-setting and longtime customer, for whom we have already successfully converted the world's first three Floating Storage and Re-gasification Units (FSRUs).

20. Natural gas markets are slowly transforming on the back of the shale gas "revolution" in the US and the increasing integration of fragmented regional markets, supported by the rapid expansion of LNG. The global FLNG industry is expected to attract more than US\$65 billion of investments from now through to 2020, driven by rising costs of onshore LNG terminals. Asia-Pacific, in particular, is expected to draw a

majority of investments in the FLNG sector with its sizeable line-up of regasification and liquefaction projects.

21. As the FLNG market expands, we see opportunities for Keppel to offer safe, reliable and cost-effective solutions catering to the small and mid-sized LNG segments. Keppel Offshore & Marine Technology Centre has developed its own solutions for LNG liquefaction and transfer to facilitate the production of stranded or associated gas at remote offshore locations. Our established track record of having completed over a hundred complex FPSO, FSO and FSRU conversion projects, coupled with a growing pool of in-house FLNG expertise, puts us in good stead to offer quality solutions to some of the challenges faced by the offshore LNG industry.

Infrastructure

22. Prevalent urbanisation trends, especially in the emerging economies that will continue to provide the bulk of global growth, underpin our long term commitment to develop our businesses in energy-related infrastructure, data centres and logistics solutions and services.

23. As we hone our strengths and develop new areas for growth in the Infrastructure Division, we remain focused on completing our EPC projects in Qatar and the UK. The Doha North Sewage Treatment Works is going through its testing and commissioning phase, and is ready to take in sewage. Meanwhile, Phase 1 of the Greater Manchester Energy-from-Waste Plant is on track for completion this year, after a successful first burn as part of its commissioning process.

24. In Singapore, demand for data centre space remains strong. Keppel Datahub 2, the first newbuilt data centre to achieve the BCA-IDA Green Mark Platinum Award, was completed in the second quarter of this year. Offering over 6,000 square metres of quality data centre space, Keppel Datahub 2, will enable Keppel Telecommunications & Transportation (Keppel T&T) to cater to the expansion needs of its clients while harnessing greater economies of scale. Following its first intake of clients, the new data centre is enjoying good occupancy, and continues to receive strong enquiries from the market.

25. Keppel T&T's logistics projects in Singapore and Asia are also shaping up well and will soon augment our offerings of high-quality, reliable logistics solutions in Asia-Pacific. The Tampines Logistics Hub in Singapore, the Integrated Distribution Centre in Tianjin Eco-City, China, as well as the third party logistics distribution centre in Vietnam will be completed by the end of this year. We expect progressive contributions from these regional projects as they come on stream.

26. With eyes on the future, we will continue to nurture the fledgling businesses of our Infrastructure Division, investing prudently and taking thoughtful risks for growth. We will examine our value chains holistically to determine where the profit pools are, and for niches where we can add value consistently.

Property

27. On the back of policy headwinds, home transactions in Singapore and China continued to slide for the second quarter of this year. In June, Singapore's home sales fell 68% from 1,488 units sold in May, as developers held back on projects launches amid cooling demand. Although home sales have dropped, prices remained relatively stable. The Singapore Government has expressed no intention to roll back the property cooling measures any time soon.

28. A slowing property sector, which makes up over 15% of China's GDP, continues to put the country's 2014 growth target of 7.5% at risk. Beijing has been steadily broadening the scope and depth of its assistance, through a partial lifting of some of the restrictions on property financing and reported moves by some local governments to ease home buying restrictions.

29. The softening property market is also opening up prospects that may not otherwise be available in more normal market conditions. We will position ourselves to seize opportunities with agility, building our pipeline of residential and commercial developments whilst recycling capital for better returns.

30. In the first six months of 2014, our Property Division sold 1,300 homes in Asia. Keppel Land will continue to monitor the markets closely to launch new residential projects across the region such as Highline Residences in Tiong Bahru and Hillcrest Villas in Chengdu.

31. In the commercial sector, Grade A offices in the Marina Bay area continue to command strong rentals and occupancy. Marina Bay Financial Centre, Tower 3 is about 96% committed with a good line-up of tenants from diverse sectors.

Unlocking Value and Recycling Capital

32. We will continue to actively recycle capital for higher returns, and weigh all available opportunities so as to maximise value from our investments. In the second quarter, the Property Division divested several projects in Singapore and India.

33. Keppel REIT optimised its portfolio with the sale of its 92.8% interest in Prudential Tower for S\$512 million. Keppel Land and Alpha collectively divested their stakes in Equity Plaza for a total cash consideration of S\$550 million. Proceeds from the sales of the two prime commercial buildings in Singapore will provide the Property Division with greater financial flexibility to pursue other higher-yielding projects.

34. In line with its asset recycling efforts, Keppel Land also divested its 37.7% stake in the Elita Garden Vista project in Kolkata, India. Strengthening its foothold in Indonesia, Keppel Land acquired a prime residential site along the Outer Ring Road in West Jakarta which will yield about 3,000 homes and ancillary shophouses targeted at middle-income homebuyers. Riding on improving sentiments in the Vietnamese residential market, Keppel Land seized the opportunity to raise its effective stake in

Phases 2 and 3 of The Estella, a quality residential project in Ho Chi Minh City, which has been doing well for the company.

35. Looking ahead, the rest of 2014 is still expected to be somewhat challenging. However, I am confident that Keppel will be able to ride the improving global economy and market sentiments as we continue to configure the sum of our parts into an optimal whole, seizing opportunities with prudent financial discipline and rigorous innovation to create platforms for sustainable growth and value creation.

36. I shall now let our CFO, Hon Chew take you through a review of the Group's financial performance.

Thank you.

KEPPEL CORPORATION LIMITED

Second Quarter 2014 Financial Statements and Dividend Announcement

UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the second quarter and half year ended 30 June 2014.

1. GROUP PROFIT AND LOSS ACCOUNT for the second quarter and half year ended 30 June

	Note	Second Quarter			Half Year		
		30.6.2014 \$'000	30.6.2013 \$'000	+/- %	30.6.2014 \$'000	30.6.2013 \$'000	+/- %
Revenue		3,176,446	3,075,872	+3.3	6,172,945	5,834,607	+5.8
Materials & subcontract costs	(i)	(2,148,916)	(2,158,343)	-0.4	(4,202,856)	(4,105,022)	+2.4
Staff costs	(ii)	(447,209)	(372,925)	+19.9	(832,874)	(716,607)	+16.2
Depreciation & amortisation		(65,403)	(59,344)	+10.2	(128,319)	(113,361)	+13.2
Other operating expenses	(iii)	(47,643)	(61,959)	-23.1	(126,774)	(79,700)	+59.1
Operating profit		467,275	423,301	+10.4	882,122	819,917	+7.6
Investment income		845	319	+164.9	1,654	3,079	-46.3
Interest income		32,268	37,275	-13.4	68,147	72,123	-5.5
Interest expenses	(iv)	(28,737)	(33,807)	-15.0	(54,475)	(69,026)	-21.1
Share of results of associated companies	(v)	121,598	92,505	+31.5	187,475	189,389	-1.0
Profit before tax		593,249	519,593	+14.2	1,084,923	1,015,482	+6.8
Taxation	(1b)	(123,805)	(96,909)	+27.8	(220,913)	(168,854)	+30.8
Profit for the period		469,444	422,684	+11.1	864,010	846,628	+2.1
Attributable to:							
Shareholders of the Company		406,030	346,849	+17.1	744,712	703,833	+5.8
Non-controlling interests		63,414	75,835	-16.4	119,298	142,795	-16.5
		469,444	422,684	+11.1	864,010	846,628	+2.1
Earnings per ordinary share							
- basic		22.3 cts	19.2 cts	+16.1	41.0 cts	39.0 cts	+5.1
- diluted		22.1 cts	19.0 cts	+16.3	40.6 cts	38.6 cts	+5.2

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

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

	Note	Second Quarter			Half Year		
		30.6.2014 \$'000	30.6.2013 \$'000	+/- %	30.6.2014 \$'000	30.6.2013 \$'000	+/- %
Share-based payment expenses	(vi)	23,688	8,619	+174.8	32,697	15,828	+106.6
Profit on sale of fixed assets		(146)	(505)	-71.1	(1,150)	(2,283)	-49.6
(Write-back)/provision on stocks & work-in-progress		(825)	39	NM	(1,274)	(122)	>500.0
Stocks written off		56	13	+330.8	34	61	-44.3
Fair value (gain)/loss							
- Investments	(vii)	(8,521)	7,562	NM	(2,997)	(8,376)	-64.2
- Forward contracts	(viii)	4,503	8,147	-44.7	8,895	11,762	-24.4
- Financial derivatives		(189)	(721)	-73.8	(990)	(2,083)	-52.5
Foreign exchange loss/(gain)	(ix)	2,922	(4,726)	NM	(2,590)	(20,900)	-87.6
Gain on disposal of subsidiaries	(x)	-	-	NM	(6,924)	-	NM
Write-back of provision for restructuring of operations and others	(xi)	-	(1,004)	NM	-	(26,831)	NM
Write-back of impairment of associated companies	(xii)	(20,934)	-	NM	(21,674)	-	NM

NM – Not Meaningful

Note:

- (i) Materials & subcontract costs increased for the half year ended 30 June 2014 mainly as a result of higher revenue from the Offshore & Marine and Property Divisions.
- (ii) Staff costs increased due mainly to higher manpower cost in the Offshore & Marine Division, partly offset by lower costs in the Property Division.
- (iii) Higher other operating expenses for the half year ended 30 June 2014 was due mainly to higher share-based payment expenses (Note (vi)), lower foreign exchange gain in the current period (Note (ix)), lower fair value gain on investment (Note (vii)) and the write-back of provision for restructuring of operations and others in the previous period (Note (xi)), partially offset by the gain on disposal of subsidiaries (Note (x)) and the write-back of impairment of associated companies (Note (xii)).
- (iv) Interest expenses decreased mainly as a result of lower borrowings and the deconsolidation of Keppel REIT on 31 August 2013.
- (v) Share of profits of associated companies for the half year ended 30 June 2014 was lower due mainly to lower contribution from associated companies in the Offshore & Marine Division, partially offset by higher contribution from the Property Division.
- (vi) Increase in share-based payment expenses is due to higher cost incurred for KCL restricted share plan and performance share plan.
- (vii) Fair value gain (mark-to-market) for the half year on investment portfolio held for trading was due to increase in stock prices.
- (viii) Hedging differential on forward exchange contracts was due to elapse of time and fluctuations in interest rates.
- (ix) Foreign exchange gain mainly arose from the revaluation of assets denominated in United States dollar, as a result of appreciation of United States dollar against Brazilian Real.
- (x) Gain on disposal of subsidiaries in the current period arose mainly from the sale of entire interest in Berich Enterprises Limited.

- (xi) The write-back in the previous period was mainly in relation to the reversal of provision following the finalisation of the sales of the power barge in the Infrastructure Division.
- (xii) The write-back in the current period was in relation to the write-back of impairment of associated companies in the Infrastructure and Investments Divisions.
- 1b. Taxation expenses were higher because of higher profit from operations in countries with higher tax rates and higher tax write-back in the previous period.
- 1c. Earnings per ordinary share

	Second Quarter			Half Year		
	30.6.2014	30.6.2013	+/--%	30.6.2014	30.6.2013	+/--%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-						
(i) Based on weighted average number of shares	22.3 cts	19.2 cts	+16.1	41.0 cts	39.0 cts	+5.1
- Weighted average number of shares ('000)	1,814,752	1,805,089	+0.5	1,814,752	1,805,089	+0.5
(ii) On a fully diluted basis	22.1 cts	19.0 cts	+16.3	40.6 cts	38.6 cts	+5.2
- Adjusted weighted average number of shares ('000)	1,832,713	1,823,464	+0.5	1,832,713	1,823,464	+0.5

- 1d. There was no extraordinary item during the period.

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the second quarter and half year ended 30 June

	Second Quarter			Half Year		
	30.6.2014 \$'000	30.6.2013 \$'000	+/- %	30.6.2014 \$'000	30.6.2013 \$'000	+/- %
Profit for the period	469,444	422,684	+11.1	864,010	846,628	+2.1
Items that may be reclassified subsequently to profit & loss account:						
Available-for-sale assets						
- Fair value changes arising during the period	(i) 19,063	(14,866)	NM	(2,307)	17,818	NM
- Realised and transferred to profit & loss account	(ii) (2,986)	8	NM	(9,141)	8	NM
Cash flow hedges						
- Fair value changes arising during the period, net of tax	(iii) 105,790	5,671	>500.0	60,039	(173,124)	NM
- Realised and transferred to profit & loss account	(iv) (11,087)	941	NM	(12,287)	11,308	NM
Foreign exchange translation						
- Exchange differences arising during the period	(v) (97,811)	(64,010)	+52.8	(88,467)	104,049	NM
- Realised and transferred to profit & loss account	(1,136)	–	NM	(1,131)	–	NM
Share of other comprehensive income of associated companies						
- Available-for-sale assets	(482)	208	NM	(841)	2,961	NM
- Cash flow hedges	6,398	289	>500.0	5,087	718	>500.0
- Foreign exchange translation	9,120	6,846	+33.2	15,158	19,502	-22.3
Other comprehensive income for the period, net of tax	26,869	(64,913)	NM	(33,890)	(16,760)	+102.2
Total comprehensive income for the period	496,313	357,771	+38.7	830,120	829,868	+0.0
Attributable to:						
Shareholders of the Company	480,781	293,864	+63.6	753,792	646,556	+16.6
Non-controlling interests	15,532	63,907	-75.7	76,328	183,312	-58.4
	496,313	357,771	+38.7	830,120	829,868	+0.0

NM – Not Meaningful

Note:

- (i) Fair value changes was attributable to movements in quoted prices of available-for-sale assets.
- (ii) These represented fair value changes on available-for-sale assets, which were transferred to profit & loss account upon realisation.
- (iii) Fair value differences were due mainly to the hedging differential on forward exchange contracts, which were largely entered to hedge exposures against United States dollar. The fair value gain was as a result of the hedge rate being higher than the spot rate.
- (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 half year 2014 and 2Q 2014 arose largely from weakening of foreign currencies against the Singapore dollar, such as United States dollar, Renminbi and Euro.

The translation gains for half year 2013 arose largely from strengthening of foreign currencies, such as United States dollar, Renminbi and Euro against the Singapore dollar. The translation losses for 2Q 2013 arose largely from weakening of Brazilian Real and Australian dollar against the Singapore dollar.

3. BALANCE SHEETS as at 30 June

	Group		Company	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
	\$'000	\$'000	\$'000	\$'000
Share capital	1,278,764	1,205,877	1,278,764	1,205,877
Reserves	8,687,503	8,495,304	4,733,377	4,489,022
Share capital & reserves	9,966,267	9,701,181	6,012,141	5,694,899
Non-controlling interests	3,946,188	3,987,682	–	–
Capital employed	13,912,455	13,688,863	6,012,141	5,694,899
Represented by:				
Fixed assets	3,931,274	3,798,279	795	882
Investment properties	1,737,860	2,187,858	–	–
Subsidiaries	–	–	5,083,567	5,094,452
Associated companies	5,545,284	5,482,173	–	–
Investments	315,821	264,745	–	–
Long term assets	274,428	278,917	291	218
Intangibles	86,738	86,240	–	–
	11,891,405	12,098,212	5,084,653	5,095,552
Current assets				
Stocks & work-in-progress				
in excess of related billings	9,375,573	8,994,726	–	–
Asset classified as held for sale	454,712	–	–	–
Amounts due from:				
- subsidiaries	–	–	3,773,113	3,465,513
- associated companies	705,853	1,037,206	612	9,430
Debtors	2,861,329	1,915,747	49,884	33,804
Short term investments	446,283	445,073	–	–
Bank balances, deposits & cash	4,128,820	5,564,656	1,491	2,466
	17,972,570	17,957,408	3,825,100	3,511,213
Current liabilities				
Creditors	5,001,061	5,409,197	214,508	275,189
Billings on work-in-progress				
in excess of related costs	2,582,708	2,714,983	–	–
Provisions	152,267	163,603	–	–
Amounts due to:				
- subsidiaries	–	–	948,972	951,328
- associated companies	168,798	71,699	–	3
Term loans	877,378	516,665	217,198	160,838
Taxation	394,326	465,387	16,934	19,575
Bank overdrafts	439	473	–	–
	9,176,977	9,342,007	1,397,612	1,406,933
Net current assets	8,795,593	8,615,401	2,427,488	2,104,280
Non-current liabilities				
Term loans	6,304,038	6,582,861	1,500,000	1,500,000
Deferred taxation	470,505	441,889	–	4,933
	6,774,543	7,024,750	1,500,000	1,504,933
Net assets	13,912,455	13,688,863	6,012,141	5,694,899
<i>Group net debt</i>	3,053,035	1,535,343	<i>n.a.</i>	<i>n.a.</i>
<i>Group net gearing ratio</i>	0.22x	0.11x	<i>n.a.</i>	<i>n.a.</i>

NOTES TO BALANCE SHEETS

3a. Group's borrowings and debt securities

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

As at 30.6.2014		As at 31.12.2013	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
98,659	779,158	198,619	318,519

(ii) Amount repayable after one year

As at 30.6.2014		As at 31.12.2013	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
715,805	5,588,233	741,725	5,841,136

(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 \$2,256,873,000 (31 December 2013: \$2,895,304,000) to banks for loan facilities.

3b. Net asset value

	Group			Company		
	30.6.2014	31.12.2013	+/-%	30.6.2014	31.12.2013	+/-%
Net asset value per ordinary share *	\$5.49	\$5.37	+2.2	\$3.31	\$3.15	+5.1
Net tangible asset per ordinary share *	\$5.44	\$5.32	+2.3	\$3.31	\$3.15	+5.1

* Based on share capital of 1,816,496,499 ordinary shares as at the end of the period (31 December 2013: 1,807,970,459 ordinary shares).

3c. Balance sheet analysis

Group shareholders' funds increased from \$9.70 billion at 31 December 2013 to \$9.97 billion at 30 June 2014. The increase was mainly attributable to fair value gain on cash flow hedges and retained profits for the period, partially offset by payment of final dividend of 30.0 cents per share in respect of financial year 2013 and foreign exchange translation losses.

Group total assets of \$29.86 billion at 30 June 2014 were \$0.20 billion lower than the previous year end. Decrease in non-current assets was partially offset by increase in current assets. Decrease in non-current assets were mainly due to reclassification of Equity Plaza as asset classified as held for sale partially offset by capital expenditure for the expansion of Keppel Merlimau Cogen plant, construction of logistics warehouses, fit-out of data centres and other operational capex. Increase in associated companies is largely due to further investments in existing companies and share of associated companies' profit, partly offset by dividends received from associated companies. The divestment of Equity Plaza is expected to be completed by 3Q2014.

Group total liabilities of \$15.95 billion at 30 June 2014 were \$0.42 billion lower than the previous year end. This is largely attributable to the lower creditors from the Offshore & Marine and Infrastructure Divisions, as well as work performed on projects where billings were in excess of related costs in the Offshore & Marine Division.

Group net debt at 30 June 2014 was \$3.05 billion as compared to group net debt of \$1.54 billion at 31 December 2013. This was due mainly to capital expenditure and operational working capital requirement.

4. STATEMENTS OF CHANGES IN EQUITY for the second quarter and half year ended 30 June

4a. Statement of changes in equity of the Group

	Attributable to owners of the Company						
	Share Capital \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	Capital Employed \$'000
2014							
As at 1 January	1,205,877	500,753	8,301,117	(306,566)	9,701,181	3,987,682	13,688,863
Total comprehensive income for first quarter							
Profit for first quarter	-	-	338,682	-	338,682	55,884	394,566
Other comprehensive income *	-	(75,720)	-	10,049	(65,671)	4,912	(60,759)
Total comprehensive income for first quarter	-	(75,720)	338,682	10,049	273,011	60,796	333,807
Transactions with owners, recognised directly in equity							
<u>Contributions by and distributions to owners</u>							
Share-based payment	-	8,643	-	-	8,643	421	9,064
Dividend paid to non-controlling shareholders	-	-	-	-	-	(5,092)	(5,092)
Cash subscribed by non-controlling shareholders	-	-	-	-	-	228	228
Shares issued	58,518	(46,720)	-	-	11,798	-	11,798
Other adjustments	-	-	10	-	10	-	10
Total contributions by and distributions to owners	58,518	(38,077)	10	-	20,451	(4,443)	16,008
<u>Changes in ownership interests in subsidiaries</u>							
Acquisition of subsidiaries	-	-	-	-	-	3,737	3,737
Acquisition of additional interest in a subsidiary	-	(2,053)	-	-	(2,053)	(1,707)	(3,760)
Disposal of interest in subsidiaries	-	-	-	-	-	(5,806)	(5,806)
Total change in ownership interests in subsidiaries	-	(2,053)	-	-	(2,053)	(3,776)	(5,829)
Total transactions with owners	58,518	(40,130)	10	-	18,398	(8,219)	10,179
As at 31 March	1,264,395	384,903	8,639,809	(296,517)	9,992,590	4,040,259	14,032,849
Total comprehensive income for second quarter							
Profit for second quarter	-	-	406,030	-	406,030	63,414	469,444
Other comprehensive income *	-	116,633	-	(41,882)	74,751	(47,882)	26,869
Total comprehensive income for second quarter	-	116,633	406,030	(41,882)	480,781	15,532	496,313

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

	Attributable to owners of the Company						
	Share	Capital	Revenue	Foreign	Share	Non-	Capital
	<u>Capital</u>	<u>Reserves</u>	<u>Reserves</u>	<u>Exchange</u>	<u>Capital &</u>	<u>controlling</u>	<u>Employed</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2014							
Transactions with owners, recognised directly in equity							
<u>Contributions by and distributions to owners</u>							
Dividends paid	–	–	(544,887)	–	(544,887)	–	(544,887)
Share-based payment	–	23,193	–	–	23,193	483	23,676
Dividend paid to non-controlling shareholders	–	–	–	–	–	(114,990)	(114,990)
Cash subscribed by non-controlling shareholders	–	–	–	–	–	4,904	4,904
Shares issued	14,369	221	–	–	14,590	–	14,590
Total contributions by and distributions to owners	14,369	23,414	(544,887)	–	(507,104)	(109,603)	(616,707)
As at 30 June	1,278,764	524,950	8,500,952	(338,399)	9,966,267	3,946,188	13,912,455

* 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	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	Capital Employed \$'000
2013							
As at 1 January	1,123,590	682,263	7,815,216	(375,117)	9,245,952	4,332,174	13,578,126
Total comprehensive income for first quarter							
Profit for first quarter	—	—	356,984	—	356,984	66,960	423,944
Other comprehensive income *	—	(133,758)	—	129,466	(4,292)	52,445	48,153
Total comprehensive income for first quarter	—	(133,758)	356,984	129,466	352,692	119,405	472,097
Transactions with owners, recognised directly in equity							
<u>Contributions by and distributions to owners</u>							
Share-based payment	—	7,216	—	—	7,216	(191)	7,025
Dividend paid to non-controlling shareholders	—	—	—	—	—	(23,755)	(23,755)
Cash subscribed by non-controlling shareholders	—	—	—	—	—	55,208	55,208
Shares issued	58,853	(42,231)	—	—	16,622	—	16,622
Total contributions by and distributions to owners	58,853	(35,015)	—	—	23,838	31,262	55,100
<u>Changes in ownership interests in subsidiaries</u>							
Disposal of interest in a subsidiary company without loss of control	—	—	(1,599)	—	(1,599)	101,349	99,750
Total change in ownership interests in subsidiaries	—	—	(1,599)	—	(1,599)	101,349	99,750
Total transactions with owners	58,853	(35,015)	(1,599)	—	22,239	132,611	154,850
As at 31 March	1,182,443	513,490	8,170,601	(245,651)	9,620,883	4,584,190	14,205,073
Total comprehensive income for second quarter							
Profit for second quarter	—	—	346,849	—	346,849	75,835	422,684
Other comprehensive income *	—	(9,703)	—	(43,282)	(52,985)	(11,928)	(64,913)
Total comprehensive income for second quarter	—	(9,703)	346,849	(43,282)	293,864	63,907	357,771
Transactions with owners, recognised directly in equity							
<u>Contributions by and distributions to owners</u>							
Dividends paid	—	—	(1,004,446)	—	(1,004,446)	—	(1,004,446)
Share-based payment	—	7,751	—	—	7,751	603	8,354
Transfer of statutory, capital and other reserves to revenue reserves	—	—	5,710	(5,710)	—	—	—
Dividend paid to non-controlling shareholders	—	—	—	—	—	(102,915)	(102,915)
Cash subscribed by non-controlling shareholders	—	—	—	—	—	10,272	10,272
Shares issued	17,776	(73)	—	—	17,703	—	17,703
Total contributions by and distributions to owners	17,776	7,678	(998,736)	(5,710)	(978,992)	(92,040)	(1,071,032)

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

	Attributable to owners of the Company						
	Share Capital \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	Capital Employed \$'000
2013							
<u>Changes in ownership interests in subsidiaries</u>							
Disposal of interest in a subsidiary company without loss of control	—	—	60,370	—	60,370	732,073	792,443
Total change in ownership interests in subsidiaries	—	—	60,370	—	60,370	732,073	792,443
Total transactions with owners	17,776	7,678	(938,366)	(5,710)	(918,622)	640,033	(278,589)
As at 30 June	1,200,219	511,465	7,579,084	(294,643)	8,996,125	5,288,130	14,284,255

* 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	Capital Reserves \$'000	Revenue Reserves \$'000	Total \$'000
2014				
As at 1 January	1,205,877	188,432	4,300,590	5,694,899
Profit / Total comprehensive income for first quarter	-	-	11,911	11,911
Transactions with owners, recognised directly in equity				
Share-based payment	-	7,884	-	7,884
Shares issued	58,518	(46,720)	-	11,798
Other adjustments	-	-	10	10
Total transactions with owners	58,518	(38,836)	10	19,692
As at 31 March	1,264,395	149,596	4,312,511	5,726,502
Profit / Total comprehensive income for second quarter	-	-	793,540	793,540
Transactions with owners, recognised directly in equity				
Dividend paid	-	-	(544,887)	(544,887)
Share-based payment	-	22,396	-	22,396
Shares issued	14,369	221	-	14,590
Total transactions with owners	14,369	22,617	(544,887)	(507,901)
As at 30 June	1,278,764	172,213	4,561,164	6,012,141
2013				
As at 1 January	1,123,590	180,396	4,401,538	5,705,524
Profit / Total comprehensive income for first quarter	-	-	74,307	74,307
Transactions with owners, recognised directly in equity				
Share-based payment	-	7,407	-	7,407
Shares issued	58,853	(42,231)	-	16,622
Total transactions with owners	58,853	(34,824)	-	24,029
As at 31 March	1,182,443	145,572	4,475,845	5,803,860
Profit / Total comprehensive income for second quarter	-	-	736,538	736,538
Transactions with owners, recognised directly in equity				
Dividend paid	-	-	(1,004,446)	(1,004,446)
Share-based payment	-	6,923	-	6,923
Shares issued	17,776	(73)	-	17,703
Total transactions with owners	17,776	6,850	(1,004,446)	(979,820)
As at 30 June	1,200,219	152,422	4,207,937	5,560,578

4c. Share capital

Issued share capital and treasury shares

	Number of shares
As at 1 January 2014	1,807,970,459
Issue of shares under share option scheme	1,822,641
Issue of shares under restricted share plan and performance share plan	<u>4,754,474</u>
As at 31 March 2014	1,814,547,574
Issue of shares under share option scheme	1,931,670
Issue of shares under restricted share plan	<u>17,255</u>
As at 30 June 2014	<u>1,816,496,499</u>

As at 30 June 2014, the Company is not holding any treasury shares (30 June 2013: Nil). No sales, transfers, disposal, cancellation and/or use of treasury shares took place during the half year ended 30 June 2014.

Share options

As at 30 June 2014, there were unexercised options for 20,809,604 of unissued ordinary shares (30 June 2013: 25,655,065 ordinary shares) under the KCL Share Options Scheme. 268,400 unexercised options were cancelled in the six months ended 30 June 2014 (30 June 2013: 28,600).

KCL Performance Share Plan ("KCL PSP")

As at 30 June 2014, the number of contingent shares granted but not released were 1,748,725 (30 June 2013: 2,284,198) 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 2,623,088 under KCL PSP.

KCL Restricted Share Plan ("KCL RSP")

As at 30 June 2014, the number of contingent shares granted but not released were 4,727,386 (30 June 2013: 4,402,053). Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could be zero or 4,727,386 under KCL RSP.

As at 30 June 2014, the number of awards released but not vested was 4,149,329 (30 June 2013: 4,076,450) for KCL RSP.

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

Contingent awards:

Date of Grant	Number of shares						At 30.6.14
	At 1.1.14	Contingent awards granted	Adjustment upon release	Released	Cancelled	Other adjustments	
<u>KCL PSP</u>							
30.6.2011	662,550	–	(26,450)	(636,100)	–	–	–
29.6.2012	634,798	–	–	–	(18,192)	–	616,606
28.3.2013	603,985	–	–	–	(49,266)	–	554,719
31.3.2014	–	577,400	–	–	–	–	577,400
	1,901,333	577,400	(26,450)	(636,100)	(67,458)	–	1,748,725
<u>KCL RSP</u>							
28.3.2013	4,383,491	–	–	(4,309,301)	(74,190)	–	–
31.3.2014	–	4,750,386	–	–	(23,000)	–	4,727,386
	4,383,491	4,750,386	–	(4,309,301)	(97,190)	–	4,727,386

Awards released but not vested:

Awards released but not vested.						
	Number of shares					
Date of Grant	At 1.1.14	Released	Vested	Cancelled	Other adjustments	At 30.6.14
<u>KCL PSP</u>						
30.6.2011	–	636,100	(636,100)	–	–	–
	–	636,100	(636,100)	–	–	–
<u>KCL RSP</u>						
30.6.2011	1,333,933	–	(1,324,202)	(9,731)	–	–
29.6.2012	2,706,683	–	(1,359,281)	(29,020)	–	1,318,382
28.3.2013	–	4,309,301	(1,452,146)	(26,208)	–	2,830,947
	4,040,616	4,309,301	(4,135,629)	(64,959)	–	4,149,329

4d. Capital reserves

	Group		Company	
	30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Share option and share plan reserve	191,823	170,819	172,213	152,422
Fair value reserve	178,894	201,352	–	–
Hedging reserve	55,340	41,395	–	–
Bonus issue by subsidiaries	40,000	40,000	–	–
Others	58,893	57,899	–	–
	<u>524,950</u>	<u>511,465</u>	<u>172,213</u>	<u>152,422</u>

5. CONSOLIDATED STATEMENT OF CASH FLOWS
for the second quarter and half year ended 30 June

	Note	Second Quarter		Half Year	
		30.6.2014	30.6.2013	30.6.2014	30.6.2013
		\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Operating profit		467,275	423,301	882,122	819,917
Adjustments:					
Depreciation and amortisation		65,403	59,344	128,319	113,361
Share-based payment expenses		23,688	8,619	32,697	15,828
Profit on sale of fixed assets		(146)	(505)	(1,150)	(2,283)
Gain on disposal of subsidiaries		–	–	(6,924)	–
Write-back of provision for restructuring of operations and others		–	(1,004)	–	(26,831)
Write-back of impairment of associated companies		(20,934)	–	(21,674)	–
Operational cash flow before changes in working capital		535,286	489,755	1,013,390	919,992
Working capital changes:					
Stocks & work-in-progress		92,924	64,320	(513,103)	(219,232)
Debtors		(982,087)	(796,238)	(936,596)	(1,072,186)
Creditors		97,408	(35,584)	(251,339)	(188,653)
Investments		(37,828)	19,839	(63,705)	(56,336)
Advances to associated companies		172,769	35,317	378,608	46,778
Translation of foreign subsidiaries		(35,022)	31,732	(65,655)	28,270
		(156,550)	(190,859)	(438,400)	(541,367)
Interest received		32,268	42,246	68,147	81,657
Interest paid		(28,737)	(38,778)	(54,475)	(78,560)
Income taxes paid, net of refunds received		(152,461)	(289,921)	(216,953)	(356,918)
Net cash used in operating activities		(305,480)	(477,312)	(641,681)	(895,188)
INVESTING ACTIVITIES					
Acquisition of subsidiaries	5a	(102,805)	(44,461)	(144,229)	(44,461)
Acquisition of additional interest in a subsidiary		–	–	(3,760)	–
Acquisition and further investment in associated companies		(13,744)	(61,774)	(26,003)	(288,443)
Acquisition of fixed assets and investment properties		(156,236)	(204,385)	(273,582)	(342,610)
Disposal of subsidiaries	5b	18,840	–	37,793	–
Proceeds from disposal of fixed assets		(95)	20,219	5,986	35,439
Return of capital from associated companies		2,000	–	2,000	–
Dividends received from investments and associated companies		109,110	59,270	168,836	94,461
Net cash used in investing activities		(142,930)	(231,131)	(232,959)	(545,614)
FINANCING ACTIVITIES					
Proceeds from share issues		14,590	17,703	26,388	34,325
Proceeds from non-controlling shareholders of subsidiaries		4,904	10,272	5,132	65,480
Proceeds from disposal of interest in a subsidiary	5c	–	275,796	–	375,546
Proceeds from term loans		340,259	1,028,728	427,302	1,785,729
Repayment of term loans		(264,457)	(178,119)	(347,826)	(455,050)
Dividend paid to shareholders of the Company		(544,887)	(487,771)	(544,887)	(487,771)
Dividend paid to non-controlling shareholders of subsidiaries		(114,990)	(102,915)	(120,082)	(126,670)
Net cash (used in)/from financing activities		(564,581)	563,694	(553,973)	1,191,589
Net decrease in cash and cash equivalents		(1,012,991)	(144,749)	(1,428,613)	(249,213)
Cash and cash equivalents as at beginning of period		5,170,800	4,054,695	5,564,183	4,055,176
Effects of exchange rate changes on the balance of cash held in foreign currencies		(29,428)	(43,974)	(7,189)	60,009
Cash and cash equivalents as at end of period	5d	4,128,381	3,865,972	4,128,381	3,865,972

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

5a. Acquisition of subsidiaries

During the financial period, the fair values of the net assets of subsidiaries acquired were as follows:

	Second Quarter		Half Year	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	\$'000	\$'000	\$'000	\$'000
Fixed assets	–	24	5,929	24
Investment properties	–	133,420	–	133,420
Investment in associated company	14	–	14	–
Debtors and other assets	4,409	75	11,905	75
Bank balances and cash	75	3,037	792	3,037
Creditors	(111)	(4,683)	(4,338)	(4,683)
Shareholders' loans	–	(2,000)	–	(2,000)
Borrowings	–	(38,000)	(2,414)	(38,000)
Current and deferred taxation	(10)	(877)	(96)	(877)
Total net identifiable assets at fair value	4,377	90,996	11,792	90,996
Non-controlling interests measured at non-controlling interests' proportionate share of the net assets	–	–	(3,737)	–
Amount previously accounted for as an associated company	–	(45,498)	(3,887)	(45,498)
Fair value gain on remeasurement of previously held equity interests in subsidiaries acquired	–	–	(219)	–
Goodwill arising from acquisition	–	–	1,472	–
Payment of deferred consideration for prior year's acquisition of a subsidiary	98,503	–	139,600	–
Assumption of shareholders' loans	–	2,000	–	2,000
Total purchase consideration	102,880	47,498	145,021	47,498
Less: Bank balances and cash acquired	(75)	(3,037)	(792)	(3,037)
Cash flow on acquisition	102,805	44,461	144,229	44,461

Significant acquisition of subsidiaries during the six months of the year mainly relates to acquisition of additional interest in Indo-Trans Keppel Logistics Vietnam Co., Ltd, from 40% to 51%.

During the six months in the prior year, the Group acquired the remaining 50% interest in Parksville Development Pte Ltd.

5b. Disposal of subsidiaries

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

	Second Quarter		Half Year	
	30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Fixed assets	–	–	(731)	–
Investment in associated company	–	–	(26,980)	–
Debtors and other assets	–	–	(17,621)	–
Bank balances and cash	–	–	(40)	–
Creditors and other liabilities	–	–	928	–
Current and deferred taxation	–	–	9,652	–
Non-controlling interest deconsolidated	–	–	5,806	–
	–	–	(28,986)	–
Amount accounted for as associated company	–	–	50,722	–
Amount accounted for as amount due to associated company	–	–	(52,645)	–
Net assets disposed of	–	–	(30,909)	–
Net profit on disposal	–	–	(6,924)	–
Sale proceeds	–	–	(37,833)	–
Less: Deferred proceeds received	(18,840)	–	–	–
Less: Bank balances and cash disposed	–	–	40	–
Cash flow on disposal	(18,840)	–	(37,793)	–

Significant disposals during the six months of the year include the sale of entire interest in Berich Enterprises Limited.

5c. Disposal of interest in a subsidiary

During the six months in the prior year, the Group disposed partially its interest in Keppel REIT.

5d. Cash and cash equivalents

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

	Second Quarter		Half Year	
	30.6.2014 \$'000	30.6.2013 \$'000	30.6.2014 \$'000	30.6.2013 \$'000
Bank balances, deposits and cash	4,128,820	3,865,972	4,128,820	3,865,972
Bank overdrafts	(439)	–	(439)	–
	4,128,381	3,865,972	4,128,381	3,865,972

5e. Cash flow analysis

(i) Second Quarter

Net cash used in operating activities for the quarter was \$305 million compared to \$477 million for the corresponding quarter last year. This was mainly due to higher operational cash inflow and lower cash outflow from working capital requirements.

Net cash used in investment activities for the quarter was \$143 million. The Group spent \$273 million on acquisitions and operational capex. This comprised principally payment of deferred consideration of prior year's acquisition of a subsidiary and capital expenditure for the expansion of Keppel Merlimau Cogen plant, fit-out of data centres and other operational capex. Divestment and dividend income totalled \$128 million.

Net cash used in financing activities was \$565 million. The net proceeds from loans of \$76 million were \$775 million lower due to lower increase in bank borrowings and repayments of loans.

(ii) Half Year

Net cash used in operating activities was \$642 million, \$253 million lower than that in the previous period. This was due mainly to higher operating profit in the current period and lower working capital requirements.

Net cash used in investment activities was \$233 million. The Group spent \$448 million on acquisitions and operational capex. This comprised principally acquisition of additional interest in Indo-Trans Keppel Logistics Vietnam Co. Ltd, further investment in associated companies, capital expenditure for the expansion of Keppel Merlimau Cogen plant, construction of logistics warehouses, fit-out of data centres and other operational capex. Divestment and dividend income totaled \$213 million, mainly attributable to the sale of entire interest in Berich Enterprises Limited.

Net cash used in financing activities was \$554 million. The net proceeds from loans of \$79 million were \$1.25 billion lower due to lower increase in bank borrowings and repayments of loans.

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 2013.

9. CHANGES IN THE ACCOUNTING POLICIES

The Group adopted the new/revised FRS that are effective for annual periods beginning on or after 1 January 2014. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

The following are the new or amended FRS that are relevant to the Group:

Revised FRS 27	Separate Financial Statements
Revised FRS 28	Investments in Associates and Joint Ventures
FRS 110	Consolidated Financial Statements
FRS 111	Joint Arrangements
FRS 112	Disclosure of Interests in Other Entities
Amendments to FRS 32	Offsetting of Financial Assets and Financial Liabilities

The adoption of the above amended FRS did not have any significant impact on the financial statements of the Group.

10. REVIEW OF GROUP PERFORMANCE

(i) Second Quarter

The Group revenue for 2Q2014 of \$3,177 million was \$101 million or 3% above that of 2Q2013. Revenue from the Offshore & Marine Division increased by \$244 million to \$2,062 million owing to higher revenue recognition from ongoing projects. The Infrastructure Division's revenue was lower by \$89 million to \$761 million resulting from a drop in revenue from Keppel Infrastructure's power generation plant partly offset by stronger contribution from Keppel Telecommunications & Transportation's logistics business. Revenue contribution from the Property Division decreased by \$52 million to \$348 million mainly from a decline in Singapore and China sales during the current quarter as well as the deconsolidation of Keppel REIT on 31 August 2013.

Second quarter Group pre-tax profit grew by \$74 million or 14% from \$519 million to \$593 million. The Offshore & Marine Division's pre-tax profit level improved by \$45 million to \$345 million attributable to higher operating results and interest income partially offset by a drop in share of associated companies' profit. Pre-tax earnings of both Infrastructure and Property Divisions of \$49 million and \$160 million respectively for 2Q2014 are comparable to that of 2Q2013. The Investments Division's profit is higher at \$39 million compared to \$11 million for the same quarter in 2013 mainly due to a sale of investments during the second quarter of 2014.

Tax expenses increased by \$27 million because of rise in taxable profits from countries with higher tax rates in the current quarter. Non-controlling interests fell by \$12 million mainly from a partial disposal of Keppel REIT in 2013. After taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders for 2Q2014 was \$406 million, 17% above the same quarter in the previous year. Earnings per share was 22.3 cents.

(ii) Half Year

Group net profit for the half year ended 30 June 2014 was \$745 million compared to \$704 million for the same period in 2013. Earnings per share rose by 5% to 41.0 cents. Annualised return on equity was 14.3% and Economic Value Added was \$341 million compared to \$404 million in the previous period.

Group revenue of \$6,173 million for the six months to-date was \$338 million or 6% above that of the corresponding period in 2013. Progress from ongoing projects contributed to the Offshore & Marine Division's revenue growth by \$461 million to \$3,981 million. Major jobs completed in the half year include two jack-up rigs, two FPSO upgrades and an FPSO conversion. The Infrastructure Division's revenue contracted by \$110 million to \$1,497 million as a result of a decrease in revenue from Keppel Infrastructure's power generation plant partially offset by revenue growth from Keppel Infrastructure's EPC projects and Keppel Telecommunications & Transportation's logistics business. The Property Division's revenue declined by \$21 million to \$677 million mainly due to lower sales in Singapore and impact from the deconsolidation of Keppel REIT on 31 August 2013 partly offset by an improvement in China sales.

At the pre-tax level, there was an upswing in Group profit of \$70 million or 7% to \$1,085 million from that of the corresponding period in 2013. The Offshore & Marine Division reported a rise in pre-tax profit of \$77 million to \$649 million. Better operating results and higher interest income were partially offset by a drop in share of associated companies' profit. Excluding the reversal of provision in 2013 following the finalisation of the sale of the power barges, the Infrastructure Division's profit of \$95 million for the current half year is comparable to the same half year in 2013. Profit from the Property Division of \$291 million is comparable to that for the corresponding half year in 2013. The Investments Division's profit went up by \$15 million to \$50 million from a sale of investments during the second quarter of 2014.

Tax expenses increased by \$52 million mainly due to higher taxable profits from countries with higher tax rates as well as a lower tax write-back in the current period. Non-controlling interests decreased by \$23 million mainly as a consequence of the partial disposal of Keppel REIT in 2013. Taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders was \$745 million. The Offshore & Marine Division was the largest contributor to Group net profit with a 67% share, followed by the Property Division with 17% share, the Infrastructure Division with 9% share and the Investments Division with 7% share.

11. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

12. PROSPECTS

The Offshore & Marine Division secured \$3.2 billion of new orders in the first half of the year. Its net order book stood at \$14.1 billion with deliveries extending into 2019. The Division remains positive about job prospects with sustained global demand for oil and gas.

In the Infrastructure Division, Keppel Infrastructure will maintain its focus on the power and gas, and environmental businesses. The expanded Keppel Merlimau Cogen plant allows Keppel Infrastructure to remain competitive in the domestic electricity market. Keppel Infrastructure targets to complete its EPC projects efficiently. Keppel Telecommunications & Transportation continues to grow its logistics and data centre businesses domestically and overseas.

The Property Division sold about 1,300 homes in Asia in the first half of 2014, 98 units in Singapore and about 1,060 units in China. Demand for Grade A office space remains robust with Marina Bay Financial Centre Tower 3 commitment level at about 96%. Total assets under management by Keppel REIT and Alpha stood at \$17.7 billion as at end-June 2014. The Division continues to monitor the market to launch new projects or phases, focus on its fund management business for a sustainable income stream as well as explore opportunities to unlock value and recycle capital.

With an expected uneven global recovery, the Group will focus on innovation and production efficiency as well as execution excellence and timely deliveries.

13. DIVIDEND**13a. Current Financial Period Reported On**

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share	12.0 cents
Tax rate	Tax exempt

The Directors are pleased to declare a tax exempt one-tier interim cash dividend of 12.0 cents per share (2013: interim cash dividend of 10.0 cents per share tax exempt one-tier). The dividend will be paid to shareholders on 13 August 2014.

13b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share	10.0 cents
Tax rate	Tax exempt
Dividend type	Special Dividend <i>In Specie</i>
Dividend per share	9.5 cents
Tax rate	Tax exempt

13c. Date Payable

13 August 2014.

13d. Books Closure Date

Notice is hereby given that, the Share Transfer Books and Register of Members of the Company will be closed on 4 August 2014 at 5.00 p.m. for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company ("Shares") received by the Company's Registrar, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on 4 August 2014 will be registered to determine shareholders' entitlement to the interim dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited (CDP) are credited with Shares at 5.00 p.m. on 4 August 2014 will be entitled to the interim dividend.

14. SEGMENT ANALYSIS

Half year ended 30 June 2014

	Offshore & Marine \$'000	Infra- structure \$'000	Property \$'000	Invest- ments \$'000	Elimination \$'000	Total \$'000
Revenue						
External sales	3,980,556	1,497,254	677,202	17,933	–	6,172,945
Inter-segment sales	5	25,719	5,810	36,963	(68,497)	–
Total	3,980,561	1,522,973	683,012	54,896	(68,497)	6,172,945

Segment Results

Operating profit	582,403	103,659	168,787	21,837	5,436	882,122
Investment income	803	–	851	–	–	1,654
Interest income	44,521	687	14,096	71,775	(62,932)	68,147
Interest expenses	(4,056)	(23,475)	(18,028)	(66,412)	57,496	(54,475)
Share of results of associated companies	25,847	14,166	124,910	22,552	–	187,475
Profit before tax	649,518	95,037	290,616	49,752	–	1,084,923
Taxation	(129,200)	(21,680)	(71,480)	1,447	–	(220,913)
Profit for the period	520,318	73,357	219,136	51,199	–	864,010

Attributable to:

Shareholders of Company	501,297	66,865	128,749	47,801	–	744,712
Non-controlling interests	19,021	6,492	90,387	3,398	–	119,298
	520,318	73,357	219,136	51,199	–	864,010

Other Information

Segment assets	8,606,931	3,957,318	15,380,516	7,533,898	(5,614,688)	29,863,975
Segment liabilities	6,304,033	3,070,036	7,317,589	4,874,550	(5,614,688)	15,951,520
Net assets	2,302,898	887,282	8,062,927	2,659,348	–	13,912,455

Investment in associated companies	496,364	570,405	3,896,408	582,107	–	5,545,284
Additions to non-current assets	143,122	108,380	47,982	101	–	299,585
Depreciation and amortisation	68,869	51,142	8,085	223	–	128,319

Geographical Information

	Singapore \$'000	Far East & Other ASEAN Countries \$'000	Americas \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	4,583,591	524,113	835,713	229,528	–	6,172,945
Non-current assets	7,649,770	2,939,375	547,267	164,744	–	11,301,156

Half year ended 30 June 2013

	<u>Offshore & Marine</u> \$'000	<u>Infra- structure</u> \$'000	<u>Property</u> \$'000	<u>Invest- ments</u> \$'000	<u>Elimination</u> \$'000	<u>Total</u> \$'000
Revenue						
External sales	3,519,324	1,607,230	698,249	9,804	—	5,834,607
Inter-segment sales	3,524	47,789	44,711	4,940	(100,964)	—
Total	3,522,848	1,655,019	742,960	14,744	(100,964)	5,834,607

Segment Results						
Operating profit	496,569	113,410	194,562	9,762	5,614	819,917
Investment income	579	—	2,500	—	—	3,079
Interest income	35,581	716	30,690	70,085	(64,949)	72,123
Interest expenses	(7,382)	(8,072)	(47,077)	(65,830)	59,335	(69,026)
Share of results of associated companies	46,309	15,206	106,959	20,915	—	189,389
Profit before tax	571,656	121,260	287,634	34,932	—	1,015,482
Taxation	(109,621)	(25,081)	(24,333)	(9,819)	—	(168,854)
Profit for the period	462,035	96,179	263,301	25,113	—	846,628

Attributable to:						
Shareholders of Company	445,274	89,842	146,713	22,004	—	703,833
Non-controlling interests	16,761	6,337	116,588	3,109	—	142,795
	462,035	96,179	263,301	25,113	—	846,628

Other Information						
Segment assets	7,775,846	3,591,460	19,574,425	8,059,137	(7,846,243)	31,154,625
Segment liabilities	5,693,713	2,728,990	9,594,865	6,699,045	(7,846,243)	16,870,370
Net assets	2,082,133	862,470	9,979,560	1,360,092	—	14,284,255

Investment in associated companies	479,016	581,527	4,155,336	393,278	—	5,609,157
Additions to non-current assets	157,653	229,680	243,518	202	—	631,053
Depreciation and amortisation	68,134	31,835	13,234	158	—	113,361

Geographical Information

	<u>Singapore</u> \$'000	<u>Far East & Other ASEAN Countries</u> \$'000	<u>Americas</u> \$'000	<u>Other Countries</u> \$'000	<u>Elimination</u> \$'000	<u>Total</u> \$'000
External sales	4,436,007	372,871	761,154	264,575	—	5,834,607
Non-current assets	11,076,438	2,648,819	457,871	643,852	—	14,826,980

Note:

- The Group is organised into business units based on their products and services, and has four reportable operating segments: Offshore & Marine, Infrastructure, Property and Investments. The Investments Division consists mainly of the Group's investments in k1 Ventures Ltd, M1 Limited and equities.
- Pricing of inter-segment goods and services is at fair market value.
- Other than Singapore, no single country accounted for 10% or more of the Group's revenue for the half year 2014 and 2013.

15. REVIEW OF SEGMENT PERFORMANCE

15a. Revenue by Segments

Group revenue of \$6,173 million was \$338 million or 6% above than that of corresponding period in 2013. Revenue from the Offshore & Marine Division of \$3,981 million was \$461 million higher due to higher revenue recognition from ongoing projects. Revenue from the Infrastructure Division of \$1,497 million was \$110 million lower due mainly to lower revenue recorded by the power generation plant in Singapore partly offset by higher revenue recognised for the EPC contracts and logistics business. Revenue from the Property Division of \$677 million fell by \$21 million due largely to lower contribution from Singapore and the deconsolidation of Keppel REIT on 31 August 2013, partially offset by higher revenue from China.

15b. Net profit by Segments

Group net profit of \$745 million was \$41 million or 6% higher than that of corresponding period in 2013. Profit from the Offshore & Marine Division of \$501 million was \$56 million higher than that of the corresponding period in the prior year. Better operating results and higher interest income were partly offset by lower share of associated companies' profits and higher tax expense. Profit from the Infrastructure Division of \$67 million was \$23 million lower due largely to the reversal of provision in 2013 following the finalisation of the sale of power barge. Profit from the Property Division of \$129 million declined by \$18 million due largely to reduced contribution from Singapore, higher tax expense and the deconsolidation of Keppel REIT, partly offset by higher profit from China. Profit from the Investments Division increased by \$26 million due mainly to profit from disposal of investments. The Offshore & Marine Division was the largest contributor to Group net profit with a 67% share followed by the Property Division with 17% share, the Infrastructure Division with 9% share and the Investments Division with 7% share.

15c. Revenue by Geographical Segments

Revenue from Singapore of \$4,584 million was \$148 million higher due largely to higher revenue from the Offshore & Marine Division partly offset by lower revenue from the Infrastructure Division and the deconsolidation of Keppel REIT. Higher revenue from Far East & Other ASEAN Countries mainly came from the Property Division due to property trading in China. Higher revenue from Americas mainly arose from 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 17 April 2014. 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)	
	Half Year 30.6.2014 \$'000	Half Year 30.6.2013 \$'000	Half Year 30.6.2014 \$'000	Half Year 30.6.2013 \$'000
Transaction for the Sale of Goods and Services				
CapitaLand Group	–	–	182,980	5,400
Integradora de Servicios Petroleros Oro Negro	–	–	–	2,515
Mapletree Investments Group	–	–	113,760	–
PSA International Group	–	–	1,034	9,275
SembCorp Marine Group	–	–	1,725	1,060
SATS Group	–	–	–	4,000
Singapore Power Group	–	–	–	1,377
Singapore Technologies Engineering Group	–	–	1,152	1,810
Temasek Holdings Group	–	–	378	–
Transaction for the Purchase of Goods and Services				
Certis CISCO Security Pte Ltd	–	–	781	201
Gas Supply Pte Ltd	–	–	85,000	90,000
Mapletree Investments Group	–	–	317	288
PSA International Group	–	–	480	508
Sembcorp Marine Group	–	–	134	158
Singapore Power Group	–	–	400	–
Singapore Telecommunications Group	–	–	5,200	–
Temasek Holdings Group	–	–	511	–
Total Interested Person Transactions	–	–	393,852	116,592

BY ORDER OF THE BOARD

CAROLINE CHANG/KENNY LEE
Company Secretaries

24 July 2014

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 second quarter 2014 financial statements to be false or misleading in any material respect.

On behalf of the board of directors



LEE BOON YANG
Chairman

Singapore, 24 July 2014



LOH CHIN HUA
Chief Executive Officer

Second Quarter and First Half 2014 Financial Results

24 July 2014



Scope of Briefing

- Address by CEO
- Group Financial Highlights by CFO

Address by CEO

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Keppel Corporation

Global Recovery

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

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Keppel Corporation

Performance Highlights

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

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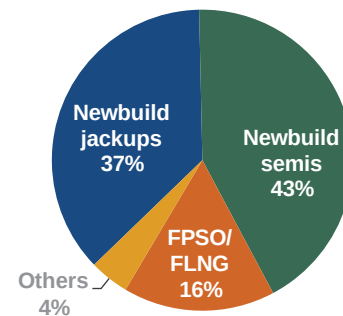
Keppel Corporation

Offshore & Marine



Keppel FELS, Singapore

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



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

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Keppel Corporation

Offshore & Marine



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

Semis for Sete Brasil on schedule:

- 1st unit: completed about 70%
- 2nd unit: achieved over 30%
- 3rd unit: in initial stages

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Keppel Corporation

Offshore & Marine

Breaking new ground

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



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

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Keppel Corporation

Infrastructure

EPC project updates:

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



Doha North Sewage Treatment Works, Qatar



Greater Manchester EfW, UK

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Infrastructure

Logistics & data centres

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



Keppel Datahub 2, Singapore



Integrated Distribution Centre, Tianjin, China

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Keppel Corporation

Property



Highline Residences, Singapore



Marina Bay Financial Centre, Singapore

Providing quality homes and office space

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

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Property

Unlocking value

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

Recycling capital

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



The Estella, Vietnam

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Keppel Corporation

Group Financial Highlights by CFO

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Keppel Corporation

2Q 2014 Financial Performance

Net Profit



17% to S\$406m

EPS



16% to 22.3cts

EVA



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

Cash Outflow



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

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Keppel Corporation

2Q 2014 Financial Highlights

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

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2Q 2014 Revenue by Segments

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

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2Q 2014 Pre-tax Profit by Segments

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

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2Q 2014 Net Profit by Segments

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

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1H 2014 Financial Performance

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

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Keppel Corporation

1H 2014 Financial Highlights

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

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1H 2014 Revenue by Segments

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

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1H 2014 Pre-tax Profit by Segments

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

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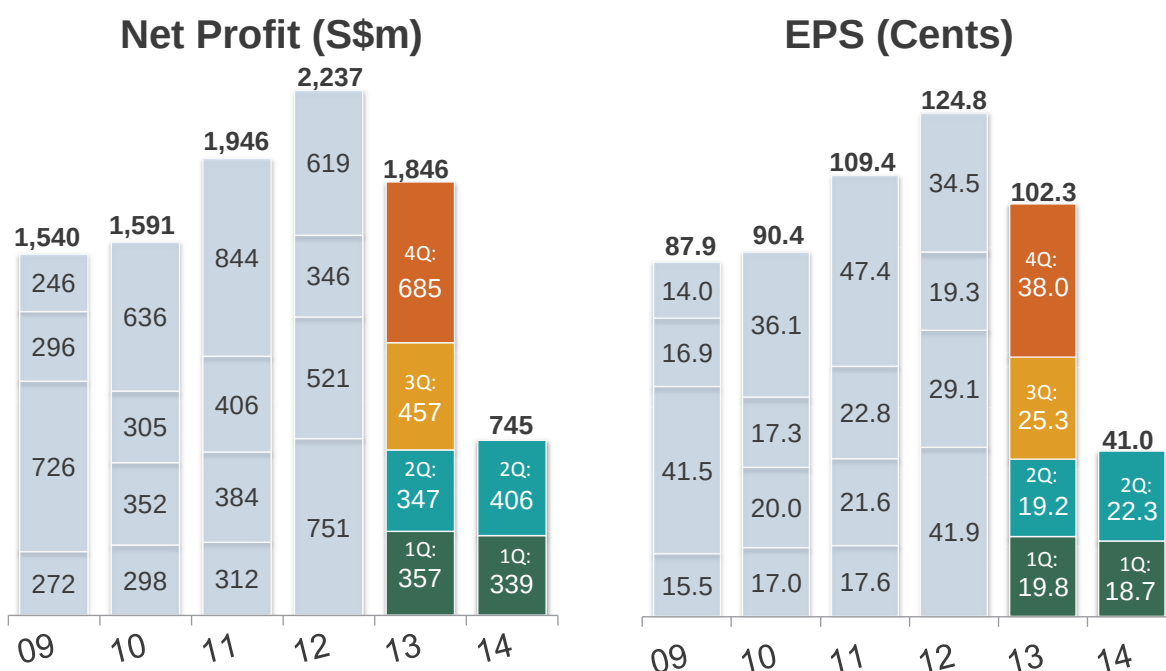
1H 2014 Net Profit by Segments

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

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Keppel Corporation

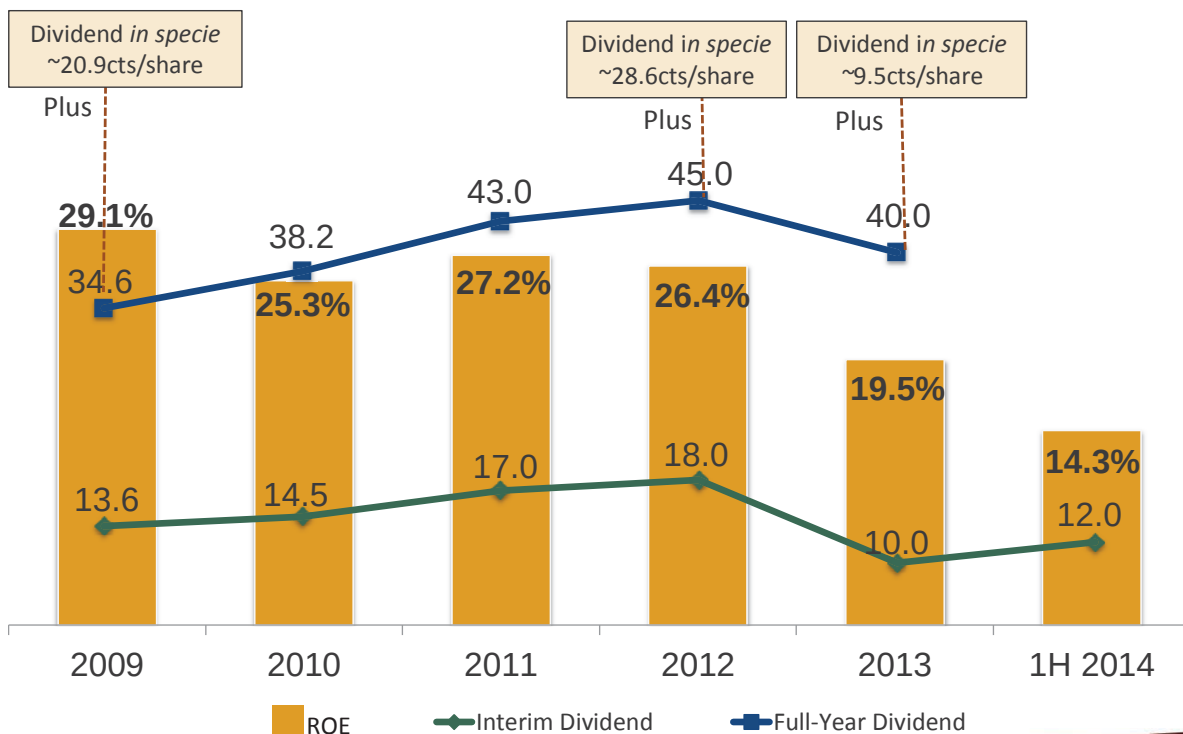
Net Profit & EPS



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ROE & Dividend



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Free Cash Flow

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

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

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Keppel Corporation

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

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Keppel Corporation

**2Q & 1H 2014 Results
Q&A**

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Keppel Corporation

Additional Information

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Revenue by Geography

1H 2014

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

67% of total revenue came from overseas customers

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EBITDA by Segments

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

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Keppel Corporation

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Capital/Gearing/ROE

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

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OFFSHORE & MARINE

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Financial Highlights – Offshore & Marine

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

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Financial Highlights – Offshore & Marine

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

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Offshore & Marine Review

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

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Offshore & Marine Orderbook

	<u>Order Balance S\$m</u>	<u>Client</u>
<u>For delivery in 2014</u>		
5 JUs/2 Semi Upgrades/1 Semi Repair/1 JU Integration/ 1 JU Repair/2 FPSO Conversions/1 FPSO Upgrade/ 1 FPSO Modules Fab. & Integration/2 Turret Fabrications/ 1 Floating Crane/1 Transformer Platform/ 1 Depletion Compression Platform/1 Diving Support Vessel/ 4 Tugs/1 Submersible Barge		Maersk/Ensco/GDI/Star Drilling/ Perforadora Central/JDC/ Noble/Ezion/M3nergy/ Bumi Armada/Modec-Toyo/SBM/ Emas AMC/Asian Lift/Wetfeet/ 303 Shell/Bhagwan Marine/Smit/KSP Towage
<u>For delivery in 2015</u>		
15 JUs/1 Semi/2 Accomodation Semis/2 FPSO Conversions/ 1 FPSO Upgrade/1 FPSO Modules Integration/ 1 Turret Fabrication/1 Pipelay Vessel/2 Ice Class Supply Vessels/ 1 Ice Class Multi-Purpose Duty Rescue/1 Submersible Barge		Maersk/Pemex/Grupo R/Parden/Ensco/ Falcon Energy/PV Drilling/Clearwater/UMW/ Arabian Drilling Co./Perforadora Central/ Setebras/Floatel/SBM/Bumi Armada/Apache/ 2,941 Modec-Toyo/SOFEC/McDermott/Smit
<u>For delivery in 2016</u>		
8 JUs/2 Semis/1 FPSO Modules Fab. & Integration		Transocean/Ensco/Clearwater/Fecon/ 3,825 Setebras/SOCAR/Petrobras
<u>For delivery in 2017-2019</u>		
3 JUs/4 Semis/1 FPSO Modules Fab. & Integration/ 1 FLNG Conversion/1 Subsea Construction Vessel		Transocean/TS Offshore/Setebras/Petrobras/ 7,013 Golar/Baku Shipyard
Total as at 30 June 2014	<u>14,082</u>	

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INFRASTRUCTURE

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Financial Highlights - Infrastructure

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

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Financial Highlights - Infrastructure

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

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PROPERTY

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Financial Highlights - Property

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

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Financial Highlights - Property

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

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INVESTMENTS

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Financial Highlights - Investments

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

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Financial Highlights - Investments

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

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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.

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

AT THE HALF YEAR 2014 RESULTS PRESENTATION

THURSDAY, 24 JULY 2014

1. Group Financial Highlights (Slide 13)

1.1 2Q 2014 Financial Performance (Slide 14)

Thank you, Chin Hua. Good evening to all.

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

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

1.2 2Q 2014 Financial Highlights (Slide 15)

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

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

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

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

1.3 2Q 2014 Revenue by Segments (Slide 16)

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

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

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

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

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

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

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

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

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

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

1.6 1H 2014 Financial Performance (Slide 19)

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

Earnings per share saw a similar increase to 41.0 cents.

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

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

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

1.7 1H 2014 Financial Highlights (Slide 20)

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

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

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

1.8 1H 2014 Revenue by Segments (Slide 21)

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

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

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

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

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

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

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

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

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

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

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

1.11 Net Profit and EPS (Slide 24)

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

1.12 ROE & Dividend (Slide 25)

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

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

1.13 Free Cash Flow (Slide 26)

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

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

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

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

1.14 Outlook (Slide 27)

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

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