

Media Release

Keppel posts FY 2017 net profit of S\$217m compared to S\$784m a year ago following one-off penalty

- *Excluding Keppel Offshore & Marine's (Keppel O&M) one-off financial penalty and related costs of S\$619 million, Group net profit for FY 2017 would have been S\$836 million.*
- *The proposed final cash dividend of 14.0 cents per share will bring the total cash distribution for FY 2017 to 22.0 cents per share, representing a payout ratio of about 48% on the Group's net profit of S\$836 million, excluding Keppel O&M's one-off financial penalty and related costs.*

Singapore, 25 January 2018 – Keppel Corporation Limited (Keppel) reported a net profit of S\$217 million for the 12 months ended 31 December 2017. This was 72% lower than the S\$784 million net profit for FY 2016, due mainly to the one-off financial penalty arising from Keppel O&M's global resolution with criminal authorities in the United States, Brazil and Singapore, and related legal, accounting and forensics costs amounting to S\$619 million.

Excluding the one-off financial penalty and related costs, the Group would have turned in a net profit S\$836 million for FY 2017, 7% higher compared to S\$784 million a year ago.

On a quarterly basis, the Group registered a net loss of S\$495 million in 4Q 2017, compared to a net profit of S\$143 million for 4Q 2016. The net loss mainly arose from the one-off financial penalty and related costs as well as the weaker operating results of the Offshore & Marine Division, which were partially offset by higher profits from Singapore property trading, as well as fair value gains from assets recognised during the quarter.

Excluding the one-off global resolution and related costs of S\$619 million, the Group would have attained a net profit of S\$124 million for 4Q 2017, 13% below that of 4Q 2016.

The Group achieved revenue of S\$5,964 million for FY 2017, which was S\$803 million or 12% lower than that for 2016. In 4Q 2017, Group revenue of S\$1,545 million was 20% lower than the S\$1,940 million a year ago.

Mr Loh Chin Hua, CEO of Keppel Corporation, said, “The global resolution reached by Keppel O&M brings to an end what has been a painful chapter for Keppel. We have put in place effective compliance controls to ensure that this does not happen again. With the issue now behind us, we look forward to continuing on our growth trajectory and building a more disciplined and sustainable business - a Keppel that will remain trusted and admired by all our stakeholders.”

During the year, the Group’s non-Offshore & Marine business divisions continued to register strong earnings growth. The Property Division, which recorded a 10% year on year increase in net profit to S\$685 million, remained the largest contributor to the Group’s FY 2017 net profit. This increase was due mainly to higher fair value gains on investment properties and higher contribution from Singapore and Vietnam property trading and the en-bloc divestment of development projects, partly offset by a lower share of associated companies’ profits.

The Infrastructure Division saw a 33% increase in net profit to S\$132 million, due mainly to higher contribution from the Energy Infrastructure business, the gain on divestment of interests in GE Keppel Energy Services Pte Ltd, as well as fair value gain from an investment. Contribution from the data centre business was lower following the injection of Keppel DC Singapore 3 into Keppel DC REIT in January 2017.

The Investments Division achieved a net profit of S\$235 million, representing an increase of over 500% compared to FY 2016, due mainly to a higher share of profit from the Sino-Singapore Tianjin Eco-City and k1 Ventures, higher contributions from Keppel Capital, gains from the sale of investments and the write-back of provision for impairment of investments. These were partly offset by the share of loss in KrisEnergy and the recognition of fair value loss on KrisEnergy warrants.

The Offshore & Marine Division incurred a net loss of S\$835 million for FY 2017, compared to a net profit of S\$29 million for FY 2016. This was mainly due to the one-off financial penalty and related costs, lower revenue, an additional S\$81 million provision for losses on the Sete Brasil rig contracts, an impairment of S\$54 million made to other assets, and a lower share of associated companies’ profits. In 2017, the Division secured new contracts of about S\$1.2 billion, mainly for LNG-related vessels, the conversion of Floating Production Storage Offloading units and newbuild dredgers.

In FY 2017, the Group achieved a return on equity of 1.9%. Net gearing was at 0.46x as at end-December 2017, compared to 0.56x as at end-December 2016. Free cash inflow of S\$1,802 million in FY 2017 was a substantial improvement over the inflow of S\$540 million in FY 2016.

Mr Loh said, “For 2017, Keppel’s multi-business strategy has steadied the Group amidst the challenges. We also entered into new markets, seized opportunities and created new engines of growth. The global economy is experiencing a broad based upturn, and we are excited about the many opportunities presented by strong urbanisation trends across the businesses that we are in.

“Today, Keppel is not just a group of diverse companies that share a common name, but an eco-system of companies working closely together with a common mission, as OneKeppel, to provide compelling solutions for sustainable urbanisation. We are confident of harnessing the Group’s considerable strengths and diverse solutions to seize opportunities that will create and capture long term value.”

The Directors of Keppel Corporation will be proposing a final cash dividend of 14.0 cents per share for FY 2017, taking into account the Group’s improved performance, excluding Keppel O&M’s one-off financial penalty and related costs, the stronger cash flow position and the lower gearing. Including the interim cash dividend of 8.0 cents per share paid to shareholders in August 2017, the total distribution for FY 2017 will be 22.0 cents per share, compared to the 20.0 cents per share paid out for FY 2016. The total distribution proposed for FY 2017 represents a payout ratio of about 48% on the Group’s net profit of S\$836 million, excluding the one-off financial penalty and related costs.

Financial Highlights

	FY 2017 (S\$ m)	FY 2016 (S\$ m)	Change (%)	Excl'd. global resolution & related costs		
				FY 2017 (S\$ m)	FY 2016 (S\$ m)	Change (%)
Revenue	5,964	6,767	(12)	5,964	6,767	(12)
Operating Profit	776	795	(2)	776	795	(2)
Net Profit	217	784	(72)	836	784	7
Earnings per Share	11.9 cents	43.2 cents	(72)	46.0 cents	43.2 cents	6

	4Q 2017 (S\$ m)	4Q 2016 (S\$ m)	Change (%)	Excl'd. global resolution & related costs		
				4Q 2017 (S\$m)	4Q 2016 (S\$ m)	Change (%)
Revenue	1,545	1,940	(20)	1,545	1,940	(20)
Operating Profit	126	98	29	126	98	29
Net (Loss)/Profit	(495)	143	n.m.	124	143	(13)
Earnings per Share	(27.3) cents	7.9 cents	n.m.	6.8 cents	7.9 cents	(14)

- ROE was 1.9% for FY 2017
- Net Gearing was 0.46x at end-December 2017
- Free cash inflow improved significantly to S\$1,802m in FY 2017 from S\$540m in FY 2016
- A final cash dividend of 14.0 cents per share will be proposed for FY 2017

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KEPPEL CORPORATION LIMITED

Co. Reg. No. 196800351N

(Incorporated in the Republic of Singapore)

FULL YEAR 2017 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT**TABLE OF CONTENTS**

<u>Paragraph</u>	<u>Description</u>	<u>Page</u>
1	GROUP PROFIT AND LOSS ACCOUNT	1
2	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
3	BALANCE SHEETS	7
4	STATEMENTS OF CHANGES IN EQUITY	10
5	CONSOLIDATED STATEMENT OF CASH FLOWS	15
6	AUDIT	19
7	AUDITORS' REPORT	19
8	ACCOUNTING POLICIES	19
9	CHANGES IN THE ACCOUNTING POLICIES	19
10	REVIEW OF GROUP PERFORMANCE	20
11	VARIANCE FROM FORECAST STATEMENT	22
12	PROSPECTS	22
13	DIVIDEND	23
14	SEGMENT ANALYSIS	24
15	REVIEW OF SEGMENT PERFORMANCE	26
16	INTERESTED PERSON TRANSACTIONS	27
17	REPORT OF PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO A DIRECTOR, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER	28
18	CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)	28

KEPPEL CORPORATION LIMITED

Full Year 2017 Financial Statements & Dividend Announcement

UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the year ended 31 December 2017.

1. GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December

	Note	Fourth Quarter			Full Year		
		31.12.2017 \$'000	31.12.2016 \$'000	+/- %	31.12.2017 \$'000	31.12.2016 \$'000	+/- %
Revenue		1,544,702	1,939,989	-20.4	5,963,773	6,767,264	-11.9
Materials & subcontract costs	(i)	(1,099,026)	(1,214,369)	-9.5	(3,999,053)	(4,204,065)	-4.9
Staff costs	(ii)	(253,143)	(291,297)	-13.1	(1,027,019)	(1,155,382)	-11.1
Depreciation & amortisation		(48,893)	(69,452)	-29.6	(212,380)	(236,475)	-10.2
Other operating (expenses)/income	(iii)	(17,938)	(266,856)	-93.3	50,357	(376,129)	NM
Operating profit		125,702	98,015	+28.2	775,678	795,213	-2.5
One-off financial penalty & related costs ⁱ		(618,722)	—	NM	(618,722)	—	NM
Investment income		4,150	4,900	-15.3	19,871	15,179	+30.9
Interest income		42,979	35,243	22.0	137,928	124,093	+11.1
Interest expenses	(iv)	(43,670)	(75,712)	-42.3	(189,227)	(224,549)	-15.7
Share of results of associated companies	(v)	77,694	143,492	-45.9	390,039	344,986	+13.1
(Loss)/profit before tax		(411,867)	205,938	NM	515,567	1,054,922	-51.1
Taxation	1b	(87,589)	(54,724)	+60.1	(298,388)	(233,147)	+28.0
(Loss)/profit for the quarter / year		(499,456)	151,214	NM	217,179	821,775	-73.6
Attributable to:							
Shareholders of the Company		(495,801)	143,061	NM	216,668	783,928	-72.4
Non-controlling interests		(3,655)	8,153	NM	511	37,847	-98.6
		(499,456)	151,214	NM	217,179	821,775	-73.6
Earnings per ordinary share							
- basic		(27.3) cts	7.9 cts	NM	11.9 cts	43.2 cts	-72.5
- diluted		(27.1) cts	7.8 cts	NM	11.8 cts	42.9 cts	-72.5

ⁱ – One-off financial penalty and related costs arose from Keppel Offshore & Marine's global resolution with criminal authorities in the United States, Brazil and Singapore and related legal, accounting and forensics costs.

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	Fourth Quarter			Full Year		
		31.12.2017 \$'000	31.12.2016 \$'000	+/- %	31.12.2017 \$'000	31.12.2016 \$'000	+/- %
Share-based payment expenses		14,136	12,753	+10.8	32,583	39,969	-18.5
Loss/(profit) on sale of investments	(vi)	1,074	4,123	-74.0	(35,294)	4,172	NM
Profit on sale of fixed assets	(vii)	(6,924)	(3,538)	+95.7	(20,142)	(6,170)	+226.5
Provision							
- Stocks & work-in-progress	(viii)	84,215	81,185	+3.7	84,377	74,532	+13.2
- Doubtful debts	(ix)	26,537	11,590	+129.0	34,780	11,435	+204.2
Fair value (gain)/loss							
- Investments	(x)	(12,601)	15,708	NM	(9,500)	11,678	NM
- Forward contracts	(xi)	(2,836)	(31,251)	-90.9	38,486	(66,602)	NM
- Financial derivatives		(27)	(2,629)	-99.0	4	(1,211)	NM
Foreign exchange loss/(gain)	(xii)	49,819	(8,967)	NM	(5,389)	(26,150)	-79.4
Impairment/(write-back of impairment) of investments and associated companies	(xiii)	22,032	120,823	-81.8	(24,862)	119,971	NM
Impairment/write-off of fixed assets	(xiv)	12,596	87,434	-85.6	15,530	121,934	-87.3
Adjustment to gain on disposal of data centres	(xv)	—	—	NM	—	(26,963)	NM
Gain on disposal of subsidiaries	(xvi)	(2,330)	(440)	NM	(165,293)	(11,853)	NM
Gain on disposal of associated companies	(xvii)	(18,314)	—	NM	(61,848)	—	NM
Fair value gain on investment properties	(xviii)	(177,939)	(63,745)	+179.1	(177,939)	(63,745)	+179.1

NM – Not Meaningful

Note:

- (i) Materials & subcontract costs decreased in the current year mainly as a result of lower revenue from the Offshore & Marine Division and Property Division, partly offset by higher revenue from the Infrastructure Division.
- (ii) Staff costs decreased in the current year due mainly to lower manpower costs in the Offshore & Marine Division.
- (iii) Other operating income for the current year as compared to operating expenses for the prior year was due mainly to higher gain on disposal of subsidiaries (Note xvi), write-back of impairment of investments and associated companies as compared to impairment of investments and associated companies in the prior year (Note xiii), higher fair value gain on investment properties (Note xviii), lower impairment/write-off of fixed assets (Note xiv), gain on disposal of associated companies (Note xvii) and profit on sale of investments as compared to loss on sale of investments in the prior year (Note vi). These were partially offset by fair value changes on forward exchange contracts (Note xi), absence of adjustment to gain on disposal of data centres (Note xv), higher provision for doubtful debts (Note ix) and lower foreign exchange gain (Note xii).
- (iv) Lower interest expenses was mainly attributable to lower average borrowings and absence of fair value loss on initial recognition of loan to an associated company, which was recorded as interest expense in 2016.
- (v) Share of profits of associated companies for the current year was higher due mainly to higher contribution from associated companies in the Investments Division, partly offset by lower contribution from the Property Division and Offshore & Marine Division.

- (vi) Profit on sale of investments was due mainly to the disposal of listed equities and equity funds in the Investments Division.
- (vii) Profit on sale of fixed assets for the current year was largely attributable to disposal of assets in the Offshore & Marine Division.
- (viii) Provision for stocks & work-in-progress arose mainly from the Offshore & Marine Division.
- (ix) Provision for doubtful debts arose mainly from the Offshore & Marine Division.
- (x) Fair value gain (mark-to-market) on investment portfolio for the current year was due to increase in stock prices.
- (xi) Fair value loss/(gain) on forward contracts arose mainly from fair value hedge of United States dollar loan and the corresponding effects from revaluation of the United States dollar loan was recorded under foreign exchange (gain)/loss (Note xii). Hedging differential on forward exchange contracts due to elapse of time and fluctuations in interest rate were also included in fair value loss/(gain).
- (xii) Foreign exchange gain for the current year was mainly attributable to the revaluation of loans denominated in United States dollar, which depreciated against Singapore dollar. Part of the foreign exchange gain arose from the revaluation of United States dollar loan which was hedged using forward exchange contracts. The effects from fair value on forward contracts was recorded under fair value loss on forward contracts (Note xi).
- (xiii) The write-back in the current year was in relation to write-back of impairment of investment and associated company in the Investments Division and the Infrastructure Division, partly offset by the impairment of investment and associated company in the Offshore & Marine Division. The impairment of investments and associated companies in the prior year arose mainly from the Investments Division and the Offshore & Marine Division.
- (xiv) The impairment of fixed assets arose from the Property Division, Infrastructure Division and Offshore & Marine Division. In the prior year, the impairment of fixed assets arose mainly from the yards of the Offshore & Marine Division and logistic assets from the Infrastructure Division, partly offset by the write-back of impairment of hospitality assets from the Property Division.
- (xv) Adjustment to gain on disposal of data centres in the prior year was in relation to increase in sale proceeds for disposal of Keppel DC Singapore 1 and Keppel DC Singapore 2 to Keppel DC REIT, previously transacted in December 2014. As per the sale and purchase agreements entered into with Keppel DC REIT, the sale proceeds are conditional on revisions to property taxes of these two data centres for the financial year ended 31 December 2014. There was an increase in sale proceeds of these two data centres due to lower property taxes based on revised assessments received.
- (xvi) Gain on disposal of subsidiaries arose mainly from the sale of Keppel Lakefront (Nantong) Property Development Co Ltd, sale of Wiseland Investment (Myanmar) Limited, sale of 80% interest in PT Sentral Tunjungan Perkasa, sale of Keppel DC Singapore 4, sale of 90% interest in Keppel DC Singapore 3, sale of Keppel Verolme and sale of Kepwealth Properties Phils., Inc. In the prior year, gain on disposal of subsidiaries arose from sale of 70% interest in Quang Ba Royal Park Joint Venture Co Ltd, sale of 45% interest in Keppel Thai Properties Public Company Ltd, sale of 95% interest in Jiangyin Yangtze International Country Club, sale of 60% interest in Belwynn Hung Phu Joint Venture Limited Liability and sale of Fernland Investment Pte Ltd, partly offset by the loss on sale of 60% interest in Keppel CT Developments Pte Ltd.
- (xvii) Gain on disposal of associated companies arose from the sale of interest in Cityone Development (Wuxi) Co., Ltd, PT Purimas Straits Resort, GE Keppel Energy Services Pte Ltd and Trans-ware Logistics (Private) Limited.
- (xviii) Higher fair value gain on investment properties was attributable to higher fair value gain on the overseas portfolio of investment properties in the Property Division, partly offset by lower fair value gain on data centre assets.

- 1b. Taxation expenses for the current year were higher because of higher taxable profits in the Investments Division and Property Division, as well as the absence of write-back of prior years' tax provisions.

1c. Earnings per ordinary share

	2017	2016	+/-%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-			
(i) Based on weighted average number of shares	11.9 cts	43.2 cts	-72.5
- Weighted average number of shares (excluding treasury shares) ('000)	1,816,965	1,814,792	+0.1
(ii) On a fully diluted basis	11.8 cts	42.9 cts	-72.5
- Adjusted weighted average number of shares (excluding treasury shares) ('000)	1,829,702	1,826,358	+0.2

1d. Breakdown of sales

	2017 \$'000	2016 \$'000	+/-%
<u>First Half</u>			
Sales reported for first half year	2,802,274	3,368,440	-16.8
Profit after tax before deducting non-controlling interests reported for first half year	425,085	444,964	-4.5
<u>Second Half</u>			
Sales reported for second half year	3,161,499	3,398,824	-7.0
(Loss)/profit after tax before deducting non-controlling interests reported for second half year	(207,906)	376,811	NM

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

	Note	Fourth Quarter			Full Year		
		31.12.2017 \$'000	31.12.2016 \$'000	+/- %	31.12.2017 \$'000	31.12.2016 \$'000	+/- %
(Loss)/profit for the quarter / year		(499,456)	151,214	NM	217,179	821,775	-73.6
Items that may be reclassified subsequently to profit & loss account:							
Available-for-sale assets							
- Fair value changes arising during the quarter / year	(i)	29,145	62,502	-53.4	1,619	40,516	-96.0
- Realised and transferred to profit & loss account	(ii)	3,277	8,493	-61.4	(28,815)	10,918	NM
Cash flow hedges							
- Fair value changes arising during the quarter / year, net of tax	(iii)	65,697	(20,099)	NM	357,211	198,255	+80.2
- Realised and transferred to profit & loss account	(iv)	(9,970)	29,482	NM	(49,852)	195,565	NM
Foreign exchange translation							
- Exchange differences arising during the quarter / year	(v)	(75,434)	211,597	NM	(237,715)	(121,569)	+95.5
- Realised and transferred to profit & loss account		(2,822)	(9,041)	-68.8	(30,994)	792	NM
Share of other comprehensive income of associated companies							
- Available-for-sale assets		142	(118)	NM	719	536	+34.1
- Cash flow hedges		10,835	25,966	-58.3	(8,384)	(14,352)	-41.6
- Foreign exchange translation		(17,513)	82,543	NM	(93,232)	(40,599)	+129.6
Other comprehensive income for the quarter / year, net of tax		3,357	391,325	-99.1	(89,443)	270,062	NM
Total comprehensive income for the quarter / year		(496,099)	542,539	NM	127,736	1,091,837	-88.3
Attributable to:							
Shareholders of the Company		(488,166)	510,262	NM	143,468	1,075,567	-86.7
Non-controlling interests		(7,933)	32,277	NM	(15,732)	16,270	NM
		(496,099)	542,539	NM	127,736	1,091,837	-88.3

NM – Not Meaningful

Note:

- (i) Fair value changes were attributable to movements in quoted prices of available-for-sale assets.
- (ii) These represented fair value changes on available-for-sale assets, which were transferred to profit & loss account upon realisation.
- (iii) Fair value changes were due mainly to the hedging differential on forward exchange contracts and fuel oil forward contracts.
- (iv) These represented cash flow hedges, which were transferred to profit & loss account upon realisation.
- (v) These exchange differences arose from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as from the translation of foreign currency loans that form part of the Group's net investment in foreign operations. The translation losses for current year arose largely from the weakening of foreign currencies, such as United States dollar and Renminbi against Singapore dollar.

The translation losses for 2016 arose largely from the weakening of Renminbi against Singapore dollar.

3. BALANCE SHEETS as at 31 December

	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
Share capital	1,291,310	1,288,394	1,291,310	1,288,394
Treasury shares	(74)	(15,523)	(74)	(15,523)
Reserves	10,141,452	10,386,078	6,341,656	5,346,838
Share capital & reserves	11,432,688	11,658,949	7,632,892	6,619,709
Non-controlling interests	527,746	674,691	—	—
Total equity	11,960,434	12,333,640	7,632,892	6,619,709
Represented by:				
Fixed assets	2,432,963	2,645,456	296	852
Investment properties	3,460,608	3,550,290	—	—
Subsidiaries	—	—	7,972,849	8,154,201
Associated companies	5,901,252	5,412,581	—	—
Investments	458,638	377,704	15,012	14,340
Long term assets	774,316	814,438	14,346	97,557
Intangibles	132,594	140,669	—	—
	13,160,371	12,941,138	8,002,503	8,266,950
Current assets				
Stocks & work-in-progress				
in excess of related billings	8,782,251	10,025,805	—	—
Amounts due from:				
- subsidiaries	—	—	3,498,920	3,982,362
- associated companies	342,960	433,380	733	688
Debtors	3,169,417	3,373,841	4,590	2,965
Derivative assets	181,226	98,984	93,530	42,923
Short term investments	202,776	273,928	—	—
Bank balances, deposits & cash	2,273,788	2,087,078	2,213	542
	14,952,418	16,293,016	3,599,986	4,029,480
Current liabilities				
Creditors	5,371,618	4,753,492	68,585	112,471
Derivative liabilities	37,969	379,910	29,528	345,313
Billings on work-in-progress				
in excess of related costs	1,764,874	1,669,466	—	—
Provisions	115,972	81,679	—	—
Amounts due to:				
- subsidiaries	—	—	236,403	1,062,722
- associated companies	253,331	111,543	—	—
Term loans	1,714,084	1,835,321	551,530	692,311
Taxation	194,299	339,108	33,955	17,263
	9,452,147	9,170,519	920,001	2,230,080
Net current assets	5,500,271	7,122,497	2,679,985	1,799,400
Non-current liabilities				
Term loans	6,078,919	7,217,721	2,939,800	3,325,600
Deferred taxation	334,674	331,175	—	—
Other non-current liabilities	286,615	181,099	109,796	121,041
	6,700,208	7,729,995	3,049,596	3,446,641
Net assets	11,960,434	12,333,640	7,632,892	6,619,709
Group net debt	5,519,215	6,965,964	n.a.	n.a.
Group net gearing ratio	0.46x	0.56x	n.a.	n.a.

NOTES TO BALANCE SHEETS

3a. Group's borrowings and debt securities

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

As at 31.12.2017		As at 31.12.2016	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
150,591	1,563,493	391,046	1,444,275

(ii) Amount repayable after one year

As at 31.12.2017		As at 31.12.2016	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
580,825	5,498,094	744,449	6,473,272

(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 \$1,894,728,000 (31 December 2016: \$2,810,528,000) to banks for loan facilities.

3b. Net asset value

	Group			Company		
	31.12.2017	31.12.2016	+/-%	31.12.2017	31.12.2016	+/-%
Net asset value per ordinary share *	\$6.29	\$6.42	-2.0	\$4.20	\$3.65	+15.1
Net tangible asset per ordinary share *	\$6.21	\$6.34	-2.1	\$4.20	\$3.65	+15.1

* Based on share capital of 1,818,323,392 ordinary shares (excluding treasury shares) as at the end of the financial year (31 December 2016: 1,815,677,670 ordinary shares (excluding treasury shares)).

3c. Balance sheet analysis

Group shareholders' funds were \$11.43 billion at 31 December 2017, \$0.23 billion lower than the previous year end. The decrease was mainly attributable to payment of final dividend of 12.0 cents per share in respect of financial year 2016 and interim dividend of 8.0 cents per share in respect of the first half year ended 30 June 2017 and foreign exchange translation losses. This was partially offset by retained profits for 2017 and increase in fair value on cash flow hedges.

Group total assets of \$28.11 billion at 31 December 2017 were \$1.12 billion lower than the previous year end. Decrease in current assets was partially offset by increase in non-current assets. The decrease in current assets was due mainly to the lower stocks & work-in-progress and lower debtors from the Offshore & Marine Division and the Property Division, partially offset by higher bank balances, deposits and cash. The increase in non-current assets was due mainly to acquisition and further investment in associated companies, partially offset by depreciation of fixed assets.

Group total liabilities of \$16.15 billion at 31 December 2017 were \$0.75 billion lower than the previous year end. This was due mainly to net repayment of term loans and a reduction in derivative liabilities, partially offset by an increase in creditors arising from higher billings by suppliers, and accruals for one-off financial penalty from global resolution and the related costs.

Group net debt decreased by \$1.45 billion to \$5.52 billion at 31 December 2017. This was mainly due to proceeds from the disposal of subsidiaries in the Property Division and the Infrastructure Division as well as dividends received from investments and associated companies. These were offset by dividend payments (by the Company and its listed subsidiaries), acquisition and further investment in associated companies, as well as other capex cash requirements.

Group net gearing ratio improved from 56% at the end of 2016 to 46% at 31 December 2017. This was mainly due to decrease in group net debt, partially offset by lower group shareholders' funds.

4. STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December

4a. Statement of changes in equity of the Group

	Attributable to owners of the Company							
	Share Capital \$'000	Treasury Shares \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Transla- tion Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	Total Equity \$'000
2017								
As at 1 January	1,288,394	(15,523)	11,486	10,655,379	(280,787)	11,658,949	674,691	12,333,640
Total comprehensive income for the year								
Profit for the year	–	–	–	216,668	–	216,668	511	217,179
Other comprehensive income *	–	–	272,022	–	(345,222)	(73,200)	(16,243)	(89,443)
Total comprehensive income for the year	–	–	272,022	216,668	(345,222)	143,468	(15,732)	127,736
Transactions with owners, recognised directly in equity								
<u>Contributions by and distributions to owners</u>								
Dividends paid	–	–	–	(363,531)	–	(363,531)	–	(363,531)
Share-based payment	–	–	31,124	–	–	31,124	470	31,594
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	(26,574)	(26,574)
Shares issued	2,916	–	–	–	–	2,916	–	2,916
Purchase of treasury shares	–	(19,428)	–	–	–	(19,428)	–	(19,428)
Treasury shares reissued pursuant to share plans and share option scheme	–	34,877	(33,503)	–	–	1,374	–	1,374
Transfer of statutory, capital and other reserves from revenue reserves	–	–	22,462	(22,462)	–	–	–	–
Cash subscribed by non-controlling shareholders	–	–	–	–	–	–	77	77
Contributions to defined benefits plans	–	–	707	–	–	707	152	859
Other adjustments	–	–	–	–	–	–	3,368	3,368
Total contributions by and distributions to owners	2,916	15,449	20,790	(385,993)	–	(346,838)	(22,507)	(369,345)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of additional interest in subsidiaries	–	–	(22,891)	–	–	(22,891)	(43,489)	(66,380)
Disposal of interest in subsidiaries	–	–	–	–	–	–	(69,451)	(69,451)
Other adjustments	–	–	–	–	–	–	4,234	4,234
Total change in ownership interests in subsidiaries	–	–	(22,891)	–	–	(22,891)	(108,706)	(131,597)
Total transactions with owners	2,916	15,449	(2,101)	(385,993)	–	(369,729)	(131,213)	(500,942)
As at 31 December	1,291,310	(74)	281,407	10,486,054	(626,009)	11,432,688	527,746	11,960,434

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

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

	Attributable to owners of the Company							
	Share Capital \$'000	Treasury Shares \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Transla- tion Account \$'000	Share Capital & Reserves \$'000	Non- controlling Interests \$'000	Total Equity \$'000
2016								
As at 1 January	1,288,394	(49,011)	(383,540)	10,379,320	(139,502)	11,095,661	830,198	11,925,859
Total comprehensive income for the year								
Profit for the year	—	—	—	783,928	—	783,928	37,847	821,775
Other comprehensive income *	—	—	432,924	—	(141,285)	291,639	(21,577)	270,062
Total comprehensive income for the year	—	—	432,924	783,928	(141,285)	1,075,567	16,270	1,091,837
Transactions with owners, recognised directly in equity								
<u>Contributions by and distributions to owners</u>								
Dividends paid	—	—	—	(544,654)	—	(544,654)	—	(544,654)
Share-based payment	—	—	36,031	—	—	36,031	379	36,410
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	(77,263)	(77,263)
Purchase of treasury shares	—	(3,069)	—	—	—	(3,069)	—	(3,069)
Treasury shares reissued pursuant to share plans and share option scheme	—	36,557	(35,428)	—	—	1,129	—	1,129
Transfer of statutory, capital and other reserves to revenue reserves	—	—	(38,503)	38,503	—	—	—	—
Cash subscribed by/(return of capital to) non-controlling shareholders	—	—	—	9,403	—	9,403	(62,080)	(52,677)
Contributions to defined benefits plans	—	—	109	—	—	109	49	158
Total contributions by and distributions to owners	—	33,488	(37,791)	(496,748)	—	(501,051)	(138,915)	(639,966)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of subsidiaries	—	—	—	—	—	—	514	514
Acquisition of additional interest in a subsidiaries	—	—	(107)	(74)	—	(181)	(8,176)	(8,357)
Disposal of interest in subsidiaries	—	—	—	—	—	—	(36,247)	(36,247)
Other adjustments	—	—	—	(11,047)	—	(11,047)	11,047	—
Total change in ownership interests in subsidiaries	—	—	(107)	(11,121)	—	(11,228)	(32,862)	(44,090)
Total transactions with owners	—	33,488	(37,898)	(507,869)	—	(512,279)	(171,777)	(684,056)
As at 31 December	1,288,394	(15,523)	11,486	10,655,379	(280,787)	11,658,949	674,691	12,333,640

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

4b. Statement of changes in equity of the Company

	Share Capital \$'000	Treasury Shares \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total \$'000
2017					
As at 1 January	1,288,394	(15,523)	213,116	5,133,722	6,619,709
Total comprehensive income for the year					
Profit for the year	–	–	–	1,361,959	1,361,959
Other comprehensive income	–	–	672	–	672
Total comprehensive income for the year	–	–	672	1,361,959	1,362,631
Transactions with owners, recognised directly in equity					
Dividend paid	–	–	–	(363,531)	(363,531)
Share-based payment	–	–	29,221	–	29,221
Shares issued	2,916	–	–	–	2,916
Purchase of treasury shares	–	(19,428)	–	–	(19,428)
Treasury shares reissued pursuant to share plans and share option scheme	–	34,877	(33,503)	–	1,374
Total transactions with owners	2,916	15,449	(4,282)	(363,531)	(349,448)
As at 31 December	1,291,310	(74)	209,506	6,132,150	7,632,892
	Share Capital \$'000	Treasury Shares \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total \$'000
2016					
As at 1 January	1,288,394	(49,011)	199,713	5,408,710	6,847,806
Total comprehensive income for the year					
Profit for the year	–	–	–	269,666	269,666
Other comprehensive income	–	–	14,340	–	14,340
Total comprehensive income for the year	–	–	14,340	269,666	284,006
Transactions with owners, recognised directly in equity					
Dividend paid	–	–	–	(544,654)	(544,654)
Share-based payment	–	–	34,491	–	34,491
Purchase of treasury shares	–	(3,069)	–	–	(3,069)
Treasury shares reissued pursuant to share plans and share option scheme	–	36,557	(35,428)	–	1,129
Total transactions with owners	–	33,488	(937)	(544,654)	(512,103)
As at 31 December	1,288,394	(15,523)	213,116	5,133,722	6,619,709

4c. Share capital

Issued share capital and treasury shares

	Number of ordinary shares	
	Issued Share Capital	Treasury Shares
As at 1 January 2017	1,817,910,180	2,232,510
Treasury shares transferred pursuant to share option scheme	–	(15,400)
Treasury shares transferred pursuant to restricted share plan	–	(4,847,064)
Purchase of treasury shares	–	2,850,000
As at 30 September 2017	1,817,910,180	220,046
Issue of shares under share option scheme	424,000	–
Treasury shares transferred pursuant to share option scheme	–	(193,500)
Treasury shares transferred pursuant to restricted share plan	–	(15,758)
As at 31 December 2017	1,818,334,180	10,788

Treasury shares

During the year ended 31 December 2017, the Company transferred 5,071,722 (31 December 2016: 5,120,470) treasury shares to employees upon vesting of shares released under the KCL Share Plans and Share Option Scheme. The Company also purchased 2,850,000 (31 December 2016: 590,000) treasury shares during the year. As at 31 December 2017, the number of treasury shares held by the Company represented less than 0.01% (31 December 2016: 0.12%) of the total number of issued shares (excluding treasury shares). Except for the transfer, there was no other sale, disposal, cancellation and/or other use of treasury shares during the year ended 31 December 2017.

Share options

As at 31 December 2017, there were unexercised options for 6,088,785 (31 December 2016: 14,025,974) of unissued ordinary shares under the KCL Share Options Scheme. 632,900 (31 December 2016: 367,500) options were exercised during the year. Unexercised options for 7,304,289 of unissued ordinary shares were cancelled during the year ended 31 December 2017 (31 December 2016: 3,428,000).

KCL Performance Share Plan (“KCL PSP”)

As at 31 December 2017, the number of contingent shares granted but not released were 2,525,000 (31 December 2016: 2,562,212) 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 3,787,500 under KCL PSP.

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

As at 31 December 2017, the number of contingent shares granted but not released were 6,747,491 (31 December 2016: 5,625,000) for KCL PSP-TIP. Based on the achievement factor, the actual release of the awards in ordinary shares of the Company could range from zero to a maximum of 10,121,237 under KCL PSP-TIP.

KCL Restricted Share Plan (“KCL RSP”)

As at 31 December 2017, the number of contingent shares granted but not released was nil (31 December 2016: 5,726,426).

As at 31 December 2017, the number of awards released but not vested was 5,102,365 (31 December 2016: 4,854,898) for KCL RSP.

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

Contingent awards:

Date of Grant	Number of shares					
	At 1.1.17	Contingent awards granted	Adjustment upon release	Released	Cancelled	At 31.12.17
<u>KCL PSP</u>						
31.3.2014	565,082	–	(565,082)	–	–	–
31.3.2015	662,705	–	–	–	(257,705)	405,000
30.7.2015	220,000	–	–	–	(50,000)	170,000
29.4.2016	1,114,425	–	–	–	(284,425)	830,000
28.4.2017	–	1,120,000	–	–	–	1,120,000
	2,562,212	1,120,000	(565,082)	–	(592,130)	2,525,000
<u>KCL PSP-TIP</u>						
29.4.2016	5,625,000	–	–	–	(917,509)	4,707,491
28.4.2017	–	2,040,000	–	–	–	2,040,000
	5,625,000	2,040,000	–	–	(917,509)	6,747,491
<u>KCL RSP</u>						
29.4.2016	5,726,426	–	–	(5,676,157)	(50,269)	–
	5,726,426	–	–	(5,676,157)	(50,269)	–

Awards released but not vested:

Date of Grant	Number of shares					
	At 1.1.17	Released	Vested	Cancelled	Other adjustments	At 31.12.17
<u>KCL RSP</u>						
31.3.2014	1,375,006	–	(1,266,447)	(103,159)	–	5,400
31.3.2015	2,989,935	–	(1,462,058)	(168,486)	–	1,359,391
30.7.2015	489,957	–	(244,200)	(15,432)	(6,000)	224,325
29.4.2016	–	5,676,157	(1,890,117)	(252,791)	(20,000)	3,513,249
	4,854,898	5,676,157	(4,862,822)	(539,868)	(26,000)	5,102,365

4d. Capital reserves

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Share option and share plan reserve	202,048	207,139	177,599	184,593
Fair value reserve	99,169	126,014	15,012	14,340
Hedging reserve	(111,930)	(410,797)	–	–
Bonus issue by subsidiaries	40,000	40,000	–	–
Others	52,120	49,130	16,895	14,183
	281,407	11,486	209,506	213,116

5. CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December

		Fourth Quarter		Full Year	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Note	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Operating profit		125,702	98,015	775,678	795,213
Adjustments:					
Depreciation and amortisation		48,893	69,452	212,380	236,475
Share-based payment expenses		14,136	12,753	32,583	39,969
Loss/(profit) on sale of investments		1,074	4,123	(35,294)	4,172
Profit on sale of fixed assets		(6,924)	(3,538)	(20,142)	(6,170)
Impairment/(write-back of impairment) of investments and associated companies		22,032	120,823	(24,862)	119,971
Impairment/write-off of fixed assets		12,596	87,434	15,530	121,934
Adjustment to gain on disposal of data centres		—	—	—	(26,963)
Gain on disposal of subsidiaries		(2,330)	(440)	(165,293)	(11,853)
Gain on disposal of associated companies		(18,314)	—	(61,848)	—
Fair value gain on investment properties		(177,939)	(63,745)	(177,939)	(63,745)
Unrealised foreign exchange differences		(2,474)	59,460	(87,745)	(6,718)
Operational cash flow before changes in working capital		16,452	384,337	463,048	1,202,285
Working capital changes:					
Stocks & work-in-progress		133,494	168,765	975,402	422,036
Debtors		95,554	(218,202)	41,556	(781,902)
Creditors		452,998	(31,845)	352,085	(222,216)
Investments		(13,328)	(17,265)	(17,549)	(12,467)
Intangibles		(731)	(2,401)	(731)	(2,401)
Amount due to/from associated companies		(66,513)	45,015	(60,578)	10,708
		617,926	328,404	1,753,233	616,043
Interest received		35,883	43,835	130,832	132,685
Interest paid		(39,284)	(82,522)	(184,841)	(231,359)
Income taxes paid, net of refunds received		(47,312)	(17,514)	(321,729)	(223,020)
Net cash from operating activities		567,213	272,203	1,377,495	294,349
INVESTING ACTIVITIES					
Acquisition of subsidiaries	5a	—	(728)	—	(137,028)
Acquisition and further investment in associated companies		(90,718)	(121,914)	(291,356)	(326,304)
Acquisition of fixed assets and investment properties		(95,560)	(277,965)	(392,991)	(466,226)
Disposal of subsidiaries	5b	(652)	20,012	704,335	80,218
Proceeds from disposal of fixed assets and investment properties		5,382	9,423	37,385	19,208
Proceeds from disposal of associated companies and return of capital		55,052	174,883	96,954	174,964
Advances to/from associated companies		220,226	(196,682)	(42,555)	(58,423)
Dividends received from investments and associated companies		42,690	43,234	270,199	403,660
Net cash from/(used in) investing activities		136,420	(349,737)	381,971	(309,931)

		Fourth Quarter		Full Year	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Note	\$'000	\$'000	\$'000	\$'000
FINANCING ACTIVITIES					
Acquisition of additional interest in subsidiaries		(33,721)	(8,357)	(66,380)	(8,357)
Proceeds from reissuance of treasury shares pursuant to share option scheme		1,327	331	1,374	1,129
Purchase of treasury shares		–	–	(19,428)	(3,069)
(Return of capital to)/proceeds from non-controlling shareholders of subsidiaries		–	(33,639)	77	(52,677)
Proceeds from share issues		2,916	–	2,916	–
Proceeds from term loans		130,161	392,546	1,700,023	1,694,165
Repayment of term loans		(849,766)	(209,771)	(2,707,102)	(841,134)
Dividend paid to shareholders of the Company		–	–	(363,531)	(544,654)
Dividend paid to non-controlling shareholders of subsidiaries		(6,012)	(29,916)	(26,574)	(77,263)
Net cash (used in)/from financing activities		(755,095)	111,194	(1,478,625)	168,140
Net (decrease)/increase in cash and cash equivalents					
		(51,462)	33,660	280,841	152,558
Cash and cash equivalents as at beginning of quarter / year		2,312,000	1,947,732	2,018,772	1,859,118
Effects of exchange rate changes on the balance of cash held in foreign currencies		(19,090)	37,380	(58,165)	7,096
Cash and cash equivalents as at end of quarter / year	5c	2,241,448	2,018,772	2,241,448	2,018,772

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

5a. Acquisition of subsidiaries

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

	Fourth Quarter		Full Year	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
Fixed assets	–	72	–	14,439
Intangible assets	–	2,410	–	44,831
Stocks and work-in-progress	–	–	–	78,373
Debtors and other assets	–	343	–	11,132
Bank balances and cash	–	30	–	30
Creditors	–	(1,348)	–	(9,790)
Borrowings	–	(235)	–	(235)
Current and deferred taxation	–	–	–	(1,208)
Total identifiable net assets at fair value	–	1,272	–	137,572
Non-controlling interest measured at non-controlling interests' proportionate share of the net assets	–	(514)	–	(514)
Net assets acquired	–	758	–	137,058
Total purchase consideration	–	758	–	137,058
Less: Bank balances and cash acquired	–	(30)	–	(30)
Cash flow on acquisition	–	728	–	137,028

Significant acquisition of subsidiaries in the prior year mainly relates to the acquisition of 59.6% interest in Courex Pte Ltd and acquisition of Cameron International Corporation's (Cameron) offshore product division, which comprises the LeTourneau™ jackup rig designs, rig kit business, as well as its aftersales and aftermarket service.

5b. Disposal of subsidiaries

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

	Fourth Quarter		Full Year	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	\$'000	\$'000	\$'000	\$'000
Fixed assets	(92,257)	–	(129,536)	(18,512)
Investment properties	–	–	(405,604)	(74,062)
Long term investments	(2,102)	–	(2,102)	(54)
Stocks and work-in-progress	(16,723)	(1,490)	(282,344)	(49,047)
Debtors and other assets	(100,269)	(32,736)	(159,030)	(63,458)
Bank balances and cash	(20,863)	(595)	(36,374)	(19,095)
Creditors and other liabilities	20,173	(23)	77,431	45,026
Borrowings	58,288	–	138,288	45,176
Current and deferred taxation	4,399	–	13,280	5,380
Non-controlling interests deconsolidated	63,652	13,746	69,451	36,247
	(85,702)	(21,098)	(716,540)	(92,399)
Amount accounted for as associated company	68,631	–	73,593	–
Net assets disposed of	(17,071)	(21,098)	(642,947)	(92,399)
Net profit on disposal	(2,330)	(440)	(165,293)	(11,853)
Realisation of foreign currency translation reserve and capital reserve	(810)	931	28,449	4,939
Sale proceeds	(20,211)	(20,607)	(779,791)	(99,313)
Less: Bank balances and cash disposed	20,863	595	36,374	19,095
Less: Deferred proceeds	–	–	39,082	–
Cash flow on disposal	652	(20,012)	(704,335)	(80,218)

Significant disposal of subsidiaries during the year mainly relates to the sale of Keppel Lakefront (Nantong) Property Development Co Ltd, sale of Wiseland Investment (Myanmar) Limited, sale of 80% interest in PT Sentral Tunjungan Perkasa, sale of Keppel DC Singapore 4, sale of 90% interest in Keppel DC Singapore 3, sale of Keppel Verolme and sale of Kepwealth Property Phils., Inc. In addition, the Group lost control of some entities during the year but continued to retain significant influence. These entities were deconsolidated from the Group's financial statements and were accounted as associated companies using the equity method from their respective dates of ceasing control.

Significant disposals of subsidiaries in the prior year include the sale of 60% interest in Keppel CT Developments Pte Ltd, sale of 70% interest in Quang Ba Royal Park Joint Venture Co Ltd, sale of 45% interest in Keppel Thai Properties Public Company Ltd, sale of 95% interest in Jiangyin Yangtze International Country Club, sale of 60% interest in Belwynn Hung Phu Joint Venture Limited Liability and sale of Fernland Investment Pte Ltd.

5c. 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:

	2017 \$'000	2016 \$'000
Bank balances, deposits and cash	2,273,788	2,087,078
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	<u>(32,340)</u>	<u>(68,306)</u>
	<u>2,241,448</u>	<u>2,018,772</u>

5d. Cash flow analysis

(i) Fourth Quarter

Net cash from operating activities for the quarter was \$567 million compared to \$272 million for the corresponding quarter last year. This was due mainly to cash inflow from working capital changes as compared to cash outflow from the prior period.

Net cash from investing activities for the quarter was \$136 million. The Group spent \$186 million on acquisitions and capital expenditure. This comprised principally the acquisitions of fixed assets and investment properties, as well as acquisition of associated companies. Divestments and dividend income, and advances from associated companies amounted to \$102 million and \$220 million respectively.

Net cash used in financing activities was \$755 million. This was mainly attributable to the net repayment of term loans.

(ii) Full Year

Net cash from operating activities was \$1,377 million compared to \$294 million for the corresponding period last year. This was due mainly to cash inflow from working capital changes as compared to outflow in the prior year.

Net cash from investing activities was \$382 million. This comprised principally the proceeds from the disposal of subsidiaries and dividend income, partly offset by the acquisition of fixed assets and investment properties, as well as acquisition and further investment in associated companies.

Net cash used in financing activities was \$1,479 million. This was mainly attributable to net repayment of term loans of \$1 billion and the dividend payments of \$390 million that was paid to both shareholders of the Company and non-controlling shareholders of subsidiaries during the year.

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 year compared with those of the audited financial statements as at 31 December 2016.

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 2017. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

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

- Improvements to Financial Reporting Standards (December 2016)
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

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

10. REVIEW OF GROUP PERFORMANCE

(i) Fourth Quarter

Group revenue for 4Q2017 of \$1,545 million was \$395 million or 20% below that of 4Q2016. Revenue from the Offshore & Marine Division declined \$310 million to \$490 million because of lower volume of work. Revenue from the Property Division decreased by \$152 million to \$432 million due mainly to lower revenue from China. The Infrastructure Division's revenue increased by \$77 million to \$593 million due mainly to increased sales in the power and gas businesses and progressive revenue recognition from the Keppel Marina East Desalination Plant project.

Group pre-tax loss for 4Q2017 was \$411 million as compared to pre-tax profit of \$206 million for 4Q2016. Pre-tax loss for the quarter included S\$619 million for the one-off financial penalty arising from Keppel Offshore & Marine's global resolution with criminal authorities in the United States, Brazil and Singapore, and related legal, accounting and forensics costs. Excluding the one-off financial penalty and related costs, the Group recorded a pre-tax profit of \$208 million. The Offshore & Marine Division's pre-tax loss for 4Q2017 was \$872 million. Excluding the one-off financial penalty from the global resolution and related costs, the Division's pre-tax loss in 4Q2017 was \$253 million as compared to \$142 million in the same quarter last year. This was mainly due to lower operating results arising from lower revenue and share of associated companies' losses, partly offset by lower impairment provisions and lower net interest expense. Pre-tax profit of the Property Division of \$366 million was \$70 million or 24% higher than 4Q2016. This was due mainly to higher fair value gains on investment properties and higher contribution from Singapore property trading, partly offset by absence of reversal of impairment for hospitality assets. Pre-tax profit of the Infrastructure Division increased by \$21 million to \$49 million due mainly to recognition of fair value gain on investment. Investments Division's pre-tax profit of \$46 million was \$22 million higher than 4Q2016 mainly due to absence of provision for impairment of investments as well as lower operating costs, partly offset by lower contribution from Sino-Singapore Tianjin Eco-City.

Tax expenses increased by \$32 million because of higher taxable profits. Non-controlling interests were \$11 million lower than those of 4Q2016.

After taking into account income tax expenses and non-controlling interests, net loss attributable to shareholders for 4Q2017 was \$495 million as compared to net profit for 4Q2016 of \$143 million. Excluding the one-off financial penalty from the global resolution and related costs of \$619 million, net profit for the quarter was \$124 million, 13% below the same quarter in the previous year.

(ii) Full Year

Group net profit attributable to shareholders decreased by \$567 million or 72% to \$217 million. Earnings per share decreased by 72% to 11.9 cents. Return on equity was 1.9% and Economic Value Added was negative \$834 million.

Excluding the one-off financial penalty from Keppel Offshore & Marine's global resolution and related costs of \$619 million, net profit was \$836 million, an increase of \$52 million from last year. Earnings per share increased by 6% to 46.0 cents. Return on equity was 7.0% and Economic Value Added was negative \$215 million.

Group revenue of \$5,964 million for 2017 was \$803 million or 12% below that of 2016. Revenue from the Offshore & Marine Division declined by \$1,052 million to \$1,802 million due to lower volume of work and deferment of some projects. Major jobs completed and delivered in 2017 include a semi, a subsea construction vessel, an FPSO conversion, an FPSO topsides installation/integration, a module fabrication & integration, a FLNG conversion and an ice-class multi-purpose vessel project. Revenue from the Property Division decreased by \$253 million to \$1,782 million due mainly to lower revenue from China and Singapore, partly offset by higher revenue from Vietnam. Revenue from the Infrastructure Division grew by \$463 million to \$2,207 million as a result of increased sales in the power and gas businesses and progressive revenue recognition from the Keppel Marina East Desalination Plant project.

Group pre-tax profit for the current year was \$516 million, \$539 million or 51% below the previous year. Excluding the one-off financial penalty from the global resolution and related costs, the Group registered a pre-tax profit of \$1,135 million which is 8% higher than that of the preceding year.

The Offshore & Marine Division's pre-tax loss in 2017 was \$862 million. Excluding the one-off financial penalty from the global resolution and related costs, the Division's pre-tax loss was \$243 million as compared to pre-tax profit of \$90 million in 2016. This was mainly due to lower operating results arising from lower revenue and lower share of associated companies' profits, partly offset by lower impairment provisions and lower net interest expense. Provisions mainly for impairment of fixed assets, stocks & WIP, investments and an associated company, and restructuring costs, of \$140 million in 2017 was lower than the \$277 million impairment provisions recorded in 2016. Pre-tax profit from the Property Division of \$868 million was \$109 million or 14% higher than that in 2016. This was due mainly to higher fair value gains on investment properties and higher contribution from Singapore and Vietnam property trading, and en-bloc sales of development projects, partly offset by lower share of associated companies' profits, mainly resulting from the absence of the gains from divestment of the stakes in Life Hub @ Jinqiao and 77 King Street last year, and the absence of reversal of impairment for hospitality assets. Pre-tax profit of the Infrastructure Division increased by \$44 million to \$167 million due mainly to higher contribution from Energy Infrastructure, the gain on divestment of its interest in GE Keppel Energy Services Pte Ltd, as well as the recognition of fair value gain on investment. These were partly offset by lower contribution from the data centre business, due mainly to the absence of contribution from Keppel DC Singapore 3, which was injected into Keppel DC REIT in January 2017. Pre-tax profit of the Investments Division increased by \$260 million to \$343 million due mainly to higher share of profit from Sino-Singapore Tianjin Eco-City and k1 Ventures, higher contribution from asset management business, write-back of provision for impairment of investments and profit on sale of investments. These were partly offset by the share of loss in KrisEnergy and recognition of fair value loss on KrisEnergy warrants.

Taxation expenses increased by \$65 million or 28% due mainly to higher taxable profits and the absence of write-back of prior years' tax provisions. Non-controlling interests were \$37 million lower than last year. Taking into account income tax expenses and non-controlling interests, and excluding the one-off financial penalty from the global resolution and related costs of \$619 million, net profit attributable to shareholders was \$836 million, an increase of \$52 million from last year. The Property Division was the largest contributor to the Group's net profit with an 82% share, followed by the Investments Division's 28% and Infrastructure Division's 16% while the Offshore & Marine Division contributed negative 26% to the Group's net profit.

11. VARIANCE FROM FORECAST STATEMENT

No forecast was previously provided.

12. PROSPECTS

The Offshore & Marine Division's net order book, excluding the Sete rigs, stands at \$3.9 billion. The Division will continue to focus on delivering its projects well, exploring new markets and opportunities, investing prudently in R&D and building new capabilities to position itself for the upturn. The Division is also actively capturing opportunities in production assets, specialised vessels and the growing gas market and exploring ways to re-purpose its technology in the offshore industry for other uses.

The Property Division sold more than 5,480 homes in 2017, comprising about 3,725 in China, 1,110 in Vietnam, 380 in Singapore and 270 in Indonesia. This is 4.2% lower than the 5,720 homes sold in 2016. In addition, three projects, equivalent to about 4,330 homes sold en bloc, were divested in 2017. Keppel REIT's office buildings in Singapore and Australia maintained a high portfolio committed occupancy rate of 99.7% as at end-2017. The Division will remain focused on strengthening its presence in its core and growth markets, while seeking opportunities to unlock value and recycle capital.

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

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

The newly established Keppel Urban Solutions will harness opportunities as an integrated master developer of smart, sustainable precincts, starting with Saigon Sports City in Ho Chi Minh City, while the Sino-Singapore Tianjin Eco-City will continue its development, including selling further land parcels in 2018.

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

13. DIVIDEND

13a. Current Financial Period Reported On

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

The Directors are pleased to recommend a final cash dividend of 14.0 cents per share tax exempt one-tier (2016: 12.0 cents per share tax exempt one-tier) in respect of the financial year ended 31 December 2017 for approval by shareholders at the next Annual General Meeting to be convened.

Together with the interim dividend comprising a cash dividend of 8.0 cents per share tax exempt one-tier (2016: cash dividend of 8.0 cents per share tax exempt one-tier), total distributions paid and proposed in respect of the financial year ended 31 December 2017 will be 22.0 cents in cash per share (2016: 20.0 cents in cash per share).

Name of Dividend	Final FY2017
Dividend type	Cash
Dividend per share	14.0 cents
Tax rate	Tax exempt

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	Final FY2016
Dividend type	Cash
Dividend per share	12.0 cents
Tax rate	Tax exempt

13c. Date Payable

The proposed final dividend, if approved at the Annual General Meeting to be held on 20 April 2018, will be paid on 10 May 2018.

13d. Books Closure Date

Notice is hereby given that, the Share Transfer Books and Register of Members of the Company will be closed on 27 April 2018 at 5.00 p.m. for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company ("Shares") received by the Company's Registrar, B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544 up to 5.00 p.m. on 27 April 2018 will be registered to determine shareholders' entitlement to the proposed final dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited (CDP) are credited with Shares at 5.00 p.m. on 27 April 2018 will be entitled to the proposed final dividend.

13e. Total Annual Dividend

Total distribution paid and proposed in respect of the financial year ended 31 December 2017 will be 22.0 cents in cash per share (2016: 20.0 cents in cash per share).

	2017	2016	+/-
	\$'000	\$'000	%
Interim cash dividend	145,414	145,243	+0.1
Final cash dividend	254,565*	218,117	+16.7
Total annual dividend	399,979	363,360	+10.1

* Estimated based on share capital of 1,818,323,392 ordinary shares (excluding treasury shares) at the end of the financial year.

14. SEGMENT ANALYSIS

2017

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimination \$'000	Total \$'000	
Revenue							
External sales	1,801,347	1,782,343	2,207,162	172,921	–	5,963,773	
Inter-segment sales	584	6,217	20,031	62,795	(89,627)	–	
Total	1,801,931	1,788,560	2,227,193	235,716	(89,627)	5,963,773	
Segment Results							
Operating (loss)/profit	(176,407)	656,200	122,309	173,477	99	775,678	
One-off financial penalty & related costs	(618,722)	–	–	–	–	(618,722)	
Investment income	2,112	12,377	–	5,382	–	19,871	
Interest income	50,897	40,413	47,801	263,754	(264,937)	137,928	
Interest expenses	(127,080)	(67,053)	(16,009)	(243,923)	264,838	(189,227)	
Share of results of associated companies	6,692	225,562	12,590	145,195	–	390,039	
(Loss)/profit before tax	(862,508)	867,499	166,691	343,885	–	515,567	
Taxation	4,838	(187,180)	(27,800)	(88,246)	–	(298,388)	
(Loss)/profit for the year	(857,670)	680,319	138,891	255,639	–	217,179	
Attributable to:							
Shareholders of Company	(835,433)	684,858	131,730	235,513	–	216,668	
Non-controlling interests	(22,237)	(4,539)	7,161	20,126	–	511	
	(857,670)	680,319	138,891	255,639	–	217,179	
Other Information							
Segment assets	9,542,565	14,949,530	3,417,867	11,096,071	(10,893,244)	28,112,789	
Segment liabilities	8,353,177	6,892,999	1,867,633	9,931,790	(10,893,244)	16,152,355	
Net assets	1,189,388	8,056,531	1,550,234	1,164,281	–	11,960,434	
Investment in associated companies	690,086	2,918,425	1,032,008	1,260,733	–	5,901,252	
Additions to non-current assets	183,879	342,337	224,996	173,216	–	924,428	
Depreciation and amortisation	129,527	36,869	43,953	2,031	–	212,380	
Impairment loss/(write- back of impairment loss)	109,800	8,499	2,554	(45,808)	–	75,045	
Geographical Information							
	Singapore \$'000	China \$'000	Brazil \$'000	Other Far East & ASEAN Countries \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	3,969,057	807,780	456,727	436,187	294,022	–	5,963,773
Non-current assets	5,925,269	3,367,171	267,965	1,473,070	893,942	–	11,927,417

2016

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimination \$'000	Total \$'000
Revenue						
External sales	2,853,509	2,035,435	1,744,075	134,245	–	6,767,264
Inter-segment sales	405	6,445	24,537	67,188	(98,575)	–
Total	2,853,914	2,041,880	1,768,612	201,433	(98,575)	6,767,264
Segment Results						
Operating profit	134,972	504,744	93,766	48,429	13,302	795,213
Investment income	940	12,031	(6)	2,214	–	15,179
Interest income	58,180	26,845	45,729	251,312	(257,973)	124,093
Interest expenses	(151,718)	(62,036)	(18,347)	(237,119)	244,671	(224,549)
Share of results of associated companies	47,384	277,277	1,900	18,425	–	344,986
Profit before tax	89,758	758,861	123,042	83,261	–	1,054,922
Taxation	(40,911)	(132,631)	(23,005)	(36,600)	–	(233,147)
Profit for the year	48,847	626,230	100,037	46,661	–	821,775
Attributable to:						
Shareholders of Company	28,491	620,281	98,856	36,300	–	783,928
Non-controlling interests	20,356	5,949	1,181	10,361	–	37,847
	48,847	626,230	100,037	46,661	–	821,775
Other Information						
Segment assets	10,321,883	16,043,419	3,338,699	6,873,596	(7,343,443)	29,234,154
Segment liabilities	8,418,854	6,901,118	1,833,488	7,090,497	(7,343,443)	16,900,514
Net assets	1,903,029	9,142,301	1,505,211	(216,901)	–	12,333,640
Investment in associated companies	587,366	2,806,570	993,847	1,024,798	–	5,412,581
Additions to non-current assets	93,434	412,073	311,650	1,283	–	818,440
Depreciation and amortisation	164,775	27,888	42,076	1,736	–	236,475
Impairment loss/(write- back of impairment loss)	278,643	(50,398)	34,548	46,000	–	308,793

Geographical Information

	Singapore \$'000	China \$'000	Brazil \$'000	Other Far East & ASEAN Countries \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	4,405,789	1,101,948	390,663	478,099	390,765	–	6,767,264
Non-current assets	6,089,036	3,076,821	316,728	1,501,665	764,746	–	11,748,996

Note:

- The Group is organised into business units based on their products and services, and has four reportable operating segments: Offshore & Marine, Property, Infrastructure and Investments. Investments consist mainly of the Group's investments in fund management, M1 Limited, KrisEnergy Limited, k1 Ventures Limited, Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited and equities.
- Pricing of inter-segment goods and services is at fair market value.
- Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the years ended 31 December 2017 and 31 December 2016.
- No single external customer accounted for 10% or more of the Group's revenue for the financial years ended 31 December 2017 and 31 December 2016.

15. REVIEW OF SEGMENT PERFORMANCE

15a. Revenue by Segments

Group revenue of \$5,964 million was \$803 million or 12% below that of 2016. Revenue from the Offshore & Marine Division declined by \$1,052 million to \$1,802 million due to lower volume of work and deferment of some projects. Revenue from the Property Division decreased by \$253 million to \$1,782 million due mainly to lower revenue from China and Singapore, partly offset by higher revenue from Vietnam. Revenue from the Infrastructure Division grew by \$463 million to \$2,207 million as a result of increased sales in the power and gas businesses and progressive revenue recognition from the Keppel Marina East Desalination Plant project.

15b. Net profit by Segments

Group net profit of \$217 million was \$567 million or 72% lower than that of corresponding period in 2016. Excluding the one-off financial penalty from Keppel Offshore & Marine's global resolution and related costs of \$619 million, net profit was \$836 million, an increase of \$52 million from last year. Loss from the Offshore & Marine Division was \$835 million. Excluding the one-off financial penalty from the global resolution and related costs, the Division's net loss was \$216 million as compared to net profit of \$29 million in the prior year. This was mainly due to lower operating results arising from lower revenue and lower share of associated companies' profits, partly offset by lower impairment provisions and lower net interest expense. Profit from the Property Division of \$685 million increased by \$65 million due largely to higher fair value gains on investment properties and higher contribution from Singapore and Vietnam property trading and en-bloc sales of development projects, partly offset by lower share of associated companies' profits. Profit from the Infrastructure Division of \$132 million increased by \$33 million due largely to higher contribution from Energy Infrastructure, the gain on divestment of its interest in GE Keppel Energy Services Pte Ltd, as well as the recognition of fair value gain on investments. These were partly offset by lower contribution from the data centre business, due mainly to the absence of contribution from Keppel DC Singapore 3, which was injected into Keppel DC REIT in January 2017. Profit from the Investments Division of \$235 million increased by \$199 million due mainly to higher share of profit from Sino-Singapore Tianjin Eco-City and k1 Ventures, higher contribution from asset management business, write-back of provision for impairment of investments and profit on sale of investments. These were partly offset by the share of loss in KrisEnergy and recognition of fair value loss on KrisEnergy warrants. The Property Division was the largest contributor to Group net profit with 82% share, followed by the Investments Division at 28% and Infrastructure Division at 16% while the Offshore & Marine Division contributed negative 26% to the Group's net profit.

15c. Revenue by Geographical Segments

Revenue from Singapore of \$3,969 million was \$437 million lower due largely to lower revenue from the Offshore & Marine Division and Property Division.

16. INTERESTED PERSON TRANSACTIONS

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 21 April 2017. During the financial year, 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)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Transaction for the Sale of Goods and Services				
CapitaLand Group	—	—	174,000	—
Neptune Orient Lines Group	—	—	—	389
PSA International Group	—	—	8,077	1,482
SATS Group	—	—	24,400	—
SembCorp Marine Group	—	—	1,783	4,635
Singapore Power Group	—	—	2,657	1,567
Singapore Technologies Engineering Group	—	280	189	899
Temasek Holdings Group	—	—	338	16,938
Transaction for the Purchase of Goods and Services				
CapitaMalls Asia Group	—	—	254	—
Certis CISCO Security Group	—	—	718	474
Mapletree Investments Group	—	—	1,020	—
Pavilion Gas Pte Ltd	—	—	51,000	50,000
PSA International Group	—	—	305	208
SembCorp Marine Group	—	—	—	55
Singapore Power Group	—	—	353	526
Singapore Technologies Engineering Group	—	—	3,289	5,437
Singapore Telecommunications Group	—	—	441	1,160
Temasek Holdings Group	—	—	546	1,810
Total Interested Person Transactions	—	280	269,370	85,580

17. REPORT OF PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO A DIRECTOR, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in Keppel Corporation Limited (the "Company") or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.

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

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

BY ORDER OF THE BOARD

CAROLINE CHANG/LEON NG
Company Secretaries

25 January 2018