



Keppel Corporation Limited Tel: (65) 62706666
(Co Reg No. 196800351N) Fax: (65) 64136452
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632
www.kepcorp.com

MEDIA RELEASE

Keppel Corporation Limited Unaudited Results for the Second Quarter and Half Year Ended 30 June 2016

Singapore, 21 July 2016 – The Directors of Keppel Corporation Limited advise the following unaudited results of the Group for the Second Quarter and Half Year ended 30 June 2016.

For more information, please contact:

Ivana Chua (Ms)
Assistant General Manager
Group Corporate Communications
Keppel Corporation Limited
DID: (65) 6413 6436
Email: ivana.chua@kepcorp.com

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

KEPPEL CORPORATION LIMITED

SECOND QUARTER & FIRST HALF 2016 REPORT CARD

1. The Property Division was the largest contributor to Group net profit for 2Q & 1H 2016, followed by Offshore & Marine, Infrastructure and Investments.
 - i. 2Q 2016 Net Profit down 48% to S\$205 million, compared to S\$397 million for 2Q 2015.
 - ii. 1H 2016 Net Profit down 45% to S\$416 million, compared to S\$757 million for 1H 2015.
 - iii. Consistent recurring income of S\$178 million underpinned performance in 1H 2016.
2. Earnings per Share was 22.9 cents, down 45% from 41.7 cents for 1H 2015.
3. Annualised Return on Equity of 7.4%.
4. 1H 2016 Economic Value Added decreased to S\$9 million from S\$262 million YoY.
5. Cash outflow of S\$262 million.
6. Net gearing was 0.62x.
7. Interim cash dividend of 8.0 cents per share.

KEPPEL CORPORATION LIMITED

Co. Reg. No. 196800351N

(Incorporated in the Republic of Singapore)

SECOND QUARTER 2016 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT**TABLE OF CONTENTS**

<u>Paragraph</u>	<u>Description</u>	<u>Page</u>
	CHIEF EXECUTIVE OFFICER'S ADDRESS	I - XI
	FINANCIAL STATEMENTS	1 – 29
1	GROUP PROFIT AND LOSS ACCOUNT	1
2	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
3	BALANCE SHEETS	6
4	STATEMENTS OF CHANGES IN EQUITY	9
5	CONSOLIDATED STATEMENT OF CASH FLOWS	16
6	AUDIT	19
7	AUDITORS' REPORT	19
8	ACCOUNTING POLICIES	19
9	CHANGES IN THE ACCOUNTING POLICIES	20
10	REVIEW OF GROUP PERFORMANCE	21
11	VARIANCE FROM FORECAST STATEMENT	23
12	PROSPECTS	23
13	DIVIDEND	24
14	SEGMENT ANALYSIS	25
15	REVIEW OF SEGMENT PERFORMANCE	27
16	INTERESTED PERSON TRANSACTIONS	28
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)	28
	CONFIRMATION BY THE BOARD	29

KEPPEL CORPORATION LIMITED

**ADDRESS BY MR LOH CHIN HUA, CHIEF EXECUTIVE OFFICER,
KEPPEL CORPORATION**

SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2016

Welcome

1. A very good evening to all of you. On behalf of my colleagues on the panel, a warm welcome to the conference and webcast on our results and performance in the Second Quarter and First Half of 2016.

Macro Environment

2. The global economy continues to grow at an uneven pace, with slowing growth in Europe, Japan and China. Recent international developments, especially the vote on Brexit, have further heightened the volatility and risks in the already fragile international economy. Capital markets have recovered from the initial shock of Brexit. However, it could take some time before we can see the full impact on the global economy.
3. Although oil price has rebounded from below US\$30/bbl in January to around US\$47/bbl, the offshore and marine sector continues to face serious challenges. Given the oversupply in the rig market and falling day rates, we do not expect demand for drilling rigs to return soon. Our traditional customers, the offshore drillers, need time to repair their balance sheets. Meanwhile, oil majors continue to conserve cash for dividends and potential M&As, rather than spend on E&P.
4. The industry's capex cycle will take time to stabilise and recover, and we must be prepared for not only a long winter, but a harsh one. Eventually, E&P capex in the industry will return when oil majors have to arrest falling production and replenish their declining reserves to meet the world's continued demand for fossil fuels.
5. A silver lining for Keppel is the resilient trend of urbanisation in Asia, buoyed by a growing middle class and continuing rural-urban migration. Whether it is meeting the need for energy, green homes and office buildings, or high quality infrastructure such as power plants, waste-to-energy plants and data centres, the Keppel Group is well placed to seize growth opportunities by providing solutions for sustainable urbanisation.

Financial Performance

6. This has been a tough quarter. Nevertheless, our multi-business strategy continues to support Keppel's performance amidst the challenging environment.
7. We achieved a net profit of S\$416 million in the first six months of 2016, lower by 45% compared to the same period in 2015, due mainly to weaker results from the Offshore & Marine business, and also the absence of one-time gains from the Infrastructure Division compared to the same period a year ago. The impact was cushioned by the good performance of our Property Division, which is now the biggest contributor to the Group's bottom line.
8. Our EVA for the period was S\$9 million while our annualised ROE was 7.4%.
9. Our net gearing rose slightly from 56% to 62% quarter-on-quarter, mainly due to the payment of the S\$400 million final dividend distribution for 2015. The pace of growth in working capital requirements by Keppel Offshore & Marine (Keppel O&M) has plateaued, in line with the reduced workload. Our net gearing level is comfortable and our balance sheet remains institutional quality.
10. Having considered the Group's performance and business requirements, the Board of Directors has approved an interim dividend of 8.0 cents per share for the first half of 2016, which will be paid out in August.

Offshore & Marine

11. Let me begin with the performance of our Offshore & Marine division.

Key developments

12. Keppel O&M has captured new contracts worth more than S\$460 million, year to date, which include those for four FPSO projects, a pipelay vessel and three dredgers.
13. We completed the acquisition of Cameron's offshore product division and have commenced the operations of Keppel LeTourneau since May this year, with offices in the United States, United Arab Emirates and Singapore.
14. The LeTourneau acquisition complements Keppel O&M's existing competencies. With our combined capabilities, we will be able to provide even

better value-added solutions to drilling operators. It also enables us to expand our business in the provision of aftersales and aftermarket services, providing recurring income for the Group.

15. Despite a weak medium-term outlook for the oil and gas sector, we believe the LNG market has significant potential given the trend towards the adoption of cleaner fuel technology. Leveraging our experience and expertise in servicing vessels including gas carriers, Keppel O&M has established a 50/50 joint venture (JV) with Shell Eastern Petroleum to supply LNG bunkering operations in the Singapore port. The JV company is expected to start supplying LNG as a fuel for ships in 2017.
16. Along with bunkering services, we will also be able to expand our network and clientele base to bring pull-through work such as building LNG vessels or servicing and retrofitting ships at our yards. In addition, we can leverage the JV as a marketing platform to open doors to provide other gas solutions down the value chain.
17. In line with our efforts to explore new markets, Keppel O&M has formed a Singapore incorporated JV company, which will set up a centre in the Russian Federation for the design and engineering of mobile offshore drilling units for shallow waters to cater to needs of the region. Both the JV and the Design and Engineering Centre will, in the conduct of their activities, adhere to the prevailing international sanctions imposed on the Russian offshore oil and gas sector.
18. In China, our partner, Titan Petrochemicals Group, has completed its restructuring and resumed trading of its shares on the Hong Kong Stock Exchange on 15 July 2016. Keppel O&M will provide management services to Titan and work with them to develop the Titan Quanzhou Shipyard in phases. This yard in Fujian Province is an extension of our *Near market, Near customer* strategy, and the partnership will enable Keppel to further grow our presence in the Chinese market without needing to invest in new capacity.

Major deliveries in 1H 2016

19. Keppel O&M continues to focus on executing its projects well, delivering on safety, timeliness and budget, to the satisfaction of our customers.
20. For the first half of 2016, Keppel O&M delivered a number of major projects which include two KFELS B Class rigs to Grupo R and one drilling rig to Gulf Drilling International. Just last week, Keppel AmFELS delivered a fourth jackup

to Perforadora Central. Earlier, in June, Keppel AmFELS also handed over to another customer one of the world's largest Harsh Environment Enhanced Mobility land rigs. Apart from rigs, Keppel O&M also delivered a liftboat and a high-specification deepwater derrick lay vessel built to our own proprietary design, amongst other projects.

Deliveries in 2H 2016

- 21. Other key projects to be delivered by our yards this year include another jackup, two semis and five FPSO/FSU conversions.
- 22. We have received requests to defer the delivery of three jackups for Grupo R and one jackup for Parden Holdings to next year. The contracts remain valid. We will be compensated for the delays and are working towards delivering them based on the new schedules agreed upon with our customers.

Projects for Sete Brasil

- 23. We have stopped work on the semi-submersibles for Sete Brasil since the end of last year. Sete Brasil has been working with a financial advisor on its restructuring plan and has filed for judicial recovery.
- 24. While we wait for more clarity on Sete's plans, we believe that the provision of S\$230 million made last year remains appropriate and adequate. We made the provision on the assumption that Sete may not continue its business as before. Now that Sete has filed for judicial recovery, we have excluded Sete's projects from our net orderbook. The contracts remain legally valid, and we will continue to work with Sete towards achieving a win-win outcome.
- 25. Our net orderbook currently stands at about S\$4.3 billion, excluding the Sete Brasil projects which amounted to about S\$4 billion.

Strengthening Resilience

- 26. Since 2015, we have been taking active steps to manage costs and rightsize our operations. Although we have a lower topline, we have been working hard to maintain our margins.
- 27. For the first half of 2016, Keppel O&M reduced its direct staff strength in Singapore and overseas by 4,900 headcount, or around 16% of its staff. Subcontract headcount in Singapore was also further reduced by another 670 persons.

28. Since we started rightsizing our operations a year and half ago, we have reduced our global direct workforce to date by a total of about 11,000 headcount, and about 8,600 headcount of our subcontract workforce in Singapore.
29. Apart from reducing variable costs, we have also worked at cutting our overheads which have come down by 20% compared to the first half of 2015. These efforts have allowed our gross operating margins to remain at 12.8% for 2Q 2016 and 13.2% for 1H 2016 respectively, despite the lower top line.
30. While we remain confident of the long-term fundamentals of the Offshore & Marine industry, we are mindful that a long downturn may be upon us and we have to position our business accordingly.
31. Our cost-cutting and rightsizing efforts will continue. Beyond natural attrition, we will look at ways to reorganise and streamline our yards and resources to become leaner and more efficient. For example, we can look into integrating our engineering resources across the different units in the Division. If necessary, we may also mothball yards with low work volumes.

Responding with agility

32. For Keppel, it is not just about cost cutting. We also want to be ready, to have the ability to ramp up, when the upturn comes. As I have updated before, we will through this down cycle continue to invest prudently in R&D, in training and building capability so that we may stay at the forefront of this industry when the market turns up again.
33. To stay ahead of the curve, we will be agile to seek opportunities in other market segments which have been less affected by the downturn, including floating production solutions such as tension leg platforms and production semis, LNG-related solutions and services, and also non-oil and gas projects. We are also exploring opportunities to build Jones Act vessels in the US.
34. The harsh winter will not last forever. Our aim is to keep Keppel O&M profitable during the downturn, while at the same time, explore new opportunities and develop new capabilities to strengthen the company. This will ensure that we entrench our leadership position in the global offshore and marine industry into the future.

Property

35. Our property division performed well and achieved stronger home sales in the first half compared to that of a year ago, driven by continuing urbanisation trends and strong demand for homes in China.

Key developments

36. Our strategy of geographical diversification has served Keppel Land well and we continue to strengthen our presence in our core and growth markets.
37. Riding on improved sentiments and growing demand for high quality homes in Vietnam, we invested S\$182 million in Ho Chi Minh City for prime developments in the Thu Thiem New Urban Area and subscribed for convertible bonds in Nam Long Investment Corporation, a leading local affordable housing developer. In Singapore, Keppel Land strengthened its commercial portfolio with the acquisition of a 22.4% stake in 112 Katong lifestyle mall which is managed by Keppel Land Retail Management.
38. Keppel Land also made divestments in Hanoi, Bangkok, Colombo and Jiangyin. We will continue our strategy to recycle assets and redeploy capital, and focus on seeking higher returns.
39. Charting milestones in Yangon, Myanmar, we topped off our joint venture project, a 23-storey office tower in the Junction City mixed-use development, and also opened the new Inya Wing of the Sedona Hotel Yangon. Keppel Land has been in Myanmar for 20 years and has established a reputable brand name in the country.

Residential highlights

40. Home sales continued its strong momentum in the first half of 2016. Keppel Land sold 2,140 homes, an 18% increase year-on-year. We achieved a total sales value of S\$960 million.
41. In Singapore, we sold 190 units compared to 100 sold in first half 2015. However, with the property cooling measures unlikely to be unwound soon, the market remains soft.
42. Keppel Land's home sales overseas have continued to be resilient and contributed strongly to the profits of our property division.

43. The Chinese property market remains healthy in the key cities where we operate, despite the tightening of cooling measures in some Tier 1 cities. About 86% of our homes sales in the first half of the year were in China, especially Chengdu, Wuxi and Tianjin.

44. We can expect contributions from 3,400 units of overseas homes sold to be recognised as the homes are completed from 2H2016 through 2018.

Progress in Sino-Singapore Tianjin Eco-City

45. Keppel leads the Singapore Consortium in the development of the Sino-Singapore Tianjin Eco-City, a bilateral project between Singapore and China to build a model for sustainable urbanisation. Now into its eighth year of development, the Eco-City has, with the support of the Singapore and Chinese Governments, been transformed from barren saline and alkaline land into a green city, with more than 50,000 residents and 3,500 registered companies.

46. With improved connectivity and a growing range of amenities, including schools, business parks and community centres, we are seeing a steady increase in demand for homes and land. In 1H2016, the Eco-City sold around 3,800 homes, a marked improvement over the 2,900 homes sold in 1H2015.

47. Reflecting the improved home sales, land prices have also risen. Last week, our 50-50 joint venture master developer in the Sino-Singapore Tianjin Eco-City held an auction, where two plots of residential land were sold at record prices of around RMB8,000 psm of GFA. This is more than three times the price of similar land sold earlier this year in the Eco-City.

48. The Eco-City is a long-term project, and there is still a lot of work ahead of us. However, the appreciating land price reflects the Eco-City's increasing maturity and the market's growing confidence in the project. Apart from residential projects, more companies are also investing in and setting up operations in the Eco-City, bringing more vibrancy and jobs to the township.

Property Portfolio

49. Keppel Land has close to 18,500 launch-ready homes in its pipeline from now through 2018, most of which are in China, followed by Vietnam. To put this number in perspective, Keppel Land sold 4,570 homes in 2015, and 2,450 in 2014.

50. Our positive home sales have been riding on continuing strong urbanisation trends and we have a 70,000-strong pipeline to meet the market's needs. Our aim is to increase the inventory turn and pro-actively launch more projects in those markets that have favorable conditions.

51. On the commercial front, Keppel Land continues to strengthen its quality portfolio which is now over one million square metres of gross floor area under development. These projects will be progressively completed, including the retail mall in Saigon Centre, which will open very shortly. The completed properties will contribute to our recurring income, and will be a source of revaluation and disposal gains when they are eventually monetised.

Infrastructure

52. We will now update on our Infrastructure Division.

Key developments

53. In the first half, we also broke ground for Keppel DC Singapore 4, the fourth data centre in Singapore under Keppel Data Centres, a joint venture between Keppel T&T and Keppel Land. This data centre features approximately 183,000 sq ft of gross floor area and Phase 1 is on track for completion this year. Yesterday, we announced that our data centres, Keppel DC Singapore 3 and 4, have secured contracts worth more than S\$144 million.

54. Expanding its data centre footprint into Hong Kong, Keppel Data Centres entered into a long-term collaboration agreement with Hong Kong's PCCW Global to co-develop and market the International Carrier Exchange.

55. In our logistics business, the distribution centre in Tianjin is undergoing testing and commissioning and when operations start, it will offer cold chain facilities and a warehouse area of 131,000 sq ft.

Investments

56. Our Investments Division is Keppel's fourth business vertical, comprising the newly created Keppel Capital, and the Group's holdings in associate companies, k1 Ventures, M1 and KrisEnergy.

Key developments

- 57. Keppel REIT successfully completed the divestment of its 100% interest in 77 King Street, an office development in Sydney, Australia, for A\$160 million which was about 40% above its original purchase price and an approximate 27% premium over its valuation.
- 58. Keppel Infrastructure Trust, together with its joint venture partner, Shimizu Corporation, has handed over the newly completed 1-Net North Data Centre which commenced a 20-year lease.
- 59. Funds under Alpha Investment Partners continue to perform well. The Funds realised proceeds of about S\$226 million from divestments in Singapore and Tokyo. The Tokyo assets generated USD IRR ranging between 12% and 15%, while that in Singapore generated IRR of 185%. During the quarter, the Alpha Asia Macro Trends Fund II also completed the acquisition of various office buildings in Singapore, Tokyo and Seoul.
- 60. Just yesterday, we announced that two new closed-end private equity funds, the Alpha Data Centre Fund and the Alpha Asia Macro Trends Fund III managed by Alpha, have received initial capital commitments of US\$410 million, out of a combined target size of US\$1.5 billion.

Formation of Keppel Capital

- 61. A key development this month is the completion of the restructuring of the Group's four asset management businesses, namely Keppel REIT Management, Alpha Investment Partners and Keppel Infrastructure Fund Management as well as a 50% interest in Keppel DC REIT Management, under Keppel Capital.
- 62. With total AUM of S\$26 billion, Keppel Capital will strengthen our capital recycling platform and provide a steady pillar of recurring income for the Group. Keppel Capital will also work closely with the Group's other business units to expand our capital base with co-investors, thus allowing us to seize opportunities for growth without putting a strain on our balance sheet. This may also create potential pull-through projects for the Group's various business verticals.

Private Data Centre Fund

63. Established institutional investors have told us that they want to get closer to the coal face to own “real assets”, including those in the offshore and marine, real estate and infrastructure industries. These investors appreciate a like-minded partner like Keppel who is able to create quality assets and has the ability and capacity to align its interests with theirs. Keppel also has strong operating capabilities in some of the assets that we create such as property, data centres, waste-to-energy plants, power plants and other infrastructure assets.
64. To realise our full potential as a conglomerate and to open up new growth opportunities, our business units are collaborating even more closely with one another, capitalising on their wealth of expertise, industry knowledge and networks.
65. The new US\$500 million Alpha Data Centre Fund is a prime example of how we can synergise our business verticals and leverage our strengths to create sustainable value.
66. The Fund will invest in brownfield and greenfield developments across Asia-Pacific and Europe, where there is strong growth in data creation, storage and data centre outsourcing.
67. Alpha will raise and manage the fund and work with Keppel T&T to create or acquire assets. Meanwhile, Keppel Data Centres Holding, a 70-30 joint venture between Keppel T&T and Keppel Land, will develop and project manage the data centres in the Fund, as well as serve as the facility manager.
68. There could also be opportunities to rope in other businesses in the Group, such as Keppel Infrastructure, to provide cooling and power solutions where it makes sense. When the assets are matured, they can be injected into Keppel DC REIT as part of the deal flow pipeline or sold to other interested buyers. There will also be fees that we can earn from this process, all of which will contribute recurring income to the Group.
69. Whether in data centres or other areas of Keppel's expertise, there will be more of such opportunities for Keppel's diverse units to link up as OneKeppel along critical value chains. By bringing in like-minded co-investors, we can give the Group even greater financial capacity to grow, through building and operating a larger number of data centres without straining our balance sheet.

Fortifying Earnings Streams

70. For 1H2016, recurring income contributed S\$178 million to the Group's total net profit. This is comparable to our recurring income in 1H2015 in absolute dollar terms, and represents around 43% of our net profit for 1H2016. It demonstrates, in challenging times, that recurring income can be a stabilizer for our performance with its consistent contributions. We will continue our focus on growing stable, recurring income for the long term.
71. Through these challenging times, we are working hard to ensure that Keppel remains resilient, underpinned by our rightsizing and cost management efforts in the offshore & marine division, our continuous pursuit of new growth markets and building new capabilities. We are confident that our multi-business strategy continues to stand us in good stead, and through these challenges, Keppel will emerge stronger.
72. I shall now let our CFO, Hon Chew, take you through a review of the Group's financial performance.
73. Thank you.

KEPPEL CORPORATION LIMITED

Second Quarter 2016 Financial Statements and Dividend Announcement

UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2016

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the second quarter and half year ended 30 June 2016.

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

	Note	Second Quarter			Half Year		
		30.6.2016 \$'000	30.6.2015 \$'000	+/- %	30.6.2016 \$'000	30.6.2015 \$'000	+/- %
Revenue		1,625,483	2,562,920	-36.6	3,368,440	5,377,059	-37.4
Materials & subcontract costs	(i)	(996,976)	(1,920,085)	-48.1	(2,073,114)	(3,722,855)	-44.3
Staff costs	(ii)	(301,252)	(368,804)	-18.3	(585,431)	(855,253)	-31.5
Depreciation & amortisation		(57,686)	(64,563)	-10.7	(114,275)	(130,243)	-12.3
Other operating (expenses)/income	(iii)	(35,979)	204,759	NM	(84,080)	143,760	NM
Operating profit		233,590	414,227	-43.6	511,540	812,468	-37.0
Investment income		3,600	4,749	-24.2	7,967	5,973	+33.4
Interest income		31,854	19,379	+64.4	60,614	50,801	+19.3
Interest expenses	(iv)	(50,077)	(30,678)	+63.2	(96,671)	(67,285)	+43.7
Share of results of associated companies	(v)	65,397	90,211	-27.5	79,120	151,385	-47.7
Profit before tax		284,364	497,888	-42.9	562,570	953,342	-41.0
Taxation	(1b)	(65,118)	(88,035)	-26.0	(117,606)	(169,337)	-30.5
Profit for the period		219,246	409,853	-46.5	444,964	784,005	-43.2
Attributable to:							
Shareholders of the Company		205,780	396,718	-48.1	416,338	756,944	-45.0
Non-controlling interests		13,466	13,135	+2.5	28,626	27,061	+5.8
		219,246	409,853	-46.5	444,964	784,005	-43.2
Earnings per ordinary share							
- basic		11.3 cts	21.9 cts	-48.4	22.9 cts	41.7 cts	-45.1
- diluted		11.2 cts	21.7 cts	-48.4	22.8 cts	41.4 cts	-44.9

NM – Not Meaningful

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		
		30.6.2016 \$'000	30.6.2015 \$'000	+/- %	30.6.2016 \$'000	30.6.2015 \$'000	+/- %
Share-based payment expenses		9,616	12,531	-23.3	14,968	20,496	-27.0
Loss/(profit) on sale of investments	(vi)	49	–	NM	49	(49,605)	NM
Profit on sale of fixed assets (Write-back)/provision		(524)	(156)	+235.9	(1,437)	(1,427)	+0.7
- Stocks & work-in-progress		(474)	689	NM	(8,250)	637	NM
- Doubtful debts		(837)	(146)	NM	(597)	929	NM
Stocks written off		92	12	NM	163	19	NM
Bad debts written off/ (recovered)		198	(1)	NM	218	104	+109.6
Fair value loss/(gain)							
- Investments	(vii)	3,991	891	NM	1,312	69	NM
- Forward contracts	(viii)	(31)	(9,519)	-99.7	(17,070)	14,634	NM
- Financial derivatives		(175)	(1,013)	-82.7	1,787	(3,370)	NM
Foreign exchange (gain)/loss	(ix)	(3,783)	22,724	NM	13,488	10,206	+32.2
Write-back of impairment of investments	(x)	(284)	(776)	-63.4	(568)	(1,553)	-63.4
Gain on disposal of subsidiaries	(xi)	(12,811)	(218,770)	-94.1	(8,372)	(218,770)	-96.2
Gain associated with restructuring of operations and others	(xii)	–	(55,098)	NM	(1,633)	(55,098)	-97.0

NM – Not Meaningful

Note:

- (i) Materials & subcontract costs decreased for the half year ended 30 June 2016 mainly as a result of lower revenue from Offshore & Marine Division and Infrastructure Division, partly offset by higher revenue from Property Division.
- (ii) Staff costs decreased for the half year ended 30 June 2016 due mainly to lower manpower cost in the Offshore & Marine Division and Infrastructure Division.
- (iii) Other operating expenses in the current period as compared to other operating income in the prior period was due mainly to lower gain on disposal of subsidiaries (Note (xi)), lower gain associated with restructuring of operations and others (Note (xii)) and the absence of profit on sale of investments in the prior period (Note (vi)), partially offset by hedging differential on forward exchange contracts (Note (viii)).
- (iv) Higher interest expense was mainly attributable to higher borrowings.
- (v) Share of profits of associated companies for the half year ended 30 June 2016 was lower due mainly to losses from associated companies in the Investments Division and Infrastructure Division.
- (vi) Profit on sale of equity investments in the prior period was due to disposals of listed equities in the Investments Division.
- (vii) Fair value loss (mark-to-market) for the half year ended 30 June 2016 on investment portfolio held for trading was due to decrease in stock prices.
- (viii) Hedging differential on forward exchange contracts was due to elapse of time and fluctuations in interest rates.

- (ix) The foreign exchange loss for the half year ended 30 June 2016 was mainly attributable to the revaluation of assets denominated in United States dollar and Sterling Pound, which depreciated against Singapore dollar.
 - (x) The write-back in the current period was in relation to write-back of impairment of investment in the Infrastructure Division.
 - (xi) Gain on disposal of subsidiaries in the current period arose from the sale of Quang Ba Royal Park Joint Venture Co Ltd, Keppel Thai Properties Public Company Ltd and Jiangyin Yangtze International Country Club, partly offset by the loss on sale of Keppel CT Developments Pte Ltd. In the prior period, gain on disposal arose from the sale of 51% interest in Keppel Merlimau Cogen Pte Ltd and disposal of 80% interest in BG Junction in Surabaya.
 - (xii) Gain associated with restructuring of operations and others in the current period arose mainly from the gain on change in interest in an associated company. In the prior period, the gain arose mainly from the dilution re-measurement gain from the combination of Crystal Trust and CitySpring Infrastructure Trust to form the enlarged Keppel Infrastructure Trust, partly offset by business combination loss on acquisition of additional interest in OWEC Tower.
- 1b. Taxation expenses were lower because of lower taxable profits in the Offshore & Marine Division as well as write-back of prior years' provision.

1c. Earnings per ordinary share

	Second Quarter			Half Year		
	30.6.2016	30.6.2015	+/-%	30.6.2016	30.6.2015	+/-%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-						
(i) Based on weighted average number of shares	11.3 cts	21.9 cts	-48.4	22.9 cts	41.7 cts	-45.1
- Weighted average number of shares (excluding treasury shares) ('000)	1,814,758	1,816,386	-0.1	1,814,758	1,816,386	-0.1
(ii) On a fully diluted basis	11.2 cts	21.7 cts	-48.4	22.8 cts	41.4 cts	-44.9
- Adjusted weighted average number of shares (excluding treasury shares) ('000)	1,825,920	1,827,334	-0.1	1,825,920	1,827,334	-0.1

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

	Second Quarter			Half Year		
	30.6.2016 \$'000	30.6.2015 \$'000	+/- %	30.6.2016 \$'000	30.6.2015 \$'000	+/- %
Profit for the period	219,246	409,853	-46.5	444,964	784,005	-43.2
Items that may be reclassified subsequently to profit & loss account:						
Available-for-sale assets						
- Fair value changes arising during the period	(i) 10,538	29,264	-64.0	(10,887)	8,408	NM
- Realised and transferred to profit & loss account	(ii) 2,716	619	NM	2,716	(38,622)	NM
Cash flow hedges						
- Fair value changes arising during the period, net of tax	(iii) 129,639	293,652	-55.9	264,389	(86,854)	NM
- Realised and transferred to profit & loss account	(iv) 44,317	30,968	+43.1	103,556	104,204	-0.6
Foreign exchange translation						
- Exchange differences arising during the period	(v) (130,067)	(216,923)	-40.0	(297,985)	3,299	NM
- Realised and transferred to profit & loss account	(3,394)	11,639	NM	(3,776)	11,639	NM
Share of other comprehensive income of associated companies						
- Available-for-sale assets	551	(694)	NM	573	1,488	-61.5
- Cash flow hedges	(12,533)	8,036	NM	(27,692)	18,119	NM
- Foreign exchange translation	(62,630)	11,047	NM	(103,549)	23,001	NM
Other comprehensive income for the period, net of tax	(20,863)	167,608	NM	(72,655)	44,682	NM
Total comprehensive income for the period	198,383	577,461	-65.6	372,309	828,687	-55.1
Attributable to:						
Shareholders of the Company	200,227	591,023	-66.1	387,122	779,904	-50.4
Non-controlling interests	(1,844)	(13,562)	-86.4	(14,813)	48,783	NM
	198,383	577,461	-65.6	372,309	828,687	-55.1

NM – Not Meaningful

Note:

- (i) Fair value changes were 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 changes 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 weaker United States dollar exchange 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 2016 and 2Q 2016 arose largely from weakening of foreign currencies, such as United States dollar and Renminbi against the Singapore dollar.

The translation losses for 2Q 2015 arose largely from weakening of foreign currencies, such as United States Dollar, Renminbi and Brazilian Real against the Singapore dollar. The translation gains for half year 2015 arose mainly from strengthening of the United States Dollar and Renminbi against the Singapore dollar.

3. BALANCE SHEETS as at 30 June

	Group		Company	
	30.6.2016	31.12.2015	30.6.2016	31.12.2015
	\$'000	\$'000	\$'000	\$'000
Share capital	1,288,394	1,288,394	1,288,394	1,288,394
Treasury shares	(16,730)	(49,011)	(16,730)	(49,011)
Reserves	9,834,683	9,856,278	4,888,102	5,608,423
Share capital & reserves	11,106,347	11,095,661	6,159,766	6,847,806
Non-controlling interests	724,759	830,198	–	–
Capital employed	11,831,106	11,925,859	6,159,766	6,847,806
Represented by:				
Fixed assets	2,765,002	2,845,547	1,228	1,281
Investment properties	3,204,078	3,272,112	–	–
Subsidiaries	–	–	8,249,802	8,139,235
Associated companies	5,415,163	5,521,756	–	–
Investments	365,340	350,103	–	–
Long term assets	285,108	283,464	431	380
Intangibles	147,117	99,825	–	–
	12,181,808	12,372,807	8,251,461	8,140,896
Current assets				
Stocks & work-in-progress				
in excess of related billings	10,464,417	10,650,500	–	–
Amounts due from:				
- subsidiaries	–	–	3,395,307	3,445,760
- associated companies	526,090	509,041	316	511
Debtors	3,214,671	3,144,822	1,538	1,257
Derivative assets	83,824	125,472	69,026	120,507
Short term investments	208,721	225,118	–	–
Bank balances, deposits & cash	1,796,795	1,892,841	564	91
	16,294,518	16,547,794	3,466,751	3,568,126
Current liabilities				
Creditors	4,450,150	4,971,549	132,828	144,866
Derivative liabilities	389,347	780,275	272,072	515,746
Billings on work-in-progress				
in excess of related costs	1,705,619	1,888,468	–	–
Provisions	80,902	90,216	–	–
Amounts due to:				
- subsidiaries	–	–	944,579	993,056
- associated companies	113,739	137,376	–	–
Term loans	1,853,048	856,735	1,342,304	631,879
Taxation	280,494	352,595	10,194	15,867
	8,873,299	9,077,214	2,701,977	2,301,414
Net current assets	7,421,219	7,470,580	764,774	1,266,712
Non-current liabilities				
Term loans	7,278,028	7,401,934	2,800,000	2,500,000
Deferred taxation	370,162	373,173	–	–
Other non-current liabilities	123,731	142,421	56,469	59,802
	7,771,921	7,917,528	2,856,469	2,559,802
Net assets	11,831,106	11,925,859	6,159,766	6,847,806
Group net debt	7,334,281	6,365,828	n.a.	n.a.
Group net gearing ratio	0.62x	0.53x	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 30.6.2016		As at 31.12.2015	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
16,701	1,836,347	11,764	844,971

(ii) Amount repayable after one year

As at 30.6.2016		As at 31.12.2015	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
1,172,819	6,105,209	1,216,914	6,185,020

(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 \$2,553,339,000 (31 December 2015: \$2,455,633,000) to banks for loan facilities.

3b. Net asset value

	Group			Company		
	30.6.2016	31.12.2015	+/-%	30.6.2016	31.12.2015	+/-%
Net asset value per ordinary share *	\$6.12	\$6.13	-0.2	\$3.39	\$3.78	-10.3
Net tangible asset per ordinary share *	\$6.04	\$6.07	-0.5	\$3.39	\$3.78	-10.3

* Based on share capital of 1,815,504,053 ordinary shares (excluding treasury shares) as at the end of the financial period (31 December 2015: 1,811,147,200 ordinary shares (excluding treasury shares)).

3c. Balance sheet analysis

Group shareholder's funds were \$11.11 billion at 30 June 2016, \$0.01 billion higher than the previous year end. The increase was mainly attributable to increase in fair value on cash flow hedges and retained profits for the period ended 30 June 2016. This was partly offset by payment of final dividend of 22.0 cents per share in respect of financial year 2015 and foreign exchange translation losses.

Group total assets were \$28.48 billion at 30 June 2016, \$0.44 billion lower than the previous year end. Decrease in current assets was due mainly to lower stocks & work-in-progress from the Property Division. Decrease in bank balances, deposits & cash was largely due to net cash outflow from operating activities during the period. Non-current assets decreased due mainly to foreign currency translation of fixed assets and investment properties in China as a result of weaker Renminbi exchange rate. Associated companies decreased due mainly to the share of losses of KrisEnergy and dividends received during the period.

Group total liabilities of \$16.65 billion at 30 June 2016 were \$0.35 billion lower than the previous year end. This was largely attributable to reduction in creditors in the Offshore & Marine Division and Property Division. Higher level of term loans was due to increased bank borrowings for working capital requirements and operational capital expenditure.

Group net debt increased by \$0.97 billion to \$7.33 billion at 30 June 2016.

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	Treasury Shares \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Transla- tion Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	Capital Employed \$'000
2016								
As at 1 January	1,288,394	(49,011)	(383,540)	10,379,320	(139,502)	11,095,661	830,198	11,925,859
Total comprehensive income for first quarter								
Profit for first quarter	-	-	-	210,558	-	210,558	15,160	225,718
Other comprehensive income *	-	-	158,821	-	(182,484)	(23,663)	(28,129)	(51,792)
Total comprehensive income for first quarter	-	-	158,821	210,558	(182,484)	186,895	(12,969)	173,926
Transactions with owners, recognised directly in equity								
<u>Contributions by and distributions to owners</u>								
Share-based payment	-	-	4,560	-	-	4,560	124	4,684
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(10,246)	(10,246)
Purchase of treasury shares	-	(3,069)	-	-	-	(3,069)	-	(3,069)
Treasury shares reissued pursuant to share plans	-	33,451	(33,451)	-	-	-	-	-
Transfer of statutory, capital and other reserves from revenue reserves	-	-	30	(30)	-	-	-	-
Cash subscribed by non-controlling shareholders	-	-	-	-	-	-	4,356	4,356
Contributions to defined benefits plans	-	-	168	-	-	168	-	168
Total contributions by and distributions to owners	-	30,382	(28,693)	(30)	-	1,659	(5,766)	(4,107)
<u>Changes in ownership interests in subsidiaries</u>								
Disposal of interest in subsidiaries	-	-	-	-	-	-	1,316	1,316
Total change in ownership interests in subsidiaries	-	-	-	-	-	-	1,316	1,316
Total transactions with owners	-	30,382	(28,693)	(30)	-	1,659	(4,450)	(2,791)
As at 31 March	1,288,394	(18,629)	(253,412)	10,589,848	(321,986)	11,284,215	812,779	12,096,994

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 Transla- tion Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	Capital Employed \$'000
2016								
Total comprehensive income for second quarter								
Profit for second quarter	-	-	-	205,780	-	205,780	13,466	219,246
Other comprehensive income *	-	-	175,253	-	(180,806)	(5,553)	(15,310)	(20,863)
Total comprehensive income for second quarter	-	-	175,253	205,780	(180,806)	200,227	(1,844)	198,383
Transactions with owners, recognised directly in equity								
<u>Contributions by and distributions to owners</u>								
Dividend paid	-	-	-	(399,411)	-	(399,411)	-	(399,411)
Share-based payment	-	-	8,744	-	-	8,744	120	8,864
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(9,625)	(9,625)
Treasury shares reissued pursuant to share plans and share option scheme	-	1,899	(1,123)	-	-	776	-	776
Transfer of statutory, capital and other reserves from revenue reserves	-	-	6,227	(6,227)	-	-	-	-
Cash subscribed by non-controlling shareholders	-	-	-	-	-	-	547	547
Contributions to defined benefits plans	-	-	(129)	-	-	(129)	-	(129)
Total contributions by and distributions to owners	-	1,899	13,719	(405,638)	-	(390,020)	(8,958)	(398,978)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of additional interest in subsidiaries	-	-	-	11,925	-	11,925	(59,481)	(47,556)
Disposal of interest in subsidiaries	-	-	-	-	-	-	(17,737)	(17,737)
Total change in ownership interests in subsidiaries	-	-	-	11,925	-	11,925	(77,218)	(65,293)
Total transactions with owners	-	1,899	13,719	(393,713)	-	(378,095)	(86,176)	(464,271)
As at 30 June	1,288,394	(16,730)	(64,440)	10,401,915	(502,792)	11,106,347	724,759	11,831,106

* 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 Transla- tion Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	Capital Employed \$'000
2015								
As at 1 January	1,287,595	(48,665)	(89,335)	9,422,754	(191,587)	10,380,762	4,346,879	14,727,641
Total comprehensive income for first quarter								
Profit for first quarter	–	–	–	360,226	–	360,226	13,926	374,152
Other comprehensive income *	–	–	(355,920)	–	184,575	(171,345)	48,419	(122,926)
Total comprehensive income for first quarter	–	–	(355,920)	360,226	184,575	188,881	62,345	251,226
Transactions with owners, recognised directly in equity								
<u>Contributions by and distributions to owners</u>								
Share-based payment	–	–	7,741	–	–	7,741	164	7,905
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(1,344)	(1,344)
Shares issued	799	–	(20)	–	–	779	–	779
Treasury shares reissued pursuant to share plans and share option scheme	–	39,198	(37,538)	–	–	1,660	–	1,660
Cash subscribed by non-controlling shareholders	–	–	1,348	–	–	1,348	3,500	4,848
Contributions to defined benefits plans	–	–	1,661	–	–	1,661	474	2,135
Total contributions by and distributions to owners	799	39,198	(26,808)	–	–	13,189	2,794	15,983
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of subsidiaries	–	–	–	–	–	–	1,224	1,224
Acquisition of additional interest in subsidiaries	–	–	(4,833)	273,636	–	268,803	(3,066,524)	(2,797,721)
Total change in ownership interests in subsidiaries	–	–	(4,833)	273,636	–	268,803	(3,065,300)	(2,796,497)
Total transactions with owners	799	39,198	(31,641)	273,636	–	281,992	(3,062,506)	(2,780,514)
As at 31 March	1,288,394	(9,467)	(476,896)	10,056,616	(7,012)	10,851,635	1,346,718	12,198,353

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 Transla- tion Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	Capital Employed \$'000
2015								
Total comprehensive income for second quarter								
Profit for second quarter	–	–	–	396,718	–	396,718	13,135	409,853
Other comprehensive income *	–	–	362,021	–	(167,716)	194,305	(26,697)	167,608
Total comprehensive income for second quarter	–	–	362,021	396,718	(167,716)	591,023	(13,562)	577,461
Transactions with owners, recognised directly in equity								
<u>Contributions by and distributions to owners</u>								
Dividend paid	–	–	–	(654,398)	–	(654,398)	–	(654,398)
Share-based payment	–	–	12,206	–	–	12,206	89	12,295
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(42,295)	(42,295)
Purchase of treasury shares	–	(4,956)	–	–	–	(4,956)	–	(4,956)
Treasury shares reissued pursuant to share option scheme	–	9,399	(3,126)	–	–	6,273	–	6,273
Cash subscribed by non-controlling shareholders	–	–	40	–	–	40	238	278
Contributions to defined benefits plans	–	–	(84)	–	–	(84)	(23)	(107)
Total contributions by and distributions to owners	–	4,443	9,036	(654,398)	–	(640,919)	(41,991)	(682,910)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of additional interest in subsidiaries	–	–	(143)	22,931	–	22,788	(215,675)	(192,887)
Disposal of interest in subsidiaries	–	–	–	–	–	–	(7,414)	(7,414)
Total change in ownership interests in subsidiaries	–	–	(143)	22,931	–	22,788	(223,089)	(200,301)
Total transactions with owners	–	4,443	8,893	(631,467)	–	(618,131)	(265,080)	(883,211)
As at 30 June	<u>1,288,394</u>	<u>(5,024)</u>	<u>(105,982)</u>	<u>9,821,867</u>	<u>(174,728)</u>	<u>10,824,527</u>	<u>1,068,076</u>	<u>11,892,603</u>

* 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
2016					
As at 1 January	1,288,394	(49,011)	199,713	5,408,710	6,847,806
Profit / Total comprehensive income for first quarter	–	–	–	25,595	25,595
Transactions with owners, recognised directly in equity					
Share-based payment	–	–	4,061	–	4,061
Purchase of treasury shares	–	(3,069)	–	–	(3,069)
Treasury shares reissued pursuant to share plans	–	33,451	(33,451)	–	–
Total transactions with owners	–	30,382	(29,390)	–	992
As at 31 March	1,288,394	(18,629)	170,323	5,434,305	6,874,393
Profit / Total comprehensive income for second quarter	–	–	–	(324,248)	(324,248)
Transactions with owners, recognised directly in equity					
Dividend paid	–	–	–	(399,411)	(399,411)
Share-based payment	–	–	8,256	–	8,256
Treasury shares reissued pursuant to share plans and share option scheme	–	1,899	(1,123)	–	776
Total transactions with owners	–	1,899	7,133	(399,411)	(390,379)
As at 30 June	1,288,394	(16,730)	177,456	4,710,646	6,159,766
	Share Capital \$'000	Treasury Shares \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total \$'000
2015					
As at 1 January	1,287,595	(48,665)	191,294	4,400,277	5,830,501
Profit / Total comprehensive income for first quarter	–	–	–	(23,323)	(23,323)
Transactions with owners, recognised directly in equity					
Share-based payment	–	–	6,508	–	6,508
Shares issued	799	–	(20)	–	779
Treasury shares reissued pursuant to share plans and share option scheme	–	39,198	(37,538)	–	1,660
Total transactions with owners	799	39,198	(31,050)	–	8,947
As at 31 March	1,288,394	(9,467)	160,244	4,376,954	5,816,125
Profit / Total comprehensive income for second quarter	–	–	–	898,063	898,063
Transactions with owners, recognised directly in equity					
Dividend paid	–	–	–	(654,398)	(654,398)
Share-based payment	–	–	11,179	–	11,179
Purchase of treasury shares	–	(4,956)	–	–	(4,956)
Treasury shares reissued pursuant to share option scheme	–	9,399	(3,126)	–	6,273
Total transactions with owners	–	4,443	8,053	(654,398)	(641,902)
As at 30 June	1,288,394	(5,024)	168,297	4,620,619	6,072,286

4c. Share capital

Issued share capital and treasury shares

	Number of ordinary shares	
	Issued Share Capital	Treasury Shares
As at 1 January 2016	1,817,910,180	6,762,980
Treasury shares transferred pursuant to restricted share plan and performance share plan	–	(4,673,763)
Treasury shares purchased	–	590,000
As at 31 March 2016	1,817,910,180	2,679,217
Treasury shares transferred pursuant to share option scheme	–	(253,000)
Treasury shares transferred pursuant to restricted share plan	–	(20,090)
As at 30 June 2016	1,817,910,180	2,406,127

Treasury shares

During the six months ended 30 June 2016, the Company transferred 4,946,853 (30 June 2015: 5,923,515) treasury shares to employees upon vesting of shares released under the KCL Share Plans and Share Option Scheme. The Company also purchased 590,000 treasury shares (30 June 2015: 584,000) during the period. As at 30 June 2016, the number of treasury shares held by the Company represented 0.13% (30 June 2015: 0.03%) 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 six months ended 30 June 2016.

Share options

As at 30 June 2016, there were unexercised options for 14,741,474 of unissued ordinary shares (30 June 2015: 17,873,474 ordinary shares) under the KCL Share Options Scheme. 253,000 options (30 June 2015: 1,497,630) were exercised during the period and 2,827,000 unexercised options (30 June 2015: 199,400) were cancelled in the six months ended 30 June 2016.

KCL Performance Share Plan ("KCL PSP")

As at 30 June 2016, the number of contingent shares granted but not released were 8,307,400 (30 June 2015: 1,832,119) for KCL PSP, which included 5,625,000 (30 June 2015: Nil) under a transformation incentive plan. 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 12,461,100 under KCL PSP.

KCL Restricted Share Plan ("KCL RSP")

As at 30 June 2016, the number of contingent shares granted but not released were 5,800,645 (30 June 2015: 4,837,286). Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could be zero or 5,800,645 under KCL RSP.

As at 30 June 2016, the number of awards released but not vested was 4,980,159 (30 June 2015: 4,294,301) 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 1.1.16	Contingent awards granted	Adjustment upon release	Released	Cancelled	At 30.6.16
<u>KCL PSP</u>						
28.3.2013	554,719	–	(421,619)	(133,100)	–	–
31.3.2014	577,400	–	–	–	–	577,400
31.3.2015	700,000	–	–	–	–	700,000
30.7.2015	220,000	–	–	–	–	220,000
29.4.2016	–	1,185,000	–	–	–	1,185,000
29.4.2016	–	5,625,000	–	–	–	5,625,000
	2,052,119	6,810,000	(421,619)	(133,100)	–	8,307,400
<u>KCL RSP</u>						
31.3.2015	4,731,880	–	–	(4,683,980)	(47,900)	–
30.7.2015	789,603	–	–	(764,298)	(25,305)	–
29.4.2016	–	5,825,645	–	–	(25,000)	5,800,645
	5,521,483	5,825,645	–	(5,448,278)	(98,205)	5,800,645

Awards released but not vested:

Date of Grant	Number of shares					At 30.6.16
	At 1.1.16	Released	Vested	Cancelled	Other adjustments	
<u>KCL PSP</u>						
28.3.2013	–	133,100	(122,600)	–	(10,500)	–
	–	133,100	(122,600)	–	(10,500)	–
<u>KCL RSP</u>						
28.3.2013	1,309,027	–	(1,293,921)	(7,512)	(5,177)	2,417
31.3.2014	2,884,098	–	(1,435,600)	(23,216)	(10,000)	1,415,282
31.3.2015	–	4,683,980	(1,585,391)	(18,156)	(14,630)	3,065,803
30.7.2015	–	764,298	(256,341)	(10,300)	(1,000)	496,657
	4,193,125	5,448,278	(4,571,253)	(59,184)	(30,807)	4,980,159

4d. Capital reserves

	Group		Company	
	30.6.2016 \$'000	30.6.2015 \$'000	30.6.2016 \$'000	30.6.2015 \$'000
Share option and share plan reserve	184,959	187,286	162,966	163,556
Fair value reserve	66,361	73,808	–	–
Hedging reserve	(449,994)	(480,939)	–	–
Bonus issue by subsidiaries	40,000	40,000	–	–
Others	94,234	73,863	14,490	4,741
	(64,440)	(105,982)	177,456	168,297

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

		Second Quarter		Half Year	
	Note	30.6.2016 \$'000	30.6.2015 \$'000	30.6.2016 \$'000	30.6.2015 \$'000
OPERATING ACTIVITIES					
Operating profit		233,590	414,227	511,540	812,468
Adjustments:					
Depreciation and amortisation		57,686	64,563	114,275	130,243
Share-based payment expenses		9,616	12,531	14,968	20,496
Loss/(profit) on sale of investments		49	–	49	(49,605)
Profit on sale of fixed assets		(524)	(156)	(1,437)	(1,427)
Write-back of impairment of investments		(284)	(776)	(568)	(1,553)
Gain on disposal of subsidiaries		(12,811)	(218,770)	(8,372)	(218,770)
Gain associated with restructuring of operations and others		–	(55,098)	(1,633)	(55,098)
Operational cash flow before changes in working capital		287,322	216,521	628,822	636,754
Working capital changes:					
Stocks & work-in-progress		39,579	456,627	30,208	(129,839)
Debtors		(121,471)	(587,651)	(208,020)	(923,687)
Creditors		(72,323)	(544,800)	(584,805)	222,463
Investments		9,375	10,362	(7,114)	81,931
Advances to/from associated companies		(12,832)	82,311	(41,826)	55,235
		129,650	(366,630)	(182,735)	(57,143)
Interest received		31,854	19,379	60,614	50,801
Interest paid		(50,077)	(30,678)	(96,671)	(67,285)
Income taxes paid, net of refunds received		(118,629)	(177,936)	(142,696)	(197,906)
Net cash used in operating activities		(7,202)	(555,865)	(361,488)	(271,533)
INVESTING ACTIVITIES					
Acquisition of subsidiaries	5a	(135,500)	(269)	(135,500)	(2,559)
Acquisition and further investment in associated companies		(41,149)	(335,102)	(116,635)	(396,604)
Acquisition of fixed assets and investment properties		(62,663)	(157,944)	(112,999)	(522,363)
Disposal of subsidiaries	5b	41,840	1,248,946	46,748	1,248,946
Proceeds from disposal of fixed assets		291	193	2,325	1,570
Return of capital from associated companies		8	–	75	–
Dividends received from investments and associated companies		71,320	123,598	155,907	162,365
Net cash (used in)/from investing activities		(125,853)	879,422	(160,079)	491,355
FINANCING ACTIVITIES					
Acquisition of additional interest in a subsidiary		(47,556)	(191,120)	(47,556)	(2,961,782)
Proceeds from share issues		–	–	–	779
Proceeds from share options exercised with issue of treasury shares		776	6,273	776	7,933
Purchase of treasury shares		–	(4,956)	(3,069)	(4,956)
Proceeds from non-controlling shareholders of subsidiaries		547	278	4,903	5,126
Proceeds from term loans		891,560	173,300	1,139,713	1,215,641
Repayment of term loans		(162,610)	(878,786)	(238,456)	(1,167,330)
Dividend paid to shareholders of the Company		(399,411)	(654,398)	(399,411)	(654,398)
Dividend paid to non-controlling shareholders of subsidiaries		(9,625)	(42,295)	(19,871)	(43,639)
Net cash from/(used in) financing activities		273,681	(1,591,704)	437,029	(3,602,626)
Net increase/(decrease) in cash and cash equivalents		140,626	(1,268,147)	(84,538)	(3,382,804)
Cash and cash equivalents as at beginning of period		1,608,832	3,653,262	1,859,118	5,712,351
Effects of exchange rate changes on the balance of cash held in foreign currencies		(14,299)	(49,805)	(39,421)	5,763
Cash and cash equivalents as at end of period	5c	1,735,159	2,335,310	1,735,159	2,335,310

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	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	\$'000	\$'000	\$'000	\$'000
Fixed assets	14,849	26	14,849	85
Intangible assets	34,371	–	34,371	3,245
Stocks and work-in-progress	60,873	–	60,873	–
Debtors and other assets	21,904	175	21,904	2,970
Bank balances and cash	–	223	–	2,433
Creditors	(11,349)	(732)	(11,349)	(3,381)
Borrowings	–	(222)	–	(222)
Current and deferred taxation	–	–	–	(763)
Total net identifiable assets at fair value	120,648	(530)	120,648	4,367
Non-controlling interests measured at non-controlling interests' proportionate share of the net assets	–	–	–	(1,224)
Amount previously accounted for as an associated company	–	(490)	–	(490)
Goodwill arising from acquisition	14,852	1,512	14,852	2,339
Total purchase consideration	135,500	492	135,500	4,992
Less: Bank balances and cash acquired	–	(223)	–	(2,433)
Cash flow on acquisition	135,500	269	135,500	2,559

During the six months, the Group acquired Cameron International Corporation's (Cameron) offshore product division, which comprises the LeTourneau™ jackup rig designs, rig kit business, as well as its aftersales and aftermarket service. Fair value of the net identifiable assets are determined on a provisional basis.

Significant acquisition of subsidiaries during the six months of the prior year, mainly relates to acquisition of 75% interest in Array Group and acquisition of additional 50.1% interest in OWEC Tower (AS) increasing our interest to 100%.

5b. Disposal of subsidiaries

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

	Second Quarter		Half Year	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	\$'000	\$'000	\$'000	\$'000
Fixed assets	(18,341)	(1,141,882)	(18,463)	(1,141,882)
Investment properties	(54,685)	(21,592)	(54,685)	(21,592)
Long term investments	(54)	–	(54)	–
Stocks and work-in-progress	(33,197)	(27,843)	(47,430)	(27,843)
Debtors and other assets	(30,044)	(206,906)	(30,525)	(206,906)
Bank balances and cash	(17,095)	(240,637)	(17,361)	(240,637)
Creditors and other liabilities	37,207	210,928	43,693	210,928
Borrowings	45,176	–	45,176	–
Current and deferred taxation	3,985	187,940	3,987	187,940
Non-controlling interest deconsolidated	17,737	7,414	16,421	7,414
	(49,311)	(1,232,578)	(59,241)	(1,232,578)
Amount accounted for as associated company	–	(40,498)	–	(40,498)
Net assets disposed of	(49,311)	(1,273,076)	(59,241)	(1,273,076)
Net profit on disposal	(12,811)	(218,770)	(8,372)	(218,770)
Realisation of foreign currency translation reserve and capital reserve	3,187	(10,053)	3,504	(10,053)
Sale proceeds	(58,935)	(1,501,899)	(64,109)	(1,501,899)
Less: Deferred proceeds received	–	12,316	–	12,316
Less: Bank balances and cash disposed	17,095	240,637	17,361	240,637
Cash flow on disposal	(41,840)	(1,248,946)	(46,748)	(1,248,946)

Significant disposal of subsidiaries during the six months include the sale of 60% interest in Keppel CT Developments Pte Ltd, sale of 70% interest in Quang Ba Royal Park Joint Venture Co Ltd, sale of 45% interest in Keppel Thai Properties Public Company Ltd and sale of 95% interest in Jiangyin Yangtze International Country Club.

Significant disposals during the six months of the prior year include the sale of 51% interest in Keppel Merlimau Cogen Pte Ltd and disposal of 80% interest in BG Junction in Surabaya.

5c. 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:

	Second Quarter		Half Year	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	\$'000	\$'000	\$'000	\$'000
Bank balances, deposits and cash	1,796,795	2,375,502	1,796,795	2,375,502
Bank overdrafts	–	–	–	–
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	(61,636)	(40,192)	(61,636)	(40,192)
	1,735,159	2,335,310	1,735,159	2,335,310

5d. Cash flow analysis

(i) Second Quarter

Net cash used in operating activities for the quarter was \$7 million compared to \$556 million for the corresponding quarter last year. This was mainly due to lower cash outflow for working capital requirements during the period.

Net cash used in investing activities for the quarter was \$126 million. The Group spent \$239 million on acquisitions and capital expenditure. This comprised principally the acquisition of Cameron offshore product division, acquisition of 20% interest in an associated company, Quoc Loc Phat Joint Stock Company, further investment in associated companies and operational capex. Divestments and dividend income amounted to \$113 million.

Net cash from financing activities was \$274 million. This was mainly attributable to the net proceeds from term loans, partly offset by the dividend of \$409 million that was paid to both shareholders of the Company and non-controlling shareholders of subsidiaries during the quarter.

(ii) Half Year

Net cash used in operating activities was \$361 million, \$90 million higher than that in the previous period. This was mainly due to higher cash outflow for working capital requirements.

Net cash used in investing activities was \$160 million. This was mainly attributable to the acquisition of Cameron offshore product division, acquisition of 22.4% stake in an associated company, 112 Katong, further investment in associated companies and operational capex. Divestments and dividend income amounted to \$203 million.

Net cash from financing activities was \$437 million. This was mainly attributable to the net proceeds from term loans, partly offset by the dividend of \$419 million that was paid to both shareholders of the Company and non-controlling shareholders of subsidiaries during the period. The net cash used in financing activities in the prior period was mainly attributable to the acquisition of additional shareholding in Keppel Land Limited.

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 2015.

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 2016. 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:

- Improvements to Financial Reporting Standards (November 2014)
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*
- Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 111 *Joint Arrangements : Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 28 *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

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

Group revenue for 2Q2016 of \$1,625 million was \$938 million or 37% below that of 2Q2015. Revenue from the Offshore & Marine Division declined \$860 million to \$720 million because of lower volume of work, deferment of some projects and the suspension of the Sete Brasil contracts. Revenue from the Property Division improved by \$63 million to \$469 million mainly from higher revenue from China. The Infrastructure Division's revenue was lower by \$137 million to \$404 million resulting from a drop in revenue from the power and gas business due to lower prices and volume.

Group pre-tax profit for 2Q2016 decreased by \$213 million or 43% from \$498 million to \$285 million. Pre-tax profit of the Offshore & Marine Division dropped by \$133 million to \$88 million as a result of lower operating results arising from lower revenue, net interest expense and lower share of associated companies' profits. Pre-tax profit of the Property Division of \$128 million was \$10 million or 7% lower than 2Q2015. Lower contribution from Singapore property trading was partly offset by higher contribution from China property trading. Pre-tax profit of the Infrastructure Division dropped by \$73 million due mainly to the absence of gains recognised in 2015. In 2015, there were gains from disposal of 51% interest in Keppel Merlimau Cogen Pte Ltd and dilution re-measurement gain from the combination of Crystal Trust and CitySpring Infrastructure Trust to form the enlarged Keppel Infrastructure Trust, which were partially offset by the losses following finalisation of the cost to complete the Doha North Sewage Treatment Plant. Pre-tax profit of the Investments Division of \$32 million for 2Q2016 is comparable to that of 2Q2015.

Tax expenses decreased by \$22 million because of lower taxable profits. Non-controlling interests is comparable to that of 2Q2015. After taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders for 2Q2016 was \$205 million, 48% below the same quarter in the previous year. Earnings per share was 11.3 cents.

(ii) Half Year

Group net profit for the half year ended 30 June 2016 of \$416 million was lower than the \$757 million for the same period in 2015. Earnings per share were 22.9 cents. Annualised return on equity was 7.4% and Economic Value Added decreased by \$253 million to \$9 million.

Group revenue of \$3,368 million for the six months to-date was \$2,009 million or 37% below that of the corresponding period in 2015. Revenue from the Offshore & Marine Division declined by \$1,969 million to \$1,538 million due to the reasons given above. Major jobs completed and delivered in the half year included three jack-up rigs and a land rig. Revenue from the Property Division increased by \$263 million to \$972 million mainly from higher revenue from China and Singapore. Revenue from the Infrastructure Division contracted by \$253 million to \$794 million as a result of a drop in revenue recorded by the power and gas business from lower prices and volume.

At the pre-tax level, Group profit was down by \$390 million or 41% to \$563 million from that of the corresponding period in 2015. The Offshore & Marine Division reported a drop in pre-tax profit of \$262 million to \$210 million due mainly to lower operating results arising from lower revenue and net interest expense, partly offset by higher share of associated companies' profits. Pre-tax profit from the Property Division of \$264 million was \$39 million or 17% higher than the corresponding period in 2015. This is due mainly to higher contribution from China property trading and share of associated companies' profits. Pre-tax profit of the Infrastructure Division dropped by \$88 million to \$55 million due mainly to the absence of gains recognised in 2015 as explained above. Pre-tax profit of the Investments Division decreased by \$79 million to \$34 million due mainly to share of associated companies' losses and the absence of gain from sale of investments in the same period last year.

Taxation expenses declined by \$51 million or 30% due mainly to lower taxable profits. Non-controlling interests is comparable to that of the corresponding period in 2015. Taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders was \$416 million, down \$341 million from \$757 million last year. The Property Division was the largest contributor to Group net profit with 47% share, followed by the Offshore & Marine Division's 37%, Infrastructure Division's 10% and the Investments Division's 6%.

11. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

12. PROSPECTS

The Offshore & Marine Division secured \$0.5 billion of new orders to-date. Its net order book, excluding the Sete rigs, stands at \$4.3 billion. Faced with the global sector downturn, the Division is rightsizing its operations for what could be an extended slowdown, while pursuing opportunities in niche markets and in non-drilling areas. It will continue to build new capabilities and position itself to seize opportunities for the upturn.

The Property Division sold about 2,140 homes in the first half of 2016, comprising about 1,850 in China, 90 in Vietnam and 190 in Singapore. This is higher than the 1,820 homes sold in the same period last year. The improvement is mainly attributable to sales in China. Keppel REIT's office buildings in Singapore and Australia continue to maintain high occupancy of 99.7% as at end-June 2016. The Division will remain focused on strengthening its presence in its core and growth markets seeking opportunities to unlock value and recycle capital.

In the Infrastructure Division, Keppel Infrastructure ("KI") will remain focused on its power and gas as well as its other energy-related infrastructure businesses and will continue to pursue promising growth areas. The electricity market is still expected to remain competitive but KI's integrated power and gas business platform will enable it to weather the challenges ahead through driving synergies and value creation across its diversified portfolio. Keppel Telecommunications & Transportation will continue to develop both logistics and data centre businesses locally and overseas. It will also focus on growing a portfolio of quality data centre assets for injection into Keppel DC REIT.

In the Investments Division, the formation of Keppel Capital will 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 without putting a strain on the balance sheet. Keppel Capital will create value for investors and grow the Group's asset management business. Total assets under management by Keppel Capital are about \$26 billion as at 30 June 2016.

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? Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share	8.0
Tax rate	Tax exempt

The Directors are pleased to declare a tax exempt one-tier interim cash dividend of 8.0 cents per share (2015: interim cash dividend of 12.0 cents per share tax exempt one-tier). The dividend will be paid to shareholders on 10 August 2016.

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	12.0 cents
Tax rate	Tax exempt

13c. Date Payable

10 August 2016.

13d. Books Closure Date

Notice is hereby given that, the Share Transfer Books and Register of Members of the Company will be closed on 29 July 2016 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 8 Robinson Road #03-00, ASO Building, Singapore 048544 up to 5.00 p.m. on 29 July 2016 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 29 July 2016 will be entitled to the interim dividend.

14. SEGMENT ANALYSIS

Half year ended 30 June 2016

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimination \$'000	Total \$'000	
Revenue							
External sales	1,538,147	971,692	794,026	64,575	–	3,368,440	
Inter-segment sales	359	6,072	13,603	35,972	(56,006)	–	
Total	1,538,506	977,764	807,629	100,547	(56,006)	3,368,440	
Segment Results							
Operating profit	202,701	210,007	38,803	53,676	6,353	511,540	
Investment income	390	6,758	(6)	825	–	7,967	
Interest income	29,219	12,756	22,747	118,723	(122,831)	60,614	
Interest expenses	(59,528)	(36,237)	(9,670)	(107,714)	116,478	(96,671)	
Share of results of associated companies	37,421	70,449	2,591	(31,341)	–	79,120	
Profit before tax	210,203	263,733	54,465	34,169	–	562,570	
Taxation	(32,276)	(72,971)	(6,484)	(5,875)	–	(117,606)	
Profit for the period	177,927	190,762	47,981	28,294	–	444,964	
Attributable to:							
Shareholders of Company	156,378	193,641	41,638	24,681	–	416,338	
Non-controlling interests	21,549	(2,879)	6,343	3,613	–	28,626	
	177,927	190,762	47,981	28,294	–	444,964	
Other Information							
Segment assets	10,195,699	15,776,636	2,878,318	6,859,657	(7,233,984)	28,476,326	
Segment liabilities	8,048,949	6,900,340	1,657,449	7,272,466	(7,233,984)	16,645,220	
Net assets	2,146,750	8,876,296	1,220,869	(412,809)	–	11,831,106	
Investment in associated companies	581,794	3,282,745	887,247	663,377	–	5,415,163	
Additions to non-current assets	28,229	171,031	29,983	391	–	229,634	
Depreciation and amortisation	79,459	14,318	19,875	623	–	114,275	
Geographical Information							
	<u>Singapore</u> \$'000	<u>China</u> \$'000	<u>Brazil</u> \$'000	Far East & Other ASEAN Countries \$'000	Other Countries \$'000	<u>Elimination</u> \$'000	<u>Total</u> \$'000
External sales	2,172,089	577,695	139,668	302,762	176,226	–	3,368,440
Non-current assets	6,011,616	3,208,484	297,804	1,115,037	898,419	–	11,531,360

Half year ended 30 June 2015

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimination \$'000	Total \$'000
Revenue						
External sales	3,506,471	709,444	1,047,022	114,122	–	5,377,059
Inter-segment sales	173	5,418	16,498	39,447	(61,536)	–
Total	3,506,644	714,862	1,063,520	153,569	(61,536)	5,377,059
Segment Results						
Operating profit	426,189	177,224	135,627	68,128	5,300	812,468
Investment income	1,624	3,715	–	634	–	5,973
Interest income	34,562	13,742	1,297	67,152	(65,952)	50,801
Interest expenses	(13,141)	(37,148)	(15,427)	(62,221)	60,652	(67,285)
Share of results of associated companies	22,887	67,546	21,226	39,726	–	151,385
Profit before tax	472,121	225,079	142,723	113,419	–	953,342
Taxation	(90,126)	(48,749)	(17,030)	(13,432)	–	(169,337)
Profit for the period	381,995	176,330	125,693	99,987	–	784,005
Attributable to:						
Shareholders of Company	376,140	164,478	120,140	96,186	–	756,944
Non-controlling interests	5,855	11,852	5,553	3,801	–	27,061
	381,995	176,330	125,693	99,987	–	784,005
Other Information						
Segment assets	9,720,696	16,362,387	3,307,283	6,540,539	(7,370,649)	28,560,256
Segment liabilities	7,735,116	7,456,132	2,177,219	6,669,835	(7,370,649)	16,667,653
Net assets	1,985,580	8,906,255	1,130,064	(129,296)	–	11,892,603
Investment in associated companies	503,673	3,361,986	922,352	614,198	–	5,402,209
Additions to non-current assets	114,983	399,892	402,869	1,223	–	918,967
Depreciation and amortisation	70,633	12,209	46,309	1,092	–	130,243

Geographical Information

	Singapore \$'000	China \$'000	Brazil \$'000	Far East & Other ASEAN Countries \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	3,760,466	457,412	623,390	260,136	275,655	–	5,377,059
Non-current assets	6,039,522	2,422,651	292,500	1,019,134	794,986	–	10,568,793

Note:

- 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 and equities.
- Pricing of inter-segment goods and services is at fair market value.
- For the half year 2016, other than Singapore and China, no single country accounted for 10% or more of the Group's revenue. For the half year 2015, other than Singapore and Brazil, no single country accounted for 10% or more of the Group's revenue.
- No single external customer accounted for 10% or more of the Group's revenue for the half year 2016 and 2015.

15. REVIEW OF SEGMENT PERFORMANCE

- 15a. Prior to 2016, the Group had presented the contribution of its fund management businesses within the Infrastructure Division and the Property Division accordingly. Following a restructuring plan to grow the contribution from the Investments Division, the contributions from these businesses are presented in the Investments Division from 2016. The 2015 segment information has been restated to align to the current reportable segment presentation.

15b. Revenue by Segments

Group revenue of \$3,368 million was \$2,009 million or 37% below than that of corresponding period in 2015. Revenue from the Offshore & Marine Division declined by \$1,969 million to \$1,538 million due mainly to lower volume of work, deferment of some projects and the suspension of the Sete Brasil contracts. Major jobs completed and delivered in the half year included three jack-up rigs and a land rig. Revenue from the Property Division increased by \$263 million to \$972 million mainly from higher revenue from China and Singapore. Revenue from the Infrastructure Division contracted by \$253 million to \$794 million as a result of a drop in revenue recorded by the power and gas business from lower prices and volume.

15c. Net profit by Segments

Group net profit of \$416 million was \$341 million or 45% lower than that of corresponding period in 2015. Profit from the Offshore & Marine Division of \$156 million was \$220 million lower than that of the corresponding period in the prior year due mainly to lower operating results arising from lower revenue and net interest expense, partly offset by higher share of associated companies' profits. Net profit from the Property Division of \$194 million rose by \$29 million due mainly to higher contribution from China property trading and share of associated companies' profits. Profit from the Infrastructure Division of \$41 million was \$79 million lower due largely to the absence of gains recognised in 2015. In 2015, there were gains from disposal of 51% interest in Keppel Merlimau Cogen Pte Ltd and dilution re-measurement gain from the combination of Crystal Trust and CitySpring Infrastructure Trust to form the enlarged Keppel Infrastructure Trust, which were partially offset by the losses following finalisation of the cost to complete the Doha North Sewage Treatment Plant. Profit from the Investments Division decreased by \$71 million to \$25 million due mainly to share of associated companies' losses and the absence of gain from sale of investments in the same period last year. The Property Division was the largest contributor to Group net profit with 47% share, followed by the Offshore & Marine Division's 37%, Infrastructure Division's 10% and the Investments Division at 6%.

15d. Revenue by Geographical Segments

Revenue from Singapore of \$2,172 million was \$1,588 million lower due largely to lower revenue from the Offshore & Marine Division. Higher revenue from China were mainly from the Property 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 19 April 2016. 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 30.6.2016 \$'000	Half Year 30.6.2015 \$'000	Half Year 30.6.2016 \$'000	Half Year 30.6.2015 \$'000
Transaction for the Sale of Goods and Services				
Neptune Orient Lines Group	—	—	388	—
PSA International Group	—	—	1,409	68
SembCorp Marine Group	—	—	1,223	177
SATS Group	—	—	—	37,654
Singapore Airlines Group	—	—	—	5,600
Singapore Power Group	—	—	—	4,300
Singapore Technologies Engineering Group	—	—	48	60
Transaction for the Purchase of Goods and Services				
CapitaMalls Asia Group	—	—	—	161
Certis CISCO Security Pte Ltd	—	—	265	738
Gas Supply Pte Ltd	—	—	—	80,000
Mapletree Investments Group	—	—	—	17,811
Pavilion Gas Pte Ltd	—	—	50,000	—
PSA International Group	—	—	82	61
Singapore Technologies Engineering Group	—	—	3,594	15,956
Singapore Telecommunications Group	—	—	1,160	840
Total Interested Person Transactions	—	—	58,169	163,426

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

21 July 2016

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 2016 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, 21 July 2016

Second Quarter and First Half 2016 Financial Results

21 July 2016



Scope of Briefing

- Address by CEO
- Group Financial Highlights by CFO

Address by CEO

3

Keppel Corporation

Macro Environment

- Volatility and slowing growth in global economy
- O&M sector remains challenging
- Asia's urbanisation trends remain robust

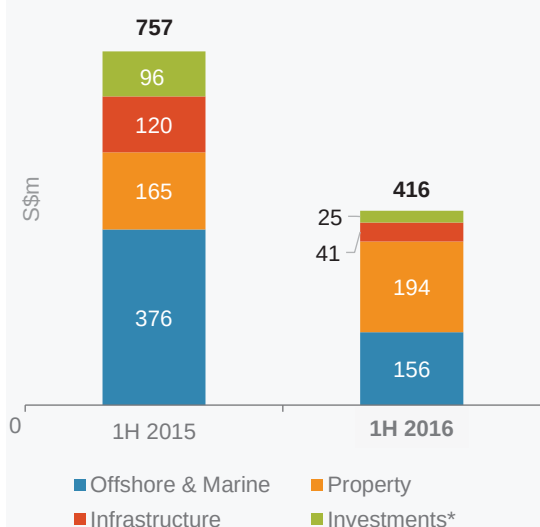
4

Keppel Corporation

Financial Performance

1H 2016 net profit

S\$416m, down 45% yoy



* Includes contributions from asset management businesses under Keppel Capital

Key highlights

- Multi-business strategy mitigates fall in contributions from Offshore & Marine
- Net profit was S\$416m
- EVA was S\$9m
- Annualised ROE was 7.4%
- Net gearing of 0.62x
- Interim cash dividend of 8.0 cents per share

5

Keppel Corporation



Offshore & Marine

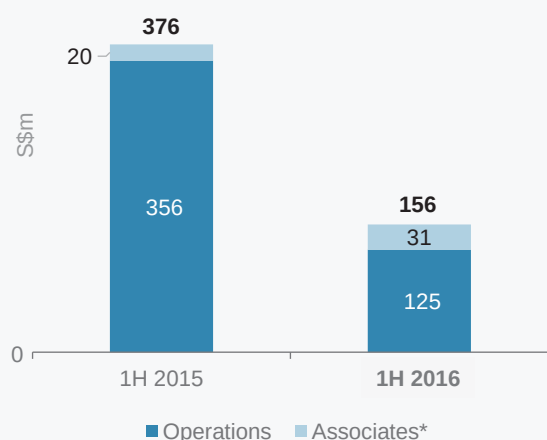
6

Keppel Corporation

Offshore & Marine

1H 2016 net profit

S\$156m, down 59% yoy



* Includes contributions from Floatel, Seafox and Dyna-Mac, etc.

7

Keppel Corporation

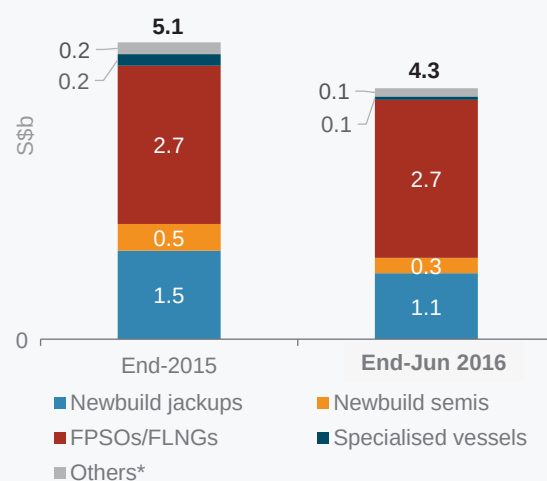
Key developments

- YTD new contracts worth over S\$460m including FPSO and specialised vessel projects
- Established Keppel LeTourneau
- New joint ventures
 - LNG bunkering business in Singapore with Shell
 - Design and Engineering Centre in Russia
- Will provide management services and work with Titan to develop its shipyard

Offshore & Marine

Net orderbook (excl. semis for Sete)

S\$4.3b as at end-Jun 2016



* Includes modification, upgrading, fabrication and rig repairs.

8

Keppel Corporation

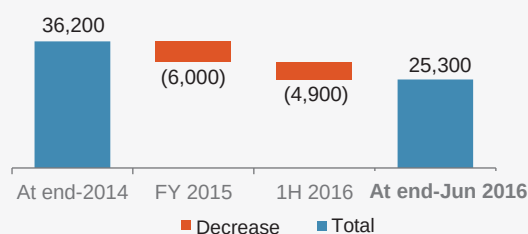
Key developments

- Major deliveries in 1H 2016
 - 3 jackups, 1 semi upgrade, 1 land rig, 1 derrick lay vessel, 1 liftboat, 1 transformer platform and 1 FPSO integration project
- Deliveries in 2H 2016
 - 2 jackups, 2 semis and 5 FPSO/FSU conversion projects
- Project deferrals
 - 3 jackups for Grupo R and 1 jackup for Parden from 2016 to 2017
- Sete's semis excluded from orderbook following its filing for judicial recovery

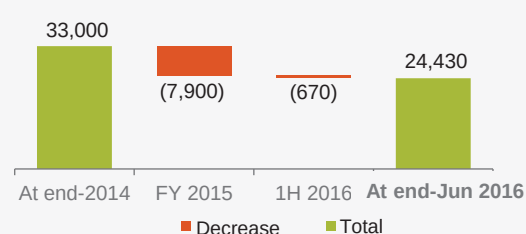
Strengthening Resilience

Keppel Offshore & Marine aims to remain profitable amidst a long and harsh winter.

Direct workforce



Subcontract workforce



- Continued streamlining of workforce
- Reduced overheads by ~20% yoy in 1H 2016
- Intensifying rightsizing efforts
 - Cutting costs and restructuring of operations
 - Improving efficiency and productivity
 - Mothballing yards with low work volumes, if necessary

9

Keppel Corporation

Responding with Agility

- Seizing opportunities in other segments
 - Floating production solutions, e.g. tension leg platforms and production semis
 - LNG-related solutions and services
 - Non oil and gas projects
 - Jones Act vessels

10

Keppel Corporation



Property

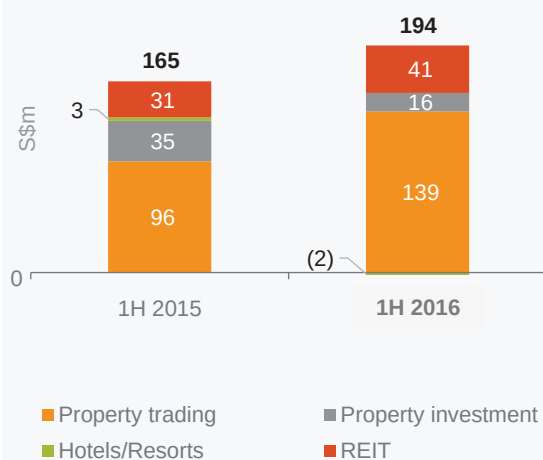
11

Keppel Corporation

Property

1H 2016 net profit

S\$194m, up 18% yoy



Key developments

- Property Division continues to perform well on the back of urbanisation trends
- Invested S\$182m in HCMC, Vietnam
 - Thu Thiem New Urban Area developments
 - Nam Long Investment Corporation, a leading affordable housing developer
- Acquired a 22.4% stake in the I12 Katong mall in Singapore for S\$51m

12

Keppel Corporation

Property



Junction City Tower in Yangon, Myanmar

Key developments

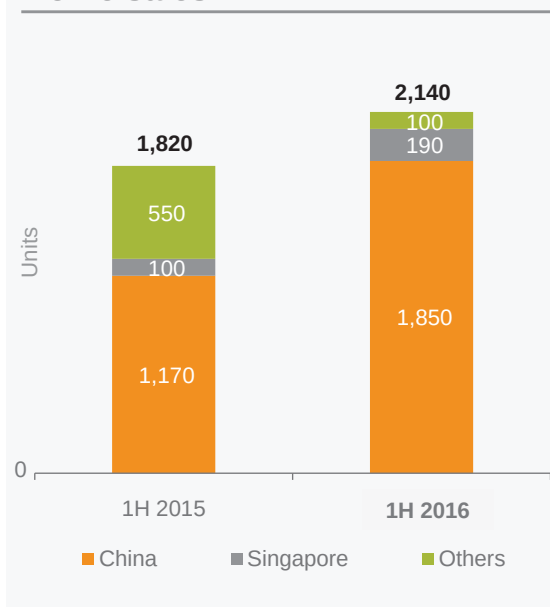
- Focus on proactive capital recycling for higher returns
 - Made divestments across Hanoi, Bangkok, Colombo and Jiangyin
- Topped off Junction City Tower and opened Sedona Hotel Yangon's Inya Wing in Myanmar

13

Keppel Corporation

Property

Home sales



Residential highlights

- Sold 2,140 homes in 1H 2016, up 18% yoy
 - About 86% of units sold from China
- Total sales value of about S\$960m
- Contributions from 3,400 overseas units sold will be recognised from 2H 2016 through 2018

Sino-Singapore Tianjin Eco-City

- Growing demand for land and homes as the City matures
- Achieved record price for land sales

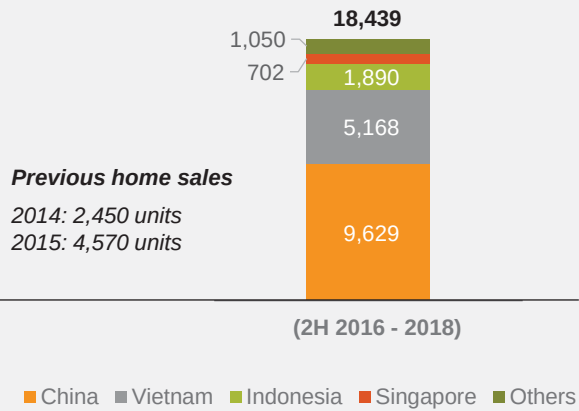
14

Keppel Corporation

Property Portfolio

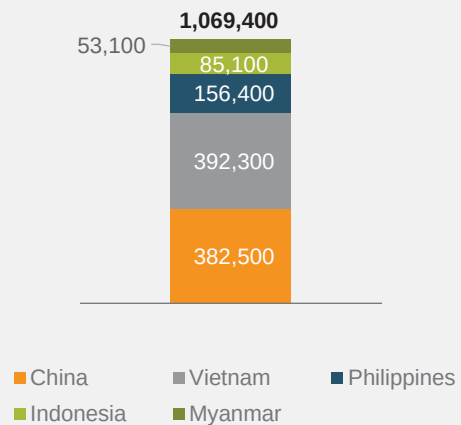
Residential

Launch-Ready Homes (units)



Commercial

GFA Under Development (sm)



15

Keppel Corporation



Infrastructure

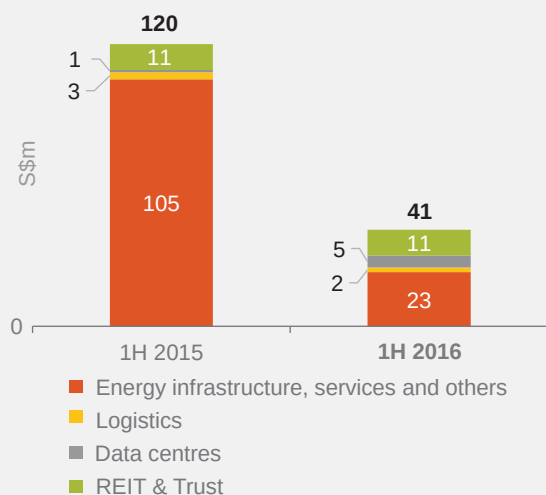
16

Keppel Corporation

Infrastructure

1H 2016 net profit

S\$41m, down 66% yoy



Key developments

- More than S\$144m of contracts won for Keppel DC Singapore 3 and Keppel DC Singapore 4
- Co-developing and marketing an international carrier exchange in Hong Kong with PCCW Global
- Tianjin distribution centre undergoing testing and commissioning

17

Keppel Corporation



Investments

18

Keppel Corporation

Investments

1H 2016 net profit

S\$25m, down 74% yoy



* Contributions from asset management businesses have been restated under the Investments Division for 1H 2015

19

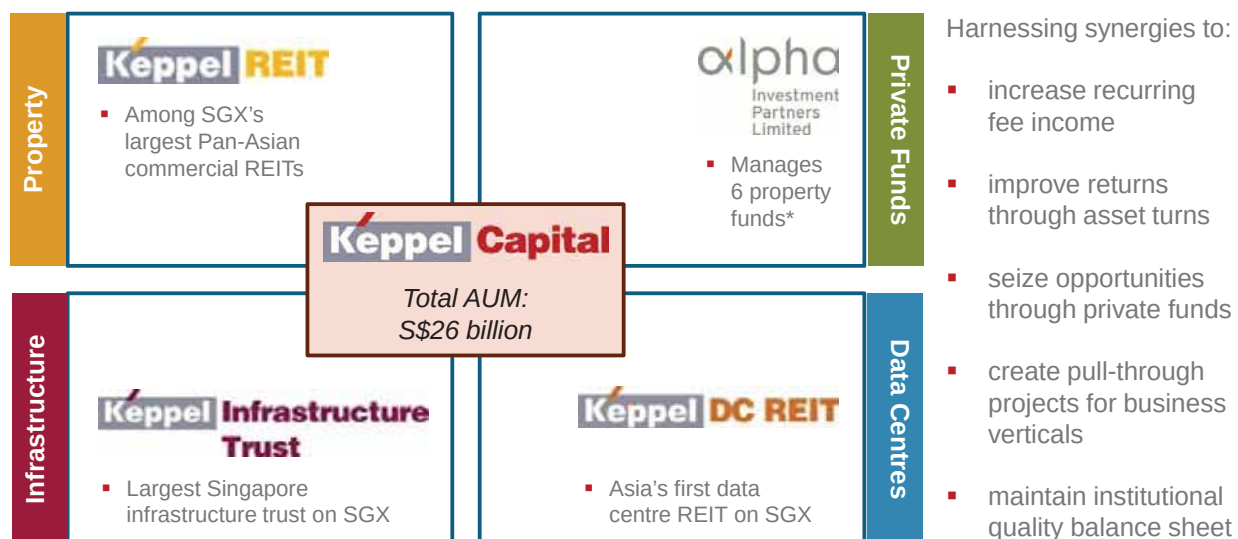
Keppel Corporation

Key developments

- Keppel REIT divested 77 King Street in Sydney for A\$160m
- Keppel Infrastructure Trust's 1-Net North Data Centre commenced 20-year lease
- Alpha realised proceeds of S\$226m from investments across Singapore and Tokyo, and acquired office buildings in Singapore, Tokyo and Seoul
- Alpha Data Centre Fund and Alpha Asia Macro Trends Fund III to raise US\$1.5b
 - Secured initial capital commitments of US\$410m

Formation of Keppel Capital

The Group will boost its capital recycling platform and expand its capital base with co-investors.



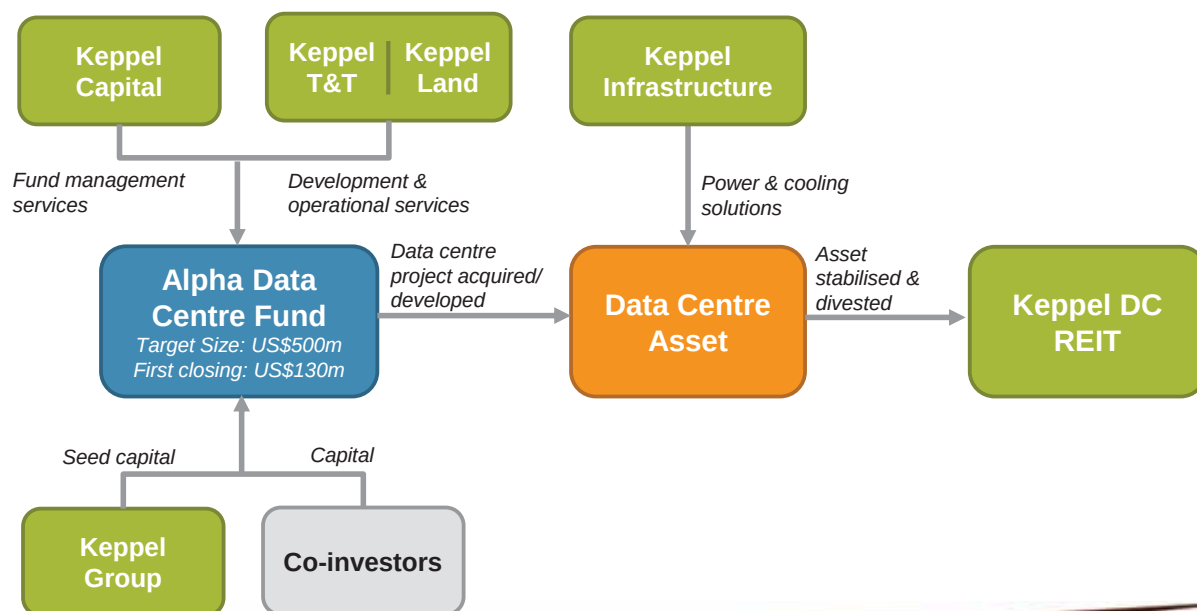
* Excludes the newly-launched Alpha Data Centre Fund and Alpha Asia Macro Trends Fund III.

20

Keppel Corporation

Private Data Centre Fund

The Alpha Data Centre Fund harnesses synergies across the Group's business verticals to create sustainable value with capital efficiency.

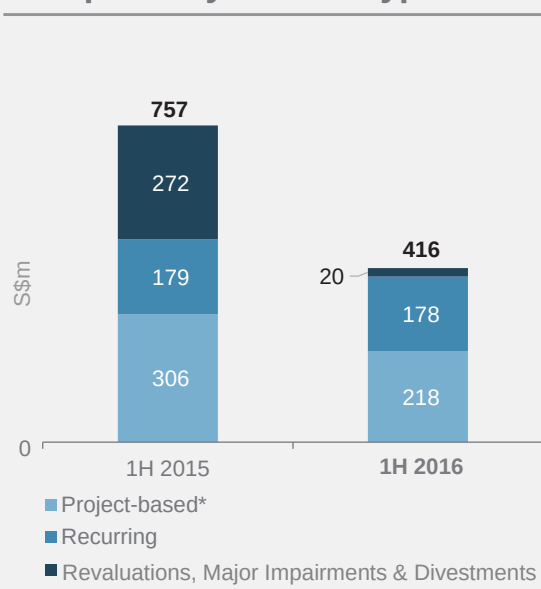


21

Keppel Corporation

Fortifying Earnings Streams

Net profit by income type



- Resilient operations underpinned by rightsizing efforts and prudent investments in new capabilities
- Results stabilised by consistent contributions from recurring income
- Focused on growing stable, recurring income for the long term

* Project-based earnings include income from rig building, specialised shipbuilding, property development and EPC projects.

22

Keppel Corporation

Group Financial Highlights by CFO

23

Keppel Corporation

2Q 2016 Financial Performance

Net Profit	↓	48% to S\$205m
EPS	↓	48% to 11.3cts
EVA	↓	from S\$140m to S\$7m

24

Keppel Corporation

2Q 2016 Financial Highlights

S\$m	<u>2Q 2016</u>	<u>2Q 2015</u>	<u>% Change</u>
Revenue	1,625	2,563	(37)
EBITDA	292	479	(39)
Operating Profit	234	414	(43)
Profit Before Tax	285	498	(43)
Net Profit	205	397	(48)
EPS (cents)	11.3	21.9	(48)

25

Keppel Corporation

2Q 2016 Revenue by Segments

S\$m	<u>2Q 2016</u>	<u>%</u>	<u>2Q 2015</u>	<u>%</u>	<u>% Change</u>
Offshore & Marine	720	44	1,580	62	(54)
Property	469	29	406	16	16
Infrastructure	404	25	541	21	(25)
Investments	32	2	36	1	(11)
Total	1,625	100	2,563	100	(37)

26

Keppel Corporation

2Q 2016 Pre-tax Profit by Segments

S\$m	<u>2Q 2016</u>	<u>%</u>	<u>2Q 2015</u>	<u>%</u>	<u>% Change</u>
Offshore & Marine	88	31	221	44	(60)
Property	128	45	138	28	(7)
Infrastructure	37	13	110	22	(66)
Investments	32	11	29	6	10
Total	285	100	498	100	(43)

27

Keppel Corporation

2Q 2016 Net Profit by Segments

S\$m	<u>2Q 2016</u>	<u>%</u>	<u>2Q 2015</u>	<u>%</u>	<u>% Change</u>
Offshore & Marine	61	30	173	44	(65)
Property	94	46	105	26	(10)
Infrastructure	27	13	98	25	(72)
Investments	23	11	21	5	10
Total	205	100	397	100	(48)

28

Keppel Corporation

1H 2016 Financial Performance

Net Profit	↓	45% to S\$416m
EPS	↓	45% to 22.9cts
Annualised ROE	↓	from 13.1% to 7.4%
EVA	↓	from S\$262m to S\$9m
Cash Outflow	↓	from S\$316m to S\$262m
Net Gearing	↑	from 0.53x to 0.62x
Interim Cash Dividend	↓	from 12.0 cts per share to 8.0 cts per share

29

Keppel Corporation

1H 2016 Financial Highlights

S\$m	<u>1H 2016</u>	<u>1H 2015</u>	<u>% Change</u>
Revenue	3,368	5,377	(37)
EBITDA	626	943	(34)
Operating Profit	512	812	(37)
Profit Before Tax	563	953	(41)
Net Profit	416	757	(45)
EPS (cents)	22.9	41.7	(45)

30

Keppel Corporation

1H 2016 Revenue by Segments

S\$m	<u>1H 2016</u>	<u>%</u>	<u>1H 2015</u>	<u>%</u>	<u>% Change</u>
Offshore & Marine	1,538	46	3,507	65	(56)
Property	972	29	709	13	37
Infrastructure	794	23	1,047	20	(24)
Investments	64	2	114	2	(44)
Total	3,368	100	5,377	100	(37)

31

Keppel Corporation

1H 2016 Pre-tax Profit by Segments

S\$m	<u>1H 2016</u>	<u>%</u>	<u>1H 2015</u>	<u>%</u>	<u>% Change</u>
Offshore & Marine	210	37	472	49	(56)
Property	264	47	225	24	17
Infrastructure	55	10	143	15	(62)
Investments	34	6	113	12	(70)
Total	563	100	953	100	(41)

32

Keppel Corporation

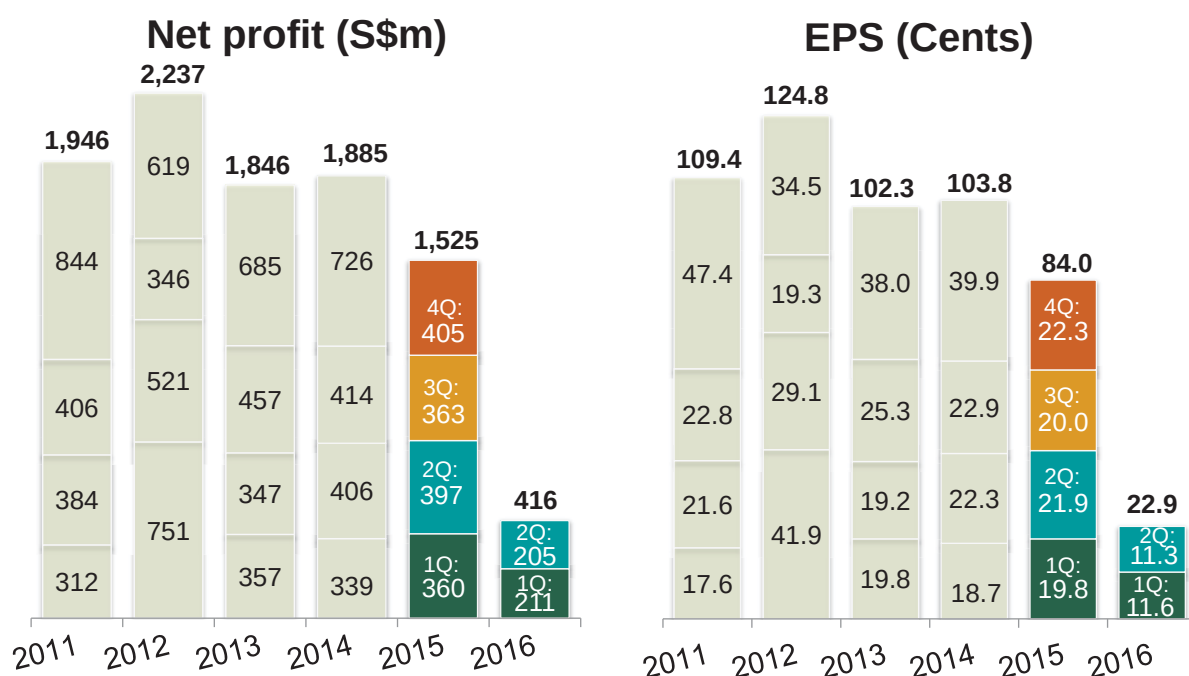
1H 2016 Net Profit by Segments

S\$m	1H 2016	%	1H 2015	%	% Change
Offshore & Marine	156	37	376	49	(59)
Property	194	47	165	22	18
Infrastructure	41	10	120	16	(66)
Investments	25	6	96	13	(74)
Total	416	100	757	100	(45)

33

Keppel Corporation

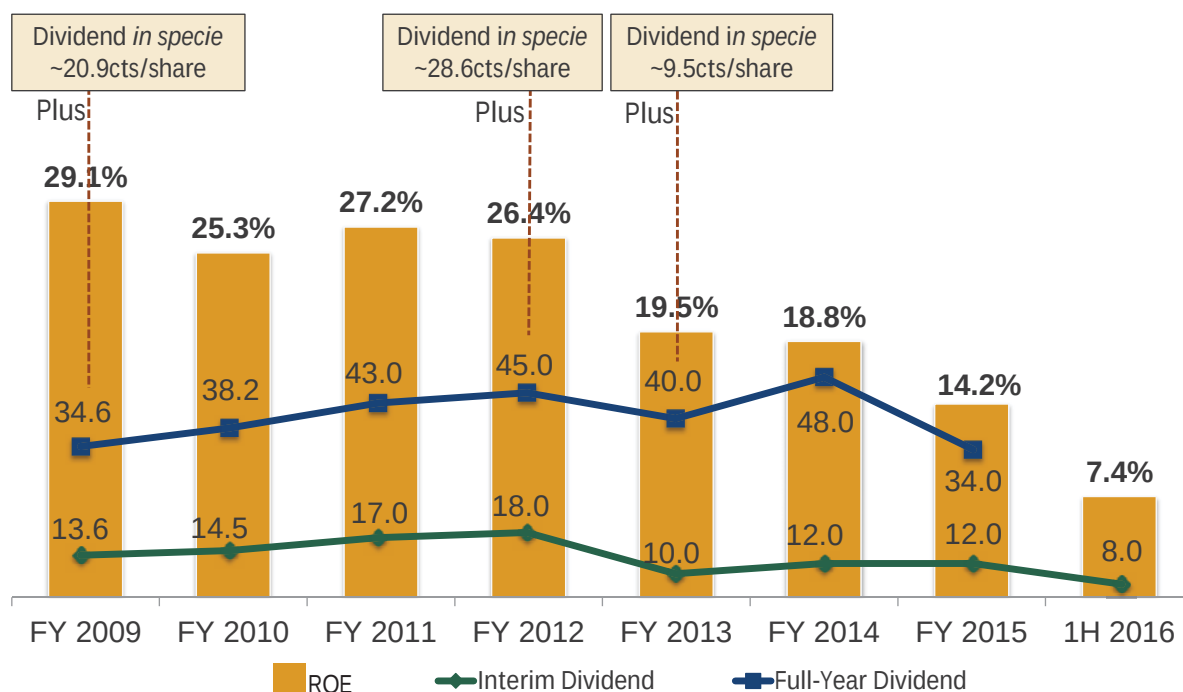
Net Profit & EPS



34

Keppel Corporation

ROE & Dividend



35

Keppel Corporation

Free Cash Flow

	<u>1H 2016</u>	<u>1H 2015</u>
	S\$m	S\$m
Operating profit	511	812
Depreciation & other non-cash items	118	(175)
	629	637
Working capital changes	(811)	(695)
Interest & tax paid	(179)	(214)
Net cash used in operating activities	(361)	(272)
Investments & capex	(64)	(208)
Divestments & dividend income	163	164
Net cash from/(used in) investing activities	99	(44)
Cash outflow	(262)	(316)

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

36

Keppel Corporation

**Harnessing strengths and
building resilience through a
robust multi-business strategy.**

37

Keppel Corporation

**2Q & 1H 2016 Results
Q&A**

38

Keppel Corporation

Additional Information

39

Keppel Corporation

Revenue by Geography

	1H 2016		
	<u>Total</u>	<u>Overseas</u>	<u>Singapore</u>
	<u>S\$m</u>	<u>Customers</u>	<u>Customers</u>
		%	%
Offshore & Marine	1,538	85	15
Property	972	61	39
Infrastructure	794	16	84
Investments	64	4	96
Total	3,368	61	39

61% of total revenue came from overseas customers

40

Keppel Corporation

EBITDA by Segments

S\$m	<u>1H 2016</u>	<u>%</u>	<u>1H 2015</u>	<u>%</u>	<u>% Change</u>
Offshore & Marine	282	45	497	53	(43)
Property	224	36	189	20	19
Infrastructure	59	9	182	19	(68)
Investments	61	10	75	8	(19)
Total	626	100	943	100	(34)

41

Keppel Corporation

Capital/Gearing/ROE

S\$m	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
Shareholders' Funds	11,106	11,096
Capital Employed	11,831	11,926
Net Debt	7,334	6,366
Net Gearing Ratio	0.62x	0.53x
ROE	7.4%	14.2%

42

Keppel Corporation

OFFSHORE & MARINE

43

Keppel Corporation

Financial Highlights – Offshore & Marine

S\$m	<u>2Q 2016</u>	<u>2Q 2015</u>	<u>% Change</u>
Revenue	720	1,580	(54)
EBITDA	132	228	(42)
Operating Profit	92	194	(53)
Profit Before Tax	88	221	(60)
Net Profit	61	173	(65)

44

Keppel Corporation

Financial Highlights – Offshore & Marine

S\$m	<u>1H 2016</u>	<u>1H 2015</u>	<u>% Change</u>
Revenue	1,538	3,507	(56)
EBITDA	282	497	(43)
Operating Profit	203	426	(52)
Profit Before Tax	210	472	(56)
Net Profit	156	376	(59)

45

Keppel Corporation

Offshore & Marine Review

- **Over S\$460m contract secured in YTD 2016:**

4 FPSO projects involving modules fabrication and integration, topsides installation and integration and FPSO modification and upgrade, a pipelay vessel upgrade, and 3 dredgers.

- **Contract completions in 1H 2016:**

3 jackups, a land rig, a semi upgrade, a derrick lay vessel, a liftboat, a transformer platform and a field development vessel repair/upgrade, a launch barge upgrade, and an FPSO integration.

46

Keppel Corporation

Offshore & Marine Orderbook

	Contract Value		Client
	Gross	Net	
	\$m.	\$m.	
<u>For delivery in 2016</u>			
2 JUs/1 Semi/1 Accom. Semi/4 FPSO Conversions/			Perforadora Central/Falcon Energy/
1 FSU Conversion/1 FPSO Topsides Fabrication/			SOCAR/Floatel/Bumi Armada/
1 FPSO Turret Fabrication/1 Pipelay Vessel Upgrade/1 AHT			Yinson/Saipem/Seaways
	2,194	97	
<u>For delivery in 2017</u>			
10 JUs/1 FLNG Conversion/2 FPSO Modules Fab. &			TS Offshore/Fecon/Clearwater/BOT Lease Co./
Integration/1 FPSO Topsides Installation & Integration/1 FPSO			Grupo R/Parden/Golar/Petrobras/Modec/
Turret Fabrication/1 RORO Vessel Engine Conversion/1 Subsea			Totem Ocean/BW Offshore/SOFEC/
Construction Vessel/1 Ice-class Multi-Purpose Vessel/1 Liftboat	5,433	1,114	Baku Shipyard/New Orient Marine/Crystal Heights
<u>For delivery in 2018</u>			
1 JU/1 FPSO Modules Fab. & Integration/			
1 FPSO Modification & Upgrade	879	246	Ensco/Petrobras/Woodside
<u>For delivery in 2019-2021</u>			
5 JUs/2 Semis/2 FLNG Conversions	3,710	2,825	Transocean/2 Semis - Name withheld/Golar
Total as at 30 June 2016 (excl. semis for Sete Brasil)	12,216	4,282	

47

Keppel Corporation

PROPERTY

48

Keppel Corporation

Financial Highlights - Property

S\$m	<u>2Q 2016</u>	<u>2Q 2015</u>	<u>% Change</u>
Revenue	469	406	16
EBITDA	109	114	(4)
Operating Profit	100	108	(7)
Profit Before Tax	128	138	(7)
Net Profit	94	105	(10)

49

Keppel Corporation

Financial Highlights - Property

S\$m	<u>1H 2016</u>	<u>1H 2015</u>	<u>% Change</u>
Revenue	972	709	37
EBITDA	224	189	19
Operating Profit	210	177	19
Profit Before Tax	264	225	17
Net Profit	194	165	18

50

Keppel Corporation

Sales Achieved - Overseas

Key Projects	Units Sold in 1H 2016	Sales Value in 1H 2016	Average Selling Price in 1H 2016
China		(RMB'm)	(RMB'psm)
8 Park Avenue (Ph 6), Shanghai	24	673.6	~105,000
Seasons Residence (Ph 3), Shanghai	113	405.1	~30,700
Central Park City (Ph 3, Plot C2), Wuxi	323	289.0	~8,400
Park Avenue Heights (Ph 1, 2 & 3A), Chengdu	175	345.6	~16,000
V City (Ph 1), Chengdu	623	437.9	~8,600
V City (Ph 2), Chengdu	211	169.9	~8,700
Seasons Park (Plot 6, 7 & 10), Tianjin	63	43.6	~9,800
Seasons Gardens (Plot 11 & 12), Tianjin	134	259.5	~13,100
Total	1,666	2,624.2	
Vietnam		(US\$m)	(US\$'psm)
Estella Heights, Dist. 2	34	7.9	~2,300
Riviera Point, Dist. 7	55	11.0	~1,770
Riviera Cove, Dist. 9	3	2.0	~1,450
Total	92	20.9	

51

Keppel Corporation

Residential Landbank - Singapore

Singapore	Stake	Tenure	Attributable GFA (sf)	Total Units	Units Launched	Units Sold	Remaining Units
Launched Projects							
The Glades	70%	99-yr	384,357	726	550	493	233
Corals at Keppel Bay	100%	99-yr	509,998	366	250	206	160
Reflections at Keppel Bay	100%	99-yr	2,081,738	1,129	950	926	50*
Highline Residences	100%	99-yr	473,218	500	270	241	259
Upcoming Projects							
Keppel Bay Plot 4	39%	99-yr	134,335	234^	-	-	234
Keppel Bay Plot 6	100%	99-yr	226,044	86^	-	-	86
Total			3,809,690	3,041	2,020	1,866	1,022

* Excludes about 150 units set aside for corporate residences

^ Estimated no. of units

52

Keppel Corporation

Residential Landbank - China

China	Location	Stake	Total GFA (sm)	Total Units	Units Launched	Units Sold	Remaining Units For Sale	Remaining Area For Sale (sm)
8 Park Avenue	Shanghai	99%	133,393	918	918	871	47	6,978
The Springdale	Shanghai	99.4%	328,792	2,596	2,596	2,595	1	236
Seasons Residence	Shanghai	99.9%	128,918	1,102	866	856	246	39,223
Sheshan Riviera	Shanghai	100%	83,174	217	-	-	217	83,174
Waterfront Residence	Nantong	100%	189,437	1,199	79	32	1,167	180,767*
Central Park City	Wuxi	49.7%	671,477	5,339	4,331	4,315	1,024	142,862
Waterfront Residence	Wuxi	100%	306,607	1,481	62	42	1,439	289,287*
Park Avenue Heights	Wuxi	100%	165,308	1,048	-	-	1,048	165,308
Stamford City	Jiangyin	99.4%	299,991	1,478	1,125	1,010	468	103,683
Park Avenue Heights	Chengdu	100%	200,200	1,535	1,143	1,004	531	87,801
Hill Crest Villa	Chengdu	100%	163,147	274	-	-	274	163,147
Serenity Villa	Chengdu	100%	233,862	573	-	-	573	233,862
V City	Chengdu	35%	560,963	5,617	1,738	1,586	4,031	425,589*
The Seasons	Shenyang	100%	365,186	2,794	390	279	2,515	339,318
Hunnan Township Devt	Shenyang	99.8%	756,580	7,026	-	-	7,026	756,580
Serenity Villa	Tianjin	100%	80,000	340	212	122	218	59,570
Mixed-use Devt	Tianjin	100%	1,358,202	11,299	-	-	11,299	1,358,202
Tianjin Eco-City	Tianjin	100%	625,292	4,296	2,083	2,042	2,254	412,320*
Waterfront Residence	Tianjin	100%	61,417	341	232	226	115	21,084
Keppel Cove	Zhongshan	80%	460,000	1,647	-	-	1,647	460,000
Hill Crest Residence (Ph 1)	Kunming	68.8%	20,193	133	133	112	21	4,415
Hill Crest Residence (Ph 2)	Kunming	68.8%	24,428	130	33	6	124	25,264
La Quinta II	Kunming	68.8%	10,928	62	62	55	7	1,627
Total			7,227,495	51,445	16,003	15,153	36,292	5,360,297

*Includes commercial area

Residential Landbank - Other Overseas

	Stake	Total GFA (sm)	Total Units	Units Launched	Units Sold	Remaining Units For Sale	Remaining Area for Sale (sm)
Vietnam							
Saigon Sports City, HCMC	90%	830,738	3,847	-	-	3,847	386,847
Estella Heights, HCMC	98%	160,980	872	872	701	171	22,775
Riviera Point, Dist. 7, HCMC	75%	437,944	2,400	549	503	1,897	231,872
Dong Nai Waterfront City, Dong Nai	50%	2,046,955	7,850	-	-	7,850	1,293,500
Riviera Cove, Dist. 9, HCMC	60%	34,711	96	96	82	14	8,786
South Rach Chiec, Dist 2, HCMC	42%	874,044	6,170	-	-	6,170	644,259
Villa Devt, Saigon South, HCMC	50%	58,800	168	-	-	168	55,186
Casuarina Cove, Dist 9, HCMC	60%	39,807	120	-	-	120	47,194
Empire City, Dist 2, HCMC	40%	417,300	3,500	-	-	3,500	417,300
Sub-Total:		4,901,279	25,023	1,517	1,286	23,737	3,107,719
Indonesia							
West Vista, West Jakarta	100%	153,464*	2,855	300	139	2,716	110,892
Daan Mogot, West Jakarta	100%	226,800	4,523	-	-	4,523	226,800
Sub-Total:		380,264	7,378	300	139	7,239	337,692
India							
Elita Horizon	51%	167,226	1,226	-	-	1,226	167,226
USA							
Residential Development, New York	86%	18,170	67	-	-	67	10,470*
Total		5,466,939	33,694	1,817	1,425	32,269	3,623,107

* Includes commercial area

Residential Launch Readiness – China

Project	Location	Units Ready to Launch		
		2H 2016	2017	2018
8 Park Avenue	Shanghai	37	10	-
The Springdale	Shanghai	1	-	-
Seasons Residence	Shanghai	196	50	-
Sheshan Riviera^	Shanghai	45	47	53
Waterfront Residence	Nantong	5	21	28
Central Park City	Wuxi	240	280	500
Waterfront Residence	Wuxi	70	464	355
Park Avenue Heights^	Wuxi	300	400	348
Stamford City	Jiangyin	25	198	143
Park Avenue Heights	Chengdu	167	364	-
Hill Crest Villa^	Chengdu	-	24	36
Serenity Villa^	Chengdu	18	24	48
V City	Chengdu	503	1,084	1,104
The Seasons	Shenyang	36	65	65
Serenity Villa	Tianjin	14	70	39
Tianjin Eco-City	Tianjin	273	776	816
Waterfront Residence	Tianjin	32	83	-
Keppel Cove^	Zhongshan	18	36	48
Hill Crest Residence	Kunming	10	15	38
La Quinta II	Kunming	5	2	-
Total		1,995	4,013	3,621

^New launches

55

Keppel Corporation

Residential Launch Readiness – Other Overseas

Project	Location	Units Ready to Launch		
		2H 2016	2017	2018
Indonesia				
West Vista	West Jakarta	290	800	800
Vietnam				
Estella Heights (Ph1&2), Dist 2	HCMC	81	50	40
Riviera Point, Dist 7	HCMC	266	200^	399^
Riviera Cove, Dist 9	HCMC	9	5	-
South Rach Chiec, Dist 2^	HCMC	530	687	376
Saigon Sports City, Dist 2^	HCMC	-	250	400
Empire City, Dist 2^	HCMC	300	425	470
Dong Nai Waterfront City^	Dong Nai	-	220	460
India				
Elita Horizon^	Bangalore	150	540	360
Total		1,626	3,177	3,305

^New launches

56

Keppel Corporation

Expected Completion for Launched Projects

Projects/Phases launched	Total Units	Units Launched as at end-Jun 2016	Units Sold as at end-Jun 2016	Units Remaining as at end-Jun 2016	Expected Completion
China					
Waterfront Residence (Ph 1), Wuxi	62	62	42	20	2H16
Seasons Garden (Plot 11), Tianjin	270	201	178	92	2H16
Waterfront Residence (Ph 2 & 3), Tianjin	254	148	144	110	2H16/1H17
Park Avenue Heights (Ph 3A), Chengdu	220	108	15	205	2H16
V City (Ph 1), Chengdu	1,434	1,434	1,375	59	1H17
V City (Ph 2), Chengdu	1,495	304	211	1,284	1H18
Indonesia					
West Vista (Ph 1)	1,404	300	139	1,265	2017
Vietnam					
Estella Heights (Ph 1)	496	496	458	38	2H17
Estella Heights (Ph 2)	376	376	243	133	2H18
Total	6,011	3,429	2,805	3,206	

57

Keppel Corporation

Expected Completion for Upcoming Projects

Projects/Phases to be launched	Location	No. of Units Expected to be Completed		
		2H 2016	2017	2018
China				
Seasons Residence (Ph 4)	Shanghai	198	-	-
Sheshan Riviera (Ph 1 & 2)	Shanghai	37	59	105
Central Park City	Wuxi	-	-	780
Waterfront Residence (Ph 2, 3 & 7)	Wuxi	-	236	401
Park Avenue Heights (Ph 1-3)	Wuxi	-	328	720
Stamford City (Ph 3C)	Jiangyin	-	-	161
Park Avenue Heights (Ph 3)	Chengdu	-	280	-
Serenity Villa (Ph 1 & 2)	Chengdu	84	-	97
Seasons Garden (Plot 9)	Tianjin	-	-	356
Seasons Heights (Eco-City Ph 4)	Tianjin	-	-	372
Keppel Cove (Ph 1-5)	Zhongshan	42	18	30
Hill Crest Residence (Ph 2B)	Kunming	-	-	97
Total		361	921	3,119

58

Keppel Corporation

Commercial Projects Overseas

Commercial Projects under Development	GFA (sm)	Development Cost ⁽¹⁾	Completion
China			
Beijing Commercial (51% stake)	104,800	RMB2.7b	2019
Park Avenue Central, Shanghai (99% stake)	115,900	RMB2.9b	2020
Seasons City, Tianjin (100% stake)	161,800	RMB2.6b	2019 (Ph 1)
Indonesia			
IFC Jakarta Tower 1 (100% stake)	85,100	S\$273m	2021
Vietnam			
Saigon Centre Ph 2, HCMC (45.3% stake)	47,000 (Retail) 44,000 (Office) 20,600 (Serviced apt)	US\$220m	2016 (Retail) 2017 (Office)
Estella Heights (98% stake)	37,000 (Retail)	US\$50m	2018
Empire City, HCMC (40% stake)	100,700 (Retail) 143,000 (Office)	US\$580m ⁽²⁾	2024
Myanmar			
Junction City Office Tower, Yangon (40% stake)	53,100	US\$47m ⁽³⁾	2017
Philippines			
SM-KL Project Ph 2, Manila (24.2% stake)	46,300 (Retail) 110,100 (Office)	S\$333m	2017 (Retail) 2019 (Office)
Completed Properties			
75 King William Street, London (100% stake)	11,917	S\$186m	1989

(1) Excluding land cost (2) Commercial component (3) Investment cost for 40% stake

INFRASTRUCTURE

Financial Highlights - Infrastructure

S\$m	<u>2Q 2016</u>	<u>2Q 2015</u>	<u>% Change</u>
Revenue	404	541	(25)
EBITDA	34	129	(74)
Operating Profit	24	106	(77)
Profit Before Tax	37	110	(66)
Net Profit	27	98	(72)

61

Keppel Corporation

Financial Highlights - Infrastructure

S\$m	<u>1H 2016</u>	<u>1H 2015</u>	<u>% Change</u>
Revenue	794	1,047	(24)
EBITDA	59	182	(68)
Operating Profit	39	136	(71)
Profit Before Tax	55	143	(62)
Net Profit	41	120	(66)

62

Keppel Corporation

INVESTMENTS

63

Keppel Corporation

Financial Highlights - Investments

S\$m	<u>2Q 2016</u>	<u>2Q 2015</u>	<u>% Change</u>
Revenue	32	36	(11)
EBITDA	17	8	113
Operating Profit	18	6	200
Profit Before Tax	32	29	10
Net Profit	23	21	10

64

Keppel Corporation

Financial Highlights - Investments

S\$m	<u>1H 2016</u>	<u>1H 2015</u>	<u>% Change</u>
Revenue	64	114	(44)
EBITDA	61	75	(19)
Operating Profit	60	73	(18)
Profit Before Tax	34	113	(70)
Net Profit	25	96	(74)

65

Keppel Corporation

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.

66

Keppel Corporation

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

AT THE 1H 2016 RESULTS PRESENTATION

THURSDAY, 21 JULY 2016

1. Group Financial Highlights by CFO (Slide 23)

2. 2Q 2016 Financial Performance (Slide 24)

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

I shall now take you through the Group's performance for the second quarter of 2016.

In this quarter, the Group's net profit was \$205 million, which was 48% below the same quarter last year. Earnings per share was correspondingly 48% lower at 11.3 cents, while EVA was at \$7 million.

3. 2Q 2016 Financial Highlights (Slide 25)

The Group's revenue for the second quarter was 37% or \$938 million lower than the same quarter last year. All divisions except Property division recorded lower revenues during the quarter.

Operating profit at \$234 million was 43% or \$180 million lower compared to the second quarter of 2015. This was due mainly to lower profits from the Offshore & Marine and Infrastructure divisions.

Correspondingly, profit before tax decreased 43% to \$285 million.

After tax and non-controlling interests, net profit for the second quarter was lower by a wider margin of 48% or \$192 million due to higher effective tax rate this year as last year's profit included gains from the sale of 51% interest in Keppel Merlimau Cogen Pte Ltd which is capital in nature.

Similarly, earnings per share decreased 48% to 11.3 cents.

4. 2Q 2016 Revenue by Segments (Slide 26)

Overall, the Group's revenue was 37% lower than the same quarter last year, driven largely by the decline in the Offshore & Marine division as a result of lower volume of work, deferment of some projects and suspension of the Sete Brasil contracts.

Infrastructure too saw lower revenues, due mainly to lower revenue from power and gas business as a result of lower prices and volume partially offset by higher revenue from infrastructure services with the commencement of the Doha North Operation and Maintenance contract.

This was partially offset by a 16% growth in Property division's revenue, primarily due to higher revenue from residential projects such as Eight Park Avenue in Shanghai and the Glades in Singapore.

5. 2Q 2016 Pre-tax Profit by Segments (Slide 27)

Offshore & Marine division's pre-tax profit was 60% or \$133 million lower, driven mainly by lower operating results arising from lower revenue and net interest expense. The division's operating margin was 12.8% compared to 13% in the same quarter last year.

The Property division's pre-tax profit was 7% or \$10 million lower despite recording higher revenues because the prior year profit benefited from the write back of cost accruals.

Infrastructure division reported a 66% or \$73 million decrease in pre-tax earnings from the same period last year, due mainly to divestment gains recognised in the same quarter last year. In 2015, the division's profits were boosted by gains from divestment of 51% interest in Keppel Merlimau Cogen Pte Ltd and dilution re-measurement gains from the combination of Keppel Infrastructure Trust and CitySpring Infrastructure Trust, partially offset by the losses following finalisation of the cost to complete the Doha North Sewage Treatment Plant.

6. 2Q 2016 Net Profit by Segments (Slide 28)

After tax and non-controlling interests, the Group's net profit in the second quarter decreased by 48% or \$192 million to \$205 million as compared to the same period last year, with Property division being the top contributor to the Group's earnings at 46%, followed by Offshore & Marine at 30%.

7. 1H 2016 Financial Performance (Slide 29)

Next, I shall take you through the performance for the first half of 2016.

Net profit for the first half of 2016 was down 45% from the same period last year to \$416 million.

Earnings per share also decreased by the same extent to 22.9 cents. Annualised ROE declined to 7.4% while EVA was lower at \$9 million.

Free cash outflow decreased from \$316 million to \$262 million, due to lower operational capital expenditure in Offshore & Marine division.

Net gearing increased from 53% as at the end of 2015 to 62%, due mainly to working capital requirements from Offshore & Marine and the payment of the final dividend for 2015.

We are also pleased to announce an interim cash dividend of 8.0 cents per share for this half of the year to reward our shareholders for their continued confidence and support.

8. 1H 2016 Financial Highlights (Slide 30)

In the first half of 2016, the Group earned total revenue of \$3.4 billion, a 37% or \$2 billion decrease from the same period last year. All divisions except for Property division recorded lower revenues.

Operating profit at \$512 million was 37% or \$300 million lower than the same period last year. The decrease is led by lower profits from Offshore & Marine and Infrastructure, partially offset by higher profit from Property.

Pre-tax profit fell by a wider margin of 41% or \$390 million due mainly to lower share of profits from associated companies and higher net interest expense compared to the same period last year.

After tax and non-controlling interests, net profit was 45% or \$341 million lower at \$416 million.

Similarly, earnings per share decreased by 45% to 22.9 cents.

9. 1H 2016 Revenue by Segments (Slide 31)

Overall, the Group's revenue of \$3.4 billion was 37% lower from last year, driven largely by the 56% decrease in Offshore & Marine revenues resulting from lower volume of work, deferment of some projects and suspension of the Sete Brasil contracts.

Property revenue increased by 37% to \$972 million as compared to the first half of 2015, led by higher revenue from residential projects such as Eight Park Avenue in Shanghai and the Glades in Singapore.

Infrastructure's revenue decreased by 24%, attributed mainly to lower revenue from power and gas business as a result of lower prices and volume, partially offset by higher revenue from infrastructure services with the commencement of the Doha North Operations and Maintenance contract.

10. 1H 2016 Pre-tax Profit by Segments (Slide 32)

The Group recorded a pre-tax profit of \$563 million for the first half of the year, 41% or \$390 million lower than 2015.

The Offshore & Marine division pre-tax profits was 56% or \$262 million lower as a result of lower operating profits and higher interest expense. The division's operating margin for the first six months at 13.2% was slightly higher than the 12.5% in the same period last year.

In the Property division, pre-tax profits increased by 17% or \$39 million due to higher contributions from residential projects in China and Singapore, and lower net interest expense.

Infrastructure's pre-tax profit was lower by 62% or \$88 million, due mainly to divestment gains recognised in 2015, as mentioned earlier in our presentation on the results for the second quarter of 2016.

Investment division's pre-tax profit decreased by 70% or \$79 million due to share of losses from associated company KrisEnergy, and the absence of gains from sale of investments, which amounted to \$50 million in the first half of 2015.

11. 1H 2016 Net Profit by Segments (Slide 33)

After tax and non-controlling interests, the Group's earnings decreased by 45% or \$341 million to \$416 million, with the Property division being the top contributor at 47%, followed by Offshore & Marine division at 37%.

12. Net Profit and EPS (Slide 34)

The Group recorded a net profit of \$416 million for the first half of the year, amidst a very challenging macro environment; on a quarter-to-quarter basis, the results from the second quarter of 2016 is comparable to the first quarter of the year. This translated to an earnings per share of 22.9 cents, which was 45% lower than the corresponding period in 2015.

13. ROE & Dividend (Slide 35)

In this first half of 2016, our annualised ROE has decreased to 7.4%.

Our proposed interim distribution to our shareholders for this period will be 8.0 cents per share.

14. Free Cash Flow (Slide 36)

In the first half of 2016, the Group generated \$629 million of cash flow from operations.

After accounting for working capital requirements mainly from the Offshore & Marine division, operating cash outflow for the six months was \$361 million, which is higher compared to an outflow of \$272 million in the same period last year.

Net cash generated from investing activities amounted to \$99 million, comprising of dividend income from associated companies of \$156 million, less investments and operational capital expenditure of \$64 million.

As a result, there was an overall cash outflow of \$262 million for the first half of 2016. This is lower than the cash outflow of \$316 million in the same period last year.

15. Outlook (Slide 37)

Keppel continues to harness our strengths in these uncertain times, rallying across divisions to take full advantage of our core competencies in our multi-business strategy.

We continue to look ahead and build resilience for the future so that we can be well-prepared to deliver sustainable growth and create value for our shareholders and customers in the long run.

Thank you.