

KEPPEL CORPORATION LIMITED

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

FIRST QUARTER 2007 FINANCIAL STATEMENT**TABLE OF CONTENTS**

<u>Paragraph</u>	<u>Description</u>	<u>Page</u>
	EXECUTIVE CHAIRMAN'S REMARKS	I-II
	FINANCIAL STATEMENT	1 – 16
1	GROUP PROFIT AND LOSS ACCOUNT	1
2	BALANCE SHEETS	3
3	CONSOLIDATED CASHFLOW STATEMENT	5
4	STATEMENTS OF CHANGES IN EQUITY	7
5	AUDIT	9
6	AUDITORS' REPORT	9
7	ACCOUNTING POLICIES	10
8	CHANGES IN THE ACCOUNTING POLICIES	10
9	REVIEW OF GROUP PERFORMANCE	10
10	VARIANCE FROM PROSPECT STATEMENT	11
11	PROSPECTS	11
12	DIVIDEND / CAPITAL DISTRIBUTION	12
13	SEGMENT ANALYSIS	13
14	REVIEW OF SEGMENT PERFORMANCE	15
15	INTERESTED PERSON TRANSACTIONS	16
	CONFIRMATION BY THE BOARD	17

KEPPEL CORPORATION LIMITED

Executive Chairman's Remarks

FIRST QUARTER ENDED 31 MARCH 2007

Welcome to this web-cast presentation of Keppel Corp's 1Q 2007 results.

Financial Performance

I am pleased to report that the Group achieved a PATMI of \$252m in 1Q 2007. This is an increase of 48% over the PATMI for the same period last year. We continued to improve on all our Key Performance Indicators (KPIs). Mr Teo Soon Hoe will update you with more details in a moment. Based on our performance for 1Q, I believe that our balance sheet strength coupled with strong cashflows from operations will enable us to continue to seize opportunities as they arise.

Growing Beyond – markets and customers

During the first quarter, we continued to leverage on resources across our various businesses to successfully pursue growth opportunities. Let me elaborate and highlight the networks and synergies that we continuously harness as a Group.

We achieved another inroad into the Middle East market. Keppel Offshore & Marine (KOM) will be developing a new shipyard in Qatar with its partner, Qatar Gas Transport Company. We will provide our expertise to design, build and manage the yard. This strategic initiative will further entrench our participation in the growing LNG market, in which KOM is currently converting the world's first LNG Floating Storage Re-gasification Unit (FSRU), as well as in FPSO and FSO conversions. Meanwhile, Keppel Integrated Engineering (KIE) is progressing well on the integrated solid waste management facility in Qatar, following its successful \$1.7bn contract win in September last year. We are studying the opportunities for our other business units now that we have a strategic beach head in the Middle East.

Likewise, the Group is also well positioned to leverage on Vietnam's strong economic growth. It is a market in which the Keppel brand name is already widely recognized and highly regarded. We were amongst the early businesses to establish a presence there. Over the last two months, Keppel Land has sewn up two more joint ventures to build prime residential homes in Ho Chi Minh City. In March this year, KOM delivered Vietnam's first fully-owned jackup rig to PetroVietnam two months ahead of schedule. PetroVietnam has indicated their interest in setting up a rig-building yard along the Vietnamese coast in its effort

to develop into a key regional oil and gas hub with their proven oil reserves. We are studying the opportunities for us to be a valued partner in its growth. As it stands, our Oil & Gas arm, Singapore Petroleum Company (SPC) already holds participatory interests in oil and gas acreages in offshore Vietnam.

In the competitive Chinese market, KIE has been steadily strengthening its market leadership. In the last 12-15 months, it has secured several contracts to provide solid waste and water treatment technologies and services in Suzhou, Zhongshan, Changshu, Shenzhen, Tianjin and Jiangyin. These contracts further strengthen Keppel's presence in these markets as Keppel Land already operates in some of these cities.

In summary, the global arena continues to present growth opportunities for the Group. Understanding these markets is an intangible yet valuable competency within Keppel. This, combined with our technology leadership, will enable us to continue to extend our global footprint effectively and efficiently beginning with our home base. As an example, owing to prudent investment and the strong and improving office market in Singapore, Keppel has become the largest developer and operator of prime office space and will remain so over the next few years. This is clearly a result of building on our strong track record as a quality developer of prime office buildings in the Singapore Central Business District. We shall apply this expertise in other key Asian cities and yet maintain our asset-light approach by working with K-REIT and through other similar arrangements.

Over the course of this year, it should become clearer that the Group's earnings will be more broad-based, with higher contributions from Property and Infrastructure. We are pursuing several initiatives that will build even more robustness into our business models. This underscores the very heart of the Group's strategy. It is to build each of our key business units into a strong growth engine providing sustainable earnings.

On this note, I shall now pass over to our Group Finance Director, Soon Hoe, to present the Group's 1Q financial and business performance.

KEPPEL CORPORATION LIMITED

First Quarter 2007 Financial Statement

UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2007

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the first quarter ended 31 March 2007.

1. GROUP PROFIT AND LOSS ACCOUNT for the first quarter ended 31 March 2007

	1Q 2007 \$'000	1Q 2006 \$'000	+/(-) %
Revenue	2,028,217	1,543,643	+31.4
Materials and subcontract costs	(1,490,301)	(1,102,599)	+35.2
Staff costs	(233,507)	(205,686)	+13.5
Depreciation and amortisation	(26,858)	(31,028)	-13.4
Other operating expenses	(36,019)	(28,806)	+25.0
Operating profit	241,532	175,524	+37.6
Investment income	2	15	-86.7
Interest income	20,889	19,162	+9.0
Interest expenses	(15,692)	(3,127)	+401.8
Share of results of associated companies	112,951	63,007	+79.3
Profit before taxation	359,682	254,581	+41.3
Taxation	(65,258)	(48,400)	+34.8
Profit for the period	294,424	206,181	+42.8
Attributable to:			
Shareholders of the Company	251,619	169,825	+48.2
Minority interests	42,805	36,356	+17.7
	294,424	206,181	+42.8
Earnings per ordinary share			
- basic	31.9 cts	21.6 cts	+47.7
- diluted	31.6 cts	21.0 cts	+50.5
Return on equity	19.2 %	17.6%	+9.1
Economic value added	160,000	75,000	+113.3

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

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

	1Q 2007	1Q 2006	+/(-) %
	\$'000	\$'000	
Share-based payment expenses	4,696	4,210	+11.5
Profit on sale of fixed assets	(1,315)	(7,299)	-82.0
Profit on sale of investments (Write-back)/provision	(18,511)	(9,483)	+95.2
- stocks & work-in-progress	(9,032)	(9,389)	-3.8
- doubtful debts	(688)	732	NM
Bad debts recovered	(200)	(23)	+769.6
Stocks written off	22	-	NM
Fair value (gain)/loss			
- Assets at fair value through P&L	(9,160)	(6,340)	+44.5
- Forward contracts	10,029	3,844	+160.9
- Financial derivatives	3,406	(8,584)	NM
Foreign exchange loss	4,814	1,946	+147.4

NM - Not Meaningful

1b. The Group's tax charge included a write-back of provision for deferred tax amounting to \$18 million resulting from the reduction in Singapore corporate tax rate from 20% to 18%.

1c. There was no exceptional item for the period.

1d. Earnings per ordinary share

	1Q 2007	1Q 2006	+/(-) %
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-			
(i) Based on weighted average number of shares	31.9 cts	21.6 cts	+47.7
- Weighted average number of shares ('000)	789,450	785,883	+0.5
(ii) On a fully diluted basis	31.6 cts	21.0 cts	+50.5
- Adjusted weighted average number of shares ('000)	794,578	790,467	+0.5

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

2. BALANCE SHEETS as at 31 March 2007

	Group		Company	
	31.03.07 \$'000	31.12.06 \$'000	31.03.07 \$'000	31.12.06 \$'000
Share capital	985,182	972,926	985,182	972,926
Reserves	3,521,725	3,232,170	2,342,064	2,332,232
Share capital & reserves	4,506,907	4,205,096	3,327,246	3,305,158
Minority interests	1,447,611	1,392,591	-	-
Capital employed	5,954,518	5,597,687	3,327,246	3,305,158
Represented by:				
Fixed assets	1,729,451	1,740,808	5,627	5,680
Investment properties	2,260,058	2,249,216	-	-
Development properties	200,852	197,080	-	-
Subsidiaries	-	-	3,080,847	3,080,896
Associated companies	2,817,442	2,410,716	3,074	3,074
Investments	352,065	275,892	-	-
Long term receivables	162,353	160,720	301,064	300,977
Intangibles	136,453	135,058	-	-
	7,658,674	7,169,490	3,390,612	3,390,627
Current assets				
Stocks & work-in-progress in excess of related billings	2,966,953	2,777,217	-	-
Amounts due from:				
- subsidiaries	-	-	468,858	410,092
- associated companies	299,913	307,968	13	87
Debtors	1,472,792	1,516,259	69,878	82,013
Short term investments	490,746	426,714	-	-
Bank balances, deposits & cash	1,636,664	1,618,558	2,470	520
	6,867,068	6,646,716	541,219	492,712
Current liabilities				
Creditors	2,334,652	2,380,657	54,279	58,885
Billings on work-in-progress in excess of related costs	2,333,627	2,325,319	-	-
Provisions	33,904	29,961	-	-
Amounts due to:				
- subsidiaries	-	-	150,136	194,718
- associated companies	620,848	93,620	8	11
Term loans	635,839	681,635	67,056	-
Taxation	280,952	273,883	19,293	10,182
Bank overdrafts	325	3,351	-	-
	6,240,147	5,788,426	290,772	263,796
Net current assets	626,921	858,290	250,447	228,916
Non-current liabilities				
Term loans	2,175,059	2,272,152	300,000	300,000
Deferred taxation	156,018	157,941	13,813	14,385
	2,331,077	2,430,093	313,813	314,385
Net assets	5,954,518	5,597,687	3,327,246	3,305,158
<i>Group net borrowings</i>	1,174,559	1,338,580	<i>n.a.</i>	<i>n.a.</i>
<i>Group net gearing (times)</i>	0.20x	0.24x	<i>n.a.</i>	<i>n.a.</i>

NOTES TO BALANCE SHEETS

2a. Group's borrowings and debt securities

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

As at 31.03.2007		As at 31.12.2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
295,513	340,651	404,723	280,263

(ii) Amount repayable after one year

As at 31.03.2007		As at 31.12.2006	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
865,842	1,309,217	1,422,696	849,456

(iii) Details of any collateral

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The net book value of properties and other assets pledged/mortgaged to financial institutions amounted to \$2,008,883,000 (31 December 2006: \$1,908,005,000).

2b. Net asset value

	Group			Company		
	31.3.2007	31.12.2006	+/(-)%	31.3.2007	31.12.2006	+/(-)%
Net asset value per ordinary share *	\$5.71	\$5.34	+6.9	\$4.21	\$4.19	+0.5
Net tangible asset per ordinary share *	\$5.53	\$5.17	+7.0	\$4.21	\$4.19	+0.5

* Based on share capital of 789,755,257 ordinary shares as at the end of the period (31 December 2006: 787,992,924 ordinary shares).

2c. Balance sheet analysis

Group shareholders' funds increased from \$4.21 billion at 31 December 2006 to \$4.51 billion at 31 March 2007. The increase was mainly attributable to retained profits for the period and fair value adjustments of financial assets.

Group total assets of \$14.53 billion at 31 March 2007 were \$710 million or 5.1% higher than the previous year-end. The increase in associated companies was attributed to equity accounting for share of profits and further investments in Marina Bay Financial Centre and Premier Data Centres. Stocks & work-in-progress was higher due to expenditure on trading properties and increased activities in Offshore & Marine Division. Investments rose as a result of fair value adjustments of financial assets and purchases in the current period.

Group total liabilities of \$8.57 billion at 31 March 2007 were \$353 million or 4.3% higher than the previous year. Amounts due to associated companies were higher because of increased advances.

Group net borrowings at \$1.17 billion were a reduction of \$164 million from \$1.34 billion at the previous year-end because of strong operational cash flow.

3. CONSOLIDATED CASHFLOW STATEMENT for the first quarter ended 31 March 2007

	Note	1Q 2007 \$'000	1Q 2006 \$'000
OPERATING ACTIVITIES			
Operating profit		241,532	175,524
Adjustments:			
Depreciation and amortisation		26,858	31,028
Share-based payment expenses		4,696	4,210
Profit on sale of fixed assets		(1,315)	(7,299)
Others		(14,266)	-
Operational cash flow before changes in working capital		257,505	203,463
Working capital changes:			
Stocks & work-in-progress		(165,610)	(46,218)
Debtors		28,140	(97,444)
Creditors		(28,700)	247,170
Investments in bonds and shares		(58,439)	21,294
Advances to associated companies		548,442	(39,954)
Translation of foreign subsidiaries		190	1,832
		581,528	290,143
Interest received		20,889	19,162
Interest paid		(15,692)	(3,127)
Income taxes paid		(43,877)	(26,203)
Net cash from operating activities		542,848	279,975
INVESTING ACTIVITIES			
Acquisition of subsidiaries	3a	180	10,840
Acquisition of additional shares in subsidiaries		-	(10,054)
Acquisition and further investment in associated companies		(377,467)	(59,702)
Acquisition of fixed assets and investment properties		(42,158)	(128,632)
Expenditure on development properties		(12,824)	-
Proceeds from disposal of associated companies		14,266	-
Proceeds from disposal of fixed assets		6,139	27,638
Dividends received from investments and associated companies		17,630	8,633
Net cash used in investing activities		(394,234)	(151,277)
FINANCING ACTIVITIES			
Proceeds from share issues		12,256	10,016
Proceeds from minority shareholders of subsidiaries		5,501	3,557
Proceeds from term loans		173,038	101,188
Repayment of term loans		(315,927)	(234,478)
Dividend paid to minority shareholders of subsidiaries		(2,350)	(5,223)
Net cash used in financing activities		(127,482)	(124,940)
Net increase in cash and cash equivalents		21,132	3,758
Cash and cash equivalents as at beginning of period		1,615,207	1,394,034
Cash and cash equivalents as at end of period	3b	1,636,339	1,397,792
<i>Free cashflow</i>		148,614	128,698

NOTES TO CONSOLIDATED CASHFLOW STATEMENT

3a. Acquisition of subsidiaries

The fair values of net assets and liabilities of subsidiaries acquired were as follows:

	1Q 2007 \$'000	1Q 2006 \$'000
Investments	8,286	16,024
Debtors	3	15
Bank balances and cash	941	12,903
Creditors	(23)	(8)
Current & deferred tax	(22)	-
Minority interests	<u>(4,490)</u>	<u>(12,829)</u>
	4,695	16,105
Amount previously accounted for as associated companies	<u>(3,934)</u>	<u>(14,042)</u>
Purchase consideration	761	2,063
Less: Bank balances and cash acquired	<u>(941)</u>	<u>(12,903)</u>
Cash flow on acquisition net of cash acquired	<u>(180)</u>	<u>(10,840)</u>

3b. Cash and cash equivalents

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

	1Q 2007 \$'000	1Q 2006 \$'000
Bank balances, deposits and cash	1,636,664	1,410,395
Bank overdrafts	<u>(325)</u>	<u>(12,603)</u>
	<u>1,636,339</u>	<u>1,397,792</u>

3c. Cashflow analysis

Net cash from operating activities of \$543 million was higher than that of the corresponding quarter in the previous year. The strong operating cash flow was mainly due to the increased operating profit in the current quarter and advances from associated companies.

Net cash used in investing activities for the quarter was \$394 million. The Group spent \$432 million on acquisitions and operational capex. This comprised principally further investments in Marina Bay Financial Centre and other operational capex. Divestment and dividend income totalled \$38 million.

As a result, free cashflow of \$149 million was \$20 million higher than the corresponding quarter last year.

4. STATEMENTS OF CHANGES IN EQUITY for the first quarter ended 31 March 2007

4a. Statement of changes in equity of the Group

	Attributable to equity holders of the Company						
	Share	Capital	Revenue	Foreign	Share	Minority	Capital
	<u>Capital</u>	<u>Reserves</u>	<u>Reserves</u>	<u>Exchange</u>	<u>Capital &</u>	<u>Interests</u>	<u>Employed</u>
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2007							
As at 1 January							
As previously reported	972,926	493,230	2,797,896	(58,956)	4,205,096	1,392,591	5,597,687
Effect of FRS 40	-	(11,975)	11,975	-	-	-	-
As restated	972,926	481,255	2,809,871	(58,956)	4,205,096	1,392,591	5,597,687
Fair value changes on available-for-sale assets	-	51,534	-	-	51,534	1,432	52,966
Fair value changes on cashflow hedges	-	(13,325)	-	-	(13,325)	(329)	(13,654)
Currency translation (loss)/gain	-	-	-	(2,712)	(2,712)	3,234	522
Gain/(loss) not recognised in profit & loss account	-	38,209	-	(2,712)	35,497	4,337	39,834
Net profit for the quarter	-	-	251,619	-	251,619	42,805	294,424
Share-based payment	-	2,439	-	-	2,439	237	2,676
Transfer of statutory, capital and other reserves to revenue reserves	-	94	(435)	341	-	-	-
Dividend paid to minority shareholders	-	-	-	-	-	(2,350)	(2,350)
Cash subscribed by minority shareholders	-	-	-	-	-	5,501	5,501
Acquisition of subsidiaries	-	-	-	-	-	4,490	4,490
Shares issued	12,256	-	-	-	12,256	-	12,256
As at 31 March	985,182	521,997	3,061,055	(61,327)	4,506,907	1,447,611	5,954,518

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

	Attributable to equity holders of the Company							
	Share	Share	Capital	Revenue	Foreign	Share	Minority	Capital
	Capital	Premium	Reserves	Reserves	Translation	Capital &	Interests	Employed
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2006								
As at 1 January	391,903	720,229	345,761	2,192,117	(3,934)	3,646,076	1,288,566	4,934,642
Fair value changes on available-for-sale assets	-	-	25,034	-	-	25,034	(3,606)	21,428
Fair value changes on cashflow hedges	-	-	72,762	-	-	72,762	44	72,806
Currency translation loss	-	-	-	-	(30,032)	(30,032)	(12,097)	(42,129)
Gain/(loss) not recognised in profit & loss account	-	-	97,796	-	(30,032)	67,764	(15,659)	52,105
Net profit for the quarter	-	-	-	169,825	-	169,825	36,356	206,181
Share-based payment	-	-	4,804	-	-	4,804	157	4,961
Transfer of statutory, capital and other reserves to revenue reserves	-	-	51	(51)	-	-	-	-
Share of capital reserves of an associated company	-	-	(849)	-	-	(849)	-	(849)
Dividend paid to minority shareholders	-	-	-	-	-	-	(5,223)	(5,223)
Cash subscribed by minority shareholders	-	-	-	-	-	-	3,557	3,557
Acquisition of subsidiaries	-	-	-	-	-	-	12,829	12,829
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	(10,054)	(10,054)
Set off against advance from minority shareholders	-	-	-	-	-	-	65,498	65,498
Other adjustments	-	-	-	-	142	142	-	142
Shares issued	7,252	2,764	-	-	-	10,016	-	10,016
Reclassification arising from abolition of par value *	745,757	(722,993)	(22,764)	-	-	-	-	-
As at 31 March	1,144,912	-	424,799	2,361,891	(33,824)	3,897,778	1,376,027	5,273,805

* Pursuant to The Companies (Amendment) Act 2005 effective 30 January 2006, the concept of authorised share capital and par value has been abolished. Amount standing to the credit of share premium account and capital redemption reserve has been transferred to the share capital account as at that date.

4b. Statement of changes in equity of the Company

	Share Capital \$'000	Share Premium Account \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total \$'000
2007					
As at 1 January	972,926	-	29,577	2,302,655	3,305,158
Net profit for the quarter	-	-	-	5,672	5,672
Share-based payment	-	-	4,160	-	4,160
Shares issued	12,256	-	-	-	12,256
As at 31 March	985,182	-	33,737	2,308,327	3,327,246
2006					
As at 1 January	391,903	720,229	37,057	1,732,855	2,882,044
Net profit for the quarter	-	-	-	9,667	9,667
Share-based payment	-	-	6,035	-	6,035
Shares issued	7,252	2,764	-	-	10,016
Reclassification arising from abolition of par value	745,757	(722,993)	(22,764)	-	-
As at 31 March	1,144,912	-	20,328	1,742,522	2,907,762

4c. Share capital

Since 31 December 2006, the Company issued 1,762,333 ordinary shares upon the exercise of options granted under the KCL Share Options Scheme to employees. The share capital of the Company as at the end of the period was 789,755,257 ordinary shares.

As at 31 March 2007, there were unexercised options for 17,937,333 of unissued ordinary shares (31 March 2006: 14,751,166 ordinary shares) under the KCL Share Options Scheme.

4d. Sub-division of ordinary shares

Further to the announcement on 30 January 2007 of the proposed sub-division of each ordinary share in the capital of the Company into two ordinary shares (the "Proposed Sub-Division"), the Company has received in-principle approval from the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of all the shares arising from the Proposed Sub-Division on the Official List of SGX-ST, subject to:

- (a) shareholders' approval for the Proposed Sub-Division at the Extraordinary General Meeting to be held on 27 April 2007; and
- (b) compliance with continuing listing requirements of the SGX-ST.

Such approval from SGX-ST is not an indication of the merits of the Proposed Sub-Division.

5. **AUDIT**

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

6. **AUDITORS' REPORT**

Not applicable

7. ACCOUNTING POLICIES

Except as disclosed in paragraph 8 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2006.

8. CHANGES IN THE ACCOUNTING POLICIES

With effect from 1 January 2007, the Group has adopted FRS 40 Investment Property.

Prior to the adoption of FRS 40, investment properties are accounted for as long term investments and stated at valuations made each year. Surpluses arising on revaluation are credited directly to capital reserves. Revaluation deficits are taken to the profit & loss account in the absence of or to the extent that they exceed any surpluses held in reserves relating to previous revaluations of the same class of assets.

On adoption of FRS 40, changes in fair values of investment properties are included in the profit & loss account. This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions and has resulted in a decrease in capital reserves of \$11,975,000 with a corresponding increase in revenue reserves as at 1 January 2007.

9. REVIEW OF GROUP PERFORMANCE

The Group made another good start this year. Group attributable profit of \$252 million and earnings per share of 31.9 cents were the highest earnings and EPS achieved in a quarter. Economic Value Added of \$160 million was also a record for a quarter. Annualised return on equity of 19.2% was also an improvement.

In the quarter, Group revenue of \$2,028 million was \$484 million or 31% above that of the corresponding quarter in 2006. Revenue from Offshore & Marine Division of \$1,536 million was 26% higher contributing three-quarters of Group revenue. The strong revenue was underpinned by the healthy order book of the division. Revenue from Property Division of \$318 million was more than double that of the previous year. The increased revenue was due to sales of recent projects launched and progressive revenue recognition of its current trading projects. Rental income from investment properties also increased due to higher rental rates and occupancy. Revenue from Infrastructure Division was slightly higher.

At the pre-tax level, Group profit of \$360 million was 41% higher than the first quarter last year with increased contributions from Offshore & Marine, Property and Infrastructure. Offshore & Marine Division reported higher profit of \$186 million, 51% above the previous year. The better performance was due to improved operating margins and strong cashflow. Profit from Property Division increased significantly by 82% to \$91 million. This was due to maiden contributions from Sixth Avenue Residences and Marina Bay Residences, and higher contribution from the Group's other current trading projects. Infrastructure Division made encouraging progress, contributing \$13 million or 4% to Group pre-tax profit. Profit from SPC was higher with improved refining margins, firm demand for refined products and higher product prices. However, the Group's other investment income were lower.

The income tax expenses of the Group included a write-back of \$18 million for deferred tax as a result of the reduction in Singapore corporate tax rate from 20% to 18%. After taking into account higher minority share of profit, the attributable profit to shareholders of \$252 million was \$82 million or 48% higher than the corresponding period in 2006. Offshore & Marine Division remains the largest contributor to attributable earnings with 60%, followed by Investments with 21%, Property Division with 15% and Infrastructure Division with 4%.

In the opinion of the Directors, no factor has arisen between 31 March 2007 and the date of this report which would materially affect the results of the Group and the Company for the period just ended.

10. VARIANCE FROM PROSPECT STATEMENT

No variance from previous statement.

11. PROSPECTS

The good start in the first quarter has put the Group in a strong position to achieve its earnings target of a double-digit average growth rate for the current year.

Offshore & Marine Division is expected to contribute significantly to the Group's results with its orderbook of approximately \$10 billion. The division secured a modest \$1.5 billion of new orders to-date. The fundamentals of the industry remains robust underpinned by firm crude oil prices and depleting global reserves. Based on potential prospects and enquiries, the order flow outlook is positive.

The expected growth and investment in the Asia-Pacific region will fuel demand for refined products benefiting SPC. However, the scheduled maintenance of a Singapore Refining Company's Crude Distillation Unit for 25 days will result in a reduction in throughput by about 9% in the second quarter. Contribution from upstream activities is expected to increase with the commencement of oil production from Oyong field later in the year.

Private residential prices in Singapore continued to strengthen especially in prime and niche markets. With this backdrop, the Group launched its iconic waterfront development, Reflections at Keppel Bay in April. About 90% of the 350 units launched were sold at prices averaging about \$1,900 per sq ft. The financial performance of the Property Division will be boosted by the revenue and profit recognition of this project and other existing trading projects in Singapore and the region. The projected demand of new prime office space in Singapore is forecasted to outstrip new supplies for the next few years. The Property Division with its significant portfolio of office buildings in the Central Business District is expected to benefit from increasing rental rates and higher occupancy.

The Keppel Merlimau cogen plant, the NEWater plant and the power barges in Ecuador have all commenced operations. These additions are expected to increase the Infrastructure Division's contribution to Group's profitability.

12. DIVIDEND/CAPITAL DISTRIBUTION

12a. Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?
None

12b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

12c. Date Payable

Not applicable

12d. Books Closure Date

Not applicable

12e. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared for the quarter ended 31 March 2007.

For the year ended 31 December 2006, Directors had recommended a final dividend of 16 cents per share (pre-Proposed Sub-Division of Shares) less tax for approval by shareholders at the Annual General Meeting to be held on 27 April 2007. If approved, the final dividend will be payable on 15 May 2007.

The Directors had also proposed a capital distribution of 28 cents per share (or 14 cents per share if the Proposed Sub-Division of Shares takes effect before the book closure date for the proposed capital distribution) without deduction for tax out of the Company's share capital. The capital distribution will be subject to the approval of shareholders at the Extraordinary General Meeting to be held on 27 April 2007 and the Court sanction. Subject to the above conditions being satisfied, the capital distribution to shareholders is expected to be made on or around 20 June 2007.

13. SEGMENT ANALYSIS

First Quarter ended 31 March 2007

BUSINESS SEGMENT

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimina- tion \$'000	Total \$'000
Revenue						
External sales	1,536,074	317,536	163,106	11,501	-	2,028,217
Inter-segment sales	-	5,828	28,613	14,722	(49,163)	-
Total	1,536,074	323,364	191,719	26,223	(49,163)	2,028,217
Results						
Operating profit	157,850	66,681	3,945	13,056	-	241,532
Net investment income & interest income	23,861	(11,302)	296	(7,656)	-	5,199
Share of results of associated companies	4,219	35,402	8,261	65,069	-	112,951
Profit before taxation	185,930	90,781	12,502	70,469	-	359,682
Taxation	(33,719)	(14,135)	(2,168)	(15,236)	-	(65,258)
Profit for the period	152,211	76,646	10,334	55,233	-	294,424
Attributable to:						
Shareholders of Company	151,104	37,536	9,469	53,510	-	251,619
Minority interests	1,107	39,110	865	1,723	-	42,805
	152,211	76,646	10,334	55,233	-	294,424
Other information						
Segment assets	5,248,227	6,337,482	1,516,459	4,646,458	(6,040,326)	11,708,300
Investment in associated companies	64,450	1,539,302	152,980	1,060,710	-	2,817,442
Total	5,312,677	7,876,784	1,669,439	5,707,168	(6,040,326)	14,525,742
Segment liabilities	3,707,775	5,465,929	1,104,872	3,896,004	(6,040,326)	8,134,254
Net tax provision & deferred taxation	265,267	125,299	(207)	46,611	-	436,970
Total	3,973,042	5,591,228	1,104,665	3,942,615	(6,040,326)	8,571,224
Net assets	1,339,635	2,285,556	564,774	1,764,553	-	5,954,518
Capital expenditure	36,370	3,006	2,767	15	-	42,158
Depreciation and amortisation	17,891	3,449	5,412	106	-	26,858

GEOGRAPHICAL SEGMENT

	Singapore \$'000	Far East & Other ASEAN Countries \$'000	America \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	1,461,809	157,386	307,424	101,598	-	2,028,217
Segment assets	8,265,065	2,853,968	944,464	286,830	(642,027)	11,708,300
Capital expenditure	28,556	8,756	4,846	-	-	42,158

First Quarter ended 31 March 2006

BUSINESS SEGMENT

	<u>Offshore & Marine</u> \$'000	<u>Property</u> \$'000	<u>Infra- structure</u> \$'000	<u>Invest- ments</u> \$'000	<u>Elimina- tion</u> \$'000	<u>Total</u> \$'000
Revenue						
External sales	1,215,995	153,240	150,804	23,604	-	1,543,643
Inter-segment sales	-	1,209	16,942	12,653	(30,804)	-
Total	1,215,995	154,449	167,746	36,257	(30,804)	1,543,643
Results						
Operating profit	104,911	43,231	(8,163)	35,545	-	175,524
Net investment income & interest income	16,255	1,323	169	(1,697)	-	16,050
Share of results of associated companies	1,239	5,757	7,827	48,184	-	63,007
Profit before taxation	122,405	50,311	(167)	82,032	-	254,581
Taxation	(35,886)	(5,432)	(893)	(6,189)	-	(48,400)
Profit for the period	86,519	44,879	(1,060)	75,843	-	206,181
Attributable to:						
Shareholders of Company	78,297	22,011	(2,711)	72,228	-	169,825
Minority interests	8,222	22,868	1,651	3,615	-	36,356
	86,519	44,879	(1,060)	75,843	-	206,181
Other information						
Segment assets	4,579,826	6,233,798	920,479	4,195,931	(4,905,908)	11,024,126
Investment in associated companies	51,042	1,100,918	69,592	1,004,430	-	2,225,982
Total	4,630,868	7,334,716	990,071	5,200,361	(4,905,908)	13,250,108
Segment liabilities	3,521,127	5,073,603	562,700	3,354,661	(4,905,908)	7,606,183
Net tax provision & deferred taxation	210,612	126,738	3,977	28,793	-	370,120
Total	3,731,739	5,200,341	566,677	3,383,454	(4,905,908)	7,976,303
Net assets	899,129	2,134,375	423,394	1,816,907	-	5,273,805
Capital expenditure	32,731	1,570	92,854	1,477	-	128,632
Depreciation and amortisation	15,023	3,684	12,226	95	-	31,028

GEOGRAPHICAL SEGMENT

	<u>Singapore</u> \$'000	<u>Far East & Other ASEAN Countries</u> \$'000	<u>America</u> \$'000	<u>Other Countries</u> \$'000	<u>Elimination</u> \$'000	<u>Total</u> \$'000
External sales	1,089,708	190,581	193,550	69,804	-	1,543,643
Segment assets	8,426,315	2,661,093	1,040,222	213,068	(1,316,572)	11,024,126
Capital expenditure	120,049	3,464	5,119	-	-	128,632

NOTES TO SEGMENT ANALYSIS

13a. Business segment

The Group's businesses are grouped into four divisions: Offshore & Marine, Property, Infrastructure and Investments. The Investments division consists mainly of the Group's investments in SPC, k1 Ventures Ltd and MobileOne Ltd. These four divisions are the basis on which the Group reports its primary segment information. Pricing of inter-segment goods and services is at fair market value. Segment assets and liabilities are those used in the operation of each division.

13b. Geographical segment

The Group operates in about 33 countries. Secondary segment information is provided by geographical segment in accordance to the above table.

14. REVIEW OF SEGMENT PERFORMANCE

14a. Revenue by Segments

Group revenue of \$2,028 million was \$484 million or 31% above that of the corresponding quarter in 2006. Revenue from Offshore & Marine Division of \$1,536 million was underpinned by the healthy order book of the division. Revenue from Property Division of \$318 million was more than double that of the previous year due to sales of recent projects launched, progressive recognition of current trading projects and higher rental income from investment properties. Revenue from Infrastructure Division was slightly higher.

14b. PATMI (before exceptional items) by Segments

Group PATMI of \$252 million was \$82 million or 48% above that of the corresponding quarter in 2006. Offshore & Marine Division reported higher profit of \$151 million due to improved operating margins and strong cashflow. Profit from Property Division increased by 73 % to \$38 million was due to maiden contribution from Sixth Avenue Residences and Marina Bay Residences, and higher contribution from other current trading projects. Infrastructure Division made encouraging progress, contributing \$9 million or 4% to Group pre-tax profit. Profit from SPC was higher with improved refining margins, firm demand for refined products and higher product prices. However, the Group's other investment income were lower.

15. INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual. (excluding transactions less than \$100,000)	
	3 months 31.3.2007 \$'000	3 months 31.3.2006 \$'000	3 months 31.3.2007 \$'000	3 months 31.3.2006 \$'000
Transaction for the Sale of Goods and Services				
Power Gas Pte Ltd	-	-	28,000	-
SembCorp Industries Group	-	-	874	-
Singapore Airlines Group	-	-	-	29
SembCorp Marine Group	-	-	-	36
Transaction for the Purchase of Goods and Services				
Gas Supply Pte Ltd	-	-	180,000	-
Mapletree Investments Pte Ltd	-	-	77	90
Transaction for the Acquisition of Companies				
Havelock Investment Pte Ltd	-	270	-	-
Total Interested Person Transactions	-	270	208,951	155

BY ORDER OF THE BOARD

CAROLINE CHANG
Company Secretary
26 April 2007

CONFIRMATION BY THE BOARD

We, LIM CHEE ONN and TEO SOON HOE, being two directors of Keppel Corporation Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the first quarter 2007 financial results to be false or misleading.

On behalf of the board of directors



LIM CHEE ONN
Executive Chairman

Singapore, 26 April 2007



TEO SOON HOE
Group Finance Director