Keppel Corporation

KEPPEL CORPORATION LIMITED

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

THIRD QUARTER AND NINE MONTHS 2014 FINANCIAL STATEMENTS

TABLE OF CONTENTS

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

THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014

Welcome

1. A very good evening to all of you. On behalf of my colleagues, a warm welcome to the webcast on Keppel Corporation's results and performance for the third quarter and first nine months of 2014.

Global Economy

2. The newsflow from the world in recent months has not been uplifting. While the US is enjoying some form of recovery and the Federal Reserve is rallying some confidence after reaffirming its dovish position, there are renewed concerns over a further weakening Eurozone after disappointing numbers from Germany and an impasse on the sanctions against Russia.

3. In Japan, the effects of Abenomics have been questioned. Prime Minister Abe's third arrow might have missed the mark as adverse effects of the consumption tax hike on demand are seemingly greater than expected.

4. Growth in the emerging economies has slowed down. However, developments in China remain encouraging. The world's second largest economy has reassured the world that she has what it takes to achieve an acceptable growth rate of about 7.5%, avoiding the hard landing some had feared.

5. While there are near-term challenges of a rising greenback and the Brent crude dipping below US$85 a barrel, many will agree that the longer-term fundamentals remain solid. The fact that the US is in a much stronger position today than it was a year ago, gives some comfort of a gradual but firmer footing in the recovery of the global economy.

Performance Highlights

6. Amidst a challenging operating environment, I am pleased to report that in the third quarter of 2014, our business divisions contributed to a creditable net profit of S$414 million. This was down 9% year on year mainly due to lower profit contribution from the Property Division, offset by higher contributions from the Offshore & Marine and Investments divisions.

7. In the first nine months of 2014, we achieved a net profit of S$1,159 million, comparable to the same period in 2013. Annualised ROE was 14.5% and EVA was S$1,032 million for the current period.

Business Updates

8. Let me now take you through the businesses in our Group.

Offshore & Marine

9. Although fears of a short-term surplus in oil supply outstripping demand growth amidst an uneven global recovery have led to the recent fall in oil prices, they have not altered the sound industry fundamentals.

10. E&P investments have to increase to keep up with global oil demand set to rise by 1.1 million barrels per day in 2015. Considering the difficulties faced in maintaining non-OPEC supply outside North America, the persistent crunch in OPEC's spare capacity as well as ongoing geopolitical risks in some key producing regions, the overall supply-demand situation seems relatively well-balanced. Oil prices as such, should recover and stabilise at a level that is comfortable to oil producers.

11. In the offshore and marine space, sentiments have also been coloured by capex cuts by international oil companies (IOCs), declining dayrates and the imminent large number of deepwater and jackup rigs coming out into the market next year. At Keppel, we believe that with the depleting reserves and aging fleet, the industry fundamentals are still strong. IOCs are kicking the can down the road but at some point they would have to spend to replenish reserves, and drilling contractors would have to replace their old fleet with new, safer and technologically superior rigs.

12. Meanwhile, the national oil companies (NOCs), steered by governments to drive growth, continue to raise their capex and are making up for the shortfall in the spending by the IOCs. An example here is Pemex which plans to boost its annual E&P investment from US$19 billion in 2011 to US$30 billion in 2016. Independent studies suggest that Pemex will require some US$830 billion in capex in order to develop all its prospective reserves.

13. I am assured that the good rapport we have built with the NOCs, drillers and operators in Latin America, the Gulf of Mexico, the Middle East, the Caspian Region, Southeast Asia as well as the Arctic, will continue to put Keppel in pole position to capture quality growth in these geographies.

14. Performing creditably amidst intense competition, the Offshore & Marine Division has secured year-to-date about S$3.7 billion worth of new contracts. Apart from new innovative solutions like the GOLAR HILLI FLNG conversion and the KFELS N Plus jackup, we have acquired some new customers like Fecon International, Gulf Drilling International, TS Offshore and UMW Oil & Gas in our latest contracts.

15. As you can see, we are not standing still both in seeking out new customers as well as in developing with our customers cutting-edge solutions, from which we can capture value.

16. With a net orderbook of S$12.7 billion stretching into 2019, we are in a position to go after quality work that will translate into meaningful earnings. Our prudence in selecting such projects along with our focus on executing well to earn the best risk-adjusted returns have contributed to a stable operating margin of 14.6% for the first nine months of this year, comparable to 14.8% achieved over the same period last year.

17. Keppel Offshore & Marine is on a firm footing to brace and tack these passing headwinds to do even better.

Excellent Execution in Brazil

18. Over in Brazil, as at the end of September, we have completed more than 75% of the first DSS™38E semi for Sete Brasil. You can see the photo of this semi on the slide. We have also completed over 40% of the second semi which is on its way to Brazil as we speak, and are close to achieving 20% on the third unit. I am pleased to share that the DSS™38E semi design was recently honoured at the annual Singapore Structural Awards for its innovative features.

19. 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. BrasFELS, having delivered the FPSO Cidade de Mangaratiba, 18 days early and without incidents to MODEC, was awarded a bonus of 4 million reais by a very happy customer. We are also making good progress on three other FPSO fabrication and integration jobs ongoing at our Brazilian yard.

Further In-roads into FLNG

20. Next, on our work for Golar LNG. Within two months of signing the US$735 million contract to convert the first FLNG vessel, Golar LNG returned to Keppel with a Letter of Intent for a second identical unit. We hope to seal this very soon.

21. With the introduction of FLNG vessels, global FLNG capex is expected to experience a significant increase over the next six years, amounting to about US$65 billion by 2020. Keppel is looking forward to participate more meaningfully in the growth of this FLNG market. To this end, we have opted to take a 10% stake in the first project, Golar Hilli.

22. We are convinced that this investment will provide us attractive risk-adjusted returns. The equity stake not only strengthens the alignment of strategic interests between Keppel and our customer Golar LNG, but also reflects our confidence in the prospects of Golar Hilli, the world's first FLNG conversion project. The HILLI LNG carrier has recently arrived at Keppel Shipyard and will soon begin its conversion process.

Infrastructure

23. Since the formation of Keppel Infrastructure over a year ago, we have made steady progress streamlining our infrastructure business to focus on energy-related infrastructure and services. As we hone our strengths and develop new areas for growth, we remain resolute to complete our EPC projects in Qatar and the UK.

24. The Doha North Sewage Treatment Works has received some of the required sewage and is currently going through testing and commissioning. Over in the UK, we are now close to finalising Phase 1 of the Greater Manchester Energy-from-Waste Plant and completing Phase 2 in the first half of 2015.

25. During the quarter, Keppel Infrastructure Trust entered into an agreement with the National Environment Agency to provide additional incineration capacity for the Senoko Waste-to-Energy plant. The upgrade will progressively increase the plant's capacity to treat additional waste volumes by another 10%, which is expected to improve the operating cash flow as well.

26. The exponential growth in data consumed and generated by organisations and individuals has fuelled demand for data centres in key hubs across the US, Europe and Asia-Pacific where Keppel Telecommunications & Transportation runs a total of nine quality data centres. The latest addition, Keppel Datahub 2 in Tampines, took in its first tenants earlier this year and enjoys healthy occupancy growth. We are right now exploring the potential of a data centre REIT and will provide updates at the appropriate time.

27. During the quarter, Keppel Logistics commenced operations of its 10,000 sqm warehouse in Brisbane. Expected to handle more than two million books per annum, the new facility in Australia will establish the company as a leading logistics partner for book publishers. Meanwhile, the construction of its distribution centres in Singapore, Vietnam and Tianjin, China are on track to complete by year-end.

28. Building on momentum, we will continue to nurture the businesses in 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

29. Home sales in Singapore fell to the lowest level this year in August amid cooling demand. In China, the housing market, which accounts for over 15% of the country’s economy, has further softened with sales slowing in the first eight months of the year, and banks becoming more cautious about lending to developers and investors.

30. In September however, Beijing took a firm step to boost the economy when it eased mortgage rules and down payments for second homes. This effectively reversed a four-year tightening campaign on the property sector, and was followed closely by the scrapping of some charges for borrowers of the government housing provident fund.

31. Under Beijing’s new directives, more homebuyers will now be able to qualify for preferential mortgages and that should help ease pent-up demand. Although the market is warming to the new measures, it will be some time before real improvements take place.

32. In the first nine months of 2014, our Property Division sold about 1,900 homes in Asia, exhibiting signs of drag from protracted property curbs in its core markets of Singapore and China. On a brighter note, over a quarter of the 500-unit Highline Residences were sold during its close-door sale here last month. The encouraging take-up at Highline Residences reaffirms our conviction in selecting sites with strong value propositions.

33. Looking ahead, Keppel Land will continue to monitor the markets closely to launch new residential projects such as Hill Crest Villa in Chengdu, Waterfront Residence in Nantong, West Vista in West Jakarta and Estella Heights in Ho Chi Minh City.

Recycling Capital for Higher Returns

34. We are positioning ourselves to seize opportunities that may not otherwise be available in more normal market conditions, building on our pipeline of residential and commercial developments whilst recycling capital for better returns.

35. The highly-anticipated divestment of Keppel Land's one-third stake in the Marina Bay Financial Centre (MBFC) Tower 3, valued at S$1.25 billion, to Keppel REIT was announced in the third quarter. With its significant interest in Keppel REIT, Keppel Land will continue to enjoy a substantial share of the recurring rental income and potential capital value upside while unlocking a net divestment gain of about S$95.5 million. This win-win transaction will also see Keppel REIT strengthen its position as a landlord of premium Grade A buildings in Marina Bay and Raffles Place with S$8.1 billion of assets under management.

36. The third quarter also saw the completion of the sales of Equity Plaza as well as Keppel REIT's stake in Prudential Tower. More recently in October, Keppel Land announced the sale of its 80% stake in BG Junction, a strata-titled retail development in Surabaya, Indonesia for approximately S$42.8 million, as well as its 51% interest in Al Mada Towers, a condominium development in Jeddah, Saudi Arabia for about S$68.4 million.

37. Total net proceeds from divestments of potentially S$970 million in the year-to-date, excluding Prudential Tower, provides Keppel Land with greater financial flexibility to pursue other projects with higher returns in key global cities with good growth prospects, while remaining focused on Asia, with Singapore and China as its core markets.

38. This year, Keppel Land will be investing close to S$972 million to build up its project pipeline. Seizing opportunities in a recovering US property sector, Keppel Land invested US$70 million in a new residential project with a retail component in Manhattan, New York. This investment will be managed by Alpha as part of a growing synergistic collaboration between Keppel Land and its private equity arm. We will continue exploring ways to fully harness synergies and core expertise of the Group's business units for growth.

39. Closer to home, Keppel Land is deepening its presence in Vietnam, Indonesia and the Philippines by building on existing projects to create value, at relatively lower risk. In Ho Chi Minh City, the company is advancing with the development of Saigon Centre Phase 2 to meet the demand for prime office and retail space, and has raised its stake in Phases 2 and 3 of its flagship residential project, The Estella.

40. In October, Keppel Land also announced that it will proceed to redevelop the existing International Financial Centre Jakarta Tower 1 into a 49-storey state-of-the-art office tower in Indonesia, as well as embark on Phase 2 of the SM-KL project, a mixed-use development in Ortigas' CBD in the Philippines.

41. I would like to conclude by saying that we remain confident of the long-term fundamentals in our key businesses and industries. We will continue to respond with agility to the challenges and changing macro conditions, seizing opportunities while staying focused on configuring our businesses for sustainable growth.

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

KEPPEL CORPORATION LIMITED

Third Quarter and Nine Months 2014 Financial Statements

UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the third quarter and nine months ended 30 September 2014.

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

	Note	**Third Quarter**			**Nine Months**		
		30.9.2014 $'000	30.9.2013 $'000	+/- %	**30.9.2014 $'000**	30.9.2013 $'000	+/- %
Revenue		**3,184,784**	2,947,232	+8.1	**9,357,729**	8,781,839	+6.6
Materials & subcontract costs	(i)	**(2,238,697)**	(1,896,097)	+18.1	**(6,441,553)**	(6,001,119)	+7.3
Staff costs	(ii)	**(413,475)**	(408,360)	+1.3	**(1,246,349)**	(1,124,967)	+10.8
Depreciation & amortisation		**(67,550)**	(64,846)	+4.2	**(195,869)**	(178,207)	+9.9
Other operating income / (expenses)	(iii)	**100,157**	(9,892)	NM	**(26,617)**	(89,592)	-70.3
Operating profit		**565,219**	568,037	-0.5	**1,447,341**	1,387,954	+4.3
Investment income		**6,516**	8,975	-27.4	**8,170**	12,054	-32.2
Interest income		**36,281**	40,146	-9.6	**104,428**	112,269	-7.0
Interest expenses	(iv)	**(27,126)**	(34,716)	-21.9	**(81,601)**	(103,742)	-21.3
Share of results of associated companies	(v)	**61,632**	86,910	-29.1	**249,107**	276,299	-9.8
Profit before tax		**642,522**	669,352	-4.0	**1,727,445**	1,684,834	+2.5
Taxation	1b	**(105,124)**	(125,933)	-16.5	**(326,037)**	(294,787)	+10.6
Profit for the period		**537,398**	543,419	-1.1	**1,401,408**	1,390,047	+0.8
Attributable to:							
Shareholders of the Company		**414,188**	457,561	-9.5	**1,158,900**	1,161,394	-0.2
Non-controlling interests		**123,210**	85,858	+43.5	**242,508**	228,653	+6.1
		537,398	543,419	-1.1	**1,401,408**	1,390,047	+0.8
Earnings per ordinary share							
- basic		**22.9 cts**	25.3 cts	-9.5	**63.9 cts**	64.3 cts	-0.6
- diluted		**22.6 cts**	25.1 cts	-10.0	**63.2 cts**	63.7 cts	-0.8

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	Third Quarter			Nine Months		
		30.9.2014 $'000	30.9.2013 $'000	+/- %	**30.9.2014 $'000**	30.9.2013 $'000	+/- %
Share-based payment expenses		**7,775**	24,966	-68.9	**40,472**	40,794	-0.8
Profit on sale of fixed assets and an investment property	(vi)	**(93,715)**	(1,255)	>500.0	**(94,865)**	(3,538)	>500.0
Profit on sale of investments	(vii)	**(837)**	–	NM	**(2,657)**	–	NM
(Write-back)/Provision							
- Stocks & work-in-progress		**(176)**	151	NM	**(1,450)**	29	NM
- Doubtful debts		**2,448**	–	NM	**1,971**	(251)	NM
Fair value (gain)/ loss							
- Investments	(viii)	**(3,764)**	(2,481)	+51.7	**(6,761)**	(10,859)	-37.7
- Forward contracts	(ix)	**3,090**	2,495	+23.8	**11,985**	14,257	-15.9
- Financial derivatives		**4,413**	(6,184)	NM	**3,423**	(8,267)	NM
Foreign exchange gain	(x)	**(2,032)**	(9,012)	-77.5	**(4,622)**	(29,912)	-84.5
Write-back of provision for restructuring of operations and others	(xi)	**–**	–	–	**–**	(26,831)	NM
Gain on disposal of subsidiaries	(xii)	**–**	(61,087)	NM	**(6,924)**	(61,087)	-88.7
Write-back of impairment of investments	(xiii)	**(23,716)**	–	NM	**(45,390)**	–	NM

NM – Not Meaningful

Note:

(i) Materials & subcontract costs increased mainly as a result of higher revenue from the Offshore & Marine Division.

(ii) Staff costs increased due mainly to higher manpower cost in the Offshore & Marine Division.

(iii) Lower other operating expenses for the nine months ended 30 September 2014 was due mainly to higher profit on sale of fixed assets and an investment property (Note (vi)), profit on sale of investments (Note (vii)) and write-back of impairment of investments (Note (xiii)), partially offset by lower foreign exchange gain in the current period (Note (x)), lower gain on disposal of subsidiaries in the current period (Note (xii)) and write-back of provision for restructuring of operations and others in the prior period (Note (xi)).

(iv) Lower interest expense was mainly attributable to the deconsolidation of Keppel REIT from 31 August 2013.

(v) Share of profits of associated companies 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) Profit on sale of fixed assets and an investment property in the current period was largely attributable to divestment of Equity Plaza in the Property Division.

(vii) Profit on sale of investments was due to disposals of listed equities.

(viii) Fair value gain (mark-to-market) on investment portfolio held for trading was due to rise in stock prices.

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

(x) 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 Singapore dollar.

(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) Gain on disposal of subsidiaries in the current period arose mainly from the sale of entire interest in Berich Enterprises Limited. The gain in 2013 was in relation to the divestment of a subsidiary, Montfort Development Pte Ltd, which has 50% indirect interest in Hotel Sedona Manado in Indonesia and the deconsolidation of Keppel REIT due to loss of control.

(xiii) The write-back in the current period was mainly in relation to the write-back of impairment of investments in the Investments Division.

1b. Taxation expenses for the nine months ended 30 September 2014 were higher because of higher taxable profit from operations in countries with higher tax rates and lower tax write-back in the current period.

1c. Earnings per ordinary share

	Third Quarter			Nine Months		
	30.9.2014	30.9.2013	+/-%	**30.9.2014**	30.9.2013	+/-%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-						
(i) Based on weighted average number of shares	**22.9 cts**	25.3 cts	-9.5	**63.9 cts**	64.3 cts	-0.6
- Weighted average number of shares ('000)	**1,814,985**	1,805,164	+0.5	**1,814,985**	1,805,164	+0.5
(ii) On a fully diluted basis	**22.6 cts**	25.1 cts	-10.0	**63.2 cts**	63.7 cts	-0.8
- Adjusted weighted average number of shares ('000)	**1,832,924**	1,823,316	+0.5	**1,832,924**	1,823,316	+0.5

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

	Note	Third Quarter			Nine Months		
		30.9.2014 $'000	30.9.2013 $'000	+/- %	**30.9.2014 $'000**	30.9.2013 $'000	+/- %
Profit for the period		**537,398**	543,419	-1.1	**1,401,408**	1,390,047	+0.8
Items that may be reclassified subsequently to profit & loss account:							
Available-for-sale assets							
- Fair value changes arising during the period	(i)	**(30,702)**	20,089	NM	**(33,009)**	37,907	NM
- Realised and transferred to profit & loss account	(ii)	**(1,384)**	407	NM	**(10,525)**	415	NM
Cash flow hedges							
- Fair value changes arising during the period, net of tax	(iii)	**(116,460)**	(98,883)	+17.8	**(56,421)**	(272,007)	-79.3
- Realised and transferred to profit & loss account	(iv)	**(10,259)**	10,299	NM	**(22,546)**	21,607	NM
Foreign exchange translation							
- Exchange differences arising during the period	(v)	**77,659**	(2,982)	NM	**(10,808)**	101,067	NM
- Realised and transferred to profit & loss account		**(3,406)**	17,360	NM	**(4,537)**	17,360	NM
Share of other comprehensive income of associated companies							
- Available-for-sale assets		**(645)**	(6,591)	-90.2	**(1,486)**	(3,630)	-59.1
- Cash flow hedges		**11,762**	2,585	+355.0	**16,849**	3,303	+410.1
- Foreign exchange translation		**1,907**	(6,039)	NM	**17,065**	13,463	+26.8
Other comprehensive income for the period, net of tax		**(71,528)**	(63,755)	+12.2	**(105,418)**	(80,515)	+30.9
Total comprehensive income for the period		**465,870**	479,664	-2.9	**1,295,990**	1,309,532	-1.0
Attributable to:							
Shareholders of the Company		**300,131**	396,726	-24.3	**1,053,923**	1,043,282	+1.0
Non-controlling interests		**165,739**	82,938	+99.8	**242,067**	266,250	-9.1
		465,870	479,664	-2.9	**1,295,990**	1,309,532	-1.0

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 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 loss was as a result of the hedge rate being lower 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 gains for 3Q 2014 arose largely from the strengthening of United States dollar and Renminbi against the Singapore dollar, while the translation losses for nine months in 2014 is largely from the weakening of Euro against the Singapore dollar, partly offset by the translation gains from the strengthening of United States dollar against the Singapore dollar.

The translation losses for 3Q 2013 arose largely from weakening of Brazilian Real against the Singapore dollar, while the translation gains for nine months in 2013 arose largely from strengthening of foreign currencies, such as United States dollar, Renminbi, Brazilian Real and Euro against the Singapore dollar.

3. BALANCE SHEETS as at 30 September

	Group		Company	
	30.9.2014	31.12.2013	**30.9.2014**	31.12.2013
	$'000	$'000	**$'000**	$'000
Share capital	**1,283,380**	1,205,877	**1,283,380**	1,205,877
Reserves	**8,773,911**	8,495,304	**4,657,539**	4,489,022
Share capital & reserves	**10,057,291**	9,701,181	**5,940,919**	5,694,899
Non-controlling interests	**4,047,290**	3,987,682	**–**	–
Capital employed	**14,104,581**	13,688,863	**5,940,919**	5,694,899
Represented by:				
Fixed assets	**4,009,544**	3,798,279	**777**	882
Investment properties	**1,752,890**	2,187,858	**–**	–
Subsidiaries	**–**	–	**5,083,567**	5,094,452
Associated companies	**5,084,067**	5,482,173	**–**	–
Investments	**310,972**	264,745	**–**	–
Long term assets	**252,479**	278,917	**240**	218
Intangibles	**86,264**	86,240	**–**	–
	11,496,216	12,098,212	**5,084,584**	5,095,552
Current assets				
Stocks & work-in-progress in excess of related billings	**10,288,101**	8,994,726	**–**	–
Asset classified as held for sale	**465,660**	–	**–**	–
Amounts due from:				
- subsidiaries	**–**	–	**3,820,070**	3,465,513
- associated companies	**687,148**	1,037,206	**503**	9,430
Debtors	**2,467,696**	1,915,747	**18,251**	33,804
Short term investments	**416,736**	445,073	**–**	–
Bank balances, deposits & cash	**4,497,882**	5,564,656	**2,792**	2,466
	18,823,223	17,957,408	**3,841,616**	3,511,213
Current liabilities				
Creditors	**5,467,719**	5,409,197	**288,972**	275,189
Billings on work-in-progress in excess of related costs	**2,413,769**	2,714,983	**–**	–
Provisions	**144,521**	163,603	**–**	–
Amounts due to:				
- subsidiaries	**–**	–	**942,098**	951,328
- associated companies	**141,330**	71,699	**–**	3
Term loans	**1,176,613**	516,665	**244,989**	160,838
Taxation	**354,738**	465,387	**9,222**	19,575
Bank overdrafts	**–**	473	**–**	–
	9,698,690	9,342,007	**1,485,281**	1,406,933
Net current assets	**9,124,533**	8,615,401	**2,356,335**	2,104,280
Non-current liabilities				
Term loans	**6,059,611**	6,582,861	**1,500,000**	1,500,000
Deferred taxation	**456,557**	441,889	**–**	4,933
	6,516,168	7,024,750	**1,500,000**	1,504,933
Net assets	**14,104,581**	13,688,863	**5,940,919**	5,694,899
Group net debt	*2,738,342*	*1,535,343*	*n.a.*	*n.a.*
Group net gearing ratio	*0.19x*	*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 30.9.2014		As at 31.12.2013	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
129,799	1,046,814	198,619	318,519

(ii) Amount repayable after one year

As at 30.9.2014		As at 31.12.2013	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
859,758	5,199,853	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 $2,664,508,000 (31 December 2013: $2,895,304,000) to banks for loan facilities.

3b. Net asset value

	Group			**Company**		
	30.9.2014	31.12.2013	+/-%	**30.9.2014**	31.12.2013	+/-%
Net asset value per ordinary share *	**$5.53**	$5.37	+3.0	**$3.27**	$3.15	+3.8
Net tangible asset per ordinary share *	**$5.49**	$5.32	+3.2	**$3.27**	$3.15	+3.8

* Based on share capital of 1,817,170,218 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 $10.06 billion at 30 September 2014. The increase was mainly attributable to 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 a tax exempt one-tier interim dividend of 12.0 cents per share in respect of the first half year ended 30 June 2014, fair value loss on available-for-sale assets and cash flow hedges.

Group total assets of $30.32 billion at 30 September 2014 were $0.26 billion higher than the previous year end. Increase in current assets was partially offset by decrease in non-current assets. Increase in current assets primarily relates to higher stocks & work-in-progress due to acquisitions of development sites and development expenditure incurred for projects in the Property Division and higher work-in-progress for the Offshore & Marine Division. The increase in debtors resulted from higher billings in the Offshore & Marine and Property Divisions. Decrease in non-current assets relates primarily to the divestment of Equity Plaza and reclassification of the one-third interest in Central Boulevard Development Pte Ltd (a joint venture which owns MBFC Tower 3) as asset classified as held for sale, partially offset by capital expenditure for the Keppel Merlimau Cogen plant, construction of logistics warehouses, fit-out of data centres and other operational capex. Subject to fulfillment of certain conditions, the divestment of the one-third interest in Central Boulevard Development Pte Ltd is expected to be completed in 4Q 2014.

Group total liabilities of $16.21 billion at 30 September 2014 were $0.15 billion lower than the previous year end. This is largely attributable to work performed on projects where billings were in excess of related costs in the Offshore & Marine Division.

Group net debt at 30 September 2014 was $2.74 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 third quarter and nine months ended 30 September

4a. Statement of changes in equity of the Group

	Attributable to owners of the Company						
	Share Capital $'000	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 half							
Profit for first half	**–**	**–**	**744,712**	**–**	**744,712**	**119,298**	**864,010**
Other comprehensive income *	**–**	**40,913**	**–**	**(31,833)**	**9,080**	**(42,970)**	**(33,890)**
Total comprehensive income for first half	**–**	**40,913**	**744,712**	**(31,833)**	**753,792**	**76,328**	**830,120**
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends paid	**–**	**–**	**(544,887)**	**–**	**(544,887)**	**–**	**(544,887)**
Share-based payment	**–**	**31,836**	**–**	**–**	**31,836**	**904**	**32,740**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**(120,082)**	**(120,082)**
Cash subscribed by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**5,132**	**5,132**
Shares issued	**72,887**	**(46,499)**	**–**	**–**	**26,388**	**–**	**26,388**
Other adjustments	**–**	**–**	**10**	**–**	**10**	**–**	**10**
Total contributions by and distributions to owners	**72,887**	**(14,663)**	**(544,877)**	**–**	**(486,653)**	**(114,046)**	**(600,699)**
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	**72,887**	**(16,716)**	**(544,877)**	**–**	**(488,706)**	**(117,822)**	**(606,528)**
As at 30 June	**1,278,764**	**524,950**	**8,500,952**	**(338,399)**	**9,966,267**	**3,946,188**	**13,912,455**

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
2014							
Total comprehensive income for third quarter							
Profit for third quarter	**–**	**–**	**414,188**	**–**	**414,188**	**123,210**	**537,398**
Other comprehensive income *	**–**	**(154,137)**	**–**	**40,080**	**(114,057)**	**42,529**	**(71,528)**
Total comprehensive income for third quarter	**–**	**(154,137)**	**414,188**	**40,080**	**300,131**	**165,739**	**465,870**
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends paid	**–**	**–**	**(218,019)**	**–**	**(218,019)**	**–**	**(218,019)**
Share-based payment	**–**	**6,922**	**–**	**–**	**6,922**	**779**	**7,701**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**(71,228)**	**(71,228)**
Cash subscribed by non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**7,064**	**7,064**
Shares issued	**4,616**	**(158)**	**–**	**–**	**4,458**	**–**	**4,458**
Total contributions by and distributions to owners	**4,616**	**6,764**	**(218,019)**	**–**	**(206,639)**	**(63,385)**	**(270,024)**
Changes in ownership interests in subsidiaries							
Acquisition of additional interest in a subsidiary	**–**	**(2,468)**	**–**	**–**	**(2,468)**	**(1,252)**	**(3,720)**
Total change in ownership interests in subsidiaries	**–**	**(2,468)**	**–**	**–**	**(2,468)**	**(1,252)**	**(3,720)**
Total transactions with owners	**4,616**	**4,296**	**(218,019)**	**–**	**(209,107)**	**(64,637)**	**(273,744)**
As at 30 September	**1,283,380**	**375,109**	**8,697,121**	**(298,319)**	**10,057,291**	**4,047,290**	**14,104,581**

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

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

4a. Statement of changes in equity of the Group

	Attributable to owners of the Company						
	Share Capital $'000	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 half							
Profit for first half	–	–	703,833	–	703,833	142,795	846,628
Other comprehensive income *	–	(143,461)	–	86,184	(57,277)	40,517	(16,760)
Total comprehensive income for first half	–	(143,461)	703,833	86,184	646,556	183,312	829,868
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	–	14,967	–	–	14,967	412	15,379
Transfer of statutory, capital and other reserves to revenue reserves	–	–	5,710	(5,710)	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	(126,670)	(126,670)
Cash subscribed by non-controlling shareholders	–	–	–	–	–	65,480	65,480
Shares issued	76,629	(42,304)	–	–	34,325	–	34,325
Total contributions by and distributions to owners	76,629	(27,337)	(998,736)	(5,710)	(955,154)	(60,778)	(1,015,932)
Changes in ownership interests in subsidiaries							
Disposal of interest in a subsidiary company without loss of control	–	–	58,771	–	58,771	833,422	892,193
Total change in ownership interests in subsidiaries	–	–	58,771	–	58,771	833,422	892,193
Total transactions with owners	76,629	(27,337)	(939,965)	(5,710)	(896,383)	772,644	(123,739)
As at 30 June	1,200,219	511,465	7,579,084	(294,643)	8,996,125	5,288,130	14,284,255

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

2013	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
Total comprehensive income for third quarter							
Profit for third quarter	–	–	457,561	–	457,561	85,858	543,419
Other comprehensive income *	–	(73,789)	–	12,954	(60,835)	(2,920)	(63,755)
Total comprehensive income for third quarter	–	(73,789)	457,561	12,954	396,726	82,938	479,664
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends paid	–	–	(352,086)	–	(352,086)	–	(352,086)
Share-based payment	–	24,086	–	–	24,086	630	24,716
Transfer of statutory, capital and other reserves to revenue reserves	–	1,046	(6,756)	5,710	–	–	–
Dividend paid to non-controlling shareholders	–	–	–	–	–	(44,494)	(44,494)
Cash subscribed by non-controlling shareholders	–	–	–	–	–	123	123
Shares issued	1,739	(192)	–	–	1,547	–	1,547
Total contributions by and distributions to owners	1,739	24,940	(358,842)	5,710	(326,453)	(43,741)	(370,194)
Changes in ownership interests in subsidiaries							
Disposal of interest in a subsidiary company with loss of control	–	–	(58,771)	–	(58,771)	(1,716,099)	(1,774,870)
Total change in ownership interests in subsidiaries	–	–	(58,771)	–	(58,771)	(1,716,099)	(1,774,870)
Total transactions with owners	1,739	24,940	(417,613)	5,710	(385,224)	(1,759,840)	(2,145,064)
As at 30 September	1,201,958	462,616	7,619,032	(275,979)	9,007,627	3,611,228	12,618,855

* 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 half	**–**	**–**	**805,451**	**805,451**
Transactions with owners, recognised directly in equity				
Dividend paid	**–**	**–**	**(544,887)**	**(544,887)**
Share-based payment	**–**	**30,280**	**–**	**30,280**
Shares issued	**72,887**	**(46,499)**	**–**	**26,388**
Other adjustments	**–**	**–**	**10**	**10**
Total transactions with owners	**72,887**	**(16,219)**	**(544,877)**	**(488,209)**
As at 30 June	**1,278,764**	**172,213**	**4,561,164**	**6,012,141**
Profit / Total comprehensive income for third quarter	**–**	**–**	**136,615**	**136,615**
Transactions with owners, recognised directly in equity				
Dividend paid	**–**	**–**	**(218,019)**	**(218,019)**
Share-based payment	**–**	**5,724**	**–**	**5,724**
Shares issued	**4,616**	**(158)**	**–**	**4,458**
Total transactions with owners	**4,616**	**5,566**	**(218,019)**	**(207,837)**
As at 30 September	**1,283,380**	**177,779**	**4,479,760**	**5,940,919**
2013				
As at 1 January	1,123,590	180,396	4,401,538	5,705,524
Profit / Total comprehensive income for first half	–	–	810,845	810,845
Transactions with owners, recognised directly in equity				
Dividend paid	–	–	(1,004,446)	(1,004,446)
Share-based payment	–	14,330	–	14,330
Shares issued	76,629	(42,304)	–	34,325
Total transactions with owners	76,629	(27,974)	(1,004,446)	(955,791)
As at 30 June	1,200,219	152,422	4,207,937	5,560,578
Profit / Total comprehensive income for third quarter	–	–	92,514	92,514
Transactions with owners, recognised directly in equity				
Dividend paid	–	–	(352,086)	(352,086)
Share-based payment	–	23,156	–	23,156
Shares issued	1,739	(192)	–	1,547
Total transactions with owners	1,739	22,964	(352,086)	(327,383)
As at 30 September	1,201,958	175,386	3,948,365	5,325,709

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	3,754,311
Issue of shares under restricted share plan and performance share plan	4,771,729
As at 30 June 2014	1,816,496,499
Issue of shares under share option scheme	658,500
Issue of shares under restricted share plan	15,219
As at 30 September 2014	**1,817,170,218**

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

Share options
As at 30 September 2014, there were unexercised options for 20,126,904 of unissued ordinary shares (30 September 2013: 25,382,115 ordinary shares) under the KCL Share Options Scheme. Unexercised options for 292,600 of unissued ordinary shares were cancelled in the nine months ended 30 September 2014 (30 September 2013: 117,900).

KCL Performance Share Plan ("KCL PSP")
As at 30 September 2014, the number of contingent shares granted but not released were 1,748,725 (30 September 2013: 2,304,755) 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 September 2014, the number of contingent shares granted but not released was 4,712,345 (30 September 2013: 4,393,842). Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 4,712,345 under KCL RSP.

As at 30 September 2014, the number of awards released but not vested was 4,123,789 (30 September 2013: 4,053,430) for KCL RSP.

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

Contingent awards:

	Number of shares					
Date of Grant	At 1.1.14	Contingent awards granted	Adjustment upon release	Released	Cancelled	At 30.9.14
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	–	–	(38,041)	4,712,345
	4,383,491	4,750,386	–	(4,309,301)	(112,231)	4,712,345

Awards released but not vested:

Date of Grant	At 1.1.14	Released	Vested	Cancelled	At 30.9.14
	Number of shares				
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	–	(1,364,147)	(31,439)	1,311,097
28.3.2013	–	4,309,301	(1,462,499)	(34,110)	2,812,692
	4,040,616	4,309,301	(4,150,848)	(75,280)	4,123,789

4d. Capital reserves

	Group		**Company**	
	30.9.2014	30.9.2013	**30.9.2014**	30.9.2013
	$'000	$'000	**$'000**	$'000
Share option and share plan reserve	**198,587**	194,713	**177,779**	175,386
Fair value reserve	**144,479**	214,573	**–**	–
Hedging reserve	**(64,382)**	(45,615)	**–**	–
Bonus issue by subsidiaries	**40,000**	40,000	**–**	–
Others	**56,425**	58,945	**–**	–
	375,109	462,616	**177,779**	175,386

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

	Note	Third Quarter 30.9.2014 $'000	Third Quarter 30.9.2013 $'000	Nine Months 30.9.2014 $'000	Nine Months 30.9.2013 $'000
OPERATING ACTIVITIES					
Operating profit		**565,219**	568,037	**1,447,341**	1,387,954
Adjustments:					
Depreciation and amortisation		**67,550**	64,846	**195,869**	178,207
Share-based payment expenses		**7,775**	24,966	**40,472**	40,794
Profit on sale of fixed assets and an investment property		**(93,715)**	(1,255)	**(94,865)**	(3,538)
Gain on disposal of subsidiaries		**–**	(61,087)	**(6,924)**	(61,087)
Write-back of provision for restructuring of operations and others		**–**	–	**–**	(26,831)
Write-back of impairment of investments		**(23,716)**	–	**(45,390)**	–
Operational cash flow before changes in working capital		**523,113**	595,507	**1,536,503**	1,515,499
Working capital changes:					
Stocks & work-in-progress		**(1,081,467)**	(449,183)	**(1,594,570)**	(668,415)
Debtors		**366,928**	80,366	**(569,668)**	(991,820)
Creditors		**381,311**	161,231	**209,772**	(162,935)
Investments		**2,316**	(16,553)	**(61,389)**	(72,889)
Advances to associated companies		**(8,914)**	(33,912)	**369,694**	12,866
Translation of foreign subsidiaries		**39,201**	22,975	**(26,454)**	51,245
		222,488	360,431	**(136,112)**	(316,449)
Interest received		**36,281**	43,995	**104,428**	125,652
Interest paid		**(27,126)**	(38,565)	**(81,601)**	(117,125)
Income taxes paid, net of refunds received		**(140,496)**	(198,966)	**(357,449)**	(555,884)
Net cash from/(used in) operating activities		**91,147**	166,895	**(470,734)**	(863,806)
INVESTING ACTIVITIES					
Acquisition of subsidiaries	5a	**–**	(27,524)	**(224,029)**	(71,985)
Acquisition and further investment in associated companies		**(61,537)**	(199,631)	**(87,540)**	(488,074)
Acquisition of fixed assets and investment properties		**(156,840)**	(399,811)	**(430,422)**	(742,421)
Disposal of subsidiaries	5b	**–**	(47,458)	**37,793**	328,088
Proceeds from disposal of fixed assets and an investment property		**555,029**	6,180	**561,015**	41,619
Proceeds from disposal of associated companies and return of capital		**6,941**	–	**8,941**	–
Dividends received from investments and associated companies		**150,167**	55,521	**319,003**	149,982
Net cash from/(used in) investing activities		**493,760**	(612,723)	**184,761**	(782,791)
FINANCING ACTIVITIES					
Acquisition of additional interest in a subsidiaries		**(3,720)**	–	**(7,480)**	–
Proceeds from share issues		**4,458**	1,547	**30,846**	35,872
Proceeds from non-controlling shareholders of subsidiaries		**7,064**	(7,724)	**12,196**	57,756
Proceeds from disposal of interest in a subsidiary without loss of control	5c	**–**	–	**–**	135,513
Proceeds from term loans		**383,798**	505,761	**811,100**	2,291,490
Repayment of term loans		**(328,990)**	(68,405)	**(676,816)**	(523,455)
Dividend paid to shareholders of the Company		**(218,019)**	(180,735)	**(762,906)**	(668,506)
Dividend paid to non-controlling shareholders of subsidiaries		**(71,228)**	(44,494)	**(191,310)**	(171,164)
Net cash (used in)/from financing activities		**(226,637)**	205,950	**(784,370)**	1,157,506
Net increase/(decrease) in cash and cash equivalents		**358,270**	(239,878)	**(1,070,343)**	(489,091)
Cash and cash equivalents as at beginning of period		**4,128,381**	3,865,972	**5,564,183**	4,055,176
Effects of exchange rate changes on the balance of cash held in foreign currencies		**11,231**	14,123	**4,042**	74,132
Cash and cash equivalents as at end of period	5d	**4,497,882**	3,640,217	**4,497,882**	3,640,217

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

5a. Acquisition of subsidiaries

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

	Third Quarter		Nine Months	
	30.9.2014	30.9.2013	**30.9.2014**	30.9.2013
	$'000	$'000	**$'000**	$'000
Fixed assets	**–**	4	**5,929**	28
Investment properties	**–**	–	**–**	133,420
Investment in associated company	**–**	–	**14**	–
Properties held for sale	**–**	324,952	**–**	324,952
Debtors and other assets	**–**	942	**11,905**	1,017
Bank balances and cash	**–**	6	**792**	3,043
Shareholders' loans	**–**	(120,911)	**–**	(122,911)
Creditors	**–**	–	**(4,338)**	(4,683)
Bank borrowings	**–**	–	**(2,414)**	(38,000)
Current and deferred taxation	**–**	(50,595)	**(96)**	(51,472)
Total identifiable net assets at fair value	**–**	154,398	**11,792**	245,394
Non-controlling interest measured at non-controlling interests' proportionate share of the net assets	**–**	–	**(3,737)**	–
Amount previously accounted for as associated companies	**–**	–	**(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	**–**	–	**219,400**	–
Net assets acquired	**–**	154,398	**224,821**	199,896
Assumption of shareholders' loans	**–**	120,911	**–**	122,911
Total purchase consideration	**–**	275,309	**224,821**	322,807
Less: Deferred payments	**–**	(247,779)	**–**	(247,779)
Less: Bank balances and cash acquired	**–**	(6)	**(792)**	(3,043)
Cash flow on acquisition	**–**	27,524	**224,029**	71,985

Significant acquisition of subsidiaries during the nine months of the year mainly relates to acquisition of additional interest in Indo-Trans Keppel Logistics Vietnam Co., Ltd, from 40% to 51%. Payment of deferred consideration relates to Shanghai Jinju Real Estate Development Co. Ltd.

For the nine months in the prior year, the Group acquired the remaining 50% interest in Parksville and 100% interest in Shanghai Jinju Real Estate Development Co. Ltd, which owns a residential site in Sheshan, Songjiang District in Shanghai for development of landed homes.

5b. Disposal of subsidiaries

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

	Third Quarter		Nine Months	
	30.9.2014	30.9.2013	**30.9.2014**	30.9.2013
	$'000	$'000	**$'000**	$'000
Fixed assets	**–**	(87)	**(731)**	(87)
Investment properties	**–**	(3,757,083)	**–**	(3,757,083)
Investment in associated company	**–**	(1,941,645)	**(26,980)**	(1,941,645)
Intangible assets	**–**	(15,549)	**–**	(15,549)
Debtors and other assets	**–**	(270,279)	**(17,621)**	(270,279)
Bank balances and cash	**–**	(60,503)	**(40)**	(60,503)
Creditors and other liabilities	**–**	99,436	**928**	99,436
Borrowings	**–**	2,424,159	**–**	2,424,159
Current and deferred taxation	**–**	14,248	**9,652**	14,248
Non-controlling interests deconsolidated	**–**	882,677	**5,806**	882,677
	–	(2,624,626)	**(28,986)**	(2,624,626)
Amount accounted for as associated company	**–**	1,407,821	**50,722**	1,407,821
Amount accounted for as amount owing from associated company	**–**	222,651	**(52,645)**	222,651
Distribution of dividend *in specie*	**–**	688,018	**–**	688,018
Net assets disposed of	**–**	(306,136)	**(30,909)**	(306,136)
Net profit on disposal	**–**	(61,087)	**(6,924)**	(61,087)
Realisation of foreign currency translation reserve and capital reserve	**–**	(21,368)	**–**	(21,368)
Sale proceeds	**–**	(388,591)	**(37,833)**	(388,591)
Less: Bank balances and cash disposed	**–**	60,503	**40**	60,503
Less: Proceeds received in first half of the year from partial disposal of interest	**–**	375,546	**–**	–
Cash flow on disposal	**–**	47,458	**(37,793)**	(328,088)

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

In the prior year, significant disposals include the divestment of a subsidiary, Montfort Development Pte Ltd, which has a 50% interest in Hotel Sedona Manado in Indonesia and the deconsolidation of Keppel REIT due to loss of control.

5c. Disposal of interest in a subsidiary without loss of control

In the prior year, the Group disposed of its 30% interest in its subsidiary, Sherwood Development Pte Ltd to a wholly-owned subsidiary company of Vanke Property (Hong Kong) Company Limited. There was no gain or loss arising from this disposal as the 30% interest was sold at its net carrying value.

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:

	Third Quarter		Nine Months	
	30.9.2014	30.9.2013	**30.9.2014**	30.9.2013
	$'000	$'000	**$'000**	$'000
Bank balances, deposits and cash	**4,497,882**	3,640,692	**4,497,882**	3,640,692
Bank overdrafts	**–**	(475)	**–**	(475)
	4,497,882	3,640,217	**4,497,882**	3,640,217

5e. Cash flow analysis

(i) Third Quarter

Net cash from operating activities for the quarter was $91 million compared to that of $167 million for the corresponding quarter last year. This was due mainly to higher operational cash outflow. Net cash from investment activities for the quarter was $494 million. The Group spent $218 million on acquisitions and operational capex. This comprised mainly capital expenditure for the fit-out of data centres and other operational capex. Divestment and dividend income totalled $712 million, mainly attributable to the proceeds received from the divestment of Equity Plaza. Net cash used in financing activities was $227 million. The net proceeds from loans of $55 million were $383 million lower due to lower increase in bank borrowings and repayments of loans.

(ii) Nine Months

Net cash used in operating activities for the nine months was $471 million, $393 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 from investment activities for the nine months was $185 million. The Group spent $742 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 Keppel Merlimau Cogen plant, construction of logistics warehouses, fit-out of data centres and other operational capex. Divestment and dividend income totalled $927 million, mainly proceeds received from the divestment of Equity Plaza. Net cash used in financing activities was $784 million. The net proceeds from loans of $134 million were $1.63 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) Third Quarter

The Group revenue for 3Q2014 of $3,185 million was $238 million or 8% higher than that of 3Q2013. The Offshore & Marine Division's revenue increased by $664 million to $2,199 million as a result of higher revenue recognition from ongoing projects. The Infrastructure Division's revenue of $762 million was lower by $115 million due to a drop in revenue from Keppel Infrastructure's power generation plant, partly offset by better performance by Keppel Telecommunications & Transportation's logistics business. Revenue contributed by the Property Division decreased by $313 million to $219 million mainly from a decline in Singapore and China sales during 3Q2014 as compared to the same quarter in 2013. No revenue was recognised from Keppel REIT in 3Q2014 whilst 3Q2013 benefited from two months' revenues before it was deconsolidated from 31 August 2013.

Third quarter Group pre-tax profit declined 4% from $670 million to $642 million. Pre-tax profit from the Offshore & Marine Division improved by $77 million to $359 million due to higher operating results and interest income partially offset by a drop in share of associated companies' profits. The Infrastructure Division's pre-tax profit for the current quarter was $54 million as compared to $48 million in the corresponding quarter last year mainly from higher earnings from Keppel Telecommunications & Transportation. The Property Division however, saw a decline in their pre-tax profit for 3Q2014 as compared to the same period last year by $118 million to $198 million mainly due to lower sales in China and Singapore and absence of gain from deconsolidation of Keppel REIT recognised in 2013 partially offset by divestment gains from disposals of Equity Plaza and Prudential Tower which were completed in 3Q2014.

Tax expenses decreased by $22 million, in line with the lower pre-tax profits. Non-controlling interests rose by $37 million mainly from non-controlling interests' share of the divestment gains from disposals of Equity Plaza and Prudential Tower partly offset by lower contribution arising from the partial disposal of Keppel REIT in 2013. After taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders for 3Q2014 was $414 million, 9% below the same quarter in the previous year. Earnings per share was 22.9 cents.

(ii) Nine Months

Group net profit for the nine months ended 30 September 2014 was $1,159 million compared to $1,161 million for the same period in 2013. Earnings per share decreased by 1% to 63.9 cents. Annualised return on equity was 14.5% and Economic Value Added increased by $296 million to $1,032 million.

Group revenue of $9,358 million for the nine months was $576 million or 7% above that of the same period in 2013. Revenue contributed by the Offshore & Marine Division went up by $1,125 million to $6,180 million attributable to progress from on-going jobs. Major jobs completed in the nine months include five jack-up rigs, two FPSO upgrades, one FPSO conversion and one FPSO integration. The Infrastructure Division's revenue fell by $225 million to $2,259 million mainly from a drop in revenue from Keppel Infrastructure's power generation plant, partially offset by improvement from Keppel Telecommunications & Transportation's logistics business. The Property Division's revenue slid down by $334 million to $896 million mainly due to weakened sales in Singapore and China. No revenue was recognised from Keppel REIT in 2014 as it was deconsolidated from 31 August 2013.

At the pre-tax level, Group profit was up by $42 million or 2% to $1,727 million from that of the corresponding period in 2013. The Offshore & Marine Division's pre-tax profit of $1,008 million was higher by $154 million compared to the same nine months in 2013. Better operating results and higher interest income were partially offset by a reduction in share of associated companies' profits. The Infrastructure Division's profit was $149 million for the current period compared to $169 million for the same period in 2013. Excluding the reversal of provision in 2013 following the finalisation of the sale of the power barges, the Infrastructure Division's profit was comparable to that of 2013. Profit from the Property Division contracted by $114 million to $489 million. Lower sales in China and Singapore and absence of gain from deconsolidation of Keppel REIT recognised in 2013 were partially offset by the divestment gains from disposals of Equity Plaza and Prudential Tower in 3Q2014. Sale of investments and write-back of impairment of investments in 2014 resulted in the profit of the Investment Division improving by $22 million to $81 million.

Tax expenses increased by $31 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 increased by $13 million mainly from non-controlling interests' share of the divestment gains from disposals of Equity Plaza and Prudential Tower partly offset by lower contribution arising from the partial disposal of Keppel REIT in 2013. Taking into account income tax expenses and non-controlling interests, net profit attributable to shareholders was $1,159 million. The Offshore & Marine Division was the largest contributor to Group net profit at 65%, followed by the Property Division's 19%, the Infrastructure Division's 9% and the Investments Division's at 7%.

11. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

12. PROSPECTS

The Offshore & Marine Division secured $3.7 billion of new orders in the first nine months of the year. Its net order book stood at $12.7 billion with deliveries extending into 2019. In spite of a challenging environment with slowing global demand for oil and gas and falling rates for deepwater rigs, job prospects for the Division continue to be encouraging.

In the Infrastructure Division, Keppel Infrastructure will remain focused on its power and gas as well as its energy and related infrastructure businesses. Keppel Infrastructure aims to complete its EPC projects efficiently. Keen competition is likely to persist in the electricity market but our integrated gas-to-power business platform will enable us to weather the challenges ahead. Keppel Telecommunications & Transportation will continue to grow its logistics and data centre businesses domestically and overseas.

Altogether, the Property Division sold about 1,880 homes during the nine months ended 30 September 2014, about 280 in Singapore and 1,600 overseas. Total assets under management by Keppel REIT and Alpha stood at $17.4 billion as at end-September 2014. The Division will continue to invest opportunistically in key global cities with good growth potential, while remaining focused on Asia, with Singapore and China as its core markets.

With an expected uneven global recovery, the Group will place emphasis 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?

No

13b. Corresponding Period of the Immediately Preceding Financial Year

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

No

13c. Date Payable

Not applicable

13d. Books Closure Date

Not applicable

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

No dividend is declared for the quarter ended 30 September 2014.

Total cash distribution paid to shareholders in 2014 amounted to 42.0 cents per share. A tax exempt one-tier final dividend of 30.0 cents per share in respect of the year ended 31 December 2013 was paid on 7 May 2014 and a tax exempt one-tier interim dividend of 12.0 cents per share in respect of the first half year ended 30 June 2014 was paid on 13 August 2014.

14. SEGMENT ANALYSIS

Nine months ended 30 September 2014

	Offshore & Marine $'000	Infra-structure $'000	Property $'000	Invest-ments $'000	Elimination $'000	Total $'000
Revenue						
External sales	**6,179,854**	**2,259,466**	**895,541**	**22,868**	**–**	**9,357,729**
Inter-segment sales	**28**	**39,308**	**11,883**	**57,576**	**(108,795)**	**–**
Total	**6,179,882**	**2,298,774**	**907,424**	**80,444**	**(108,795)**	**9,357,729**
Segment Results						
Operating profit	**911,183**	**161,005**	**324,200**	**39,449**	**11,504**	**1,447,341**
Investment income	**3,944**	**–**	**3,392**	**834**	**–**	**8,170**
Interest income	**70,133**	**923**	**20,624**	**109,244**	**(96,496)**	**104,428**
Interest expenses	**(8,696)**	**(35,709)**	**(27,401)**	**(94,787)**	**84,992**	**(81,601)**
Share of results of associated companies	**31,266**	**22,579**	**168,857**	**26,405**	**–**	**249,107**
Profit before tax	**1,007,830**	**148,798**	**489,672**	**81,145**	**–**	**1,727,445**
Taxation	**(211,484)**	**(31,736)**	**(87,170)**	**4,353**	**–**	**(326,037)**
Profit for the period	**796,346**	**117,062**	**402,502**	**85,498**	**–**	**1,401,408**
Attributable to:						
Shareholders of Company	**752,863**	**105,095**	**220,556**	**80,386**	**–**	**1,158,900**
Non-controlling interests	**43,483**	**11,967**	**181,946**	**5,112**	**–**	**242,508**
	796,346	**117,062**	**402,502**	**85,498**	**–**	**1,401,408**
Other Information						
Segment assets	**8,765,681**	**4,009,041**	**15,681,925**	**7,979,819**	**(6,117,027)**	**30,319,439**
Segment liabilities	**6,452,937**	**3,070,468**	**7,435,906**	**5,372,574**	**(6,117,027)**	**16,214,858**
Net assets	**2,312,744**	**938,573**	**8,246,019**	**2,607,245**	**–**	**14,104,581**
Investment in associated companies	**505,106**	**547,980**	**3,434,679**	**596,302**	**–**	**5,084,067**
Additions to non-current assets	**204,774**	**174,993**	**138,007**	**188**	**–**	**517,962**
Depreciation and amortisation	**105,267**	**77,679**	**12,573**	**350**	**–**	**195,869**

Geographical Information

	Singapore $'000	Far East & Other ASEAN Countries $'000	Americas $'000	Other Countries $'000	Elimination $'000	Total $'000
External sales	**6,805,507**	**781,157**	**1,413,348**	**357,717**	**–**	**9,357,729**
Non-current assets	**7,153,367**	**3,014,910**	**607,630**	**156,858**	**–**	**10,932,765**

Nine months ended 30 September 2013

	Offshore & Marine $'000	Infra-structure $'000	Property $'000	Invest-ments $'000	Elimination $'000	Total $'000
Revenue						
External sales	5,055,104	2,484,051	1,229,753	12,931	–	8,781,839
Inter-segment sales	3,585	69,816	59,581	55,663	(188,645)	–
Total	5,058,689	2,553,867	1,289,334	68,594	(188,645)	8,781,839
Segment Results						
Operating profit	749,531	159,329	457,421	14,838	6,835	1,387,954
Investment income	1,069	–	10,985	–	–	12,054
Interest income	55,569	1,070	48,136	108,241	(100,747)	112,269
Interest expenses	(9,858)	(15,861)	(66,098)	(105,837)	93,912	(103,742)
Share of results of associated companies	57,439	24,095	152,799	41,966	–	276,299
Profit before tax	853,750	168,633	603,243	59,208	–	1,684,834
Taxation	(169,813)	(36,057)	(71,275)	(17,642)	–	(294,787)
Profit for the period	683,937	132,576	531,968	41,566	–	1,390,047
Attributable to:						
Shareholders of Company	660,392	123,659	340,426	36,917	–	1,161,394
Non-controlling interests	23,545	8,917	191,542	4,649	–	228,653
	683,937	132,576	531,968	41,566	–	1,390,047
Other Information						
Segment assets	7,900,942	3,652,995	15,200,752	6,954,136	(5,179,961)	28,528,864
Segment liabilities	5,812,791	2,741,417	7,506,342	5,029,420	(5,179,961)	15,910,009
Net assets	2,088,151	911,578	7,694,410	1,924,716	–	12,618,855
Investment in associated companies	492,028	572,996	3,618,092	592,910	–	5,276,026
Additions to non-current assets	266,247	284,369	480,275	199,604	–	1,230,495
Depreciation and amortisation	102,339	56,072	19,524	272	–	178,207

Geographical Information

	Singapore $'000	Far East & Other ASEAN Countries $'000	Americas $'000	Other Countries $'000	Elimination $'000	Total $'000
External sales	6,668,918	734,905	972,834	405,182	–	8,781,839
Non-current assets	7,615,133	2,723,981	462,177	175,893	–	10,977,184

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 nine months ended 30 September 2014 and 2013.

15. REVIEW OF SEGMENT PERFORMANCE

15a. Revenue by Segments

Group revenue of $9,358 million was $576 million or 7% above than that of corresponding period in 2013. Revenue from the Offshore & Marine Division of $6,180 million was $1,125 million higher due to higher revenue recognition from ongoing projects. Revenue from the Infrastructure Division of $2,259 million was $225 million lower due mainly to lower revenue recorded by the power generation plant in Singapore partly offset by higher revenue from the logistics business. Revenue from the Property Division of $896 million fell by $334 million due largely to lower contribution from property trading in Singapore and China and the deconsolidation of Keppel REIT from 31 August 2013.

15b. Net profit by Segments

Group net profit of $1,159 million was at the same level as that of corresponding period in 2013. Profit from the Offshore & Marine Division of $753 million was $93 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 $105 million was $19 million lower due largely to the reversal of provision for impairment in 2013 following the finalisation of the sale of power barge. Profit from the Property Division of $221 million declined by $119 million due largely to reduced contribution from China and Singapore and absence of gain from deconsolidation of Keppel REIT recognised in 2013 which was partially offset by the divestment gains from disposals of Equity Plaza and Prudential Tower. Profit from the Investments Division increased by $43 million due mainly to profit from disposal of investments and write back of impairment of investments. The Offshore & Marine Division was the largest contributor to Group net profit with a 65% share followed by the Property Division with 19% share, the Infrastructure Division with 9% share and the Investments Division with 7% share.

15c. Revenue by Geographical Segments

Revenue from Singapore of $6,806 million was $137 million lower due largely to lower revenue from the Infrastructure Division and Property Division including the deconsolidation of Keppel REIT partly offset by higher revenue from the Offshore & Marine Division. Higher revenue from Far East & Other ASEAN Countries mainly came from the Offshore & Marine Division partly offset by lower 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)	
	Nine months 30.9.2014 $'000	Nine months 30.9.2013 $'000	**Nine months 30.9.2014 $'000**	Nine months 30.9.2013 $'000
Transaction for the Sale of Goods and Services				
CapitaLand Group	**–**	–	**182,980**	5,400
Integradora de Servicios Petroleros Oro Negro	**–**	–	–	3,969
Mapletree Investments Group	**–**	–	**113,760**	3,600
Neptune Orient Lines Group	**–**	–	–	175
PSA International Group	**–**	–	**999**	9,434
SATS Group	**–**	–	–	7,712
SembCorp Marine Group	**–**	–	**1,940**	1,331
Singapore Power Group	**–**	–	–	1,644
Singapore Technologies Engineering Group	**–**	–	**1,161**	1,998
Temasek Holdings Group	**–**	–	**3,758**	–
Transaction for the Purchase of Goods and Services				
Certis CISCO Security Group	**–**	–	**3,362**	201
Gas Supply Pte Ltd	**–**	–	**85,000**	90,000
Mapletree Investments Group	**–**	–	**544**	21,127
PSA International Group	**–**	–	**600**	610
SembCorp Marine Group	**–**	–	**166**	299
Singapore Power Group	**–**	–	**400**	–
Singapore Technologies Engineering Group	**–**	–	–	7,000
Singapore Telecommunications Group	**–**	–	**5,200**	–
Temasek Holdings Group	**–**	–	**511**	–
Total Interested Person Transactions	**–**	–	**400,381**	154,500

BY ORDER OF THE BOARD

CAROLINE CHANG/KENNY LEE
Company Secretaries

21 October 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 third 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, 21 October 2014