

KEPPEL CORPORATION LIMITED

Co. Reg. No. 196800351N

(Incorporated in the Republic of Singapore)

THIRD QUARTER 2006 FINANCIAL STATEMENT**TABLE OF CONTENTS**

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KEPPEL CORPORATION LIMITED

Executive Chairman's Remarks

THIRD QUARTER ENDED 30 SEPTEMBER 2006

3Q 2006 Financial Performance

I am pleased to report another strong quarter of earnings. We achieved a PATMI of \$201m, an increase of 43% over the same period last year. With this, PATMI for the first nine months this year amounted to \$567m and this has surpassed 2005's full-year profits. Barring unforeseen circumstances, we are on track this year to sustain the compound growth rate of about 20% that was achieved over the period 2001 to 2005.

Robust Growth Platforms In Place

As announced earlier our Infrastructure division should shortly begin to contribute meaningfully. With the \$1.7bn Qatar contract announced last week, coupled with all the inroads we have made over the last two years, this division is now on a stronger footing for growth. Building upon this momentum, we are actively seeking project opportunities in Europe, Middle East and Asia.

Our Offshore & Marine division with a strong orderbook of over \$10bn shall continue to provide solid earnings, whilst SPC continues to focus on increasing its upstream earnings contribution.

In property, we are seeking to extract the intrinsic value that we have built up over the years in our waterfront residential projects as well as prime office portfolio. Together with the regional thrust in residential development, we can expect a stronger earnings growth in our property business.

As we continue to expand our global footprint, developing a larger talent pool is integral to our sustainable growth strategy. In this regard, we have embarked on an integrated branding and talent recruitment campaign which you may have seen in the media this week. Through this effort we shall build an even stronger and more diverse workforce as part of the exciting business expansion plans ahead of us.

On this note, I shall now hand over to Mr Teo Soon Hoe, our Senior Executive Director and Group Finance Director, to present the detailed 3Q financial results.

KEPPEL CORPORATION LIMITED

Third Quarter Financial Statement

UNAUDITED RESULTS FOR THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2006

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the third quarter and nine months ended 30 September 2006.

1. GROUP PROFIT AND LOSS ACCOUNT for the third quarter and nine months ended 30 September 2006

	Third Quarter			Nine Months		
	30.9.2006 \$'000	30.9.2005 \$'000	+ / (-) %	30.9.2006 \$'000	30.9.2005 \$'000	+ / (-) %
Revenue	1,969,378	1,637,559	+20.3	5,159,064	3,932,076	+31.2
Materials & subcontract costs	(1,431,049)	(1,254,224)	+14.1	(3,700,022)	(2,833,819)	+30.6
Staff costs	(249,096)	(195,725)	+27.3	(697,018)	(544,841)	+27.9
Depreciation & amortisation	(32,070)	(26,396)	+21.5	(94,329)	(83,680)	+12.7
Other operating expenses	(39,274)	(40,673)	-3.4	(88,557)	(94,599)	-6.4
Operating profit	217,889	120,541	+80.8	579,138	375,137	+54.4
Investment income	4,202	834	+403.8	7,474	1,112	+572.1
Interest income	21,464	14,194	+51.2	58,175	37,652	+54.5
Interest expenses	(31,366)	(6,458)	+385.7	(37,744)	(26,141)	+44.4
Share of results of associated companies	65,456	70,990	-7.8	257,373	217,714	+18.2
Profit before tax & exceptional items	277,645	200,101	+38.8	864,416	605,474	+42.8
Exceptional items	-	(1,681)	NM	-	919	NM
Profit before taxation	277,645	198,420	+39.9	864,416	606,393	+42.6
Taxation	(45,989)	(42,570)	+8.0	(186,778)	(109,947)	+69.9
Profit for the period	231,656	155,850	+48.6	677,638	496,446	+36.5
Attributable to:						
Shareholders of the Company						
Profit before exceptional items	201,271	140,410	+43.3	566,813	417,517	+35.8
Exceptional items	-	(1,674)	NM	-	907	NM
	201,271	138,736	+45.1	566,813	418,424	+35.5
Minority interests	30,385	17,114	+77.5	110,825	78,022	+42.0
	231,656	155,850	+48.6	677,638	496,446	+36.5
Earnings per ordinary share						
Before exceptional items						
- basic	25.6 cts	17.9 cts	+43.0	72.1 cts	53.4 cts	+35.0
- diluted	25.2 cts	17.8 cts	+41.6	71.3 cts	53.0 cts	+34.5
After exceptional items						
- basic	25.6 cts	17.7 cts	+44.6	72.1 cts	53.5 cts	+34.8
- diluted	25.2 cts	17.6 cts	+43.2	71.3 cts	53.1 cts	+34.3
Return on equity	n.a.	n.a.	n.a.	18.8%	16.3%	+15.3
Economic value added	119,000	51,195	+132.4	312,000	147,400	+111.7

NM - Not Meaningful

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

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

	Third Quarter			Nine Months		
	30.9.2006 \$'000	30.9.2005 \$'000	+ /(-) %	30.9.2006 \$'000	30.9.2005 \$'000	+ /(-) %
Share-based payment expenses	4,146	2,053	+101.9	12,549	6,209	+102.1
Loss/(profit) on sale of fixed assets	571	(2,093)	NM	(3,770)	(5,269)	-28.4
Profit on sale of investments	(62,753)	(11,212)	+459.7	(82,607)	(13,987)	+490.6
Provision/(write-back) - stocks & work-in-progress	(14,017)	(2,548)	+450.1	(30,236)	(9,914)	+205.0
- doubtful debts	7,724	1,612	+379.2	16,030	(8,054)	NM
Stocks written off	611	-	NM	1,915	-	NM
Bad debts written off/(recovered)	687	131	+424.4	2,904	(990)	NM
Fair value loss/(gain) - Assets at fair value through P&L	(5,740)	6,375	NM	(7,728)	1,480	NM
- doubtful contracts	12,910	5,746	+124.7	24,041	13,121	+83.2
- Financial derivatives	8,542	(2,340)	NM	(449)	(5,308)	-91.5
Foreign exchange loss/(gain)	(4,174)	8,993	NM	(6,350)	(2,661)	+138.6

- 1b. There was no material adjustment for under or over provision of tax in respect of prior years. Taxation expense for the previous period included over-provision of tax in respect of prior years of \$6 million.

- 1c. Exceptional items for the period comprise the following:

	Third Quarter		Nine Months	
	30.9.2006 \$'000	30.9.2005 \$'000	30.9.2006 \$'000	30.9.2005 \$'000
Gain on disposal of subsidiaries, associated companies and investments	-	1,204	-	27,597
Impairment of assets	-	(2,885)	-	(26,678)
	-	(1,681)	-	919
Minority share of exceptional items	-	7	-	(12)
Net exceptional items	-	(1,674)	-	907

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

1d. Earnings per ordinary share

	Third Quarter			Nine Months		
	30.9.2006	30.9.2005	+/(-)%	30.9.2006	30.9.2005	+/(-)%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-						
(i) Based on weighted average number of shares	25.6 cts	17.7 cts	+44.6	72.1 cts	53.5 cts	+34.8
- Weighted average number of shares ('000)	786,627	781,738	+0.6	786,627	781,738	+0.6
(ii) On a fully diluted basis	25.2 cts	17.6 cts	+43.2	71.3 cts	53.1 cts	+34.3
- Adjusted weighted average number of shares ('000)	791,278	788,366	+0.4	791,278	788,366	+0.4

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

2. BALANCE SHEETS as at 30 September 2006

	Group		Company	
	30.9.2006 \$'000	31.12.2005 \$'000	30.9.2006 \$'000	31.12.2005 \$'000
Share capital *	971,871	391,903	971,871	391,903
Reserves	2,940,868	3,254,173	1,926,466	2,490,141
Share capital & reserves	3,912,739	3,646,076	2,898,337	2,882,044
Minority interests	1,399,172	1,288,566	-	-
Capital employed	5,311,911	4,934,642	2,898,337	2,882,044
Represented by:				
Fixed assets	1,916,676	1,653,195	5,562	5,620
Investment properties	2,094,050	2,025,501	-	-
Development properties	198,500	228,022	-	-
Subsidiaries	-	-	2,754,709	2,849,511
Associated companies	2,341,879	2,174,200	3,074	3,074
Investments	89,584	84,341	-	-
Long term receivables	50,297	152,769	300,997	300,599
Intangibles	139,256	145,248	-	-
	6,830,242	6,463,276	3,064,342	3,158,804
Current assets				
Stocks & work-in-progress in excess of related billings	2,756,733	2,762,328	-	-
Amounts due from:				
- subsidiaries	-	-	559,509	963,926
- associated companies	310,998	280,109	52	99
Debtors	1,305,758	1,267,211	54,932	2,519
Short term investments	356,616	405,638	-	-
Bank balances, deposits & cash	1,697,471	1,410,851	4,730	570
	6,427,576	6,126,137	619,223	967,114
Current liabilities				
Creditors	2,074,696	1,859,083	68,867	80,304
Billings on work-in-progress in excess of related costs	2,174,459	1,487,246	-	-
Provisions	22,896	17,604	-	-
Amounts due to:				
- subsidiaries	-	-	248,841	56,420
- associated companies	79,713	200,183	9	8
Term loans	487,682	1,321,982	146,344	781,848
Taxation	229,013	185,738	1,028	5,155
Bank overdrafts	36,972	16,817	-	-
	5,105,431	5,088,653	465,089	923,735
Net current assets	1,322,145	1,037,484	154,134	43,379
Non-current liabilities				
Term loans	2,656,808	2,392,042	300,000	300,000
Deferred taxation	183,668	174,076	20,139	20,139
	2,840,476	2,566,118	320,139	320,139
Net assets	5,311,911	4,934,642	2,898,337	2,882,044
<i>Group net borrowings</i>	1,483,991	2,319,990	<i>n.a.</i>	<i>n.a.</i>
<i>Group net gearing (times)</i>	0.28x	0.47x	<i>n.a.</i>	<i>n.a.</i>

* 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.

NOTES TO BALANCE SHEETS

2a. Group's borrowings and debt securities

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

As at 30.9.2006		As at 31.12.2005	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
5,120	519,534	53,712	1,285,087

(ii) Amount repayable after one year

As at 30.9.2006		As at 31.12.2005	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
968,678	1,688,130	692,821	1,699,221

(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 \$1,590,913,000 (31 December 2005: \$1,070,904,000).

2b. Net asset value

	Group			Company		
	30.9.2006	31.12.2005	+/(-)%	30.9.2006	31.12.2005	+/(-)%
Net asset value per ordinary share *	\$4.97	\$4.65	+6.9	\$3.68	\$3.68	-
Net tangible asset per ordinary share *	\$4.79	\$4.47	+7.2	\$3.68	\$3.68	-

* Based on share capital of 787,841,924 ordinary shares as at the end of the period (31 December 2005: 783,805,424 ordinary shares)

2c. Group shareholders' funds increased from \$3.65 billion at 31 December 2005 to \$3.91 billion at 30 September 2006. The increase was mainly attributable to retained profits for the period and fair value adjustments of financial assets. This was partly offset by payment of final dividend of \$0.13 per share less tax and capital distribution of \$0.23 per share in respect of financial year 2005, and interim dividend of \$0.12 per share less tax in respect of the first half year ended 30 June 2006.

Group total assets of \$13.26 billion at 30 September 2006 were \$668 million or 5.3% higher than the previous year-end. Fixed assets were higher because of expenditure on the co-gen plant and NEWater plant. The increase in associated companies was attributed to equity accounting for share of profits and further investment in SPC, MobileOne and One Raffles Quay.

Group total liabilities of \$7.95 billion at 30 September 2006 were \$291 million or 3.8% higher than the last year-end. Creditors were higher because of the higher level of activities in Offshore & Marine Division. Billings on work-in-progress in excess of related costs increased due to progress billings received from Offshore & Marine contracts. Amount due to associated companies decreased due to repayment of advances.

Group net borrowings at \$1.48 billion were a reduction of \$836 million from \$2.32 billion in the previous year-end because of strong operational cash flow from Offshore & Marine Division and Property Division.

3. CONSOLIDATED CASHFLOW STATEMENT
for the third quarter and nine months ended 30 September 2006

	Third Quarter		Nine Months	
	30.9.2006	30.9.2005	30.9.2006	30.9.2005
Note	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Operating profit	217,889	120,541	579,138	375,137
Adjustments:				
Depreciation and amortisation	32,070	26,396	94,329	83,680
Share-based payment expenses	4,146	2,053	12,549	6,209
Profit on sale of associated company	(9,533)	-	(9,533)	-
Loss/(profit) on sale of fixed assets	571	(2,093)	(3,770)	(5,269)
Operational cash flow before changes in working capital	245,143	146,897	672,713	459,757
Working capital changes:				
Stocks & work-in-progress	153,731	221,688	601,286	598,025
Debtors	186,745	(349,493)	230,413	(763,963)
Creditors	81,232	502,118	220,650	643,100
Investments in bonds and shares	(9,898)	20,386	486	(57,880)
Advances to associated companies	17,555	(112,607)	(151,359)	(10,500)
Translation of foreign subsidiaries	3,367	569	16,728	(20,151)
	677,875	429,558	1,590,917	848,388
Interest received	21,464	14,194	58,175	37,652
Interest paid	(31,366)	(6,458)	(37,744)	(26,141)
Income taxes paid	(29,070)	(28,747)	(79,417)	(60,694)
Net cash from operating activities	638,903	408,547	1,531,931	799,205
INVESTING ACTIVITIES				
Acquisition of subsidiaries	3a (1,039)	-	9,801	-
Acquisition of additional shares in subsidiaries	(4,701)	-	(28,285)	-
Acquisition and further investment in associated companies	(81,952)	(72,923)	(203,480)	(149,245)
Proceeds from disposal of associated companies	39,514	7	39,514	12,072
Acquisition of fixed assets and investment properties	(117,698)	(72,582)	(377,773)	(199,884)
Expenditure on development properties	(5,327)	(576)	(8,340)	(1,200)
Proceeds from disposal of fixed assets and investment properties	7,075	2,287	36,174	33,252
Dividends received from investments	44,559	24,219	161,163	92,056
Net cash used in investing activities	(119,569)	(119,568)	(371,226)	(212,949)
FINANCING ACTIVITIES				
Proceeds from share issues	4,596	5,843	18,015	16,744
Proceeds from minority shareholders of subsidiaries	2,675	8,738	9,918	32,792
Proceeds from term loans	20,329	107,006	658,905	915,786
Repayment of term loans	(199,308)	(399,983)	(1,196,972)	(1,077,098)
Capital distribution	-	-	(181,040)	(156,391)
Dividend paid to shareholders of the Company	(75,565)	(62,595)	(157,374)	(131,388)
Dividend paid to minority shareholders of subsidiaries	(15,347)	(2,267)	(45,692)	(23,828)
Net cash used in financing activities	(262,620)	(343,258)	(894,240)	(423,383)
Net increase/(decrease) in cash and cash equivalents	256,714	(54,279)	266,465	162,873
Cash and cash equivalents as at beginning of period	1,403,785	1,188,976	1,394,034	971,824
Cash and cash equivalents as at end of period	3b 1,660,499	1,134,697	1,660,499	1,134,697
<i>Free cashflow</i>	519,334	288,979	1,160,705	586,256

NOTES TO CONSOLIDATED CASHFLOW STATEMENT

	Third Quarter		Nine Months	
	30.9.2006 \$'000	30.9.2005 \$'000	30.9.2006 \$'000	30.9.2005 \$'000
3a. Acquisition of subsidiaries				
The fair values of net assets and liabilities of subsidiaries acquired were as follows:				
Fixed assets	303	-	303	-
Stocks & work-in-progress	3,659	-	3,659	-
Investments	-	-	16,024	-
Intangibles	1,011	-	1,011	-
Debtors	9,625	-	9,640	-
Bank balances and cash	2,781	-	15,684	-
Creditors	(12,994)	-	(13,002)	-
Loans	(450)	-	(450)	-
Minority interests	(2,076)	-	(14,905)	-
	<u>1,859</u>	-	<u>17,964</u>	-
Goodwill on consolidation	2,677	-	2,677	-
Amount previously accounted for as associated companies	(716)	-	(14,758)	-
Purchase consideration	3,820	-	5,883	-
Less: Bank balances and cash acquired	(2,781)	-	(15,684)	-
Cash flow on acquisition net of cash acquired	<u>1,039</u>	-	<u>(9,801)</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 statements comprise the following balance sheet amounts:

Bank balances, deposits and cash	1,697,471	1,150,473	1,697,471	1,150,473
Bank overdrafts	(36,972)	(15,776)	(36,972)	(15,776)
	<u>1,660,499</u>	<u>1,134,697</u>	<u>1,660,499</u>	<u>1,134,697</u>

3c. Cashflow analysis

(i) Third Quarter

Net cash from operating activities of \$639 million was higher than that of the corresponding quarter in the previous year. The strong operating cash flow was mainly contributed by the increased operating profit and progress payments received for contracts in the current quarter.

Net cash used in investing activities for the quarter was \$120 million. The Group spent \$211 million on acquisitions, expenditure on infrastructure projects and operational capex. Divestment and dividend received amounted to \$91 million.

Free cashflow for the quarter of \$519 million was \$230 million higher than that of the corresponding quarter last year.

(ii) Nine Months

Net cash from operating activities for the nine months was \$1,532 million compared to \$799 million for the corresponding period last year. This was because of the increased operating profit and positive working capital changes, especially from progress payments received for contracts.

Net cash used in investing activities for the nine months was \$371 million. The Group spent \$608 million on acquisitions, expenditure on infrastructure projects and operational capex. This comprised principally acquisition of additional shares in Dragon Land, Keppel Philippines Marine, SPC and MobileOne, further investment in One Raffles Quay, capital expenditure on the co-gen plant and NEWater plant and other operational capex. Divestment and dividend income totaled \$237 million.

Free cashflow for the nine months was \$1,161 million compared to \$586 million for the corresponding period last year.

**4. STATEMENTS OF CHANGES IN EQUITY
for the third quarter and nine months ended 30 September 2006**

4a. Statement of changes in equity of the Group

	Attributable to equity holders of the Company							
	Share Capital	Share Premium Account	Capital Reserves	Revenue Reserves	Foreign Exchange Translation Account	Share Capital & Reserves	Minority Interests	Capital 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	-	-	(19,774)	-	-	(19,774)	(5,780)	(25,554)
Fair value changes on cashflow hedges	-	-	88,829	-	-	88,829	63	88,892
Currency translation loss	-	-	-	-	(57,402)	(57,402)	(23,773)	(81,175)
Gain/(loss) not recognised in profit & loss account	-	-	69,055	-	(57,402)	11,653	(29,490)	(17,837)
Net profit for first half	-	-	-	365,542	-	365,542	80,440	445,982
Dividend paid	-	-	-	(81,809)	-	(81,809)	-	(81,809)
Share-based payment	-	-	9,634	-	-	9,634	317	9,951
Equity component of convertible bond issued by a subsidiary	-	-	16,946	-	-	16,946	14,970	31,916
Transfer of statutory, capital and other reserves to revenue reserves	-	-	(13,171)	13,171	-	-	-	-
Revaluation deficit on investment properties	-	-	(1,897)	-	-	(1,897)	(3,038)	(4,935)
Revaluation deficit realised and transferred to profit & loss account on disposal of property	-	-	8,305	-	-	8,305	-	8,305
Currency translation loss realised and transferred to profit & loss account on disposal of subsidiaries	-	-	-	-	6,056	6,056	-	6,056
Share of capital reserves of an associated company	-	-	(849)	-	-	(849)	-	(849)
Dividend paid to minority shareholders	-	-	-	-	-	-	(30,345)	(30,345)
Cash subscribed by minority shareholders	-	-	-	-	-	-	7,243	7,243
Acquisition of subsidiaries	-	-	-	-	-	-	12,829	12,829
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	(25,417)	(25,417)
Set off against advance from minority shareholders	-	-	-	-	-	-	65,498	65,498
Other adjustments	-	-	(4)	-	142	138	(1,020)	(882)
Shares issued	10,655	2,764	-	-	-	13,419	-	13,419
Capital distribution	(181,040)	-	-	-	-	(181,040)	-	(181,040)
Reclassification arising from abolition of par value (Note 4c)	745,757	(722,993)	(22,764)	-	-	-	-	-
As at 30 June	967,275	-	411,016	2,489,021	(55,138)	3,812,174	1,380,553	5,192,727
Fair value changes on available-for-sale assets	-	-	(42,486)	-	-	(42,486)	(1,071)	(43,557)
Fair value changes on cashflow hedges	-	-	2,765	-	-	2,765	9	2,774
Currency translation gain	-	-	-	-	4,672	4,672	4,558	9,230
Gain/(loss) not recognised in profit & loss account	-	-	(39,721)	-	4,672	(35,049)	3,496	(31,553)
Net profit for the quarter	-	-	-	201,271	-	201,271	30,385	231,656
Dividend paid	-	-	-	(75,565)	-	(75,565)	-	(75,565)
Share-based payment	-	-	5,324	-	-	5,324	143	5,467
Transfer of statutory, capital and other reserves to revenue reserves	-	-	754	(754)	-	-	-	-
Dividend paid to minority shareholders	-	-	-	-	-	-	(15,347)	(15,347)
Cash subscribed by minority shareholders	-	-	-	-	-	-	2,675	2,675
Acquisition of subsidiaries	-	-	-	-	-	-	2,096	2,096
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	(4,700)	(4,700)
Other adjustments	-	-	(12)	-	-	(12)	(129)	(141)
Shares issued	4,596	-	-	-	-	4,596	-	4,596
As at 30 September	971,871	-	377,361	2,613,973	(50,466)	3,912,739	1,399,172	5,311,911

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

	Attributable to equity holders of the Company							
	Share Capital	Share Premium Account	Capital Reserves	Revenue Reserves	Foreign Exchange Translation Account	Share Capital & Reserves	Minority Interests	Capital Employed
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2005								
As at 1 January								
As restated	389,386	861,593	236,750	1,769,694	(38,078)	3,219,345	1,158,607	4,377,952
Fair value changes on available-for-sale assets	-	-	11,748	-	-	11,748	(6)	11,742
Fair value changes on cashflow hedges	-	-	(47,255)	-	-	(47,255)	80	(47,175)
Currency translation gain	-	-	-	-	10,029	10,029	6,502	16,531
Gain/(loss) not recognised in profit & loss account	-	-	(35,507)	-	10,029	(25,478)	6,576	(18,902)
Net profit for first half	-	-	-	279,688	-	279,688	60,908	340,596
Dividend paid	-	-	-	(68,793)	-	(68,793)	-	(68,793)
Share-based payment	-	-	4,535	-	-	4,535	180	4,715
Transfer of statutory, capital and other reserves to revenue reserves	-	-	9,872	(9,872)	-	-	-	-
Revaluation deficit realised and transferred to profit & loss account on disposal of property	-	-	8,535	-	-	8,535	(644)	7,891
Currency translation loss realised and transferred to profit & loss account on disposal of subsidiaries	-	-	-	-	852	852	-	852
Share of capital reserves of an associated company	-	-	(4,184)	-	-	(4,184)	-	(4,184)
Dividend paid to minority shareholders	-	-	-	-	-	-	(21,561)	(21,561)
Cash subscribed by minority shareholders	-	-	-	-	-	-	24,054	24,054
Other adjustments	-	-	-	(1,150)	-	(1,150)	(654)	(1,804)
Shares issued	1,621	9,280	-	-	-	10,901	-	10,901
Capital distribution	-	(156,391)	-	-	-	(156,391)	-	(156,391)
As at 30 June	391,007	714,482	220,001	1,969,567	(27,197)	3,267,860	1,227,466	4,495,326
Fair value changes on available-for-sale assets	-	-	48,519	-	-	48,519	(36)	48,483
Fair value changes on cashflow hedges	-	-	(6,222)	-	-	(6,222)	(50)	(6,272)
Currency translation gain	-	-	-	-	4,350	4,350	3,682	8,032
Gain/(loss) not recognised in profit & loss account	-	-	42,297	-	4,350	46,647	3,596	50,243
Net profit for the quarter	-	-	-	138,736	-	138,736	17,114	155,850
Dividend paid	-	-	-	(62,595)	-	(62,595)	-	(62,595)
Share-based payment	-	-	2,304	-	-	2,304	80	2,384
Revaluation surplus realised and transferred to profit & loss account on disposal of property	-	-	(9,600)	-	-	(9,600)	(3,012)	(12,612)
Currency translation gain realised and transferred to profit & loss account on disposal of subsidiaries	-	-	-	-	(1,545)	(1,545)	-	(1,545)
Share of capital reserves of an associated company	-	-	(2,006)	-	-	(2,006)	-	(2,006)
Dividend paid to minority shareholders	-	-	-	-	-	-	(2,267)	(2,267)
Cash subscribed by minority shareholders	-	-	-	-	-	-	8,738	8,738
Other adjustments	-	-	9	2	-	11	-	11
Shares issued	768	5,075	-	-	-	5,843	-	5,843
As at 30 September	391,775	719,557	253,005	2,045,710	(24,392)	3,385,655	1,251,715	4,637,370

4b. Statement of changes in equity of the Company

	Share Capital \$'000	Share Premium Account \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total \$'000
2006					
As at 1 January	391,903	720,229	37,057	1,732,855	2,882,044
Net profit for first half	-	-	-	324,204	324,204
Dividend paid	-	-	-	(81,809)	(81,809)
Share-based payment	-	-	9,869	-	9,869
Shares issued	10,655	2,764	-	-	13,419
Capital distribution	(181,040)	-	-	-	(181,040)
Reclassification arising from abolition of par value (Note 4c)	745,757	(722,993)	(22,764)	-	-
As at 30 June	967,275	-	24,162	1,975,250	2,966,687
Net loss for the quarter	-	-	-	(1,214)	(1,214)
Dividend paid	-	-	-	(75,565)	(75,565)
Share-based payment	-	-	3,833	-	3,833
Shares issued	4,596	-	-	-	4,596
As at 30 September	971,871	-	27,995	1,898,471	2,898,337
2005					
As at 1 January					
As restated	389,386	861,593	28,955	1,575,836	2,855,770
Net profit for the quarter	-	-	-	194,485	194,485
Dividend paid	-	-	-	(68,793)	(68,793)
Share-based payment	-	-	3,730	-	3,730
Shares issued	1,621	9,280	-	-	10,901
Capital distribution	-	(156,391)	-	-	(156,391)
As at 30 June	391,007	714,482	32,685	1,701,528	2,839,702
Net profit for the quarter	-	-	-	96,529	96,529
Dividend paid	-	-	-	(62,595)	(62,595)
Share-based payment	-	-	1,864	-	1,864
Shares issued	768	5,075	-	-	5,843
As at 30 September	391,775	719,557	34,549	1,735,462	2,881,343

4c. Share capital

Pursuant to The Companies (Amendment) Act 2005 effective from 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 are transferred to share capital as at that date.

Since 30 June 2006, the Company issued 709,500 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 787,841,924 ordinary shares.

As at 30 September 2006, there were unexercised options for 16,386,166 of unissued ordinary shares (30 September 2005: 14,512,166 ordinary shares) under the KCL Share Options Scheme.

5. **AUDIT**

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

6. **AUDITORS' REPORT**

Not applicable

7. **ACCOUNTING POLICIES**

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 2005.

8. **CHANGES IN THE ACCOUNTING POLICIES**

Not applicable

9. REVIEW OF GROUP PERFORMANCE

Group attributable profit for the first nine months of \$567 million has exceeded that for financial year 2005 of \$564 million. Earnings per share of 72.1 cents are at the same level as total year 2005. Annualised return on equity remains above 18% and Economic Value Added for the first nine months of \$312 million was already an improvement of \$113 million over that for the whole year of 2005.

Group revenue in the third quarter of \$1,969 million was 20% above that of the corresponding quarter in 2005, due to higher revenue reported by Offshore & Marine and Property Divisions. Group attributable profit before exceptional items of \$201 million for the third quarter was 43% above the same quarter in the previous year.

For the nine months to-date, Group revenue of \$5,159 million was 31% or \$1,227 million higher than that of the corresponding period in 2005. Revenue from Offshore & Marine Division of \$3,871 million was \$1,021 million or 36% higher, from increased activities in its shipyards. The Property Division achieved revenue of \$759 million, \$178 million or 31% higher. The increased revenue was due to new trading projects as well as existing projects. Rental income from its investment properties was also higher as a result of improved occupancy and higher rental rates. Revenue from Keppel T&T and electricity trading was lower.

At the pre-tax level, Group earnings of \$864 million were 43% higher than the first nine months of last year with higher contributions from Offshore & Marine Division, Property Division and Investments. Offshore & Marine Division with increased activities in its shipyards reported profit of \$416 million, 66% above the same period last year. Property Division posted earnings of \$183 million, 20% higher due to the higher revenue from trading projects and profit from sale of a project in Tianjin and divestment of its interest in Singapore Suzhou Industrial Holdings Pte Ltd. Infrastructure Division continued to report a loss due to depreciation of power barges and operating losses. Profit from Investments was higher with gains from sale of investments and K1 Ventures benefited from profit made on the divestment of The Gas Company, LLC. These were more than sufficient to offset the lower contribution from SPC.

Group taxation expenses were higher in the first nine months as a result of higher profits from overseas operations. After taking into account taxation charge and minority share of profit, the resultant profit attributable to shareholders was \$567 million. This was \$149 million or 36% higher than the first nine months of 2005.

In the opinion of the Directors, no factor has arisen between 30 September 2006 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

Underpinned by strong performances from Offshore & Marine, Property and Investments, the Group's earnings in the fourth quarter are expected to continue to be good. The Group is, therefore, on track to achieve a double-digit PATMI and earnings per share growth with record PATMI, earnings per share and EVA for the year.

Offshore & Marine Division's net order book expanded to \$10.5 billion with more deliveries in 2009. Exploration and Production activities of oil majors remain robust and enquiries for building new rigs remain strong amidst a buoyant market. Demand for marine activities in shiprepairs and ship conversion is expected to continue.

Prices of crude oil and refined products appear to have stabilised after the sharp fall in the third quarter. SPC's refinery has resumed full production after scheduled maintenance in September and October. This together with the expected northern hemisphere seasonal demand for refined products will benefit sales and refining margins of SPC.

Home prices in Singapore at the end of third quarter 2006 are estimated to have increased by 5.8% from end-2005. Property Division will benefit with planned new launches of two high-end iconic waterfront developments, Marina Bay Residences and Keppel Bay Phase Two in the next six months. The Division will further strengthen its housing and township development initiatives in the region and progressively launch its projects in China, India, Vietnam, Indonesia and Thailand. Prospects for the office market in Singapore are bright with growing demand and limited new supply.

Infrastructure Division expects contribution from the commencement of the power barges business in Ecuador in the fourth quarter of this year.

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 is declared for the quarter ended 30 September 2006.

Total cash distribution paid to shareholders in 2006 amounted to 48 cents per share. A final dividend of 13 cents per share less tax in respect of the year ended 31 December 2005 was paid on 18 May 2006, a capital distribution of 23 cents per share was paid on 27 June 2006 and an interim dividend of 12 cents per share less tax in respect of the first half year ended 30 June 2006 was paid on 25 August 2006.

13. SEGMENT ANALYSIS

Nine Months ended 30 September 2006

BUSINESS SEGMENT

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimina- tion \$'000	Total \$'000
Revenue						
External sales	3,871,423	758,447	420,386	108,808	-	5,159,064
Inter-segment sales	-	8,507	63,571	33,456	(105,534)	-
Total	3,871,423	766,954	483,957	142,264	(105,534)	5,159,064
Results						
Operating profit	350,349	191,247	(60,348)	97,890	-	579,138
Net investment income & interest income	55,180	(19,461)	936	(8,750)	-	27,905
Share of results of associated companies	10,820	10,819	27,324	208,410	-	257,373
Profit before tax & exceptional items	416,349	182,605	(32,088)	297,550	-	864,416
Exceptional items	-	-	-	-	-	-
Profit before taxation	416,349	182,605	(32,088)	297,550	-	864,416
Taxation	(110,849)	(28,984)	(2,234)	(44,711)	-	(186,778)
Profit for the period	305,500	153,621	(34,322)	252,839	-	677,638
Attributable to:						
Shareholders of Company						
Profit before exceptional items	282,339	78,240	(40,555)	246,789	-	566,813
Exceptional items	-	-	-	-	-	-
	282,339	78,240	(40,555)	246,789	-	566,813
Minority interests	23,161	75,381	6,233	6,050	-	110,825
	305,500	153,621	(34,322)	252,839	-	677,638
Other information						
Segment assets	4,766,005	6,406,318	894,975	4,130,780	(5,282,139)	10,915,939
Investment in associated companies	51,871	1,110,249	101,450	1,078,309	-	2,341,879
Total	4,817,876	7,516,567	996,425	5,209,089	(5,282,139)	13,257,818
Segment liabilities	3,602,315	5,279,047	850,067	3,083,936	(5,282,139)	7,533,226
Net tax provision & deferred taxation	230,012	148,316	7,273	27,080	-	412,681
Total	3,832,327	5,427,363	857,340	3,111,016	(5,282,139)	7,945,907
Net assets	985,549	2,089,204	139,085	2,098,073	-	5,311,911
Capital expenditure	115,104	28,773	232,660	1,236	-	377,773
Depreciation and amortisation	46,633	11,230	36,184	282	-	94,329

GEOGRAPHICAL SEGMENT

	Singapore \$'000	Far East & Other ASEAN Countries \$'000	America \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	3,625,881	640,507	551,074	341,602	-	5,159,064
Segment assets	8,302,809	2,651,332	934,890	294,826	(1,267,918)	10,915,939
Capital expenditure	327,616	27,310	22,847	-	-	377,773

Nine Months ended 30 September 2005

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	2,850,370	580,771	465,471	35,464	-	3,932,076
Inter-segment sales	-	5,395	27,089	45,229	(77,713)	-
Total	2,850,370	586,166	492,560	80,693	(77,713)	3,932,076
Results						
Operating profit	241,637	144,484	(19,789)	8,805	-	375,137
Net investment income & interest income	6,358	(4,786)	1,286	9,765	-	12,623
Share of results of associated companies	1,875	14,087	24,029	177,723	-	217,714
Profit before tax & exceptional items	249,870	153,785	5,526	196,293	-	605,474
Exceptional items	-	(23,113)	32	24,000	-	919
Profit before taxation	249,870	130,672	5,558	220,293	-	606,393
Taxation	(51,434)	(32,476)	4,041	(30,078)	-	(109,947)
Profit for the period	198,436	98,196	9,599	190,215	-	496,446
Attributable to:						
Shareholders of Company						
Profit before exceptional items	170,418	77,469	4,448	165,182	-	417,517
Exceptional items	-	(23,113)	20	24,000	-	907
	170,418	54,356	4,468	189,182	-	418,424
Minority interests	28,018	43,840	5,131	1,033	-	78,022
	198,436	98,196	9,599	190,215	-	496,446
Other Information						
Segment assets	4,038,104	6,029,599	662,526	4,096,170	(4,265,659)	10,560,740
Investment in associated companies	56,391	819,296	86,236	840,222	-	1,802,145
Total	4,094,495	6,848,895	748,762	4,936,392	(4,265,659)	12,362,885
Segment liabilities	3,275,988	4,792,399	528,718	3,093,600	(4,265,659)	7,425,046
Net tax provision & deferred taxation	168,732	101,238	3,946	26,553	-	300,469
Total	3,444,720	4,893,637	532,664	3,120,153	(4,265,659)	7,725,515
Net assets	649,775	1,955,258	216,098	1,816,239	-	4,637,370
Capital expenditure	56,735	3,591	137,527	2,031	-	199,884
Depreciation and amortisation	43,479	11,446	26,637	2,118	-	83,680

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	2,605,135	539,538	518,772	268,631	-	3,932,076
Segment assets	8,230,512	2,310,472	1,019,222	199,177	(1,198,643)	10,560,740
Capital expenditure	171,082	3,476	23,843	1,483	-	199,884

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. Keppel T&T's Logistics business has been reclassified from Investments division to Infrastructure division. Comparative figures have been adjusted to conform with the changes in presentation. 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 30 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 \$5.16 billion was \$1,227 million or 31% higher than 9M 2005. Revenue from Offshore & Marine Division of \$3,871 million was 36% higher than 9M 2005 and represented 75% of Group Revenue. The increased revenue was from increased contracts for rigbuilding, repairs and conversions. Revenue from Property Division of \$759 million was 31% higher than 9M 2005 and represented 15% of Group revenue. The increased revenue was from increased sale of trading projects and higher rental income from investment properties. Revenue from Infrastructure Division of \$420 million was 10% below 9M 2005 and represented 8% of Group revenue. The lower revenue was due to lower sales for electricity trading.

14b. PATMI (before exceptional items) by Segments

Group PATMI of \$567 million was \$149 million or 36% higher than 9M 2005. The strong PATMI growth was driven by Offshore & Marine Division, showing an increase of 65% in earnings which contributed to half of Group PATMI. Investments Division registered a growth of 50% despite lower profits of SPC. The growth was mainly attributed to the profits realised on its investments and higher earnings from k1 Ventures. Profit from Property Division of \$78 million was at the same level as 9M 2005 and contributed 14% to Group PATMI. Infrastructure Division suffered a loss of \$40 million. Apart from operating losses suffered by the Energy business, pre-operating expenses incurred on ongoing projects also formed part of Infrastructure's losses.

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)	
	Nine Months 30.9.2006 \$'000	Nine Months 30.9.2005 \$'000	Nine Months 30.9.2006 \$'000	Nine Months 30.9.2005 \$'000
Transaction for the Sale of Goods and Services				
National University Hospital	-	-	-	3,877
PSA Corporation Group	-	-	-	92
SembCorp Marine Group	-	-	1,928	165
Singapore Airlines Group	-	-	4,978	8
SembCorp Industries Group	-	-	463	-
Transaction for the Purchase of Goods and Services				
Singapore Power/PowerSeraya/Senoko				
Power/Tuas Power Group	-	-	1,000	-
Mapletree Investments Pte Ltd	-	-	397	186
Transaction for the Acquisition of Companies				
Hong Lim Investments Pte Ltd	-	8,533	-	-
Havelock Investment Pte Ltd	270	-	-	-
Total Interested Person Transactions	270	8,533	8,766	4,328

BY ORDER OF THE BOARD

CAROLINE CHANG
Company Secretary
26 October 2006

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 third quarter 2006 financial results to be false or misleading.

On behalf of the board of directors



LIM CHEE ONN
Executive Chairman

Singapore, 26 October 2006



TEO SOON HOE
Group Finance Director