Keppel Corporation creates sustainable value through its key businesses in Offshore & Marine, Infrastructure and Property. The Group serves a global customer base through its presence in over 30 countries, and as at end-2014 had total assets of $31.6 billion.

Some of the key factors influencing the Group’s businesses include global and regional economic conditions, oil and gas exploration and production activities, real estate markets, currency fluctuations, capital flows, interest rates, taxation and legislation. As the Group’s operations involve providing a range of products and services to a broad spectrum of customers in many geographic locations, no single factor, in the management’s opinion, determines the Group’s financial condition nor the profitability of its operations.

This section reviews the strategic, market and business aspects of Keppel Group’s operations and financial performance, based on its consolidated financial statements as at 31 December 2014. Also discussed are the impacts of key business activities on the Group’s performance, challenges in the operating environment, as well as the long-term strategies which Keppel uses to shape its future.
## GROUP STRUCTURE
### Keppel Corporation Limited

### OFFSHORE & MARINE
- Offshore rig design, construction, repair and upgrading
- Ship conversion and repair
- Specialised shipbuilding

### INFRASTRUCTURE
- Gas-to-Power
- Waste-to-Energy
- X-to-Energy
- Logistics and data centres

### PROPERTY
- Property development
- Property fund management
- Property trusts

### INVESTMENTS
- Investments
- Telco

### KEPEL OFFSHORE & MARINE LTD 100%
- Keppel FELS Limited 100%
- Keppel Shipyard Limited 100%
- Keppel Offshore & Marine Pte Ltd 100%
- Keppel Nantong Shipyard Company Limited China 100%
- Offshore Technology Development Pte Ltd 100%
- Deepwater Technology Group Pte Ltd 100%
- Marine Technology Development Pte Ltd 100%
- Keppel AmFELS LLC United States 100%
- Keppel Verolme BV The Netherlands 100%
- Keppel FELS Brasil SA Brazil 100%
- Keppel Singmarine Brazil Ltda Brazil 100%
- Keppel Philippines Marine Inc The Philippines 98%
- Keppel Subic Shipyard Inc The Philippines 86%
- Caspian Shipyard Company Limited Azerbaijan 51%
- Arab Heavy Industries PJSC United Arab Emirates 33%
- Nakilat-Keppel Offshore & Marine Ltd Qatar 20%
- Dyna-Mac Holdings Limited 24%

### KEPEL INFRASTRUCTURE HOLDINGS PTE LTD 100%
- Keppel Gas Pte Ltd 100%
- Keppel Gas Pte Ltd 100%
- Keppel Electric Pte Ltd 100%
- Keppel Seghers Engineering Singapore Pte Ltd 100%

### KEPEL LAND LIMITED 55%
- Keppel Land International Limited Southeast Asia and India 100%
- Keppel Land China China 100%
- Alpha Investment Partners Ltd 100%

### KEPEL BAY PTE LTD 100%
- Gas-to-Power
- Keppel Merlimau Cogen Pte Ltd 100%

### KEPEL TELECOMMUNICATIONS & TRANSPORTATION LTD 80%
- Logistics & Data Centres
- Keppel Data Centres Holding Pte Ltd 100%
- Keppel Logistics (Foshan) Pte Ltd China 70%
- Keppel DC REIT 35%

### KEPEL INFRASTRUCTURE TRUST 49%
- Keppel Infrastructure Trust 49%

### KEPEL VEROLME BV 100%
- Keppel Infrastructure Trust 49%

### KEPEL LAND CHINA 100%
- Keppel Infrastructure Trust 49%

### KEPEL LAND BRASIL 100%
- Keppel Infrastructure Trust 49%

### KEPEL SINGMARINE BRAZIL 100%
- Keppel Infrastructure Trust 49%

### KEPEL TELECOMMUNICATIONS & TRANSPORTATION REIT 100%
- Keppel Telecommunications & Transportation REIT 100%

### KEPEL DC REIT 35%
- Keppel DC REIT 35%

### SINO-SINGAPORE TIANJIN ECO-CITY INVESTMENT AND DEVELOPMENT CO., LTD 50%
- Keppel Telecommunications & Transportation REIT 100%

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1. Owned by a Singapore Consortium, which is in turn 90%-owned by the Keppel Group.
2. Owned by Keppel Corporation Limited (70%) and Keppel Land Limited (30%).
3. Owned by Keppel Telecommunications & Transportation Ltd, an 80%-owned subsidiary of Keppel Corporation.
4. Owned by Keppel Telecommunications & Transportation (30%) and Keppel Land Limited (5%).
5. Public listed company

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Updated as at 6 March 2015
The complete list of subsidiaries and significant associated companies is available at Keppel Corporation’s website www.kepcorp.com.
MANAGEMENT DISCUSSION & ANALYSIS

We are configured for growth with prudent financial discipline and a strong balance sheet.

FREE CASH FLOW

$729m

EARNINGS PER SHARE

$1.04

There was no significant dilution as no major capital call was made since 1997.

GROUP OVERVIEW

Group net profit attributable to shareholders increased by 2% to $1,885 million. The compounded annual growth for net profit from 2009 to 2014 was 4.1% and for the period from 2004 to 2014 was 15.1%.

EPS went up by 2% to $1.04. ROE was 18.8%. EVA, at a record high of $1,778 million, was $636 million above that of the previous year.

Net cash from operating activities dropped by 99% to $5 million as compared to $637 million for 2013 due mainly to higher working capital requirements from the Offshore & Marine and Property Divisions, despite higher operating profit in the current year.

To better reflect its operational free cash flow, the Group had excluded expansionary acquisitions (e.g., investment properties) and capital expenditure (e.g., building of new logistics or data centre facilities), meant for long-term growth for the Group, and major divestments. After excluding expansionary acquisitions & capital expenditure and major divestments, net cash from investment activities was $724 million. The Group spent $662 million on investments and operational capital expenditure, mainly from the Offshore & Marine Division. After taking into account proceeds from divestments and dividend income of $1,386 million, the resulting free cash inflow was $729 million.

Total cash dividend for 2014 will be 48 cents per share, 20% higher than the prior year’s total cash dividend of 40 cents per share. This comprised a final proposed cash dividend of 36 cents per share and the interim cash dividend of 12 cents per share distributed in 3Q 2014. The total distribution for 2014 is approximately $870 million.

The total distribution for the prior year of 49.5 cents per share included a total cash dividend of 40 cents per share and a special distribution in specie of Keppel REIT units equivalent to 9.5 cents per share.

SEGMENT OPERATIONS

Group revenue of $13,283 million was $903 million or 7% above that of the previous year. Revenue from the Offshore & Marine Division of $8,556 million was $1,430 million higher due to
higher revenue recognition from ongoing projects. Revenue from the Infrastructure Division of $2,934 million was $525 million lower due mainly to lower revenue recorded by the power generation plant in Singapore, partly offset by higher revenue from the logistics and data centre businesses. Revenue from the Property Division of $1,729 million fell by $39 million due largely to lower contribution from residential property sales in Singapore and the deconsolidation of Keppel REIT from 31 August 2013, partly offset by the sale of a residential development in Jeddah, Saudi Arabia.

Group net profit of $1,885 million was $39 million or 2% higher than that of the previous year. Profit from the Offshore & Marine Division of $1,040 million was $95 million or 10% higher than in 2013. Better operating results and higher interest income were partly offset by a lower share of associated companies’ profits and higher tax expense. Profit from the Infrastructure Division of $320 million was $305 million higher due largely to better operating results as well as gains from divestments of data centre assets and Keppel FMO Pte Ltd. Profit from the Property Division of $482 million declined by $350 million or 42% due largely to lower operating results, lower fair value gains on investment properties and the absence of gains from the deconsolidation of Keppel REIT.

This was partially offset by gains from the disposals of Equity Plaza, Prudential Tower and its one-third interest in Marina Bay Financial Centre (MBFC) Tower 3 in 2014. Profit from the Investments Division decreased by $11 million or 20% to $43 million due mainly to higher overheads partly offset by profit from the disposal of investments and a write-back of impairment of investments.

The Offshore & Marine Division was the largest contributor to Group net profit with a 55% share followed by the Property Division at 26%, the Infrastructure Division at 17% and the Investments Division at 2%.

**KEY PERFORMANCE INDICATORS**

<table>
<thead>
<tr>
<th></th>
<th>2014 $ million</th>
<th>14 vs 13 % (+/-)</th>
<th>2013 $ million</th>
<th>13 vs 12 % (+/-)</th>
<th>2012 $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>13,283</td>
<td>+7</td>
<td>12,380</td>
<td>-11</td>
<td>13,965</td>
</tr>
<tr>
<td>Net profit</td>
<td>1,885</td>
<td>+2</td>
<td>1,846</td>
<td>-17</td>
<td>2,237</td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>5</td>
<td>-99</td>
<td>637</td>
<td>-37</td>
<td>1,011</td>
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<tr>
<td>Free cash flow*</td>
<td>729</td>
<td>+11</td>
<td>654</td>
<td>+4</td>
<td>630</td>
</tr>
<tr>
<td>Economic Value Added (EVA)</td>
<td>1,778</td>
<td>+56</td>
<td>1,142</td>
<td>-20</td>
<td>1,430</td>
</tr>
<tr>
<td>Earnings per Share (EPS)</td>
<td>$1.04</td>
<td>+2</td>
<td>$1.02</td>
<td>-18</td>
<td>$1.25</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
<td>18.8%</td>
<td>-4</td>
<td>19.5%</td>
<td>-26</td>
<td>26.4%</td>
</tr>
<tr>
<td>Total cash dividend per share**</td>
<td>48 cts</td>
<td>+20</td>
<td>40 cts</td>
<td>-11</td>
<td>45 cts</td>
</tr>
</tbody>
</table>

* Free cash flow excludes expansionary acquisitions & capex, and major divestments.
** Total distributions for FY 2013 and FY 2012 included non-cash special distributions in specie of Keppel REIT units equivalent to 9.5 cts per share and 28.6 cts per share respectively.

**REVENUE ($ million)**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore &amp; Marine</td>
<td>7,963</td>
<td>7,126</td>
<td>8,556</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2,832</td>
<td>3,459</td>
<td>2,934</td>
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<tr>
<td>Property</td>
<td>3,018</td>
<td>1,768</td>
<td>1,729</td>
</tr>
<tr>
<td>Investments</td>
<td>152</td>
<td>27</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>13,965</td>
<td>12,380</td>
<td>13,283</td>
</tr>
</tbody>
</table>

**NET PROFIT ($ million)**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore &amp; Marine</td>
<td>949</td>
<td>945</td>
<td>1,040</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>16</td>
<td>15</td>
<td>320</td>
</tr>
<tr>
<td>Property</td>
<td>1,078</td>
<td>832</td>
<td>482</td>
</tr>
<tr>
<td>Investments</td>
<td>194</td>
<td>54</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>2,237</td>
<td>1,846</td>
<td>1,885</td>
</tr>
</tbody>
</table>
OFFSHORE & MARINE

We aim to be the preferred solutions partner in the global offshore and marine industry.

PROFIT BEFORE TAX

$1,365m
as compared to FY 2013’s $1,202 million.

NET PROFIT

$1,040m
as compared to FY 2013’s $945 million.

MAJOR DEVELOPMENTS IN 2014

Entrenched track record in ultra-high specification jackups by delivering the world’s largest jackups, and securing a contract to build the first proprietary KFELS N Plus jackup.

Secured two contracts to perform the world’s first-of-its-type Floating LNG conversions.

Secured contracts to build specialised vessels, such as the two ice-class supply vessels for a subsidiary of Bumi Armada, and a Subsea Construction Vessel (SCV) for BP Exploration (Shah Deniz) Ltd.

FOCUS FOR 2015/2016

Sharpen execution to extract value from backlog of orders.

Harness synergy of global yards to provide newbuild, repair and upgrading solutions to customers.

Maintain emphasis on technology development to sharpen competitiveness.

Seize opportunities in new markets and adjacent businesses for long-term growth.
EARNINGS REVIEW

The Offshore & Marine Division was entrusted with $5.5 billion of new orders in 2014, bringing its net orderbook as at year end to $12.5 billion, with deliveries and revenue visibility extending to 2019.

Revenue of $8,556 million was $1,430 million or 20% higher due to higher revenue recognition from ongoing projects. Operating profit margin for FY 2014 was 14.3%, compared to last year’s 14.7%. Pre-tax earnings improved 14% to $1,365 million on better operating results and higher interest income, partially offset by lower share of associated companies’ profits. Net profit of $1,040 million was $95 million or 10% higher than in 2013. The Division remains the largest contributor to Group net profit with a 55% share.

MARKET REVIEW

After an unprecedented period of Brent oil price stability at levels of above US$90 per barrel for most of the last four years, oil prices declined sharply from June 2014 to less than US$50 per barrel at the start of 2015. This decline was mainly attributed to demand and supply factors and exacerbated by geopolitical tensions.

Returns for oil companies have also been eroded by rising costs and the sharp decline in oil price. These have in turn raised hurdle rates for new project sanctions, and caused some oil companies to reduce their exploration and production (E&P) budgets. Oil companies’ cost-cutting has likewise put the supply chain under pressure.

Dayrates for drilling rigs have also taken a beating. As at early-2015, the dayrates for ultra-deep and deepwater rigs have dropped around 34% from a year ago, while those for high-specification jackups have been more resilient, decreasing by about 15% since January 2014.
Operating & Financial Review
OFFSHORE & MARINE

However, even at current price levels, offshore prospects are still viable in certain geographies such as Southeast Asia, Latin America and the Middle East. With a slowdown in E&P activities, production capacity is expected to gradually fall, bringing the market to an equilibrium.

There is also a visible acceleration in the replacement cycle for aging rigs. Presently, over 50% of global jackups and semisubmersibles are 25 years old and above. 48 rigs alone were scrapped from 2011-2014, translating to an average attrition rate of 12 rigs per year in the last four years, compared to four rigs per year in the preceding 11 years from 2000-2010.

As older rigs are due for the five-year surveys and require massive investments to upgrade, scrapping will become an increasingly attractive option for drilling contractors seeking to preserve capital. Major drillers such as Transocean and Diamond have begun scrapping their old rigs. This scrapping trend bodes well for the offshore drilling business as capacity is being taken out from the market gradually, making headroom for dayrates to rise again.

OPERATING REVIEW
With strong operational capabilities and extensive experience in delivering a wide spectrum of offshore and marine projects, Keppel Offshore & Marine (Keppel O&M) remained the choice partner for newbuild, repair and upgrading services amongst international owners and operators in 2014.

It continued to stay ahead in the industry, delivering differentiated and value-adding solutions to a diversified customer base. Worldwide, Keppel O&M’s yards delivered seven rigs, seven Floating Production Storage and Offloading (FPSO) conversions, and nine specialised vessels in a timely and safe manner during the year. In particular, the delivery of the world’s largest jackups, Maersk Intrepid and Maersk Interceptor, to Maersk Drilling, further strengthened Keppel FELS’s (Keppel FELS) sterling rigbuilding track record.
Keppel O&M marked significant milestones with some of the new orders, such as sealing the first-of-its kind Floating LNG (FLNG) vessel conversion contracts with Golar LNG, as well as signing the first proprietary KFELS N Plus newbuild contract with TS Offshore. Baku Shipyard, which was inaugurated at end-2013, also secured its first major newbuild contract – a subsea construction vessel from BP Exploration (Shah Deniz).

Our Near Market, Near Customer strategy and focus on innovation in technological offerings were evident in Keppel O&M’s strategic moves during the year.

Keppel O&M signed a 30-year management services agreement with the Titan Petrochemicals Group to manage the Titan Quanzhou Shipyard in Fujian, China. Titan Quanzhou Shipyard is one of the largest shipyards in China, occupying a total area of 110 hectares along 3,600 metres of coastline. In light of the growth in oil and gas consumption and focus on domestic production in China, we expect an increasing demand for high-specification offshore rigs and production vessels in the country.

Across its global network, Keppel O&M continued to enhance its yards’ capabilities and upgrade their facilities to improve productivity and competitiveness. These well-equipped and strategically located yards around the world are well-positioned to leverage Keppel O&M’s technological edge and execution track record to seize pockets of opportunities in the market, amidst a challenging macro environment.

SIGNIFICANT EVENTS

February
- Mr Chow Yew Yuen was appointed CEO of Keppel O&M on 1 February 2014.
- Keppel FELS secured a KFELS B Class jackup rig contract from UMW Oil & Gas Corporation worth US$218 million.
- Keppel FELS also secured contracts to build three high-specification KFELS B Class jackup rigs worth about US$650 million from new customer, Fecon International Corp.

March
- Keppel FELS delivered the world’s largest jackup, the CJ70 Maersk Intrepid, to Maersk Drilling. This would be followed by the delivery of an identical second unit, Maersk Interceptor, in August 2014.
- Keppel FELS secured a contract from TS Offshore to construct the first proprietary KFELS N Plus jackup worth about US$500 million.
- Keppel Singmarine secured three contracts from a subsidiary of Bumi Armada to build two ice-class supply vessels and an ice-class multi-purpose duty-rescue vessel.
- Keppel Nantong secured an order from KSP Towage to construct two tugs, to be deployed in Malaysia.
As part of ongoing yard enhancements, a new gantry crane with a 700-tonne lifting capacity was installed in Keppel FELS’ Pioneer Yard in Singapore in 2014. This enables the yard to construct rig modules in larger blocks so as to expedite the rig building process and increase productivity and cost efficiency.

As part of Keppel O&M’s network of satellite yards in Asia, Keppel Nantong Heavy Industries continued to contribute to the smooth execution of the Group’s offshore projects, such as the fabrication of pontoons and columns of the accommodation semi, Floatel Triumph. Total steel fabrication output in the yard reached a commendable 32,000 tonnes.

Keppel O&M’s yards in the Americas were also bustling with newbuild and repair works during the year. Well-positioned to tap local demand, Keppel FELS Brasil’s yard in Angra dos Reis, BrasFELS, and Keppel AmFELS have continued to deepen their presence and leadership in the Americas.

OFFSHORE

In 2014, Keppel FELS completed six rigs on time or ahead of schedule for drilling contractors such as Maersk Drilling, ENSCO, UMW Oil & Gas, Gulf Drilling International and Star Drilling. Notably, the two mammoth Maersk Drilling CJ70 jackup rigs delivered during the year are the largest jackups ever built in the world, and are now drilling on long-term contracts offshore Norway for oil majors, Total and Det norske oljeselskap ASA.

Keppel FELS also delivered 15 repair and upgrading projects to its longstanding clients such as Diamond Offshore, Ensco, Transocean, Seadrill, Japan Drilling and COSL, amongst others.

Keppel FELS not only secured jackup and semisubmersible orders from repeat clients, but also expanded its product offerings and clientele during the year. Besides the proprietary KFELS N Plus newbuild contract from TS Offshore, Keppel FELS won three newbuild contracts from new customer, Fecon International, for its proven and high-performance KFELS B Class jackup.

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BrasFELS secured projects from repeat customers such as Ensco, Diamond, Noble as well as new customers such as Aban Abraham. To enhance work efficiency, the yard added a new 2,000-tonne Goliath Gantry Crane together with other equipment and workshops.

Keppel AmFELS has been active in supporting Mexican operators. In 2014, it fortified its longstanding partnership with Perforadora Central with the on-time and safe delivery of its fourth jackup rig and the ongoing construction of the fifth.

Leveraging its capabilities and track record for drilling rigs, Keppel AmFELS diversified its solution offerings with an engineering, procurement and construction contract for one of the world’s largest land drilling rigs capable of operating in harsh conditions.

With one of the largest drydocks in Europe and a strategic location in Rotterdam, Netherlands, close to the oil and gas fields of the UK and Norway, Keppel Verolme has been the choice yard for seagoing vessels and floating offshore units in the region.

During the year, Keppel Verolme secured several significant repair projects including jackups, semis heavy lift vessels, as well as the world’s largest cruise ship, “Oasis of the Seas”.

**SIGNIFICANT EVENTS**

**April**
- Keppel FELS signed a conditional management services agreement with Titan Petrochemicals Group to manage the Titan Quanzhou shipyard in Fujian, China.
- Baku Shipyard secured a contract worth US$378 million from BP Exploration (Shah Deniz) to design and build a Subsea Construction Vessel (SCV).
- Keppel FELS signed an engineering services agreement with Workfox B.V, a subsidiary of the Seafox Group, to embark on an engineering study for a purpose-built Plug & Abandonment jack up with accommodation features.

**July**
- Keppel Shipyard secured a contract to convert an FPSO for Armada Kraken, a wholly owned subsidiary of Bumi Armada.
- Keppel Shipyard sealed a contract worth about US$735 million with Golar LNG to perform the world’s first-of-its-type conversion of an existing Moss LNG carrier, the HILLI, into a Floating Liquefaction Vessel. This was followed by the inking of a second FLNG contract with Golar LNG in December 2014.
To improve workflow and enhance the safety and productivity of its workforce, Keppel Shipyard extended and deepened its quays in Benoi Yard. The Load Out Quay at Benoi Quay 1 was completed in early 2014.

Besides being a builder of robust tugs and offshore support vessels, Keppel Nantong Shipyard (Keppel Nantong) is an important support yard for the Singapore home base. To augment its capabilities, Keppel Nantong will be constructing a new slipway in 2015, allowing it to launch and service larger and heavier offshore vessels.

Keppel Nantong delivered two units of 50-Tonne ASD tugs on schedule and received a safety bonus in 2014. The yard also completed six FPSO conversions/upgrades in 2014, bringing its total number of FPSO/FSO/FSRU conversion, upgrading and repair projects completed to 116. Since 2006, it has been delivering an average of seven conversions each year, staying as a market leader of the segment.

During the year, Keppel Shipyard signed new repair fleet agreements with Delta Tankers and Koyo Kaun, while renewing agreements with NYK, JX Ocean, and McDermott International. It also signed new drydocking agreements with the CGG Group and MISC during the year.

The conversion contract for the first-of-its-kind FLNG vessel from Golar LNG is the fruition of a year-long Front-End Engineering and Design study in partnership with Keppel Shipyard’s longtime customer. Recognising the strength of the concept and design, Golar LNG returned to Keppel Shipyard for a second identical unit at end-2014. To improve workflow and enhance the safety and productivity of its workforce, Keppel Shipyard extended and deepened its quays in Benoi Yard. The Load Out Quay at Benoi Quay 1 was completed in early 2014.

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Keppel Nantong delivered two units of 50-Tonne ASD tugs on schedule and received a safety bonus in 2014. The yard also delivered the Boskalis Giant 5 Submersible Barge ahead of schedule and the sister vessel, Giant 6, is on track to be delivered by 1Q 2015. Boskalis’ confidence in the yard was reflected by the repeat order for the Giant 7 Submersible Barge in September 2014.

The two shipyards under Keppel Philippines Marine (KPMI), Keppel Batangas Shipyard (Keppel Batangas) and Keppel Subic Shipyard (Keppel Subic), leveraged their close business relationships fostered over the years to clinch repair projects from both major domestic shipping companies and foreign clients. The two shipyards repaired a total of 98 vessels in 2014.

Keppel Batangas has been actively formalising repair fleet agreements to meet the drydocking requirements of major domestic shipping operators in the Philippines. These are expected to generate sustainable revenue from the local shipping industry. Keppel Batangas also expects to tap demand arising from the vessel acquisition programme of the Philippine Navy.

In 2014, Keppel Subic delivered the coal transhipper crane barge, “Ratu Giok 5”, to Indonesian client, PT Pelayaran Kartika Samudra Adjaya. It has also delivered the Malampaya Phase 3 Depletion Compression Platform (DCP) for Shell Philippines Exploration, which was subsequently delivered in February 2015.

Both Keppel Batangas and Keppel Subic are upgrading their yard facilities to construct offshore support vessels and
Keppel Shipyard is converting two FLNG vessels for longtime customer Golar LNG.

Keppel O&M’s yards in the Arabian Gulf, Arab Heavy Industries (AHI) and Nakilat-Keppel Offshore & Marine (N-KOM), were formed through landmark partnerships with the Ajman Government in the United Arab Emirates, and the world’s leading LNG transporter, Nakilat, respectively.

AHI has built a solid track record as one of the most established shipyards in the Gulf region. In 2014, AHI repaired 113 vessels for a mix of international and local clients such as Boskalis, Smit Lamnalco, Van Oord Ship Management and Middle East Dredging Co. AHI also converted an offshore support vessel, Deep Cleaner, into a well-stimulation vessel for Navispec Marine Services.

Keppel O&M’s yards in the Arabian Gulf, Arab Heavy Industries (AHI) and Nakilat-Keppel Offshore & Marine (N-KOM), were formed through landmark partnerships with the Ajman Government in the United Arab Emirates, and the world’s leading LNG transporter, Nakilat, respectively.

AHIs built a solid track record as one of the most established shipyards in the Gulf region. In 2014, AHIs repaired 113 vessels for a mix of international and local clients such as Boskalis, Smit Lamnalco, Van Oord Ship Management and Middle East Dredging Co. AHIs also converted an offshore support vessel, Deep Cleaner, into a well-stimulation vessel for Navispec Marine Services.

Keppel Shipyard is converting two FLNG vessels for longtime customer Golar LNG.

Keppel Shipyard entrenched its position as the market leader in FPSO conversion and upgrading, having completed six of such projects in 2014.

SIGNIFICANT EVENTS

July

- Keppel FELS delivered ENSCO 122, the third ultra-premium harsh environment jackup rig in the ENSCO 120 Series, ahead of schedule.

- N-KOM clinched a liftboat newbuild contract and a six-year repair and maintenance contract with a combined value of US$110 million from Gulf Drilling International (GDI), a subsidiary of Gulf International Services.

August

- Keppel FELS delivered its fourth KFELS B Class jackup rig, Dukhan, to GDI of Qatar nine days ahead of schedule, on budget and with a perfect safety record.

- Keppel FELS secured a contract from GDI to build a repeat KFELS B Class jackup rig worth US$227 million, with options for two more units.
Keppel Singmarine, which helms Keppel O&M’s specialised shipbuilding business, clinched multiple contracts in 2014. These include a contract from repeat customer, Seaways International, to build a 100-tonne bollard pull Anchor Handling Tug (AHT) vessel, and another contract for hull construction and outfitting works for BP’s Subsea Construction Vessel won by Keppel O&M’s Baku Shipyard.

Since building its first icebreaker in 2006, Keppel Singmarine has continued to build up its capabilities in the design and construction of ice-class vessels. In 2014, it bolstered its expertise with contracts for two ice-class supply vessels and a ice-class multipurpose duty-rescue vessel from Bumi Armada, and another ice-class multipurpose vessel from New Orient Marine.

Since its inauguration in 2010, N-KOM has undertaken more than 300 projects for the marine, offshore and onshore industries. Its regional shiprepair market share increased to about 18% in 2014. Leveraging its shareholders’ strengths and capabilities, N-KOM continued to widen its solutions offerings and climb up the value chain.

During the year, N-KOM clinched a liftboat newbuild contract and a six-year repair and maintenance contract from Gulf Drilling International, a subsidiary of Qatar’s largest oilfield service company, Gulf International Services. Besides the contract from Qatar Primary Materials Company for the construction of a floating jetty, N-KOM has attracted new customers on both the marine and offshore fronts, such as Odfjell, Dynacom, V Ships, Aegean Bunkering and Shelf Drilling.

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Keppel Singmarine successfully delivered two projects including a bulk carrier and a catamaran air dive support vessel (DSV). DLV 2000, the derrick pipe-laying vessel for McDermott was also launched safely during the year.

Expanding its suite of technological solutions to meet the demands of the specialised shipbuilding market, Keppel Singmarine signed a Technical Assistance and License Agreement with France’s Gaztransport & Technigaz (GTT) in early 2014. GTT is a global leader in the design and construction of membrane containment systems used in LNG carriers. The strategic partnership makes Keppel Singmarine the only shipbuilder in Singapore with a license for GTT’s design.

2014 also marked Keppel Singmarine’s foray into the buoyant liftboat market. It clinched its first contract from N-KOM to support the construction of a liftboat, which is seen as a more efficient and cost-effective alternative to the traditional offshore service vessels.

Keppel Singmarine Brasil, which focuses on the construction of offshore support vessels to service Brazil’s offshore oil fields, delivered three 45-tonne bollard pull ASD harbour tugs to SMIT Rebras in 2014. Three harbour tugs for SMIT Rebras and two 4,500 DWT platform supply vessels for Guanabara Navegacao Ltda are under construction.

Over in Azerbaijan, an important oil and gas supplier to the European markets, Keppel O&M is well-positioned in the captive Caspian market through its two yards, Caspian Shipyard Company (CSC) and Baku Shipyard.

Leveraging the synergy of Keppel O&M’s yards in Singapore and Azerbaijan, the construction of the DSS™38M semisubmersible for SOCAR progressed on track, with the columns and bracings built in Singapore and towed to CSC for integration.

Besides newbuild projects, CSC also undertook several repair projects during the year. These include shipyard services to Swire’s Seabed Supporter vessel, and repair and upgrading works on four of BUE Marine Limited’s vessels.

CSC added equipment to improve efficiency and execution. These included a new CNC plasma cutting machine, a rotary telescopic handler, forklifts, a 15-tonne side loader and a semi-auto welding machine. Upgrading of the blasting and painting halls started in September 2014, and are expected to be completed in early 2015.

Inaugurated by the President of Azerbaijan, H.E. Ilham Aliyev, in September 2013, Baku Shipyard has since achieved several milestones. In 2014, it secured a contract from BP Exploration (Shah Deniz) to design and build a Subsea Construction Vessel. This new flagship vessel for the Caspian Sea will provide essential support for the construction of subsea structures which will form the biggest subsea production system in the region. Baku Shipyard also secured a contract to build three 80-men crew boats for Caspar.

Complementing CSC, Baku Shipyard delivered two pontoons for CSC’s DSSTM38M semisubmersible. Building up its track record in shiprepair in the region, Baku Shipyard also took delivery of its fourth jackup rig, Coatzacoalcos, to Perforadora Central on time, within budget and with zero lost-time incidents.

Keppel FELS was conferred the title of “Largest manufacturer of offshore rigs - current” by the Guinness World Records for delivering 21 rigs in 2013.

Keppel FELS delivered a third KFELS B Class jackup drilling rig to Star Drilling, an associate company of India’s D P Jindal Group.

Keppel Shipyard delivered the FPSO vessel Bertam to Lundin Petroleum and the Petronas group.

SIGNIFICANT EVENTS

October
- Keppel Shipyards and Keppel Nantong secured contracts worth a total of $153 million for the conversion of an FPSO vessel for Armada Cabaca Limited and the construction of a submersible barge, Giant 7, for Smit Shipping.
- Keppel FELS secured a contract from BOT Lease Co Ltd, an affiliated company of The Bank of Tokyo-Mitsubishi UFJ, for a KFELS Super B Class jackup rig worth about US$240 million.

November
- Keppel AmFELS delivered its fourth jackup rig, Coatzacoalcos, to Perforadora Central on time, within budget and with zero lost-time incidents.
- Keppel FELS was conferred the title of “Largest manufacturer of offshore rigs - current” by the Guinness World Records for delivering 21 rigs in 2013.

December
- Keppel FELS delivered a third KFELS B Class jackup drilling rig to Star Drilling, an associate company of India’s D P Jindal Group.
- Keppel Shipyard delivered the FPSO vessel Bertam to Lundin Petroleum and the Petronas group.
INDUSTRY OUTLOOK
Exploration and production activity in shallow waters will likely stay muted in the short to medium term. According to Pareto Securities, National oil companies such as Saudi Aramco and PEMEX are expected to keep their overall rig count steady in 2015. Nonetheless, these oil companies will be looking to optimise their costs by seeking reduced dayrates for the jackups that they are chartering.

The floater market is expected to be challenging, according to RS Platou which expects a drop in floater demand of around 2-3% in 2015. Floater backlog will continue to be eroded, with 40% of the actively marketed floater fleet coming off contract from 4Q 2015 to 2Q 2016.

With a sizeable contract backlog stretching into 2019, Keppel O&M is well-positioned to tide over the slowdown in the industry. It will also leverage its global network of yards to tap demand in regions that are more resilient.

OFFSHORE RIGS
There are still pockets of opportunities for oilfield services in shallow-water reservoirs where breakeven oil prices for production is lower than current oil prices. The Middle East oil and gas market for example, remains robust as many of the fields are in shallow waters, fully developed and have low marginal costs of production.

For Mexico and India, oil and gas exploration and development remains necessary for energy self-sufficiency. Upstream licensing in Mexico has kicked off with the release of 109 exploration and 60 production blocks, including shallow-water acreage, on offer to foreign oil companies. This could stimulate rig demand in Mexico in the longer term. According to Wood Mackenzie, the local content requirement in Mexico is set to reach 35% by 2025.

Having kept a keen eye on developments in Mexico over the years and signed an MOU with PEMEX for the development of a yard in Mexico, Keppel O&M is well-positioned to support the country’s oil and gas development.

Keppel O&M continues its focus on technology and Research & Development (R&D) to meet customers’ requirements for robust and cost-effective solutions. It is expanding its suite of proprietary designs, such as the harsh-environment capable KFELS E and J Class jackup designs for the North Sea.

SHIPREPAIR AND PRODUCTION UNITS
The shiprepair market is expected to be challenging as recovery for most shipping sectors remains slow. The container shipping sector continues to grapple with overcapacity, facing pressure on freight and charter rates, although the increase in scrapping activity could improve the supply-demand equilibrium in the longer term.

There is optimism for tankers as rates have been boosted due to higher demand for lower-priced crude oil and for use as storage for crude oil. Lower bunker fuel costs also translate to better margins for shipping companies, which could provide a lift for shiprepair activities.

Despite the recent drop in crude oil prices likely to delay oil field Final Investment Decisions, the long-term fundamentals for FPSO/FSO/FLNG projects remain intact. According to the Energy Market Authority, regions like Southeast Asia, Africa and Brazil are still active for production unit projects.
The outlook for FLNG conversions remains promising. The two FLNG conversions that Keppel Shipyard is undertaking are both near-shore vessels, providing efficient alternative liquefaction solutions for piped gas from onshore terminals. Aside from FPSO/FSO/FLNG projects, there are also opportunities in turret fabrication for newbuild FPSO/FSOs.

**SPECIALISED SHIPS**
Maintaining and/or enhancing oil production levels for existing fields should remain a key theme for the industry. This will entail the repair and maintenance of existing production platforms, which, in turn, require a diverse supply of offshore support vessels, liftboats and accommodation semisubmersibles.

Versatile and experienced in building a wide spectrum of specialised ships, Keppel O&M is well-placed to meet this demand.

Keppel O&M has successfully navigated numerous challenging cycles in the past four decades and has emerged stronger each time. Keppel O&M’s overarching strategy of delivering solutions that can create value for customers will continue to be relevant amidst a challenging market environment.

With a sizeable contract backlog stretching into 2019, Keppel O&M is well-positioned to tide over the slowdown in the industry, and enhance its niche products to provide customers with the best value propositions.
INFRASTRUCTURE

We will focus on developing our energy-related infrastructure solutions, as well as logistics and data centre businesses.

PROFIT BEFORE TAX

$452m
as compared to FY 2013’s $73 million.

NET PROFIT

$320m
as compared to FY 2013’s $15 million.

MAJOR DEVELOPMENTS IN 2014

K-Green Trust was renamed Keppel Infrastructure Trust (KIT) with an expanded investment mandate.

The combination of KIT with CitySpring Infrastructure Trust (CIT) was proposed along with the injection of 51% of Keppel Merlimau Cogen Pte Ltd into the enlarged trust.

The Greater Manchester Energy-from-Waste Plant and Doha North Sewage Treatment Works achieved significant milestones.

Keppel DC REIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST) raising $512.9 million through the initial public offering.

FOCUS FOR 2015/2016

Complete the proposed combination of KIT and CIT, enhance the asset portfolio and seek acquisition opportunities.

Complete the Engineering, Procurement and Construction (EPC) projects in the UK and Qatar.

Grow expertise in Waste-to-Energy (WTE) technology package deployment and expand market share in Singapore and China.

Expand logistics business in target markets in Asia Pacific, and grow a pipeline of quality data centre assets for injection into the newly-listed Keppel DC REIT.
EARNINGS REVIEW
The Infrastructure Division’s revenue decreased by $525 million to $2,934 million due to lower revenue contributed by Keppel Infrastructure’s (KI) power generation plant, partially offset by higher revenue from Keppel Telecommunications & Transportation’s (Keppel T&T) logistics and data centre businesses. Profit before tax increased by $379 million to $452 million, due mainly to better operating results from both KI and Keppel T&T, as well as gains from divestments of data centre assets and Keppel FMO Pte Ltd. The Division contributed 17% to the Group’s net profit for FY 2014.

GAS-TO-POWER MARKET REVIEW
In 2014, Singapore’s average electricity demand grew at a year-on-year rate of 3.6%, higher than the 2.8% increase in 2013. However, competition intensified with the commercialisation of additional generation capacity from both new entrants and existing players. This has led to oversupply and margin pressures in the local energy sector.

The Energy Market Authority has launched several initiatives with intention to encourage further growth in the Singapore energy market. Such initiatives include the scaling back of electricity vesting levels, issuing Request for Proposals for the appointment of Liquefied Natural Gas importers, and further liberalising the electricity retail market.

OPERATING REVIEW
Despite the industry headwinds, KI’s Gas-to-Power business delivered another year of commendable results and maintained its lead in the electricity retail market, leveraging its integrated business platform.

Following the upgrading of Keppel Merlimau Cogen’s generation capacity from 800 megawatt (MW) to 1,300 MW in 2013, we have been focused on improving the operational efficiency and flexibility of the power plant.

In line with its portfolio strategy, KI entered into a conditional agreement with Keppel Infrastructure Trust to acquire a 51% stake in Keppel Merlimau Cogen Pte Ltd, which owns the 1,300 MW co-generation plant on Jurong Island.

**EARNINGS HIGHLIGHTS ($ million)**

<table>
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<tr>
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<td>Manpower Cost</td>
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<td>244</td>
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</tbody>
</table>
to divest a 51% stake of Keppel Merlimau Cogen Pte Ltd, which owns the 1,300 MW co-generation plant, to KIT for a cash consideration of $510 million. The proceeds from the divestment will help strengthen KI’s balance sheet.

BUSINESS OUTLOOK
The oversupply is expected to be sustained and weigh on the electricity market in the coming years.

On a positive note, the retail contestability threshold for consumers will be further lowered to 2,000 kilowatt per hour (kWh) on 1 July 2015, after the reduction from 10,000 kWh to 4,000 kWh in 2014. This will provide about 10,000 more non-residential consumers with the choice of procuring electricity from retailers apart from SP Services Ltd, adding to the current pool of 23,000 non-residential consumers.

WASTE-TO-ENERGY MARKET REVIEW
Rapid urbanisation and stricter environment regulations will continue to underpin growth in the Waste-to-Energy (WTE) sector. For example, environmental issues emerging from China’s rapid industrialisation are seen as one of the most pressing challenges. As part of its efforts to promote proper treatment of municipal solid waste, the Chinese National Environmental Bureau introduced a more stringent set of emission standards in 2014. The more stringent regulations of the WTE sector will benefit credible players with proven technologies, like Keppel.

Growing interest in the WTE projects have also been demonstrated in the Gulf Cooperation Council region.

On the technology front, KI has continued to develop its core technology catering for the increased demand of higher capacity incineration lines and better energy efficiency in the WTE market.

OPERATING REVIEW
In the UK, Phase 1 of the Greater Manchester EfW Plant has been handed over successfully. The handover of Phase 2 is expected to take place in 1H 2015.
In Qatar, the Doha North Sewage Treatment Works started commissioning with handover expected to be in 1H 2015. The Qatar Domestic Solid Waste Management Centre has completed its third year of operations with high performance in terms of plant availability and treatment capacity.

In China, we have been working on the installation of our proprietary WTE technology package in two projects in Beijing and Yangzhou, Jiangsu. Both projects are progressing within their contractual schedules and budgets.

In Bialystok, Poland, engineering work and procurement of the WTE plant, built by the consortium between Keppel Seghers and Budimex, were almost finished in 2014. The civil construction has been well advanced with all of the heavy lifting of key components completed during the year. The plant is scheduled to undertake pressure testing of its boiler in early-2015, followed by an extensive commissioning.

**BUSINESS OUTLOOK**

The global municipal solid waste is estimated by the World Bank to increase from about 1.3 billion tonnes/year now to 2.2 billion tonnes/year by 2025, driven mainly by population growth. This, coupled with the limitation of landfill space, will lead to an ever-increasing demand of proper waste treatment solutions, such as WTE.

In Singapore, KI is one of the few players pre-qualified by the National Environment Agency (NEA) for the Design-Build-Own-Operate (DBOO) tender of a WTE plant with a minimum capacity of 2,400 tonnes/day.

Meanwhile, KIT had committed in September 2014 to enhance the contracted incineration capacity of the Senoko WTE plant by up to 10%. The upgrading works is expected to take place between 3Q 2015 and 3Q 2016.

**SIGNIFICANT EVENTS**

**January**
- Keppel Logistics increased its 40% stake in Indo-Trans Keppel Logistics Vietnam Co Ltd (ITKL) to 51%, making it a subsidiary of the company.
- Keppel T&T ventured into Australia with the incorporation of a new subsidiary, Keppel Logistics (Australia) Pty Ltd.

**March**
- Keppel Infrastructure Fund Management received unitholders’ approval to rename K-Green Trust as Keppel Infrastructure Trust, and expand its investment mandate.
- Keppel Datahub 2 became the first new data centre in Singapore to achieve Platinum Award for the BCA-IDA Green Mark.

**May**
- ITKL broke ground for a new distribution centre located in the Vietnam-Singapore Industrial Park 1 in Binh Duong Province.

**August**
- Keppel Logistics’ first 10,000 sm warehouse in Brisbane, Australia commenced operations.
In Hong Kong, we expect the government to proceed with the development of the HK$19.2 billion integrated waste management facility. It will be a state-of-the-art modern WTE plant built on a reclaimed island, with a capacity of 3,600 tonnes/day.

The demand of WTE solutions in Europe will also be driven by the replacement and upgrading of aging facilities, and the rapid development of newer European Union (EU) members, such as Poland.

The proposed combination of KIT and CIT, and the acquisition of Keppel Merlimau Cogen Pte Ltd, which owns the 1,300 MW co-generation plant, will raise KIT’s total assets from $600 million to over $4 billion.

The demand for WTE solutions in Europe will also be driven by the replacement and upgrading of aging facilities, and the rapid development of newer European Union (EU) members, such as Poland.

X-TO-ENERGY
The X-to-Energy Division comprises the Group’s district cooling systems (DCS) business and infrastructure business trust.

MARKET REVIEW
The demand for district cooling services in Singapore remained strong, achieving a compound annual growth rate of 11% since 2010. The government-led drive for energy efficiency and legislative changes, e.g. requiring more buildings to obtain Green Mark certifications, provides greater impetus for growth in this sector.

Keppel DHCS has broadened its market segment to include office, biomedical, research & development, wafer fabrication, media, communications & information, and aviation training facilities. It has also expanded its modus operandi by offering retail cooling systems within customers’ premises.

OPERATING REVIEW
Keppel DHCS’ retail cooling facilities for Keppel Logistics commenced operations in 3Q 2014. It also expanded its clientele at the Changi Business Park to include Haite High-Tech Aviation Training Centre, Rigel Innovation Hub and Soo Kee Jewellery Group.

Development of the DCS plant at Mediapolis is slated for completion in 3Q 2015. The plant will be connected to the existing DCS...
plant in Biopolis to form an integrated DCS network at the one-north precinct. During the year, Keppel DHCS rolled out several initiatives to improve energy efficiency and cost competitiveness of its plants, such as the implementation of linear programming to optimise operations and the retirement of inefficient equipment.

In November 2014, Keppel DHCS’ Tianjin plant started supplying to Huang Wei Zhi Jia. This has not only brought its total number of customers to six in Tianjin, but also lowered its carbon footprint by increasing the utilisation of its geothermal heating system to meet 80% of the heating demand.

BUSINESS OUTLOOK

Despite the stiff competition in the retail cooling segment due to the relatively low entry barriers for smaller and new entrants, Keppel DHCS is optimistic about acquiring new customers in Singapore and Southeast Asia, riding on its competitive cooling solutions.

Keppel Infrastructure Fund Management, in its capacity as trustee-manager of KIT, entered into agreements to combine KIT and CitySpring Infrastructure Trust (CIT), and to acquire KI’s 51% stake in Keppel Merlimau Cogen Pte Ltd, which owns a 1,300 MW co-generation plant in Singapore. Upon completion of both transactions, KIT’s total assets will increase from around $600 million to over $4 billion, making it the largest Singapore infrastructure-focused business trust listed on the SGX-ST.

In Malaysia, Keppel Logistics bolstered its warehouse capacity with the lease of a new 4,200 sm warehouse adjacent to its Shah Alam facility.

During the year, Keppel Logistics entered into the Australian market. Its wholly-owned subsidiary, Keppel Logistics (Australia), commenced operations in August 2014, managing a 10,000 sm warehouse in Brisbane.

In China, Keppel T&T’s Sanshui Port in Guangdong Province maintained a high throughput volume despite the slowdown in the country’s economic growth. The preliminary works for the expansion of Sanshui Port have also commenced.

LOGISTICS

MARKET REVIEW

The Southeast Asian economy performed well amidst uneven recovery in the global economy. Strong domestic demand and increasing foreign direct investments continued to drive the region’s growth.

China’s economic growth rate tapered to 7.4% in 2014. Moderate growth is seen as the Chinese economy matures and shifts towards service oriented industries.

OPERATING REVIEW

Keppel Logistics continued to achieve high occupancy rates in its logistics facilities across Southeast Asia and China.

In Singapore, the Tampines Logistics Hub’s construction was completed in December 2014 and is expected to commence operations in 2Q 2015. The BCA Green Mark award-winning warehouse facility will add 32,400 sm of warehouse space to its Singapore portfolio.

Meanwhile, Indo-Trans Keppel Logistics completed its new warehouse facility in the Vietnam-Singapore Industrial Park 1 in November 2014. It also embarked on the expansion of its Tien Son warehouse facility in Bac Ninh Province with an additional 3,500 sm.

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The river port in Wuhu, Anhui Province also achieved a better throughput volume of over 4.4 million tonnes in FY 2014. However, throughput at the Lanshi Port continued to be affected by the traffic restrictions in Foshan City.

SIGNIFICANT EVENTS

October

• For the fourth time since 2009, Keppel Logistics was named the Singapore Domestics Logistics Service Provider of the Year at the annual Frost & Sullivan Asia Pacific Best Practices Awards 2014.

November

• Keppel Data Centres Holding acquired Almere Data Centre 2 in the Netherlands.

• Construction of ITKL’s distribution centre in the Vietnam-Singapore Industrial Park 1 was completed.

December

• Construction of the Tampines Logistics Hub in Singapore was completed.

• Keppel DC REIT made a strong debut upon listing on the SGX-ST. It became the first data centre REIT listed in Asia and also the largest REIT IPO in Singapore in 2014 with $512.9 million raised.
The integrated distribution centre in the Sino-Singapore Tianjin Eco-City is close to completion and is expected to commence operations in 2015. The food logistics parks in China are being developed.

BUSINESS OUTLOOK
The economic growth in Southeast Asia is expected to accelerate, as the gradual recovery in advanced economies boosts demand for the region’s exports. In addition, the region’s economic integration is set to deepen with the proposed establishment of the ASEAN Economic Community. This will further encourage cross-border trade and fuel demand for logistics services.

In October 2014, the Chinese government unveiled its six-year plan to develop the country’s infrastructure and improve the efficiency of its domestic supply chain. Coupled with strengthened domestic demand, the outlook of China’s logistics sector remains positive.

Keppel T&T is well-positioned for future growth, riding on increasing demand for quality logistics services in countries where it operates. It will continue to leverage its core competencies and explore opportunities to further expand its business in target markets in Asia Pacific.

DATA CENTRES
MARKET REVIEW
Global demand for data centre services remained strong in 2014, backed by growth in e-commerce, cloud computing and big data. Expansion and acquisition activities in the industry have intensified. Research shows that the global co-location market has surpassed US$25 billion in revenue in 2014 and market expansion has begun...
to take off in the Asia-Pacific and EMEA (Europe, the Middle East and Africa) regions.

OPERATING REVIEW
In 2014, Keppel T&T’s data centres continued to operate at near full occupancies. As part of its efforts to address existing clients’ capacity expansion requirements and to enjoy greater economies of scale, Keppel Data Centres Holding (KDCH) completed the development of Keppel Datahub 2, an award-winning green data centre facility with a lettable area of approximately 47,000 sf.

In November 2014, Keppel T&T expanded its footprint in Europe by entering into a conditional sale and purchase agreement with Borchveste Almere 2 BV for the acquisition of Almere Data Centre 2 (Almere 2). Almere 2 is located next to Almere 1, a fully occupied data centre acquired in 2013. The facility will have a lettable area of 53,800 sf when fully fitted out.

In December 2014, Keppel T&T marked a new milestone with the successful listing of Keppel DC REIT, the first data centre REIT listed in Asia. Keppel DC REIT Management (KDCRM), the manager of Keppel DC REIT, currently manages a diversified portfolio of eight high-quality data centre assets in Europe and Asia-Pacific, with an aggregate appraised value of approximately $1 billion as at 30 September 2014.

BUSINESS OUTLOOK
With the increasing digitisation of the global economy, demand of data creation and storage is expected to grow. Other drivers include growing adoption of cloud computing, greater compliance and regulatory requirements on data security, and increasing outsourcing of data centre services.

These trends present opportunities for Keppel T&T’s data centre business to grow via its REIT-development company strategy in its target markets. Besides acquiring high-occupancy, income-producing data centre assets through Keppel DC REIT, Keppel T&T also looks to expand its portfolio by developing green and brown field projects when opportunities arise. Upon attaining near full occupancy, the new assets will be offered to the REIT for capital recycling.

Keppel T&T will focus on expanding its logistics business in target markets in Asia Pacific as well as growing a pipeline of quality data centre assets for injection into the newly-listed Keppel DC REIT.
PROPERTY

We are committed to provide urban living solutions through property development and property fund management.

PROFIT BEFORE TAX

$1,017m
as compared to FY 2013’s $1,439 million.

NET PROFIT

$482m
as compared to FY 2013’s $832 million.

MAJOR DEVELOPMENTS IN 2014

Sold about 2,450 homes, mostly in China and Singapore.

Generated $1 billion in net proceeds from asset divestments for capital recycling.

Committed $1.1 billion in investments into new and existing projects.

Strengthened retail management capability with the acquisition of a 75% stake in Array Real Estate.

Grew Assets Under Management by Keppel REIT and Alpha Investment Partners (Alpha) to $18.7 billion.

FOCUS FOR 2015/2016

Invest strategically and opportunistically in developed and emerging markets, new platforms, projects and properties.

Scale up commercial presence overseas.

Monetise assets to recycle capital.

Grow fund management businesses for steady recurring income.

Step up sustainability efforts.
EARNINGS REVIEW

Revenue from the Property Division of $1,729 million was $39 million or 2% below that of the previous year, due to lower sales in Singapore. In addition, Keppel REIT did not contribute any revenue in 2014 as it was deconsolidated from 31 August 2013. This was partly offset by the sale of a residential development in Jeddah, Saudi Arabia.

Pre-tax profit decreased by $422 million or 29% to $1,017 million for FY 2014. Lower operating results, lower fair value gains on investment properties and absence of gains from the deconsolidation of Keppel REIT recognised in 2013 was partially offset by gains from disposal of Equity Plaza, Prudential Tower and Marina Bay Financial Centre (MBFC) Tower 3 in 2014. With a net profit at $482 million, the Division contributed 26% to the Group’s net profit.

MARKET REVIEW

The Singapore economy registered a 2.9% growth in GDP for 2014, lower than the 4.4% growth in 2013 amid uncertainties in the global economic environment.

The Singapore residential market continued to be affected by the Total Debt Servicing Ratio restriction and the Additional Buyer’s Stamp Duty introduced last year. Demand for new homes fell to about 7,300 units in 2014 and private residential prices also eased by 4% year-on-year.

The office market saw a positive take-up rate of Grade A office space in the CBD, supported by limited new supply and healthy demand from diverse sectors such as energy, commodities, insurance, IT & e-commerce as well as professional services. According to CB Richard Ellis (CBRE), core CBD office occupancy improved to 95.7% as at end-2014 compared with 95.2% as at end-2013. Grade A office rents rose 14.9% year-on-year from $9.75 psf to $11.20 psf as at end-2014.

In China, the economy registered slower growth of 7.4% in 2014.
compared with 7.7% in 2013 on the back of a weaker manufacturing sector, lower investments and a softer property market. The residential market was impeded by government cooling measures, which include the home purchase restrictions and tighter mortgage rulings as China’s government seeks to maintain a stable and sustainable market.

In Vietnam, robust exports and rising foreign investments lifted the economy’s growth rate to 6% in 2014, an improvement from the 5.4% growth in 2013. In Ho Chi Minh City (HCMC), the improved economic conditions and infrastructure development helped boost buyers’ confidence, which in turn helped recovery in the residential market.

In HCMC, the office market remained steady with active leasing interests, supported by strong demand for prime office space coupled with limited new supply. The city’s retail sector continued to benefit from the influx of international brands into the market amidst limited new supply.

**OPERATING REVIEW**

**SINGAPORE**

Keppel Land sold 304 residential units in Singapore in 2014, compared with 370 units in 2013. Sales were mainly from Highline Residences located in Tiong Bahru, a heritage-rich estate named by Vogue Magazine as the fourth coolest neighbourhood in the world. Highline Residences sold 148 units, out of the total 500 units as at end-2014.

Keppel Land acquired a 75% stake in Array Real Estate, a retail management company with an experienced team involved in developing and managing three million square feet (sf) of retail space. This will further strengthen Keppel Land’s expertise in commercial developments and at the same time, enable it to become a multi-faceted property player.
OVERSEAS
In China, market sentiments improved in the last quarter of 2014 following the relaxation of mortgage rules and cut in interest rates. Keppel Land completed a record number of 5,100 residential units in 2014 and has a healthy pipeline to meet the pent-up demand.

Keppel Land sold about 490 units in the fourth quarter, an improvement from about 360 units sold in the third quarter. For the whole year, approximately 1,900 units were sold, mostly from Central Park City in Wuxi, The Botanica in Chengdu, Stamford City in Jiangyin and The Springdale in Shanghai.

In Vietnam, Keppel Land achieved steady home sales with about 160 units sold in 2014, mainly from The Estella and Riviera Point. Following the sell-out success of The Estella, a special preview of Estella Heights, Keppel Land’s second residential development in HCMC’s District 2, was organised in mid-January 2015. Response was encouraging, with 120 units sold out of the 150 units launched.

Monetisation of Assets for Recycling
In Singapore, Keppel Land divested its one-third stake in MBFC Tower 3 to Keppel REIT, a 65% stake in Equity Plaza and its entire 30% stake in two data centres. Overseas divestments included a 51% interest in Al Mada Towers, a residential project in Jeddah, Saudi Arabia and Elita Garden Vista residential development in Kolkata, India. In total, these divestments generated net proceeds of $1 billion.

Keppel Land has also committed $1.1 billion in investments into new and existing projects in Singapore and overseas during the year. These strategic moves reflect Keppel Land’s strategy to actively prune its portfolio and thereby unlocking, recycling and investing the capital for better returns to shareholders.

SIGNIFICANT EVENTS
January
• Mr Lim Kei Hin was appointed to the Board of Keppel REIT Management as Non-Independent Non-Executive Director.
• Keppel Land deepened its presence in Indonesia with the acquisition of a residential site in West Jakarta.

May
• Keppel REIT divested its interest in Prudential Tower for $512 million.

June
• Keppel Land and Alpha divested their interests in Equity Plaza.

July
• Mr Chan Hon Chew was appointed to the Keppel Land Board with effect from 1 July 2014.
• Keppel Land entered into an agreement with Tien Phuoc Co Ltd to acquire an additional 43% stake in Estella Heights.
• Keppel Land partnered Macklowe Properties for a prime residential development in New York City.
Scaling Up Presence in Key Markets
Keppel Land continues to deepen its presence in key markets in Asia. It acquired a second residential site in West Jakarta, Indonesia in early 2015. The 4.6-ha site is located close to West Vista, Keppel Land’s latest high-rise condominium development in Indonesia. With these two projects in place, Keppel Land is in a strong position to tap on the city’s growing demand for well-planned residential developments.

As part of its strategy to invest opportunistically in key global cities with good growth potential, Keppel Land acquired a residential cum retail development in Manhattan, New York in July 2014. The Manhattan project will be managed by Alpha. More than an example of dexterity in seizing opportunities for higher returns, it also showcases how the collective strength of Keppel’s business units can be harnessed for more value and growth.

Expanding Overseas Commercial Presence
Leveraging its expertise in mixed-use developments, Keppel Land is developing several new prime commercial projects overseas.

In Myanmar, Keppel Land has acquired a 40% stake in a Grade A office development in Yangon’s CBD. At Saigon Centre Phase 2 in HCMC, a Grade A office tower will be developed in addition to the retail podium which will house Takashimaya’s flagship store in Vietnam. Keppel Land is also redeveloping International Financial Centre Jakarta Tower 1 in Indonesia and expanding the SM-KL project in Ortigas, Manila with an office and retail development under Phase 2.

Upon completion, these projects will be transformed into higher yielding investments for the Group.

Growing Fund Management
Both Keppel REIT and Alpha continue to proactively manage their portfolios and funds through selective acquisitions and divestments. Keppel REIT’s acquisition of a one-third stake in MBFC Tower 3 and
The divestment of its 92.8% interest in Prudential Tower have strengthened its position as the leading landlord of Grade A offices in Singapore’s business and financial districts.

Alpha Asia Macro Trends Fund II, a fund managed by Alpha, acquired International Capital Plaza in Shanghai, YG Tower and Olive Tower in Seoul as well as a site for the development of luxury apartments in Taipei. Alpha’s other funds divested a total of five properties in Singapore and Japan during the year.

The fund management business will continue to feature strongly in the Group’s capital recycling strategy for matured projects, while providing stable income streams over the long term.

**BUSINESS OUTLOOK**

**SINGAPORE**

2015 is expected to be another challenging year. Global growth will be affected by uncertain economic prospects in the Eurozone and Japan. Despite the global headwinds, the Singapore economy is expected to expand by 2-4% in 2015. As the government is unlikely to lift the property cooling measures soon, the residential market is expected to stay subdued.

Conversely, the Grade A office market is expected to enjoy robust rental growth in 2015 on limited new supply (0.7 million sf compared to 2.5 million sf in 2014).

**SIGNIFICANT EVENTS**

**September**

- Keppel REIT entered into an agreement with Bayfront Development Pte Ltd to acquire a one-third interest in MBFC Tower 3.
- Keppel Land entered into an agreement to sell its 80% effective shareholding in BG Junction to Silverise Enterprise Ltd and PT Pelangi Arjuna.
- Keppel REIT completed the sale of its interest in Prudential Tower.

**October**

- Keppel Land embarked on developing an office tower and expanding the retail space in a mixed-use development in Manila.
- Keppel Land announced the redevelopment of International Financial Centre Jakarta Tower 1.
- Keppel Land announced the divestment of its 51% interest in Al Mada Towers in Jeddah, Saudi Arabia.

**November**

- Keppel Land announced the proposed divestment of its 30% interest in the data centres S25 and T25 to Keppel DC REIT.

**December**

- Keppel Land acquired a 40% stake in a Grade A office tower in Yangon.
- Keppel Land acquired a 75% stake in retail management company Array Real Estate.
Economic growth, rising urbanisation and a growing middle-class population will continue to drive demand for quality homes and prime commercial space in Asia. Growth in China’s GDP is expected to slow about to 7% in 2015. Nevertheless, policy easing in China is expected to translate into a gradual recovery for the residential market.

In Vietnam, as part of the government’s efforts to overhaul the financial system, banks have been increasing lending and that has helped to stimulate the economy. Coupled with the new foreign property ownership law, which will be effective from 1 July 2015, Vietnam’s housing market is expected to improve. This should translate into a healthy boost in demand for our Vietnam properties.

Keppel Land will continue to exercise discipline, monitor the markets closely and time its new residential launches to ride on the market recovery in Asia.

FUND MANAGEMENT
Keppel REIT is expected to see healthy rental reversions for its quality portfolio of buildings in prime CBD locations. Alpha will continue to actively manage its funds and seek out potential acquisition and divestment opportunities. Building on its leading position in Asia, it will explore new initiatives and products to enhance returns to its investors.

Capitalising on its strong-cash, low-debt position, Keppel Land will continue to seek out new investments as well as look into its existing property portfolio for growth opportunities.
The Sino-Singapore Tianjin Eco-City (Sino-Singapore Eco-City) is home to about 20,000 residents and has attracted around 1,400 registered companies. In 2014, 478 new companies registered in the Sino-Singapore Eco-City, with registered capital of RMB12.1 billion. Notably, four new schools were opened in 2014, bringing the total number of students in the city to over 2,300. In addition, survey works have started on the Z4 line, a key light rail link connecting the Sino-Singapore Eco-City to the rest of Tianjin Binhai New Area, and construction is scheduled to begin in 2015.

Keppel leads the Singapore consortium, and works in tandem with its Chinese partner to guide our 50-50 joint venture – the Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (SSTEC) in its role as the master developer of the Sino-Singapore Eco-City.

During the year, more than 4,000 homes were sold in the Sino-Singapore Eco-City, of which 1,731 were from projects under SSTEC. In October 2014, the removal of home-purchase restrictions and relaxation of mortgage policies gave a significant boost to home sales.

Top leaders including China’s Minister of Housing and Urban-Rural Development Chen Zhenggao and Singapore’s Minister in the Prime Minister’s Office and Second Minister for Foreign Affairs and the Environment and Water Resources, Grace Fu visited the Sino-Singapore Eco-City in 2014 and recognised the project’s progress and achievements. Significantly, China’s State Council approved the implementation plan for it to be China’s first National Green Development Demonstration Zone. The development was also named a “National Green Building Base” by the China Green Building Council in 2014.

CONTRIBUTING TOWARDS SUSTAINABLE DEVELOPMENT

Keppel continued to invest and participate in the growth of the Sino-Singapore Eco-City through its various business units. As at end January 2015, about 92% of 1,363 launched units in Keppel’s Seasons Park have been sold. Seasons Garden, comprising 1,190 apartments, has sold 26% of 128 launched units as at end-January 2015. Waterfront Residence, which comprises 341 low-rise homes, will launch its first phase in 2015.

Meanwhile, Phase 1 of Seasons City, a mixed-use development, is targeted for completion in 2017.

Keppel Telecommunications & Transportation has completed construction of its logistics distribution centre in the Eco-Industrial Park while Keppel Infrastructure’s water reclamation plant will start commercial operations in 2015. In the Eco-Business Park, Keppel’s district heating and cooling system plant has been operating well since 2013, and is able to maximise the utilisation of geothermal energy. The plant is also pursuing the possibility of tapping on waste heat to further improve the heating production efficiency.

During the year, Keppel Offshore & Marine signed a Memorandum of Understanding to set up a technology centre in the Sino-Singapore Eco-City.
INVESTMENTS

We are focused on delivering value to shareholders and seeking growth opportunities.

PROFIT BEFORE TAX

$55m
as compared to FY 2013’s $80 million.

NET PROFIT

$43m
as compared to FY 2013’s $54 million.

MAJOR DEVELOPMENTS IN 2014

k1 Ventures completed the sale of Long Haul Holding Corp (Helm) and distributed total dividends of 7.5 cents per share in 2014.

KrisEnergy grew its portfolio to 19 contract areas in Southeast Asia, 12 of which are operated by the company.

M1 launched a nationwide 300Mbps 4G network, and introduced a fibre cloud-based data centre with enhanced offerings to enterprise customers.

FOCUS FOR 2015/2016

k1 Ventures will manage its investment portfolio to create shareholder value and distribute excess cash as and when its investments are monetised.

KrisEnergy will focus on executing its planned development projects, maximising production efficiencies and controlling capital expenditure.

M1 will focus on delivering better user experience to further increase market competitiveness.
EARNINGS REVIEW
Pre-tax earnings from the Investments Division decreased by $25 million or 31% to $55 million for the year due mainly to higher overheads. This was partly offset by profit from disposal of investments and write-back of impairment of investments. Net profit was $43 million for FY 2014, compared to $54 million for the previous year.

K1 VENTURES
k1 Ventures (k1) is an investment company with interests in education and financial services.

For the financial year ended 30 June 2014, k1 reported revenue from continuing operations of $32 million, a decrease of $64 million compared to the prior year. This was due to the absence of divestment gains from McMoRan Exploration Company in FY2013, and a decrease in investment income from Knowledge Universe Holdings LLC.

Operating profit from continuing operations was $26 million compared to $65 million in the prior year. EBITDA from continuing operations of $26 million was $40 million below the prior year as a result of lower investment income. Net profit from continuing operations attributable to shareholders was $20 million compared to $52 million in the prior year.

For FY 2014, k1 paid total dividends of 7.5 cents per share to shareholders, increasing cumulative distributions to shareholders to 33.8 cents per share or more than $700 million since 2005.

In December 2014, TPG Capital’s Newbridge Asia Advisors IV sold all of its economic interests in China Grand Automotive Services Co Ltd (China Grand Auto), including k1’s entire interest in China Grand Auto. The proceeds of approximately US$32 million received from the sale will be distributed to shareholders as an interim dividend of 1.5 cents per share on 12 February 2015.

k1’s investment in Guggenheim Capital continued to perform as expected, with a delivery of a 7% annual dividend from the Preferred Units.

KrisEnergy has 19 oil and gas assets in Bangladesh, Cambodia, Indonesia, Thailand and Vietnam as at end-2014.

KrisEnergy
2014 marked a step change for KrisEnergy Ltd, a Singapore-listed independent Exploration and Production (E&P) operator in the upstream oil and gas industry. During the year, KrisEnergy expanded its portfolio of operated assets, made advances in several oil and gas development projects, and reported...
strong growth in its production and proved plus probable (2P) reserves.

Average net production increased 161% to 7,612 barrels of oil equivalent per day (boepd) as a result of a full-year’s contribution from the Bangora gas field in Block 9 onshore Bangladesh, which accounted for 5,477 boepd. The B8/32 and B9A oil and gas fields in the Gulf of Thailand produced an average of 2,134 boepd net to the company in 2014.

Improved reservoir performance at the Bangora field also partly contributed to a 120% uplift in KrisEnergy’s 2P reserves to 71.0 million barrels of oil equivalent (mmboe) as at 31 December 2014. Other additions stemmed from the conversion of best estimate contingent (2C) resources to 2P reserves associated with the Wassana oil discovery in Block G10/48 in the Gulf of Thailand and the Lengo gas accumulation in the Bulu production sharing contract (PSC) offshore East Java, Indonesia.

KrisEnergy increased its working interest in G10/48 to 100% from 25% in May 2014 and took over operatorship of this block, which contains three oil discoveries including Wassana. Presently under development, the Wassana project accounted for 13.6 mmboe of the increase in KrisEnergy’s 2P reserves. The field is expected to commence operations in 2H 2015, with production reaching a plateau of about 10,000 barrels of oil per day.

The Lengo gas field in the Bulu PSC accounted for 25.4 mmboe of the growth in 2P reserves, following the approval of the development plan by the Indonesian authorities in December 2014. The development comprises an initial four producing wells, an unmanned wellhead platform and a 65km pipeline to transport the gas to shore. The production of the Lengo gas field is expected to start in 2017.

PORTFOLIO GROWTH
KrisEnergy’s other acquisitions in 2014 included a 41.7% non-operated working interest in Block A Aceh onshore Sumatra, Indonesia. The field contains three gas discoveries with an approved development plan and associated 2C resources of 30.4 mmboe.

The company acquired an additional 30% working interest in Cambodia Block A in the Gulf of Thailand and took over as operator. It is now negotiating with the Cambodian authorities over the development of the Apsara oil field.

During the year, KrisEnergy received direct government awards for projects which it operates such as the Sakti PSC offshore East Java and Block 115/09 offshore north-central Vietnam. It also took a 45% non-operated working interest in the SS-11 exploration acreage offshore Bangladesh.

The company’s portfolio comprised 19 contract areas at the end of 2014 in Bangladesh, Cambodia, Indonesia, Thailand and Vietnam. It operates 12 of the blocks, which contain a combination of exploration and appraisal targets, development projects and producing fields.

BUSINESS OUTLOOK
The precipitous fall in global benchmark oil prices since June 2014 to under US$50 a barrel has been sorely felt throughout the E&P, oil services and marine industries across all geographies.

Despite the turbulence in the oil markets, KrisEnergy’s strategy of portfolio diversification across a wide range of fiscal and regulatory regimes, and its business expansion within the oil and gas industry, provides some cushion against the lower oil prices.

KrisEnergy’s 2014 production profile was 18% oil versus 82% gas, where gas sales in Asia are under long-term contract at either a fixed price as in the case of Bangladesh or adjusted every six months as in Thailand.

The company remains on track to execute all its planned development projects starting with the Nong Yao and Wassana oil fields in the Gulf of Thailand in 2H 2015, followed by two gas fields
M1 has partnered operators globally to provide its customers coverage and roaming services in over 230 countries and territories.

In Indonesia in 2017. With limited near-term exploration obligations under its concessions, KrisEnergy is able to adjust its work programme to maximise production efficiencies and control capital expenditure. It will also explore possible cost savings without compromising its operations and health and safety standards.

M1
As at end-2014, M1's mobile customer base was 1.85 million. Its postpaid customer base grew 19,000 to 1.15 million, with the number of customers on tiered data plans increasing to 66%, from 49% a year ago. The prepaid segment was impacted by a regulatory change in April 2014 that reduced the number of pre-paid SIM cards per customer from ten to three, and as a result, M1's prepaid customer base decreased to 703,000. Fibre customer base increased by 18,000 to 103,000, driven by M1's attractive fibre broadband plans and upgraded service offerings.

During the year, M1 continued to enhance the customer experience through the introduction of faster networks, including the launch of Singapore's first nationwide 300Mbps LTE-Advanced network. Corporate customers were able to enjoy the benefits of fibre services through M1's attractively priced 500Mbps and 1Gbps plans, and all new 10Gbps service, the fastest fibre service on the Next Generation Nationwide Broadband Network (NGNBN) that was made available in May 2014 to cater to corporate customers with high-bandwidth needs such as banks and cloud-service providers. M1 also launched a new state-of-the-art data centre in October 2014, alongside a suite of attractive cloud-based solutions, further broadening its proposition to the corporate segment.

Based on current economic outlook and barring unforeseen circumstances, M1 estimates moderate growth in net profit after tax for 2015.
FINANCIAL REVIEW & OUTLOOK

We will build on our core strengths in execution excellence, technology innovation as well as financial discipline to sustain value creation.

TOTAL ASSETS

$31.6b

Mainly due to higher working capital for the Offshore & Marine and Property divisions.

TOTAL CASH DIVIDEND PER SHARE

48cts

Total cash dividend for the year was about $870 million.

PROSPECTS

The fall in oil prices, the expected reduction in global oil and gas upstream spending and the projected oversupply of oil rigs has created a challenging environment. The Offshore & Marine (O&M) Division secured $5.5 billion of orders for the year, bringing its net order book at the end of 2014 to $12.5 billion with deliveries extending into 2019. The healthy order book will keep the yards busy for 2015 and 2016. The global consumption of energy is projected to grow and is expected to sustain the oil and gas business. The O&M Division will continue to leverage technology and innovation to improve its competitive edge as well as productivity and efficiency. It will focus on expanding its Near Market, Near Customer strategy.

In the Infrastructure Division, Keppel Infrastructure (KI) will remain focused on its power and gas, as well as its other energy-related infrastructure businesses. KI’s planned disposal of its 51% stake in the Keppel Merlimau Cogen Pte Ltd, which owns the 1,300 MW co-generation plant, to Keppel Infrastructure Trust (KIT) will unlock capital and position it to capture new growth opportunities. Keen competition is likely to persist in the electricity market but KI’s integrated gas-to-power business platform will enable it to weather the challenges ahead. Keppel Telecommunications & Transportation (Keppel T&T) will continue to develop both logistics and data centre businesses locally and overseas. It will also focus on growing a pipeline of quality data centre assets for injection into the newly-listed Keppel DC REIT.

During the year, the Property Division sold about 300 homes in Singapore and 2,100 homes overseas. Total assets under management by Keppel REIT and Alpha stood at $18.7 billion as at end-2014. The Division will continue to maintain its presence in its core and growth markets while seeking to invest opportunistically. It also seeks to strengthen its commercial portfolio overseas.

The Group will continue to execute its multi-business strategy, building on its core strengths and strong foundations, while staying agile to seize new opportunities.
SHAREHOLDER RETURNS
Despite higher net profits, Return on Equity (ROE) was lower at 18.8% for 2014 due mainly to higher equity.

The Company will be distributing a total cash dividend of 48 cents per share for 2014 comprising a final proposed cash dividend of 36 cents per share and the interim cash dividend of 12 cents per share distributed in 3Q 2014. Total cash dividend for 2014 represents 46% of Group net profit. On a per share basis, it translates into a gross yield of 5.4% on the Company’s last transacted share price of $8.85 as at 31 December 2014. Over the past six years, total distribution payout represents 40% to 83% of Group net profit.

ECONOMIC VALUE ADDED (EVA)
In 2014, EVA rose by $636 million to $1,778 million. This was attributable to higher operating profit, partially offset by higher capital charge.

The increase in operating profit was due to better operating results from the Offshore & Marine and Infrastructure Divisions, as well as divestment gains from investment properties and data centre assets.

Capital charge increased by $36 million as a result of higher Weighted Average Cost of Capital (WACC) and higher Average EVA Capital, partially offset by the adjustment for surplus cash. WACC increased from 6.00% to 6.45% mainly due to an increase in risk-free rate and pre-tax cost of debt. Average EVA Capital increased by $297 million from $18.93 billion to $19.23 billion.

The Group registered positive EVA since 2004, which reflects the Group’s commitment to maximise shareholders’ value through effective and efficient management of resources.

FINANCIAL POSITION
Group shareholders’ funds increased from $9.70 billion at 31 December 2013 to $10.38 billion at 31 December 2014. The increase was mainly attributable to the retained profits for 2014, partially offset by payment of final dividend of 30 cents per share for FY 2013 and tax-exempt one-tier interim dividend of 12 cents per share for 1H 2014, fair value loss on available-for-sale assets and cash flow hedges, and share buybacks during the year.

Group total assets of $31.55 billion at 31 December 2014 was $1.50 billion or 5% higher than the previous year end. Increase in current assets was partially offset by decrease in non-current assets.
### EVA

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit after tax (Note 1)</th>
<th>2014</th>
<th>14 vs 13</th>
<th>2013</th>
<th>13 vs 12</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$ million</td>
<td>+/-(-)</td>
<td>$ million</td>
<td>+/-(-)</td>
<td>$ million</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>2,769</td>
<td>+794</td>
<td>1,975</td>
<td>-278</td>
<td>2,253</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>1,975</td>
<td>-794</td>
<td>2,253</td>
<td>+278</td>
<td>1,975</td>
</tr>
</tbody>
</table>

#### Adjustment for:

- **Interest expense**: 133 (+31) 164 (-16) 180
- **Interest expense on non-capitalised leases**: 23 (+7) 16 (-) 16
- **Tax effect on interest expense adjustments (Note 2)**: (27) (-2) (25) (+4) (29)
- **Provisions, deferred tax, amortisation & other adjustments**: 52 (-96) 148 (+125) 23

#### Net Operating Profit After Tax (NOPAT)

- 2014: 2,950 (+672) 2,278 (-165) 2,443

#### Average EVA Capital Employed (Note 3)

- 2014: 19,231 (+297) 18,934 (+2,223) 16,711

#### Weighted Average Cost of Capital (Note 4)

- 2014: 6.45% (+0.45%) 6.00% (-0.06%) 6.06%

#### Adjustment for surplus cash (Note 5)

- 2014: -68 (-68) - - -

#### Economic Value Added

- 2014: 1,778 (+636) 1,142 (-288) 1,430

### Notes:

1. Profit after tax excludes net revaluation gain on investment properties.
2. The reported current tax is adjusted for statutory tax impact on interest expenses.
3. Average EVA Capital Employed is derived from the quarterly averages of net assets, interest-bearing liabilities, timing provisions, present value of operating leases and other adjustments.
4. Weighted Average Cost of Capital is calculated in accordance with the Keppel Group EVA Policy as follows:
   i. Cost of Equity using Capital Asset Pricing Model with market risk premium set at 5.5% (2013: 6.0%)
   ii. Risk-free rate of 2.45% (2013: 1.32%) based on yield-to-maturity of Singapore Government 10-year Bonds
   iii. Unlevered beta at 0.83 (2013: 0.83)
   iv. Pre-tax Cost of Debt at 1.58% (2013: 0.89%) using 5-year Singapore Dollar Swap Offer Rate plus 45 basis points (2013: 80 basis points)
5. For FY 2014, capital charge on surplus cash of $1,939 million was at the concession rate of 2.93% instead of WACC of 6.45%. This was due to the accumulation of surplus cash resulting from the advanced borrowing programme.

Higher current assets were mainly due to reclassification of the Keppel Merlimau Cogen power plant from fixed assets to assets classified as held for sale, higher stocks and work-in-progress for the O&M Division, acquisitions of development sites and expenditure incurred for development projects for the Property Division, and higher debtors arising from the O&M and Property divisions. The increase in current assets was partially offset by repayment of advances due from associated companies.

Lower non-current assets were due mainly to decreases in fixed assets, investment properties and associated companies. Lower fixed assets were largely due to reclassification of the Keppel Merlimau Cogen power plant to assets classified as held for sale, sale of data centre assets by the Infrastructure Division, partly offset by construction of logistics warehouses and other operational capital expenditure. Lower investment properties were mainly due to the sale of Equity Plaza.

### TOTAL ASSETS OWNED ($ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed assets</th>
<th>Properties</th>
<th>Investments</th>
<th>Stocks &amp; work-in-progress</th>
<th>Debtors &amp; others</th>
<th>Bank balances, deposits &amp; cash</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3,337</td>
<td>5,423</td>
<td>5,909</td>
<td>7,661</td>
<td>2,822</td>
<td>4,055</td>
<td>29,207</td>
</tr>
<tr>
<td>2013</td>
<td>3,798</td>
<td>2,188</td>
<td>6,192</td>
<td>8,995</td>
<td>3,318</td>
<td>5,565</td>
<td>30,056</td>
</tr>
<tr>
<td>2014</td>
<td>2,673</td>
<td>1,988</td>
<td>5,718</td>
<td>10,681</td>
<td>4,759</td>
<td>5,736</td>
<td>31,555</td>
</tr>
</tbody>
</table>

KEPPEL CORPORATION LIMITED
Report to Shareholders 2014
Lower associated companies were mainly from dividends received from associated companies and sale of Marina Bay Financial Centre (MBFC) Tower 3, partly offset by share of the associated companies’ profits.

Group total liabilities of $16.83 billion at 31 December 2014 were $0.46 billion or 3% above that as at 31 December 2013. This was due mainly to higher borrowings taken up for working capital requirements, increase in creditors from higher billings by suppliers offset by lower billings on work-in-progress in excess of related costs in the O&M and Infrastructure Divisions.

Group net debt of $1.65 billion is $0.11 billion higher than that as at 31 December 2013 due mainly to borrowings for land acquisition in the Property Division, dividend payments (by the Company and its listed subsidiaries) and other operational and capital expenditure requirements. The higher debts were partly offset by net proceeds from disposals of Equity Plaza, MBFC Tower 3, data centre assets and Keppel FMO Pte Ltd, and repayment of advances due from associated companies.

**TOTAL LIABILITIES OWED & CAPITAL INVESTED ($ million)**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ funds</td>
<td>9,246</td>
<td>9,701</td>
<td><strong>10,381</strong></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>4,332</td>
<td>3,988</td>
<td><strong>4,347</strong></td>
</tr>
<tr>
<td>Creditors</td>
<td>8,059</td>
<td>8,825</td>
<td><strong>9,178</strong></td>
</tr>
<tr>
<td>Term loans &amp; bank overdrafts</td>
<td>7,208</td>
<td>7,100</td>
<td><strong>7,383</strong></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>362</td>
<td>442</td>
<td><strong>266</strong></td>
</tr>
<tr>
<td>Total</td>
<td>29,207</td>
<td>30,056</td>
<td><strong>31,555</strong></td>
</tr>
</tbody>
</table>

**TOTAL SHAREHOLDER RETURN (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Keppel</th>
<th>STI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>32.5</td>
<td>19.3</td>
</tr>
<tr>
<td>2006</td>
<td>65.3</td>
<td>32.4</td>
</tr>
<tr>
<td>2007</td>
<td>51.7</td>
<td>21.0</td>
</tr>
<tr>
<td>2008</td>
<td>(64.4)</td>
<td>(47.1)</td>
</tr>
<tr>
<td>2009</td>
<td>100.8</td>
<td>70.8</td>
</tr>
<tr>
<td>2010</td>
<td>47.0</td>
<td>13.4</td>
</tr>
<tr>
<td>2011</td>
<td>(6.4)</td>
<td>(14.0)</td>
</tr>
<tr>
<td>2012</td>
<td>22.9</td>
<td>23.3</td>
</tr>
<tr>
<td>2013</td>
<td>9.0</td>
<td>3.2</td>
</tr>
<tr>
<td>2014</td>
<td>(17.8)</td>
<td><strong>9.5</strong></td>
</tr>
</tbody>
</table>

10-year CAGR TSR as at 2014
Keppel 13.7%
STI 7.6%

Source: Bloomberg
TOTAL SHAREHOLDER RETURN (TSR)
Keppel is committed to deliver value to shareholders through earnings growth. Towards achieving this, the Group will rely on its multi-business strategy and its core strengths, build on what it had done successfully and seize new opportunities when they arise.

Our 2014 TSR of negative 17.8% was 27.3 percentage points below the benchmark Straits Times Index’s (STI) TSR of positive 9.5%. This was mainly due to a decrease in Keppel’s share price as at end-2014 arising from the sharp decline in oil prices. However, the Company’s Compounded Annual Growth Rate (CAGR) TSR over the past ten years of 13.7% was higher than STI’s CAGR TSR of 7.6%.

CASH FLOW
To better reflect its operational free cash flow, the Group has excluded expansionary acquisitions (e.g. investment properties) and capital expenditure (e.g. building of new logistics or data centre facilities), meant for long-term growth for the Group, and major divestments.

Net cash from operating activities dropped by 99% to $5 million for 2014 as compared to $637 million for 2013. This was due mainly to higher working capital requirements from the Offshore & Marine and Property divisions.

After excluding expansionary acquisitions, capital expenditure and major divestments, net cash from investment activities was $724 million. The Group spent $662 million on investments and operational capital expenditure, mainly for the Offshore & Marine Division. After taking into account the proceeds from divestments and dividend income of $1,386 million, the free cash inflow was $729 million.

Total distribution to shareholders of the Company and non-controlling shareholders of subsidiaries for the year amounted to $1,029 million.

FINANCIAL RISK MANAGEMENT
The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines. These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer of the Company and includes Chief Financial Officers of the Group’s key operating companies and Head Office specialists.

The Group’s financial risk management is discussed in more detail in the notes to the financial statements. In summary:

- The Group has receivables and payables denominated in foreign currencies viz US dollars, European and other Asian currencies. Foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against Singapore dollar, which is the Group’s measurement currency. The Group utilises forward foreign currency contracts to hedge its exposure to specific currency risks relating to receivables and payables. The bulk of these foreign forward currency contracts are entered into to hedge any excess US dollars arising from the Offshore & Marine contracts based on the expected timing of receipts. The Group does not engage in foreign currency trading.
- The Group hedges against price fluctuations arising on purchase of natural gas. Exposure is managed via fuel oil forward contracts, whereby

FREE CASH FLOW

<table>
<thead>
<tr>
<th></th>
<th>2014 $ million</th>
<th>2013 $ million</th>
<th>2012 $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>2,373</td>
<td>2,134</td>
<td>2,621</td>
</tr>
<tr>
<td>Depreciation, amortisation &amp; other non-cash items</td>
<td>(261)</td>
<td>(214)</td>
<td>19</td>
</tr>
<tr>
<td>Cash flow provided by operations before changes in working capital</td>
<td>2,112</td>
<td>1,920</td>
<td>2,640</td>
</tr>
<tr>
<td>Working capital changes</td>
<td>(1,779)</td>
<td>(723)</td>
<td>(1,443)</td>
</tr>
<tr>
<td>Interest receipt and payment &amp; tax paid</td>
<td>(328)</td>
<td>(560)</td>
<td>(186)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>5</td>
<td>637</td>
<td>1,011</td>
</tr>
<tr>
<td>Investments &amp; capital expenditure</td>
<td>(662)</td>
<td>(489)</td>
<td>(574)</td>
</tr>
<tr>
<td>Divestments &amp; dividend income</td>
<td>1,386</td>
<td>506</td>
<td>193</td>
</tr>
<tr>
<td><strong>Net cash from investing activities</strong></td>
<td>724</td>
<td>654</td>
<td>630</td>
</tr>
<tr>
<td>Free Cash Flow*</td>
<td>729</td>
<td>654</td>
<td>630</td>
</tr>
</tbody>
</table>

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

Dividend paid to shareholders of the Company & subsidiaries | (1,029) | (843) | (1,001)
the price of natural gas is indexed to a benchmark fuel price indices, High Sulphur Fuel Oil (HSFO) 180-CST and Dated Brent.

- The Group maintains a mix of fixed and variable rate debt/loan instruments with varying maturities. Where necessary, the Group uses derivative financial instruments to hedge interest rate risks. This may include interest rate swaps and interest rate caps.

- The Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

- The Group adopts stringent procedures on extending credit terms to customers and the monitoring of credit risk.

BORROWINGS
The Group borrows from local and foreign banks in the form of short-term and long-term loans, project loans and bonds. Total Group borrowings as at the end of 2014 was $7.4 billion (2013: $7.1 billion and 2012: $7.2 billion). At the end of 2014, 24% (2013: 7% and 2012: 14%) of Group borrowings were repayable within one year with the balance largely repayable more than three years later.

Unsecured borrowings constituted 86% (2013: 87% and 2012: 81%) of total borrowings with the balance secured by properties and other assets. Secured borrowings are mainly for financing of investment properties and project finance loans for property development projects. The net book value of properties and assets pledged/mortgaged to financial institutions amounted to $2.70 billion (2013: $2.90 billion and 2012: $3.10 billion).

Fixed rate borrowings constituted 66% (2013: 53% and 2012: 57%) of total borrowings with the balance at floating rates. The Group has interest rate swap agreements with notional amount totaling $1,138 million whereby it receives variable rates equal to SIBOR and LIBOR and pays fixed rates of between 1.27% and 3.62% on the notional amount. Details of these derivative instruments are disclosed in the notes to the financial statements.

Singapore dollar borrowings represented 65% (2013: 67% and 2012: 82%) of total borrowings. The balances were mainly in US dollars, Renminbi and other Asian currencies. Foreign currency borrowings were drawn to hedge against the Group’s overseas investments and receivables, which were denominated in foreign currencies.

Weighted average tenor of the loan book was around five years at the beginning and end of 2014 with a slight decrease in average cost of funds.

CAPITAL STRUCTURE & FINANCIAL RESOURCES
The Group maintains a strong balance sheet and an efficient capital structure to maximise return for shareholders. The strong operational cash flow of the Group and divestment proceeds from low yielding and non-core assets will provide resources to grow the Group’s businesses.

Every new investment will have to satisfy strict criteria for best risk-adjusted return on investment, cash flow generation, EVA creation and risk management. New investments will be structured with an appropriate mix of equity and debt after careful evaluation and management of risks.

CAPITAL STRUCTURE
Capital employed at the end of 2014 was $14.73 billion as compared to $13.69 billion as at end 2013 and $13.58 billion as at end 2012. The Group was in a net debt position of $1,647 million as at end of 2014, which was slightly above the $1,535 million as at end of 2013 and an improvement from the net debt position of $3,153 million at the end of 2012. The Group’s net gearing ratio was 0.11 times at the end of 2014, same as that of end-2013.

Interest coverage was 18.52 times in 2012, decreasing to 13.89 times in 2013 and then increasing to 15.35 times in 2014. Interest coverage in 2014 was higher due to higher EBIT and lower interest costs.

Cash flow coverage dropped from 6.50 times in 2012 to 3.97 times in 2013 and 1.11 times in 2014. This was mainly due to lower operating cash flows in 2014.

At the Annual General Meeting in 2014, shareholders gave their approval for mandate to buy back shares. During the year, 5,932,000 shares were bought back and held as treasury shares. There was no sale, transfer, disposal, cancellation and/or use of treasury shares during the year.

<table>
<thead>
<tr>
<th>DEBT MATURITY ($ million)</th>
<th>1.796 (24%)</th>
<th>137 (2%)</th>
<th>951 (13%)</th>
<th>1,412 (19%)</th>
<th>897 (12%)</th>
<th>2,190 (30%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1 year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - 2 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 - 3 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 - 4 years</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>4 - 5 years</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 5 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FINANCIAL RESOURCES
The Group continues to be able to tap into the debt capital market at competitive terms.
As part of its liquidity management, the Group has built up adequate cash reserves and short-term marketable securities as well as sufficient undrawn banking facilities and capital market programme. Funding of working capital requirements, capital expenditure and investment needs was made through a mix of short-term money market borrowings and medium/long-term loans and bonds and through the equity capital market.

The Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time. Cash flow, debt maturity profile and overall liquidity position is actively reviewed on an ongoing basis.

As at end of 2014, total funds available and unutilised facilities amounted to $11.02 billion (2013: $9.40 billion).

CRITICAL ACCOUNTING POLICIES
The Group’s significant accounting policies are discussed in more detail in the notes to the financial statements. The preparation of financial statements requires management to exercise its judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions which affect the reported amounts of assets, liabilities, income and expenses. Critical accounting estimates and judgment are described below.

IMPAIRMENT OF LOANS AND RECEIVABLES
The Group assesses at each balance sheet date whether there is any objective evidence that a loan and receivable is impaired.

The Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. When there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of trade, intercompany and other receivables are disclosed in the balance sheet. As at 31 December 2014, the Group had credit risk exposure to an external group of companies for receivables that are past due. Management had considered any changes in the credit quality of the debtors when determining the allowance for doubtful

NET CASH/(GEARING)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Cash / (Debt)</th>
<th>Capital Employed</th>
<th>Net Cash / (Gearing)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>(3,153)</td>
<td>13,578</td>
<td>0.23</td>
</tr>
<tr>
<td>2013</td>
<td>(1,535)</td>
<td>13,689</td>
<td>0.11</td>
</tr>
<tr>
<td>2014</td>
<td>(1,647)</td>
<td>14,728</td>
<td>(0.11)</td>
</tr>
</tbody>
</table>

INTEREST COVERAGE

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT</th>
<th>Total Interest Cost</th>
<th>Interest Cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3,391</td>
<td>183</td>
<td>18.52</td>
</tr>
<tr>
<td>2013</td>
<td>2,918</td>
<td>210</td>
<td>13.89</td>
</tr>
<tr>
<td>2014</td>
<td>3,023</td>
<td>197</td>
<td>15.35</td>
</tr>
</tbody>
</table>

CASH FLOW COVERAGE

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Cash Flow + Interest</th>
<th>Total Interest Expense + Interest Capitalised</th>
<th>Cash Flow Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,190</td>
<td>183</td>
<td>6.50</td>
</tr>
<tr>
<td>2013</td>
<td>835</td>
<td>210</td>
<td>3.97</td>
</tr>
<tr>
<td>2014</td>
<td>219</td>
<td>197</td>
<td>1.11</td>
</tr>
</tbody>
</table>
receivables. Management performs on-
going assessments on the ability of its debtors to repay the amounts owing to the Group. These assessments include the review of the customers’ credit standing and the ability of customers to secure long-term financing for the ongoing projects. Management had assessed that no allowance for doubtful debt is required.

**IMPAIRMENT OF AVAILABLE-FOR- SALE INVESTMENTS**
The Group follows the guidance of FRS 39 in determining whether available-for-sale investments are considered impaired. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and the near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. The fair values of available-for-sale investments are disclosed in the balance sheet.

**IMPAIRMENT OF NON-FINANCIAL ASSETS**
Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of fixed assets, investment properties and intangibles are disclosed in the balance sheet.

**REVENUE RECOGNITION**
The Group recognises contract revenue based on the percentage of completion method. The stage of completion is measured in accordance with the accounting policy stated in Note 2(q) of the financial statements. Significant assumptions are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts. In making the assumption, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 24 of the financial statements.

Revenues arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

**INCOME TAXES**
The Group has exposure to income taxes in numerous jurisdictions. Significant assumptions are required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of taxation and deferred taxation are disclosed in the balance sheet.

**CLAIMS, LITIGATIONS AND REVIEWS**
The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

**CONTROL OVER KEPPEL REIT**
The Group has approximately 45% gross ownership interest of units in Keppel REIT as at 31 December 2014 and 2013. Keppel REIT is managed by Keppel REIT Management Limited (KRML), a wholly-owned subsidiary of the Group. The Group has provided an undertaking to the trustee of Keppel REIT to grant the unitholders the right to endorse or re-endorse the appointment of directors of KRML at the annual general meetings of Keppel REIT. The Group has determined that it continues to have significant influence over Keppel REIT.

**CONTROL OVER KIT**
The Group has 49% gross ownership interest of units in KIT as at 31 December 2014 and 2013. Determining whether the Group has control over KIT requires management to exercise its judgment. In exercising its judgment, management considers the proportion of its voting rights and whether it can control the relevant activities of KIT. The business purpose and relevant activities of KIT are stated in the Deed of Trust which requires a special resolution to amend. In addition, the Board of Directors of KIT/Keppel Infrastructure Fund Management Pte Ltd, its trustee-manager, comprises more than 50% independent directors. Management concluded that the Group does not have sufficient dominant vesting interest to exert control over KIT and the Deed of Trust and therefore the Group only has significant influence over KIT.

**FINANCIAL CAPACITY**

<table>
<thead>
<tr>
<th></th>
<th>$ million</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at Corporate Treasury</td>
<td>4,016</td>
<td>70% of total cash of $5.74 billion</td>
</tr>
<tr>
<td>Credit facilities extended to the Group</td>
<td>7,004</td>
<td>Credit facilities of $9.17 billion, of which $2.17 billion was utilised</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,020</strong></td>
<td></td>
</tr>
</tbody>
</table>

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