Keppel Corporation

KEPPEL CORPORATION LIMITED

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

FULL YEAR 2008 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT

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KEPPEL CORPORATION LIMITED

Remarks by Chief Executive Officer

FULL YEAR ENDED 31 DECEMBER 2008

Record results in an eventful year

2008 was a very eventful year. By any account, it was a year of reckoning. We started off with good prospects for continued economic growth and development, building on our excellent results for 2007. By the end of 2008, however, the global economic situation had deteriorated so far that the world tanked into a recession.

Large developed economies in North America and Europe led the free fall. Banks came under pressure and some went bankrupt. The bad news undermined consumer and investor confidence, and stock markets around the world plunged, wiping out billions of dollars of value. Millions of jobs were lost. Governments around the world had to cobble together rescue packages.

In the midst of such dire economic turbulence, I am pleased to be able to report that Keppel Corporation performed well in 2008. PATMI went up to a new record of $1,097 million, while EVA increased to $692 million at year end. We achieved an ROE of 22.4 %. Free cash flow remained strong at $1,876 million, and this enabled us to end the year with negative gearing. Your Board of Directors would be recommending a final dividend of 21 cents per share, making a total distribution to shareholders of 35 cents per share for the whole year.

Following that sterling set of results, 2009 is likely to be a challenging year. The Ministry of Trade & Industry has just revised Singapore's GDP growth forecast for 2009, indicating that we are heading for our worst recession ever, and the Government is expected to announce measures to help businesses tide over this difficult period. However, recovery is not expected to come quickly.

Building on our strengths

How long the recession will last, no one can tell. But we have spent the good years enhancing our capabilities, strengthening our competitive position and increasing the robustness in our businesses.

Over the years, we have built up a solid reputation for execution excellence, prudent financial management, strong corporate governance, and increased focus on technology and innovation. In the current economic downturn, our strengths will stand us in good stead to ride out the difficulties, but we must continue to sharpen our competitive edge and bring out our distinct advantages, to grow and expand our earnings base to ensure that we emerge from this crisis stronger and fitter.

One of Keppel's most important competitive advantages is our people. It is the expertise, experience and diligence of our 40,000-strong workforce across our businesses which have propelled the Group forward. We shall continue to harness the skills and minds of our people to face the challenges ahead. Key to this is the skills upgrading of as many Keppelites as possible so that we are ready to seize the opportunities when the global economy turns around. We will also ensure that the newer Keppelites are imbibed with the Keppel culture of excellence, focus and commitment, and our core principles of *Sustaining Growth*, *Empowering Lives* and *Nurturing Communities*.

Our investments in technology and innovations have enabled us to offer leading-edge solutions to meet the varied and changing needs of our customers. In these challenging times, it is all the more important that we keep up with these activities. We need to find newer, better and more cost-effective ways of doing things, be it in building oil rigs, waste-to-energy plants, or developing townships. Our future growth will depend on how creatively we continue to harness technology. Priority at our R&D centres will be placed on those innovations with greater potential for commercialization in the near term and which are likely to let us reap returns sooner.

Staying Focused for Sustained Value Creation

There is little doubt that Keppel will be impacted by the global crisis. But we have been through crises before, such as the mid-1980s recession and the late 1990s Asian Financial Crisis. We have always emerged stronger. Today, we have a strong balance sheet and a commendable cash hoard to weather this storm. Our order-book in the Offshore & Marine division remains strong, and our infrastructure projects in energy and environmental engineering include long-term operation & maintenance contracts with recurring income streams.

There will be challenges and opportunities ahead of us, and we must be well prepared. We will be taking a closer look at all our businesses, to seek increased operating efficiencies so that they can contribute to their maximum potential. We will also continue to leverage on the Group's strengths and endeavour to exploit synergies across the Group, so as to identify possible new growth engines or platforms.

We shall review our current businesses and competitive position, while continuing to stay on track, honing our competitive edge and adding value to our customers. My goal is to make Keppel a stronger group with profitable businesses, so as to deliver sustained value creation for all our stakeholders. I am confident we will emerge from this crisis in good shape.

KEPPEL CORPORATION LIMITED

Full Year 2008 Financial Statements and Dividend Announcement

UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the year ended 31 December 2008.

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

	Note	**2008 $'000**	2007 $'000	+/(-) %
Revenue		**11,805,426**	10,431,250	+13.2
Materials & subcontract costs	(i)	**(8,632,625)**	(8,037,393)	+7.4
Staff costs	(ii)	**(1,524,909)**	(1,132,125)	+34.7
Depreciation & amortisation	(iii)	**(139,078)**	(125,692)	+10.6
Other operating expenses	(iv)	**(270,340)**	(85,391)	+216.6
Operating profit		**1,238,474**	1,050,649	+17.9
Investment income		**12,087**	2,867	+321.6
Interest income		**71,002**	88,542	-19.8
Interest expenses		**(78,671)**	(62,710)	+25.5
Share of results of associated companies		**353,957**	476,882	-25.8
Profit before tax & exceptional items		**1,596,849**	1,556,230	+2.6
Exceptional items		**12,592**	564,933	-97.8
Profit before taxation		**1,609,441**	2,121,163	-24.1
Taxation		**(288,030)**	(468,635)	-38.5
Profit for the year		**1,321,411**	1,652,528	-20.0
Attributable to:				
Shareholders of the Company				
Profit before exceptional items		**1,096,653**	1,025,596	+6.9
Exceptional items		**1,318**	105,105	-98.7
		1,097,971	1,130,701	-2.9
Minority interests		**223,440**	521,827	-57.2
		1,321,411	1,652,528	-20.0
Earnings per ordinary share				
Before exceptional items				
- basic		**69.0 cts**	64.9 cts	+6.3
- diluted		**68.7 cts**	64.3 cts	+6.8
After exceptional items				
- basic		**69.0 cts**	71.5 cts	-3.5
- diluted		**68.8 cts**	70.4 cts	-2.3
Return on equity		**22.4%**	21.8%	+2.8
Economic value added		**692,000**	604,000	+14.6

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

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

	Note	**2008** **$'000**	2007 $'000	+/(-) %
Share-based payment expenses		**26,527**	21,307	+24.5
Profit on sale of fixed assets		**(8,268)**	(7,126)	+16.0
Profit on sale of investments	(v)	**(45,263)**	(54,577)	-17.1
Provision/(write-back)				
- stocks & work-in-progress	(vi)	**(24,616)**	(81,409)	-69.8
- doubtful debts		**12,590**	(6,040)	NM
Bad debts written off		**318**	11	>500.0
Stocks written off/(recovered)		**(2,554)**	2,831	NM
Fair value loss/(gain)				
- Assets at fair value through P&L	(vii)	**45,995**	(3,441)	NM
- Forward contracts	(viii)	**74,333**	81,558	-8.9
- Financial derivatives		**13,740**	8,531	+61.1
Foreign exchange loss	(ix)	**101,554**	14,499	>500.0

NM - Not Meaningful

Note:

(i) Materials & subcontract costs rose mainly as a result of increased activities in the Offshore & Marine Division and Infrastructure Division, partly offset by lower cost of sales for trading property projects in the Property Division.

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

(iii) Higher depreciation charges mainly arose from Offshore & Marine Division.

(iv) Increased other operating expenses was mainly due to higher overheads e.g. yard rentals and maintenance cost, lower write-back of provision for stocks & work-in-progress [note (vi)] , higher provision for doubtful debts, fair value loss on investments [note (vii)] and higher foreign exchange loss [note (ix)].

(v) Decrease in profit on sale of investments was mainly due to lower investment trading activities.

(vi) Write-back of provision for stocks & work-in-progress comprised mainly reversal of cost provisions no longer required for Singapore trading property projects. In the prior year, write-back of provision was higher due to higher property sales.

(vii) Fair value loss was recorded during the current year because of the fall in stock prices of our security portfolio as a result of weaker stock market.

(viii) Lower hedging cost on forward contracts was mainly due to the fluctuations in interest rate differentials.

(ix) Higher foreign exchange loss for the current year was mainly due to revaluation of United States dollars and Euro cash balances at year-end rates which were lower than project rates. The cash balances will be utilised over time for the procurement of Offshore & Marine project equipment and materials. Exchange losses were also incurred on intercompany loans.

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

1b. The Group's tax charge included write-back of over-provision of tax in respect of prior years of $15 million. Taxation expense for the previous year ended 31 December 2007 included 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. Exceptional items for the year comprise the following:

	2008 $'000	2007 $'000
Gain on disposal of subsidiaries, associated companies and investments	**17,985**	2,291
Impairment of assets	**(2,876)**	(324,355)
Fair value gains on investment properties	**12,155**	903,602
Costs associated with restructuring of operations and others	**(14,672)**	(16,605)
	12,592	564,933
Taxation	**(2,810)**	(149,500)
	9,782	415,433
Minority interests	**(8,464)**	(310,328)
Attributable exceptional items	**1,318**	105,105

1d. Earnings per ordinary share

	2008	2007	+/(-)%
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-			
(i) Based on weighted average number of shares	**69.0 cts**	71.5 cts	-3.5
- Weighted average number of shares ('000)	**1,590,353**	1,580,786	+0.6
(ii) On a fully diluted basis	**68.8 cts**	70.4 cts	-2.3
- Adjusted weighted average number of shares ('000)	**1,595,967**	1,591,985	+0.3

1e. Breakdown of sales

	2008 $'000	2007 $'000	+/(-)%
First Half			
Sales reported for first half year	**4,853,944**	4,481,865	+8.3
Operating profit after tax and exceptional items before deducting minority interests reported for first half year	**655,658**	598,517	+9.5
Second Half			
Sales reported for second half year	**6,951,482**	5,949,385	+16.8
Operating profit after tax and exceptional items before deducting minority interests reported for second half year	**665,753**	1,054,011	-36.8

1f. There was no extraordinary item during the year.

2. BALANCE SHEETS as at 31 December

	Group		Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Share capital	**824,571**	790,407	**824,571**	790,407
Reserves	**3,771,605**	4,414,326	**2,320,268**	2,557,968
Share capital & reserves	**4,596,176**	5,204,733	**3,144,839**	3,348,375
Minority interests	**2,152,331**	1,830,459	**-**	-
Capital employed	**6,748,507**	7,035,192	**3,144,839**	3,348,375
Represented by:				
Fixed assets	**1,872,571**	1,698,231	**5,890**	5,668
Investment properties	**3,029,675**	2,960,347	**-**	-
Development properties	**175,510**	172,758	**-**	-
Subsidiaries	**-**	-	**2,867,303**	2,876,962
Associated companies	**3,201,031**	3,140,594	**3,074**	3,074
Investments	**101,024**	335,849	**-**	-
Long term receivables	**197,662**	134,857	**301,018**	301,099
Intangibles	**78,487**	67,823	**-**	-
	8,655,960	8,510,459	**3,177,285**	3,186,803
Current assets				
Stocks & work-in-progress				
in excess of related billings	**3,217,401**	2,790,649	**-**	-
Amounts due from:				
- subsidiaries	**-**	-	**260,718**	958,507
- associated companies	**326,583**	594,353	**300**	284
Debtors	**1,970,831**	1,753,434	**59,908**	157,054
Short term investments	**330,817**	547,437	**-**	-
Bank balances, deposits & cash	**2,244,851**	1,600,850	**664,441**	3,884
	8,090,483	7,286,723	**985,367**	1,119,729
Current liabilities				
Creditors	**3,939,583**	3,072,012	**219,688**	75,657
Billings on work-in-progress				
in excess of related costs	**2,882,124**	2,542,517	**-**	-
Provisions	**58,609**	37,900	**-**	-
Amounts due to:				
- subsidiaries	**-**	-	**472,848**	418,887
- associated companies	**422,205**	134,331	**-**	2
Term loans	**197,868**	499,104	**-**	134,820
Taxation	**344,020**	351,864	**19,669**	15,305
Bank overdrafts	**27,762**	3,767	**-**	-
	7,872,171	6,641,495	**712,205**	644,671
Net current assets	**218,312**	645,228	**273,162**	475,058
Non-current liabilities				
Term loans	**1,744,553**	1,731,526	**300,000**	300,000
Deferred taxation	**381,212**	388,969	**5,608**	13,486
	2,125,765	2,120,495	**305,608**	313,486
Net assets	**6,748,507**	7,035,192	**3,144,839**	3,348,375
Group net cash/(borrowings)	***274,668***	*(633,547)*	***n.a.***	*n.a.*
Group net cash/(gearing) (times)	***0.04x***	*(0.09x)*	***n.a.***	*n.a.*

NOTES TO BALANCE SHEETS

2a. Group's borrowings and debt securities

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

As at 31.12.2008		As at 31.12.2007	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
37,705	187,925	14,112	488,759

(ii) Amount repayable after one year

As at 31.12.2008		As at 31.12.2007	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
575,215	1,169,338	646,960	1,084,566

(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 $2,810,136,000 (31 December 2007: $1,834,575,000).

2b. Net asset value

	Group			Company		
	2008	2007	+/(-)%	**2008**	2007	+/(-)%
Net asset value per ordinary share *	**$2.89**	$3.28	-11.9	**$1.97**	$2.11	-6.6
Net tangible asset per ordinary share *	**$2.84**	$3.24	-12.3	**$1.97**	$2.11	-6.6

* Based on share capital of 1,593,134,180 ordinary shares as at the end of the financial year (31 December 2007: 1,585,086,180 ordinary shares).

NOTES TO BALANCE SHEETS

2c. Balance sheet analysis

Group shareholders' funds decreased from $5.20 billion at 31 December 2007 to $4.60 billion at 31 December 2008. The decrease was mainly attributable to total payout of $1,098 million comprising final and special dividends in respect of financial year 2007 and interim dividend in respect of the first half year ended 30 June 2008 and reduction in fair value and hedging reserves, partly offset by retained profits for the year. Minority interests was higher because of share of profits and proceeds from the rights issue of K-REIT Asia and Evergro Properties Limited.

Group total assets of $16.75 billion at 31 December 2008 were $0.95 billion or 6.0% higher than the previous year-end. Fixed assets rose as a result of capital expenditure. Investment properties was higher due to Ocean Financial Centre redevelopment cost. Increase in associated companies was attributable to equity accounting for share of profits and further investment in Marina Bay Financial Centre. Increase in long term receivables was due to expenditure on the waste-to-energy plant at Tuas which was accounted for as lease receivable in accordance with prescribed accounting standard. Increase in stocks & work-in-progress was due to expenditure on trading properties and increased activities in Offshore & Marine Division. Debtors was higher as a result of higher billings in Offshore & Marine Division and Infrastructure Division. These were partly offset by decrease in amount due from associated companies because of repayment of advances and decrease in investments due to fair value adjustments of financial assets and sale of equities during the year.

Group total liabilities of $10.0 billion at 31 December 2008 were $1.24 billion or 14.1% higher than the previous year-end. Increase in creditors was mainly due to higher operating activities in Offshore & Marine Division and Infrastructure Division. Higher billings on work-in-progress in excess of related cost was mainly attributable to deposits received for new jobs and milestone billings for contracts in Offshore & Marine Division. Amount due to associated companies was higher because of deposits received from SPC.

Group net cash was $275 million compared to group net borrowings of $634 million at the previous year-end due to strong operational cash flow.

3. CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December

	Note	**2008 $'000**	2007 $'000
OPERATING ACTIVITIES			
Operating profit		**1,238,474**	1,050,649
Adjustments:			
Depreciation and amortisation		**139,078**	125,692
Share-based payment expenses		**26,527**	21,307
Profit on sale of fixed assets		**(8,268)**	(7,126)
Others		**(93)**	(918)
Operational cash flow before changes in working capital		**1,395,718**	1,189,604
Working capital changes:			
Stocks & work-in-progress		**(73,960)**	61,750
Debtors		**(376,344)**	(86,460)
Creditors		**635,517**	827,372
Investments in bonds and shares		**39,395**	53,488
Advances to associated companies		**557,385**	(247,466)
Translation of foreign subsidiaries		**70,121**	29,560
		2,247,832	1,827,848
Interest received		**69,219**	79,755
Interest paid		**(85,687)**	(73,548)
Income taxes paid		**(184,550)**	(136,719)
Net cash from operating activities		**2,046,814**	1,697,336
INVESTING ACTIVITIES			
Acquisition of subsidiaries	3a	**(1,400)**	(96,879)
Acquisition of additional shares in subsidiaries		**(23,604)**	(1,598)
Acquisition and further investment in associated companies		**(127,463)**	(482,767)
Acquisition of fixed assets and investment properties		**(399,598)**	(255,909)
Expenditure on development properties		**(11,011)**	(3,605)
Proceeds from disposal of associated companies		**-**	14,277
Proceeds from disposal of fixed assets		**18,667**	16,788
Dividend received from investments and associated companies		**373,246**	263,351
Net cash used in investing activities		**(171,163)**	(546,342)
FINANCING ACTIVITIES			
Proceeds from share issues		**34,164**	38,694
Proceeds from minority shareholders of subsidiaries		**199,559**	25,580
Proceeds from term loans		**170,228**	377,130
Capital distribution		**-**	(221,213)
Repayment of term loans		**(458,437)**	(1,099,541)
Dividend paid to shareholders of the Company		**(1,097,743)**	(241,754)
Dividend paid to minority shareholders of subsidiaries		**(103,416)**	(48,014)
Net cash used in financing activities		**(1,255,645)**	(1,169,118)
Net increase/(decrease) in cash and cash equivalents		**620,006**	(18,124)
Cash and cash equivalents as at 1 January		**1,597,083**	1,615,207
Cash and cash equivalents as at 31 December	3b	**2,217,089**	1,597,083
Free cash flow		***1,875,651***	*1,150,994*

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

3a. Acquisition of subsidiaries

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

	2008 $'000	2007 $'000
Investments	-	8,286
Stocks & work-in-progress	1,750	97,059
Debtors	-	3
Bank balances and cash	-	941
Creditors	-	(23)
Current and deferred tax	-	(22)
Minority interests	(350)	(4,490)
	1,400	101,754
Amount previously accounted for as associated companies	-	(3,934)
Purchase consideration	1,400	97,820
Less: Bank balances and cash acquired	-	(941)
Cash flow on acquisition net of cash acquired	1,400	96,879

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 cash flow statement comprise the following balance sheet amounts:

	2008 $'000	2007 $'000
Bank balances, deposits and cash	2,244,851	1,600,850
Bank overdrafts	(27,762)	(3,767)
	2,217,089	1,597,083

3c. Cash flow analysis

Net cash from operating activities was $2,047 million compared to $1,697 million in the previous year. This was mainly contributed by the increased operating profit and positive working capital changes.

Net cash used in investing activities was $171 million. The Group spent $563 million on acquisitions and operational capex. This comprised principally further investments in Marina Bay Financial Centre, capital expenditure on yards development and other operational capex. Divestment and dividend received totaled $392 million.

As a result, free cash flow increased from $1,151 million in the previous year to $1,876 million.

Total distribution to shareholders of the Company and minority shareholders of subsidiaries for the year amounted to $1,201 million, an increase of 135% compared to the previous year.

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

4a. Statement of changes in equity of the Group

	Attributable to equity holders of the Company						
	Share Capital $'000	Capital Reserves $'000	Revenue Reserves $'000	Foreign Exchange Translation Account $'000	Share Capital & Reserves $'000	Minority Interests $'000	Capital Employed $'000
2008							
As at 1 January	**790,407**	**827,571**	**3,644,164**	**(57,409)**	**5,204,733**	**1,830,459**	**7,035,192**
Fair value changes on available-for-sale assets	**-**	**(344,582)**	**-**	**-**	**(344,582)**	**4,553**	**(340,029)**
Fair value gain on available-for-sale assets realised and transferred to profit & loss account	**-**	**(56,752)**	**-**	**-**	**(56,752)**	**(4,091)**	**(60,843)**
Fair value changes on cash flow hedges	**-**	**(322,712)**	**-**	**-**	**(322,712)**	**(135)**	**(322,847)**
Fair value loss on cash flow hedges realised and transferred to profit & loss account	**-**	**1,827**	**-**	**-**	**1,827**	**-**	**1,827**
Currency translation gain	**-**	**-**	**-**	**64,241**	**64,241**	**27,242**	**91,483**
Currency translation gain realised and transferred to profit & loss account	**-**	**-**	**-**	**(6,475)**	**(6,475)**	**1,788**	**(4,687)**
Net income/(expense) recognised directly in equity	**-**	**(722,219)**	**-**	**57,766**	**(664,453)**	**29,357**	**(635,096)**
Net profit for the year	**-**	**-**	**1,097,971**	**-**	**1,097,971**	**223,440**	**1,321,411**
Total income/(expense) recognised for the year	**-**	**(722,219)**	**1,097,971**	**57,766**	**433,518**	**252,797**	**686,315**
Dividend paid	**-**	**-**	**(1,097,743)**	**-**	**(1,097,743)**	**-**	**(1,097,743)**
Share-based payment	**-**	**20,361**	**-**	**-**	**20,361**	**1,590**	**21,951**
Transfer of statutory, capital and other reserves to revenue reserves	**-**	**1,632**	**(2,394)**	**762**	**-**	**-**	**-**
Dividend paid to minority shareholders	**-**	**-**	**-**	**-**	**-**	**(103,416)**	**(103,416)**
Cash subscribed by minority shareholders	**-**	**-**	**-**	**-**	**-**	**199,559**	**199,559**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**350**	**350**
Acquisition of additional interest in subsidiaries	**-**	**-**	**-**	**-**	**-**	**(29,008)**	**(29,008)**
Other adjustments	**-**	**-**	**1,143**	**-**	**1,143**	**-**	**1,143**
Shares issued	**34,164**	**-**	**-**	**-**	**34,164**	**-**	**34,164**
As at 31 December	**824,571**	**127,345**	**3,643,141**	**1,119**	**4,596,176**	**2,152,331**	**6,748,507**

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

	Attributable to equity holders of the Company						
	Share Capital $'000	Capital Reserves $'000	Revenue Reserves $'000	Foreign Exchange Translation Account $'000	Share Capital & Reserves $'000	Minority Interests $'000	Capital Employed $'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	-	-	-	-
Deferred tax adjustment for investment properties	-	-	(57,777)	-	(57,777)	(64,617)	(122,394)
As restated	972,926	481,255	2,752,094	(58,956)	4,147,319	1,327,974	5,475,293
Fair value changes on available-for-sale assets	-	218,270	-	-	218,270	4,185	222,455
Fair value gain on available-for-sale assets realised and transferred to profit & loss account	-	(4,926)	-	-	(4,926)	38	(4,888)
Fair value changes on cash flow hedges	-	131,412	-	-	131,412	(60)	131,352
Fair value gain on cash flow hedges realised and transferred to profit & loss account	-	(16,784)	-	-	(16,784)	(167)	(16,951)
Currency translation loss	-	-	-	(39,806)	(39,806)	43	(39,763)
Currency translation loss realised and transferred to profit & loss account	-	-	-	41,012	41,012	20,357	61,369
Net income recognised directly in equity	-	327,972	-	1,206	329,178	24,396	353,574
Net profit for the year	-	-	1,130,701	-	1,130,701	521,827	1,652,528
Total income recognised for the year	-	327,972	1,130,701	1,206	1,459,879	546,223	2,006,102
Dividend paid	-	-	(241,754)	-	(241,754)	-	(241,754)
Share-based payment	-	21,513	-	-	21,513	1,476	22,989
Transfer of statutory, capital and other reserves to revenue reserves	-	(3,562)	3,221	341	-	-	-
Dividend paid to minority shareholders	-	-	-	-	-	(48,014)	(48,014)
Return of capital to minority shareholders	-	-	-	-	-	(25,350)	(25,350)
Cash subscribed by minority shareholders	-	-	-	-	-	25,580	25,580
Acquisition of subsidiaries	-	-	-	-	-	4,490	4,490
Acquisition of additional interest in subsidiaries	-	-	-	-	-	(1,650)	(1,650)
Other adjustments	-	393	(98)	-	295	(270)	25
Shares issued	38,694	-	-	-	38,694	-	38,694
Capital distribution	(221,213)	-	-	-	(221,213)	-	(221,213)
As at 31 December	790,407	827,571	3,644,164	(57,409)	5,204,733	1,830,459	7,035,192

4b. Statement of changes in equity of the Company

	Share Capital $'000	Capital Reserves $'000	Revenue Reserves $'000	Total $'000
2008				
As at 1 January	**790,407**	**47,456**	**2,510,512**	**3,348,375**
Net profit for the year	**-**	**-**	**837,457**	**837,457**
Dividend paid	**-**	**-**	**(1,097,743)**	**(1,097,743)**
Share-based payment	**-**	**22,586**	**-**	**22,586**
Shares issued	**34,164**	**-**	**-**	**34,164**
As at 31 December	**824,571**	**70,042**	**2,250,226**	**3,144,839**
2007				
As at 1 January	972,926	29,577	2,302,655	3,305,158
Net profit for the year	-	-	449,611	449,611
Dividend paid	-	-	(241,754)	(241,754)
Share-based payment	-	17,879	-	17,879
Shares issued	38,694	-	-	38,694
Capital distribution	(221,213)	-	-	(221,213)
As at 31 December	790,407	47,456	2,510,512	3,348,375

4c. Share capital

During the financial year, the Company issued 8,048,000 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 financial year was 1,593,134,180 ordinary shares.

As at 31 December 2008, there were unexercised options for 46,201,000 of unissued ordinary shares (31 December 2007: 37,768,000 ordinary shares) under the KCL Share Options Scheme.

As at 31 December 2008, the Company does not hold any treasury shares.

4d. Capital reserves

	Group		**Company**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Share option reserve	**80,240**	59,879	**70,042**	47,456
Fair value reserve	**36,673**	438,308	**-**	-
Hedging reserve	**(65,580)**	255,305	**-**	-
Bonus issue by subsidiaries	**40,000**	40,000	**-**	-
Others	**36,012**	34,079	**-**	-
	127,345	827,571	**70,042**	47,456

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 year compared with those of the audited financial statements as at 31 December 2007.

8. CHANGES IN THE ACCOUNTING POLICIES

The Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2008. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

9. REVIEW OF GROUP PERFORMANCE

The Group produced a good set of results for the year despite the challenges and weakness in the global and domestic economy. Group revenue remained above $10 billion. Group profit before exceptional items for the year rose to a new high of $1,097 million, 7% higher than the previous year of $1,026 million. Earnings per share of 69.0 cents were 6% above the previous year. Return on equity remained above 20% to a new record of 22.4% and Economic Value Added of $692 million was $88 million above the previous year.

Group revenue of $11,805 million was $1,374 million or 13% higher than that of the previous year. Revenue from Offshore & Marine Division of $8,569 million was $1,311 million or 18% higher and accounted for 72% of Group revenue. The Division completed and delivered 3 semisubmersibles and 13 jackups on schedule for its customers. Revenue from shiprepairs, conversions and shipbuilding were also higher. Revenue from Property Division of $950 million was $885 million or 48% lower. The decrease was due to lower sales of residential properties in the current year. Rental income from investment properties increased due to higher rental rates and occupancy. Revenue from Infrastructure Division increased by 75% to $2,232 million. Revenue generated from the cogen power plant in Singapore and environmental engineering contracts contributed to the significant increase in revenue.

At the pre-tax profit level, Group earnings of $1,597 million were 3% more than the previous year. Higher contribution from Offshore & Marine and Infrastructure were partially offset by lower profits from Property and Investments. Earnings from Offshore & Marine Division of $943 million were 35% above the previous year. Property Division posted profit of $365 million, $106 million or 23% lower than the previous year. The decrease was due to the lower sales and share of profit from associated companies. Infrastructure Division continued to make encouraging progress, contributing $70 million to Group pre-tax profit. Profit from Investments was lower because of lower profit from SPC.

The income tax expenses of the Group included a write-back of $15 million for tax provision in respect of prior years. After minority share of profit, the attributable profit after exceptional items was $1,098 million.

Excluding exceptional items, attributable profit was $1,097 million. Offshore & Marine Division remains the largest contributor to attributable earnings with 64%, followed by Investments with 16%, Property Division with 14% and Infrastructure Division with 6%.

In the opinion of the Directors, no factor has arisen between 31 December 2008 and the date of this report which would materially affect the results of the Group and the Company for the year just ended.

10. VARIANCE FROM PROSPECT STATEMENT

No variance from previous statement.

11. PROSPECTS

The global economic slowdown and financial crisis as well as the drop in oil prices have affected the oil and gas industry. This is expected to result in fewer rig contracts. Shiprepair is also expected to be affected by slumping freight rates and more vessels being laid up. However, the demand for FPSO conversions remains strong. The outstanding order book of $10.8 billion with deliveries into 2012 will keep Keppel Offshore & Marine's yards busy. Offshore & Marine Division will continue to be the largest contributor to the profit of the Group. The Division will continue to focus on cutting edge technologies and long-term relationships with its customers.

The property market in the region has also softened with fewer sales transactions and declining prices. Sales of Singapore and regional private residential properties in the year have been subdued. The progressive recognition of revenue and profits of residential properties sold in the past two years is expected to provide some respite for the Property Division, until confidence returns to the market. The demographic fundamentals of the countries that we operate in are still intact and the Property Division is in a position to ride through the current market weakness and seize opportunity as the market stabilises.

In the Infrastructure Division, the projects that we are constructing are progressing on track. These will provide the division with a core base of revenue and profits. The Division will continue to seek out opportunities to offer technologically-advanced cost effective solutions to its customers.

The Group is in a net cash position and the balance sheet is strong. We will continue to strengthen our businesses and brace ourselves to meet the challenges in these difficult market conditions.

12. DIVIDEND

12a. Current Financial Period Reported On

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

The Directors are pleased to recommend a tax exempt one-tier final dividend of 21 cents per share (2007: final dividend of 10 cents per share tax exempt one-tier and special dividend of 45 cents per share tax exempt one-tier) in respect of the financial year ended 31 December 2008 for approval by shareholders at the next Annual General Meeting to be convened.

Together with the interim dividend of 14 cents per share tax exempt one-tier, total dividends paid and proposed in respect of the financial year ended 31 December 2008 will be 35 cents per share (2007: 64 cents per share comprising of 1.5 cents per share less tax and 62.5 cents per share tax exempt one-tier which included the special dividend).

Name of Dividend	Final
Dividend type	Cash
Dividend per share	21 cents
Tax rate	Tax exempt

12b. Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	Final	Special	Total
Dividend type	Cash	Cash	Cash
Dividend per share	10 cents	45 cents	55 cents
Tax rate	Tax exempt	Tax exempt	Tax exempt

12c. Date Payable

The proposed final dividend, if approved at the Annual General Meeting to be held on 24 April 2009, will be paid on 12 May 2009.

12d. Books Closure Date

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 1 May 2009 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital of the Company (“Shares”) received by the Company’s Registrar, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on 30 April 2009 will be registered to determine members’ entitlement to the proposed final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 pm on 30 April 2009 will be entitled to the proposed final dividend.

12e. Total Annual Dividend

	2008 $'000	2007 $'000	+/(-) %
Interim dividend	**222,884**	138,114	+61.4
Final dividend *	**334,558**	159,065	+110.3
Special dividend	**-**	715,794	NM
Total annual dividend	**557,442**	1,012,973	-45.0

* 2008 final dividend is estimated based on share capital of 1,593,134,180 ordinary shares at the end of the financial year.

13. SEGMENT ANALYSIS

2008

BUSINESS SEGMENT

	Offshore & Marine $'000	Property $'000	Infra-structure $'000	Invest-ments $'000	Elimina-tion $'000	Total $'000
Revenue						
External sales	**8,569,185**	**949,589**	**2,232,549**	**54,103**	**-**	**11,805,426**
Inter-segment sales	**-**	**2,543**	**202,219**	**61,683**	**(266,445)**	**-**
Total	**8,569,185**	**952,132**	**2,434,768**	**115,786**	**(266,445)**	**11,805,426**
Results						
Operating profit	**837,155**	**325,655**	**49,895**	**(6,396)**	**32,165**	**1,238,474**
Net investment income & interest income	**61,868**	**(31,152)**	**(14,195)**	**20,062**	**(32,165)**	**4,418**
Share of results of associated companies	**43,613**	**70,852**	**34,032**	**205,460**	**-**	**353,957**
Profit before tax & exceptional items	**942,636**	**365,355**	**69,732**	**219,126**	**-**	**1,596,849**
Exceptional items	**(6,209)**	**27,372**	**1,404**	**(9,975)**	**-**	**12,592**
Profit before taxation	**936,427**	**392,727**	**71,136**	**209,151**	**-**	**1,609,441**
Taxation	**(197,206)**	**(52,089)**	**1,250**	**(39,985)**	**-**	**(288,030)**
Profit for the year	**739,221**	**340,638**	**72,386**	**169,166**	**-**	**1,321,411**
Attributable to:						
Shareholders of Company						
Profit before exceptional items	**704,687**	**156,528**	**63,078**	**172,360**	**-**	**1,096,653**
Exceptional items	**(6,209)**	**15,393**	**2,109**	**(9,975)**	**-**	**1,318**
	698,478	**171,921**	**65,187**	**162,385**	**-**	**1,097,971**
Minority interests	**40,743**	**168,012**	**7,904**	**6,781**	**-**	**223,440**
	739,221	**339,933**	**73,091**	**169,166**	**-**	**1,321,411**
Other information						
Segment assets	**6,478,191**	**7,155,753**	**1,961,737**	**4,764,985**	**(6,815,254)**	**13,545,412**
Investment in associated companies	**96,097**	**1,833,132**	**180,203**	**1,091,599**	**-**	**3,201,031**
Total	**6,574,288**	**8,988,885**	**2,141,940**	**5,856,584**	**(6,815,254)**	**16,746,443**
Segment liabilities	**5,187,100**	**5,160,816**	**1,664,419**	**4,075,623**	**(6,815,254)**	**9,272,704**
Net tax provision & deferred taxation	**256,611**	**388,034**	**48,401**	**32,186**	**-**	**725,232**
Total	**5,443,711**	**5,548,850**	**1,712,820**	**4,107,809**	**(6,815,254)**	**9,997,936**
Net assets	**1,130,577**	**3,440,035**	**429,120**	**1,748,775**	**-**	**6,748,507**
Capital expenditure	**272,023**	**97,738**	**29,154**	**683**	**-**	**399,598**
Depreciation and amortisation	**95,102**	**11,061**	**32,369**	**546**	**-**	**139,078**

GEOGRAPHICAL SEGMENT

	Singapore $'000	Far East & Other ASEAN Countries $'000	America $'000	Other Countries $'000	Elimination $'000	Total $'000
External sales	**8,180,820**	**1,087,630**	**1,688,961**	**848,015**	**-**	**11,805,426**
Segment assets	**9,736,803**	**3,351,406**	**911,241**	**495,615**	**(949,653)**	**13,545,412**
Capital expenditure	**313,825**	**37,568**	**26,067**	**22,138**	**-**	**399,598**

2007

BUSINESS SEGMENT

	Offshore & Marine $'000	Property $'000	Infra-structure $'000	Invest-ments $'000	Elimina-tion $'000	Total $'000
Revenue						
External sales	7,258,364	1,834,886	1,276,929	61,071	-	10,431,250
Inter-segment sales	-	2,540	131,762	52,647	(186,949)	-
Total	7,258,364	1,837,426	1,408,691	113,718	(186,949)	10,431,250
Results						
Operating profit	570,007	440,062	10,942	13,442	16,196	1,050,649
Net investment income & interest income	98,476	(35,419)	(4,784)	(13,378)	(16,196)	28,699
Share of results of associated companies	31,662	66,840	44,940	333,440	-	476,882
Profit before tax & exceptional items	700,145	471,483	51,098	333,504	-	1,556,230
Exceptional items	(81,011)	810,121	(165,616)	1,439	-	564,933
Profit before taxation	619,134	1,281,604	(114,518)	334,943	-	2,121,163
Taxation	(141,756)	(249,751)	(18,065)	(59,063)	-	(468,635)
Profit for the year	477,378	1,031,853	(132,583)	275,880	-	1,652,528
Attributable to:						
Shareholders of Company						
Profit before exceptional items	522,323	209,387	26,410	267,476	-	1,025,596
Exceptional items	(81,011)	350,543	(165,866)	1,439	-	105,105
	441,312	559,930	(139,456)	268,915	-	1,130,701
Minority interests	36,066	471,923	6,873	6,965	-	521,827
	477,378	1,031,853	(132,583)	275,880	-	1,652,528
Other information						
Segment assets	5,628,504	6,991,699	1,684,391	4,654,856	(6,302,862)	12,656,588
Investment in associated companies	88,058	1,710,317	143,695	1,198,524	-	3,140,594
Total	5,716,562	8,702,016	1,828,086	5,853,380	(6,302,862)	15,797,182
Segment liabilities	4,200,951	5,245,833	1,412,510	3,464,725	(6,302,862)	8,021,157
Net tax provision & deferred taxation	279,676	402,171	18,311	40,675	-	740,833
Total	4,480,627	5,648,004	1,430,821	3,505,400	(6,302,862)	8,761,990
Net assets	1,235,935	3,054,012	397,265	2,347,980	-	7,035,192
Capital expenditure	193,983	25,005	36,542	379	-	255,909
Depreciation and amortisation	78,453	12,784	33,916	539		125,692

GEOGRAPHICAL SEGMENT

	Singapore $'000	Far East & Other ASEAN Countries $'000	America $'000	Other Countries $'000	Elimination $'000	Total $'000
External sales	7,473,211	1,062,871	1,323,231	571,937	-	10,431,250
Segment assets	9,247,609	2,929,664	860,011	486,880	(867,576)	12,656,588
Capital expenditure	180,930	43,943	19,008	12,028	-	255,909

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 35 countries. Secondary segment information is provided by geographical segment which is based on the locations in which the Group's activities are carried out.

14. REVIEW OF SEGMENT PERFORMANCE

14a. Revenue by Segments

Group revenue of $11,805 million was $1,374 million or 13% higher than that of the previous year. Revenue from Offshore & Marine Division of $8,569 million was $1,311 million or 18% higher and accounted for 72% of Group revenue. The Division completed and delivered 3 semis and 13 JUs on schedule for its customers. Revenue from Property Division of $950 million was $885 million or 48% lower and accounted for 8% of Group revenue. The decreased revenue was due to the completion of several projects in Singapore and overseas in the previous year, and lower revenue reported by property services and hotels. Revenue from Infrastructure Division of $2,232 million was $955 million or 75% higher and accounted for 19% of Group revenue. The increased revenue was due to revenue from the cogen power plant in Singapore and the environmental EPC contracts.

14b. PATMI (before exceptional items) by Segments

Group PATMI of $1,097 million was $71 million or 7% higher than that of the previous year. Profit from Offshore & Marine Division of $705 million was $183 million or 35% above that of the previous year and remains the largest contributor to Group PATMI with 64% share. Profit from Property Division was $52 million or 25% below that of previous year due to lower profit recognition from Reflections at Keppel Bay and lower profit from Keppel Land as a result of the completion of several trading projects and lower contributions from associated companies. Profit from Infrastructure Division was $36 million or 133% higher due mainly to contributions from cogen power plant and EPC contracts. Profit from Investments of $172 million was $96 million or 36% below that of the previous year. This was mainly due lower contribution from SPC and fair value losses of securities, partly offset by higher contribution from k1 Ventures and over provision of tax in respect of prior years.

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)	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Transaction for the Sale of Goods and Services				
Keppel Corporation Limited Directors and their associates	**-**	17,447	**-**	-
Gas Supply Pte Ltd	**-**	-	**61,550**	13,140
PSA Corporation Group	**-**	-	**4,379**	5,150
Mount Faber Leisure Group	**-**	-	**145**	144
SembCorp Industries Group	**-**	-	**110**	-
SembCorp Marine Group	**-**	-	**1,073**	2,273
Singapore Airlines Group	**-**	-	**15,900**	17,350
Singapore Power/PowerSeraya/Senoko Power/Tuas Power Group	**-**	-	**25,462**	28,410
Singapore Telecommunications Group	**-**	-	**-**	4,633
Transaction for the Purchase of Goods and Services				
CapitaLand Group	**-**	-	**4,532**	-
Gas Supply Pte Ltd	**-**	-	**90,000**	380,000
Mapletree Investments Pte Ltd	**-**	-	**2,478**	407
Total Interested Person Transactions	**-**	17,447	**205,629**	451,507

BY ORDER OF THE BOARD

CAROLINE CHANG
Company Secretary

22 January 2009