Keppel Corporation

# KEPPEL CORPORATION LIMITED

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

## SECOND QUARTER 2014 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT

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

**SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014**

## Welcome

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

## Global Recovery

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

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

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

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

## Performance Highlights

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

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

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

## Business Updates

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

### *Offshore & Marine*

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

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

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

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

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

*Updates on Projects for Sete Brasil*

15. Our yards are executing well. The first three DSS™38E semis that we are building for Sete Brasil are progressing efficiently and on schedule. To date, we have achieved 70% completion on the first unit, which arrived at our yard in Brazil earlier this year. The second semi is now over 30% completed and is scheduled to depart Singapore for Brazil in the fourth quarter of this year. Meanwhile, the third unit is in initial stages of construction.

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

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

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

*Breaking New Ground*

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

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

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

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

***Infrastructure***

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

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

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

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

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

***Property***

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

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

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

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

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

*Unlocking Value and Recycling Capital*

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

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

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

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

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

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

Thank you.

## KEPPEL CORPORATION LIMITED

## Second Quarter 2014 Financial Statements and Dividend Announcement

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

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

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

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

## NOTES TO GROUP PROFIT AND LOSS ACCOUNT

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

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

*NM – Not Meaningful*

Note:

(i) Materials & subcontract costs increased for the half year ended 30 June 2014 mainly as a result of higher revenue from the Offshore & Marine and Property Divisions.

(ii) Staff costs increased due mainly to higher manpower cost in the Offshore & Marine Division, partly offset by lower costs in the Property Division.

(iii) Higher other operating expenses for the half year ended 30 June 2014 was due mainly to higher share-based payment expenses (Note (vi)), lower foreign exchange gain in the current period (Note (ix)), lower fair value gain on investment (Note (vii)) and the write-back of provision for restructuring of operations and others in the previous period (Note (xi)), partially offset by the gain on disposal of subsidiaries (Note (x)) and the write-back of impairment of associated companies (Note (xii)).

(iv) Interest expenses decreased mainly as a result of lower borrowings and the deconsolidation of Keppel REIT on 31 August 2013.

(v) Share of profits of associated companies for the half year ended 30 June 2014 was lower due mainly to lower contribution from associated companies in the Offshore & Marine Division, partially offset by higher contribution from the Property Division.

(vi) Increase in share-based payment expenses is due to higher cost incurred for KCL restricted share plan and performance share plan.

(vii) Fair value gain (mark-to-market) for the half year on investment portfolio held for trading was due to increase in stock prices.

(viii) Hedging differential on forward exchange contracts was due to elapse of time and fluctuations in interest rates.

(ix) Foreign exchange gain mainly arose from the revaluation of assets denominated in United States dollar, as a result of appreciation of United States dollar against Brazilian Real.

(x) Gain on disposal of subsidiaries in the current period arose mainly from the sale of entire interest in Berich Enterprises Limited.

(xi) The write-back in the previous period was mainly in relation to the reversal of provision following the finalisation of the sales of the power barge in the Infrastructure Division.

(xii) The write-back in the current period was in relation to the write-back of impairment of associated companies in the Infrastructure and Investments Divisions.

1b. Taxation expenses were higher because of higher profit from operations in countries with higher tax rates and higher tax write-back in the previous period.

1c. Earnings per ordinary share

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

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

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

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

*NM – Not Meaningful*

Note:

(i) Fair value changes was attributable to movements in quoted prices of available-for-sale assets.

(ii) These represented fair value changes on available-for-sale assets, which were transferred to profit & loss account upon realisation.

(iii) Fair value differences were due mainly to the hedging differential on forward exchange contracts, which were largely entered to hedge exposures against United States dollar. The fair value gain was as a result of the hedge rate being higher than the spot rate.

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

(v) These exchange differences arose from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as from the translation of foreign currency loans that form part of the Group's net investment in foreign operations. The translation losses for half year 2014 and 2Q 2014 arose largely from weakening of foreign currencies against the Singapore dollar, such as United States dollar, Renminbi and Euro.

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

## 3. BALANCE SHEETS as at 30 June

| | Group | | Company | |
|---|---|---|---|---|
| | **30.6.2014** | 31.12.2013 | **30.6.2014** | 31.12.2013 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Share capital** | **1,278,764** | 1,205,877 | **1,278,764** | 1,205,877 |
| **Reserves** | **8,687,503** | 8,495,304 | **4,733,377** | 4,489,022 |
| **Share capital & reserves** | **9,966,267** | 9,701,181 | **6,012,141** | 5,694,899 |
| **Non-controlling interests** | **3,946,188** | 3,987,682 | **–** | – |
| **Capital employed** | **13,912,455** | 13,688,863 | **6,012,141** | 5,694,899 |
| **Represented by:** | | | | |
| **Fixed assets** | **3,931,274** | 3,798,279 | **795** | 882 |
| **Investment properties** | **1,737,860** | 2,187,858 | **–** | – |
| **Subsidiaries** | **–** | – | **5,083,567** | 5,094,452 |
| **Associated companies** | **5,545,284** | 5,482,173 | **–** | – |
| **Investments** | **315,821** | 264,745 | **–** | – |
| **Long term assets** | **274,428** | 278,917 | **291** | 218 |
| **Intangibles** | **86,738** | 86,240 | – | – |
| | **11,891,405** | 12,098,212 | **5,084,653** | 5,095,552 |
| **Current assets** | | | | |
| Stocks & work-in-progress in excess of related billings | **9,375,573** | 8,994,726 | **–** | – |
| Asset classified as held for sale | **454,712** | – | **–** | – |
| Amounts due from: | | | | |
| - subsidiaries | **–** | – | **3,773,113** | 3,465,513 |
| - associated companies | **705,853** | 1,037,206 | **612** | 9,430 |
| Debtors | **2,861,329** | 1,915,747 | **49,884** | 33,804 |
| Short term investments | **446,283** | 445,073 | **–** | – |
| Bank balances, deposits & cash | **4,128,820** | 5,564,656 | **1,491** | 2,466 |
| | **17,972,570** | 17,957,408 | **3,825,100** | 3,511,213 |
| **Current liabilities** | | | | |
| Creditors | **5,001,061** | 5,409,197 | **214,508** | 275,189 |
| Billings on work-in-progress in excess of related costs | **2,582,708** | 2,714,983 | **–** | – |
| Provisions | **152,267** | 163,603 | **–** | – |
| Amounts due to: | | | | |
| - subsidiaries | **–** | – | **948,972** | 951,328 |
| - associated companies | **168,798** | 71,699 | **–** | 3 |
| Term loans | **877,378** | 516,665 | **217,198** | 160,838 |
| Taxation | **394,326** | 465,387 | **16,934** | 19,575 |
| Bank overdrafts | **439** | 473 | **–** | – |
| | **9,176,977** | 9,342,007 | **1,397,612** | 1,406,933 |
| **Net current assets** | **8,795,593** | 8,615,401 | **2,427,488** | 2,104,280 |
| **Non-current liabilities** | | | | |
| Term loans | **6,304,038** | 6,582,861 | **1,500,000** | 1,500,000 |
| Deferred taxation | **470,505** | 441,889 | **–** | 4,933 |
| | **6,774,543** | 7,024,750 | **1,500,000** | 1,504,933 |
| **Net assets** | **13,912,455** | 13,688,863 | **6,012,141** | 5,694,899 |
| *Group net debt* | ***3,053,035*** | *1,535,343* | ***n.a.*** | *n.a.* |
| *Group net gearing ratio* | ***0.22x*** | *0.11x* | ***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 30.6.2014 | | As at 31.12.2013 | |
|---|---|---|---|
| Secured $'000 | Unsecured $'000 | Secured $'000 | Unsecured $'000 |
| 98,659 | 779,158 | 198,619 | 318,519 |

(ii) Amount repayable after one year

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

(iii) Details of any collateral

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The Group has mortgaged certain properties and assets of up to an aggregate amount of $2,256,873,000 (31 December 2013: $2,895,304,000) to banks for loan facilities.

3b. Net asset value

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

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

3c. Balance sheet analysis

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

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

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

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

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

### 4a. Statement of changes in equity of the Group

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

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

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

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

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

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

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

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

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

4b. Statement of changes in equity of the Company

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

4c. Share capital

Issued share capital and treasury shares

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

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

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

KCL Performance Share Plan ("KCL PSP")
As at 30 June 2014, the number of contingent shares granted but not released were 1,748,725 (30 June 2013: 2,284,198) for KCL PSP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 2,623,088 under KCL PSP.

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

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

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

**Contingent awards:**

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

**Awards released but not vested:**

| | Number of shares | | | | | |
|---|---|---|---|---|---|---|
| Date of Grant | At 1.1.14 | Released | Vested | Cancelled | Other adjustments | At 30.6.14 |
| KCL PSP | | | | | | |
| 30.6.2011 | – | 636,100 | (636,100) | – | – | – |
| | – | 636,100 | (636,100) | – | – | – |
| KCL RSP | | | | | | |
| 30.6.2011 | 1,333,933 | – | (1,324,202) | (9,731) | – | – |
| 29.6.2012 | 2,706,683 | – | (1,359,281) | (29,020) | – | 1,318,382 |
| 28.3.2013 | – | 4,309,301 | (1,452,146) | (26,208) | – | 2,830,947 |
| | 4,040,616 | 4,309,301 | (4,135,629) | (64,959) | – | 4,149,329 |

4d. Capital reserves

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

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

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

## NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

5a. Acquisition of subsidiaries

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

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

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

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

5b. Disposal of subsidiaries

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

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

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

5c. Disposal of interest in a subsidiary

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

5d. Cash and cash equivalents

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

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

5e. Cash flow analysis

(i) Second Quarter

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

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

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

(ii) Half Year

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

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

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

## 6. AUDIT

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

## 7. AUDITORS' REPORT

Not applicable

## 8. ACCOUNTING POLICIES

Except as disclosed in paragraph 9 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2013.

## 9. CHANGES IN THE ACCOUNTING POLICIES

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

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

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

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

## 10. REVIEW OF GROUP PERFORMANCE

### (i) Second Quarter

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

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

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

(ii) Half Year

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

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

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

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

## 11. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

## 12. PROSPECTS

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

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

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

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

## 13. DIVIDEND

13a. Current Financial Period Reported On

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

| Name of Dividend | Interim |
|---|---|
| Dividend type<br>Dividend per share<br>Tax rate | Cash<br>12.0 cents<br>Tax exempt |

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

13b. Corresponding Period of the Immediately Preceding Financial Year

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

| Name of Dividend | Interim |
|---|---|
| Dividend type<br>Dividend per share<br>Tax rate | Cash<br>10.0 cents<br>Tax exempt |
| Dividend type<br>Dividend per share<br>Tax rate | Special Dividend *In Specie*<br>9.5 cents<br>Tax exempt |

13c. Date Payable

13 August 2014.

13d. Books Closure Date

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

## 14. SEGMENT ANALYSIS

### Half year ended 30 June 2014

| | Offshore & Marine $'000 | Infra-structure $'000 | Property $'000 | Invest-ments $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | **3,980,556** | **1,497,254** | **677,202** | **17,933** | **–** | **6,172,945** |
| Inter-segment sales | **5** | **25,719** | **5,810** | **36,963** | **(68,497)** | **–** |
| Total | **3,980,561** | **1,522,973** | **683,012** | **54,896** | **(68,497)** | **6,172,945** |
| **Segment Results** | | | | | | |
| Operating profit | **582,403** | **103,659** | **168,787** | **21,837** | **5,436** | **882,122** |
| Investment income | **803** | **–** | **851** | **–** | **–** | **1,654** |
| Interest income | **44,521** | **687** | **14,096** | **71,775** | **(62,932)** | **68,147** |
| Interest expenses | **(4,056)** | **(23,475)** | **(18,028)** | **(66,412)** | **57,496** | **(54,475)** |
| Share of results of associated companies | **25,847** | **14,166** | **124,910** | **22,552** | **–** | **187,475** |
| Profit before tax | **649,518** | **95,037** | **290,616** | **49,752** | **–** | **1,084,923** |
| Taxation | **(129,200)** | **(21,680)** | **(71,480)** | **1,447** | **–** | **(220,913)** |
| Profit for the period | **520,318** | **73,357** | **219,136** | **51,199** | **–** | **864,010** |
| Attributable to: | | | | | | |
| Shareholders of Company | **501,297** | **66,865** | **128,749** | **47,801** | **–** | **744,712** |
| Non-controlling interests | **19,021** | **6,492** | **90,387** | **3,398** | **–** | **119,298** |
| | **520,318** | **73,357** | **219,136** | **51,199** | **–** | **864,010** |
| **Other Information** | | | | | | |
| Segment assets | **8,606,931** | **3,957,318** | **15,380,516** | **7,533,898** | **(5,614,688)** | **29,863,975** |
| Segment liabilities | **6,304,033** | **3,070,036** | **7,317,589** | **4,874,550** | **(5,614,688)** | **15,951,520** |
| Net assets | **2,302,898** | **887,282** | **8,062,927** | **2,659,348** | **–** | **13,912,455** |
| Investment in associated companies | **496,364** | **570,405** | **3,896,408** | **582,107** | **–** | **5,545,284** |
| Additions to non-current assets | **143,122** | **108,380** | **47,982** | **101** | **–** | **299,585** |
| Depreciation and amortisation | **68,869** | **51,142** | **8,085** | **223** | **–** | **128,319** |

### Geographical Information

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

**Half year ended 30 June 2013**

| | Offshore & Marine $'000 | Infra-structure $'000 | Property $'000 | Invest-ments $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 3,519,324 | 1,607,230 | 698,249 | 9,804 | – | 5,834,607 |
| Inter-segment sales | 3,524 | 47,789 | 44,711 | 4,940 | (100,964) | – |
| Total | 3,522,848 | 1,655,019 | 742,960 | 14,744 | (100,964) | 5,834,607 |
| **Segment Results** | | | | | | |
| Operating profit | 496,569 | 113,410 | 194,562 | 9,762 | 5,614 | 819,917 |
| Investment income | 579 | – | 2,500 | – | – | 3,079 |
| Interest income | 35,581 | 716 | 30,690 | 70,085 | (64,949) | 72,123 |
| Interest expenses | (7,382) | (8,072) | (47,077) | (65,830) | 59,335 | (69,026) |
| Share of results of associated companies | 46,309 | 15,206 | 106,959 | 20,915 | – | 189,389 |
| Profit before tax | 571,656 | 121,260 | 287,634 | 34,932 | – | 1,015,482 |
| Taxation | (109,621) | (25,081) | (24,333) | (9,819) | – | (168,854) |
| Profit for the period | 462,035 | 96,179 | 263,301 | 25,113 | – | 846,628 |
| Attributable to: | | | | | | |
| Shareholders of Company | 445,274 | 89,842 | 146,713 | 22,004 | – | 703,833 |
| Non-controlling interests | 16,761 | 6,337 | 116,588 | 3,109 | – | 142,795 |
| | 462,035 | 96,179 | 263,301 | 25,113 | – | 846,628 |
| **Other Information** | | | | | | |
| Segment assets | 7,775,846 | 3,591,460 | 19,574,425 | 8,059,137 | (7,846,243) | 31,154,625 |
| Segment liabilities | 5,693,713 | 2,728,990 | 9,594,865 | 6,699,045 | (7,846,243) | 16,870,370 |
| Net assets | 2,082,133 | 862,470 | 9,979,560 | 1,360,092 | – | 14,284,255 |
| Investment in associated companies | 479,016 | 581,527 | 4,155,336 | 393,278 | – | 5,609,157 |
| Additions to non-current assets | 157,653 | 229,680 | 243,518 | 202 | – | 631,053 |
| Depreciation and amortisation | 68,134 | 31,835 | 13,234 | 158 | – | 113,361 |

**Geographical Information**

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

Note:

(a) The Group is organised into business units based on their products and services, and has four reportable operating segments: Offshore & Marine, Infrastructure, Property and Investments. The Investments Division consists mainly of the Group's investments in k1 Ventures Ltd, M1 Limited and equities.

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

(c) Other than Singapore, no single country accounted for 10% or more of the Group's revenue for the half year 2014 and 2013.

## 15. REVIEW OF SEGMENT PERFORMANCE

### 15a. Revenue by Segments

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

### 15b. Net profit by Segments

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

### 15c. Revenue by Geographical Segments

Revenue from Singapore of $4,584 million was $148 million higher due largely to higher revenue from the Offshore & Marine Division partly offset by lower revenue from the Infrastructure Division and the deconsolidation of Keppel REIT. Higher revenue from Far East & Other ASEAN Countries mainly came from the Property Division due to property trading in China. Higher revenue from Americas mainly arose from the Offshore & Marine Division.

## 16. INTERESTED PERSON TRANSACTIONS

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 17 April 2014. During the financial period, the following interested person transactions were entered into by the Group:

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | | Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual. (excluding transactions less than $100,000) | |
|---|---|---|---|---|
| | **Half Year 30.6.2014 $'000** | Half Year 30.6.2013 $'000 | **Half Year 30.6.2014 $'000** | Half Year 30.6.2013 $'000 |
| **Transaction for the Sale of Goods and Services** | | | | |
| CapitaLand Group | **–** | – | **182,980** | 5,400 |
| Integradora de Servicios Petroleros Oro Negro | **–** | – | **–** | 2,515 |
| Mapletree Investments Group | **–** | – | **113,760** | – |
| PSA International Group | **–** | – | **1,034** | 9,275 |
| SembCorp Marine Group | **–** | – | **1,725** | 1,060 |
| SATS Group | **–** | – | **–** | 4,000 |
| Singapore Power Group | **–** | – | **–** | 1,377 |
| Singapore Technologies Engineering Group | **–** | – | **1,152** | 1,810 |
| Temasek Holdings Group | **–** | – | **378** | – |
| **Transaction for the Purchase of Goods and Services** | | | | |
| Certis CISCO Security Pte Ltd | **–** | – | **781** | 201 |
| Gas Supply Pte Ltd | **–** | – | **85,000** | 90,000 |
| Mapletree Investments Group | **–** | – | **317** | 288 |
| PSA International Group | **–** | – | **480** | 508 |
| Sembcorp Marine Group | **–** | – | **134** | 158 |
| Singapore Power Group | **–** | – | **400** | – |
| Singapore Telecommunications Group | **–** | – | **5,200** | – |
| Temasek Holdings Group | **–** | – | **511** | – |
| **Total Interested Person Transactions** | **–** | – | **393,852** | 116,592 |

**BY ORDER OF THE BOARD**

CAROLINE CHANG/KENNY LEE
Company Secretaries

24 July 2014

## CONFIRMATION BY THE BOARD

We, LEE BOON YANG and LOH CHIN HUA, being two directors of Keppel Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the second quarter 2014 financial statements to be false or misleading in any material respect.

On behalf of the board of directors

**LEE BOON YANG**
**Chairman**

**LOH CHIN HUA**
**Chief Executive Officer**

Singapore, 24 July 2014