



SWIBER HOLDINGS LIMITED

Financial Statements And Dividends Announcement

**For The Third Quarter And Nine Months Ended
30 September 2012**

UNAUDITED THIRD QUARTER ("3Q2012") FINANCIAL STATEMENT AND DIVIDENDS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 ("9M2012").
1(a)(i) Consolidated Income Statement

| | Group | | | Group | | |
|---|--------------------|--------------------|--------|--------------------|--------------------|--------|
| | 3Q2012 US\$'000 | 3Q2011 US\$'000 | Change | 9M2012 US\$'000 | 9M2011 US\$'000 | Change |
| Revenue | 265,326 | 137,734 | 92.6% | 689,304 | 468,943 | 47.0% |
| Cost of sales | (228,018) | (114,899) | 98.5% | (580,908) | (395,048) | 47.0% |
| Gross profit | 37,308 | 22,835 | 63.4% | 108,396 | 73,895 | 46.7% |
| Other operating income | 4,238 | 16,148 | -73.8% | 11,732 | 30,200 | -61.2% |
| Administrative expenses | (12,917) | (13,023) | -0.8% | (40,239) | (37,255) | 8.0% |
| Other operating expenses | (6,790) | (747) | N/M | (7,957) | (2,990) | 166.1% |
| Share of profit/ (loss) of associates and joint ventures | 4,896 | (960) | N/M | 11,491 | 1,588 | N/M |
| Finance costs | (10,640) | (5,114) | 108.1% | (24,140) | (15,733) | 53.4% |
| Profit before tax | 16,095 | 19,139 | -15.9% | 59,283 | 49,705 | 19.3% |
| Income tax expenses | (3,569) | (3,264) | 9.3% | (13,293) | (9,377) | 41.8% |
| Profit for the period | 12,526 | 15,875 | -21.1% | 45,990 | 40,328 | 14.0% |
| Attributable to : | | | | | | |
| Owners of the company | 7,330 | 13,522 | -45.8% | 31,089 | 30,600 | 1.6% |
| Perpetual securities holders | 86 | - | N/M | 86 | - | N/M |
| Non-controlling interests | 5,110 | 2,353 | 117.2% | 14,815 | 9,728 | 52.3% |
| | 12,526 | 2,353 | | 45,990 | 9,728 | |
| Gross profit margin | 14.1% | 16.6% | | 15.7% | 15.8% | |
| Net profit margin | 4.7% | 11.5% | | 6.7% | 8.6% | |
| EBITDA* (US\$'000) | 30,594 | 29,950 | | 95,732 | 81,713 | |
| EBITDA* margin | 11.5% | 21.7% | | 13.9% | 17.4% | |

* : Denotes earnings before interest, taxes, depreciation and amortization.

N/M : Not Meaningful

1(a)(i) Consolidated Statement of Comprehensive Income

| | Group | | | Group | | |
|---|--------------------|--------------------|--------|--------------------|--------------------|--------|
| | 3Q2012 US\$'000 | 3Q2011 US\$'000 | Change | 9M2012 US\$'000 | 9M2011 US\$'000 | Change |
| Profit for the period | 12,526 | 15,875 | | 45,990 | 40,328 | |
| Other comprehensive income: | | | | | | |
| (Loss)/ gain on cash flow hedges | (2,263) | 1,405 | N/M | (3,308) | 2,180 | N/M |
| Exchange differences on translation of foreign operations | 432 | (1,440) | N/M | 582 | (567) | N/M |
| Total comprehensive income for the period | 10,695 | 15,840 | | 43,264 | 41,941 | |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the company | 5,500 | 13,487 | -59.2% | 28,362 | 32,213 | -12.0% |
| Perpetual securities holders | 86 | 13,487 | -99.4% | 86 | 32,213 | -99.7% |
| Non-controlling interests | 5,109 | 2,353 | 117.1% | 14,816 | 9,728 | 52.3% |
| Total | 10,695 | 29,327 | | 43,264 | 74,154 | |

1(a)(ii) Profit for the period is determined after charging/ (crediting) the followings:

| | Group | | | Group | | |
|---|--------------------|--------------------|--------|--------------------|--------------------|--------|
| | 3Q2012 US\$'000 | 3Q2011 US\$'000 | Change | 9M2012 US\$'000 | 9M2011 US\$'000 | Change |
| Charging: | | | | | | |
| Bad debts written off | - | - | N/M | 18 | 12 | 50.0% |
| Interest on borrowings | 6,969 | 3,812 | 82.8% | 16,321 | 10,723 | 52.2% |
| Fair value loss on financial liabilities designated as at fair value through profit or loss | 587 | - | N/M | - | - | N/M |
| Depreciation of property, plant and equipment | 7,530 | 6,074 | 24.0% | 20,128 | 14,374 | 40.0% |
| Employees' share options/ awards expense | 200 | 830 | N/M | 824 | 2,223 | -62.9% |
| Foreign exchange losses | 4,914 | 5,211 | -5.7% | 6,662 | 1,178 | N/M |
| Loss on disposal of property, plant and equipment | - | 653 | N/M | - | 1,168 | N/M |
| Loss on disposal of associate | 625 | - | N/M | - | - | N/M |
| Crediting: | | | | | | |
| Interest income | (353) | (843) | N/M | (1,087) | (1,616) | -32.7% |
| Fair value gain on financial liabilities designated as at fair value through profit or loss | - | (9,399) | N/M | (1,399) | (19,790) | -92.9% |
| Foreign exchange gain | - | (4,429) | N/M | - | - | - |
| Gain on disposal of property, plant and equipment | (23) | - | - | (426) | - | N/M |
| Gain on disposal of associate | - | - | N/M | (4,309) | - | N/M |
| Gain on disposal of subsidiary | - | (383) | N/M | - | (383) | N/M |
| Gain on disposal of assets held for sale | - | (312) | N/M | - | (3,555) | N/M |

N/M: Not Meaningful

1(b)(i) Statements of Financial Position

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 9M2012 US\$'000 | FY2011 US\$'000 | 9M2012 US\$'000 | FY2011 US\$'000 |
| <u>ASSETS</u> | | | | |
| Current assets | | | | |
| Cash and bank balances | 150,214 | 116,458 | 65,031 | 8,476 |
| Trade receivables | 511,299 | 276,660 | - | - |
| Construction contract work-in progress | 1,048 | 4,768 | - | - |
| Inventories | 74,098 | 91,696 | - | - |
| Other assets and receivables | 268,005 | 118,832 | 659,342 | 764,116 |
| Total current assets | 1,004,664 | 608,414 | 724,373 | 772,592 |
| Non-current assets | | | | |
| Property, plant and equipment | 664,021 | 552,736 | 355 | 583 |
| Goodwill | 309 | 309 | - | - |
| Subsidiaries | - | - | 249,638 | 249,628 |
| Associates | 98,721 | 110,447 | 33,336 | 33,428 |
| Joint ventures | 18,576 | 20,238 | - | - |
| Other assets and receivables | 56,178 | 82,808 | 15,240 | 16,305 |
| Derivative financial instruments | 11,531 | - | 11,394 | - |
| Deferred tax assets | 648 | - | - | - |
| Total non-current assets | 849,984 | 766,538 | 309,963 | 299,944 |
| Total assets | 1,854,648 | 1,374,952 | 1,034,336 | 1,072,536 |

1(b)(i) Statements of Financial Position (cont'd)

| | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 9M2012 US\$'000 | FY2011 US\$'000 | 9M2012 US\$'000 | FY2011 US\$'000 |
| <u>LIABILITIES AND EQUITY</u> | | | | |
| Current liabilities | | | | |
| Trade payables | 96,278 | 154,782 | - | - |
| Other payables | 215,149 | 98,106 | 132,641 | 462,180 |
| Bank loans | 151,665 | 105,757 | - | - |
| Bonds | 169,872 | 128,445 | 169,872 | 128,445 |
| Convertible loan notes | 101,361 | 102,570 | 101,361 | 102,570 |
| Finance leases | 6,562 | 4,384 | 96 | 184 |
| Income tax payable | 15,642 | 8,608 | 518 | 143 |
| Total current liabilities | 756,530 | 602,652 | 404,488 | 693,522 |
| Non-current liabilities | | | | |
| Bank loans | 107,092 | 76,625 | - | - |
| Bonds | 294,915 | 151,330 | 294,915 | 151,330 |
| Finance leases | 2,489 | 7,840 | 143 | 225 |
| Derivative financial instruments | - | 3,908 | - | 3,855 |
| Deferred tax liabilities | 9,022 | 9,005 | 18 | 19 |
| Total non-current liabilities | 413,518 | 248,708 | 295,076 | 155,429 |
| Capital, reserves and non- controlling interests | | | | |
| Share capital | 208,246 | 158,006 | 208,246 | 158,006 |
| Treasury shares | (1,643) | (2,507) | (1,643) | (2,507) |
| Perpetual capital securities | 62,828 | - | 62,828 | - |
| Hedging reserve | (5,299) | (1,991) | (5,299) | (1,991) |
| Translation reserve | 1,120 | 538 | - | - |
| Equity reserve | (7,420) | (8,206) | (63) | - |
| Employees' share option reserve | 4,033 | 4,009 | 4,033 | 4,009 |
| Retained earnings | 236,374 | 209,314 | 66,670 | 66,068 |
| Equity attributable to owners of the company | 498,239 | 359,163 | 334,772 | 223,585 |
| Non-controlling interests | 186,361 | 164,429 | - | - |
| Total equity | 684,600 | 523,592 | 334,772 | 223,585 |
| Total liabilities and equity | 1,854,648 | 1,374,952 | 1,034,336 | 1,072,536 |

1(b)(ii) Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

| Group | | Group | |
|-----------------|------------------|-----------------|------------------|
| 9M2012 | | FY2011 | |
| Secured | Unsecured | Secured | Unsecured |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 158,227 | 271,233 | 110,141 | 231,015 |

Amount repayable after one year

| Group | | Group | |
|-----------------|------------------|-----------------|------------------|
| 9M2012 | | FY2011 | |
| Secured | Unsecured | Secured | Unsecured |
| US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| 109,581 | 294,915 | 84,465 | 151,330 |

The bank loans and finance leases are secured by:

- (i) First legal mortgage over certain vessels, apartments, furniture and office equipment.
- (ii) Assignment of all marine insurances in respect of the vessels mentioned above.
- (iii) Assignment of earnings/charter proceeds in respect of the vessels mentioned above.
- (iv) Lessors' title to the lease assets.

1(c) Consolidated Statement of Cash Flows

| | Group | |
|---|------------------|----------|
| | 3Q2012 | 3Q2011 |
| | US\$'000 | US\$'000 |
| Operating activities | | |
| Profit after income tax | 12,526 | 22,403 |
| Adjustments for : | | |
| Income tax expenses | 3,579 | (3,264) |
| Depreciation of property, plant and equipment | 7,530 | 6,074 |
| Employees' share options/ awards expense | 200 | 830 |
| Fair value (gain) / loss on financial liabilities designated as at fair value through profit and loss | 587 | (9,399) |
| Finance cost | 10,639 | 4,634 |
| Foreign exchange gain | (2,447) | (366) |
| Gain on disposal of assets held for sale | - | (312) |
| (Gain) / Loss on disposal of property, plant and equipment | (23) | 653 |
| Interest income | (353) | (843) |
| Gain on disposal of subsidiary | - | (383) |
| Loss on disposal of associate | 625 | - |
| Share of (profit)/ loss of associates and joint ventures | (4,896) | 960 |
| Operating cash flows before movements in working capital | 27,967 | 20,987 |
| Trade receivables | (139,668) | (24,178) |
| Construction work in progress | 3,962 | (1,384) |
| Inventories | 14,029 | 4,473 |
| Other assets and receivables | (21,377) | 18,153 |
| Trade payables | (11,846) | (17,978) |
| Other payables | (9,210) | (1,417) |
| Cash used in operations | (136,143) | (1,344) |
| Income taxes paid | (1,570) | (5,673) |
| Interest expense paid | (6,489) | (3,508) |
| Net cash used in operating activities | (144,202) | (10,525) |
| Investing activities | | |
| Interest income received | 352 | 843 |
| Dividend received from associates/ joint ventures | 2,941 | 1,833 |
| Proceeds on disposal of property, plant and equipment | 107 | 61 |
| Proceeds on disposal of assets held for sale | - | 980 |
| Proceeds from disposal of subsidiary | - | (243) |
| Purchases of property, plant and equipment | (62,894) | (60,703) |
| Purchases of assets held for sale | - | (43) |
| Investment in associates | - | (2,442) |
| Acquisition of subsidiary, net of cash acquired | 14,551 | - |
| Net cash used in investing activities | (44,943) | (59,714) |

1(c) Consolidated Statement of Cash Flows (cont'd)

| | Group | |
|---|----------------|---------------|
| | 3Q2012 | 3Q2011 |
| | US\$'000 | US\$'000 |
| Financing activities | | |
| Pledged deposits | 644 | (1) |
| Proceeds on issuance of bonds | 192,173 | - |
| Redemption of preference shares issued by a subsidiary | (1,600) | - |
| Net proceeds from issuances of perpetual capital securities | 62,742 | - |
| Repayment of obligations under finance leases | (975) | (1,328) |
| New bank loans raised | 179,474 | 131,844 |
| Redemption of bonds | (84,778) | - |
| Repayment of bank loans | (137,022) | (86,945) |
| Net cash provided by financing activities | <u>210,658</u> | <u>43,570</u> |
| | | |
| Net increase/ (decrease) in cash and cash equivalents | 21,513 | (26,669) |
| Cash and cash equivalents at beginning of the period | 117,240 | 94,174 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | 182 | (207) |
| Cash and cash equivalents at end of the period | <u>138,935</u> | <u>67,298</u> |
| | | |
| Cash and cash equivalents consist of: | | |
| Cash at bank | 138,889 | 67,151 |
| Fixed deposits | 11,287 | 13,340 |
| Cash on hand | 38 | 48 |
| | <u>150,214</u> | <u>80,539</u> |
| Less: Pledged cash placed with banks | (11,279) | (13,243) |
| Total | <u>138,935</u> | <u>67,296</u> |

1(d)(i) Statements of Changes in Equity

| | Share capital US\$'000 | Treasury shares US\$'000 | Perpetual capital securities US\$'000 | Hedging reserve US\$'000 | Translation reserve US\$'000 | Equity reserve US\$'000 | Employees' share option reserve US\$'000 | Retained earnings US\$'000 | Equity attributable to owners of the company US\$'000 | Non- controlling interests US\$'000 | Total US\$'000 |
|--|---------------------------|--------------------------------|--|--------------------------------|------------------------------------|-------------------------------|---|----------------------------------|---|--|-------------------|
| GROUP | | | | | | | | | | | |
| Balance at 1 January 2012 | 158,006 | (2,507) | - | (1,991) | 538 | (8,206) | 4,009 | 209,314 | 359,163 | 164,429 | 523,592 |
| Total comprehensive income for the period | - | - | 86 | (3,308) | 582 | - | - | 28,362 | 25,722 | 14,816 | 40,538 |
| Proceeds from shares issued | 50,240 | - | - | - | - | - | - | - | 50,240 | - | 50,240 |
| Value of employee services received for issue of share options | - | - | - | - | - | - | 24 | - | 24 | - | 24 |
| Performance shares awarded using treasury shares | - | 864 | - | - | - | (63) | - | 3,479 | 801 | - | 801 |
| Change of interest in subsidiary | - | - | - | - | - | 849 | - | - | 4,328 | 13,216 | 17,544 |
| Redemption of preference shares issued by a subsidiary | - | - | - | - | - | - | - | - | - | (6,100) | (6,100) |
| Dividends paid on preference shares issued by a subsidiary | - | - | - | - | - | - | - | (4,781) | (4,781) | - | (4,781) |
| Issuance of perpetual capital securities net of transaction cost | - | - | 62,742 | - | - | - | - | - | 62,742 | - | 62,742 |
| Balance at 30 September 2012 | 208,246 | (1,643) | 62,828 | (5,299) | 1,120 | (7,420) | 4,033 | 236,374 | 498,239 | 186,361 | 684,600 |
| Balance at 1 January 2011 | | | | | | | | | | | |
| Total comprehensive income for the period | 158,006 | (2,507) | - | (1,704) | 508 | (8,206) | - | 179,569 | 325,666 | 30,606 | 356,272 |
| Value of employee services received for issue of share options | - | - | - | 2,180 | (567) | - | - | 30,600 | 32,213 | 9,728 | 41,941 |
| Preference shares issued by a subsidiary | - | - | - | - | - | - | 2,223 | - | 2,223 | - | 2,223 |
| Dividends paid to non-controlling interest | - | - | - | - | - | - | - | (771) | (771) | - | (771) |
| Balance at 30 September 2011 | 158,006 | (2,507) | - | 476 | (59) | (8,206) | 2,223 | 209,398 | 359,331 | 164,084 | 523,415 |
| COMPANY | | | | | | | | | | | |
| Balance at 1 January 2012 | 158,006 | (2,507) | - | (1,991) | - | - | 4,009 | 66,068 | 223,585 | - | 223,585 |
| Total comprehensive income for the period | - | - | 86 | (3,308) | - | - | - | 602 | (2,620) | - | (2,620) |
| Proceeds from shares issued | 50,240 | - | - | - | - | - | - | - | 50,240 | - | 50,240 |
| Value of employee services received for issue of share options | - | - | - | - | - | - | 24 | - | 24 | - | 24 |
| Performance shares awarded using treasury shares | - | 864 | - | - | - | (63) | - | - | 801 | - | 801 |
| Issuance of perpetual capital securities net of transaction cost | - | - | 62,742 | - | - | - | - | - | 62,742 | - | 62,742 |
| Balance at 30 September 2012 | 208,246 | (1,643) | 62,828 | (5,299) | - | (63) | 4,033 | 66,670 | 334,772 | - | 334,772 |
| Balance at 1 January 2011 | | | | | | | | | | | |
| Total comprehensive income for the period | 158,006 | (2,507) | - | (1,704) | - | - | - | 6,935 | 160,730 | - | 160,730 |
| Value of employee services received for issue of share options | - | - | - | 2,180 | - | - | - | 6,305 | 8,485 | - | 8,485 |
| Preference shares issued by a subsidiary | - | - | - | - | - | - | 2,223 | - | 2,223 | - | 2,223 |
| Balance at 30 September 2011 | 158,006 | (2,507) | - | 476 | - | - | 2,223 | 13,240 | 171,438 | - | 171,438 |

1(d)(ii) Changes in the company's share capital

A) US\$100.0 MILLION 5% CONVERTIBLE BONDS DUE IN 2014

As announced via SGXNET on 16 October 2009, Swiber Holdings Limited (the "Company") had on 16 October 2009 issued US\$100.0 million 5% convertible bonds due in 2014 (the "Convertible Bonds" or "Convertible Loan Notes"). Key feature of the Convertible Bonds is as follow:

"The Convertible Bonds may be converted at the option of bondholders at any time on and from November 26, 2009 to October 6, 2014, at the current conversion price of S\$1.14, into fully paid-up ordinary shares of the Company at the fixed exchange rate of US\$1.00 = S\$1.44. The conversion price will be reset on each interest payment date (the "Reset Date") based on the average market price, defined as the Volume Weighted Average Price of shares for up to 20 consecutive trading days ("VWAP") immediately preceding the relevant Reset Date."

Due to the reset feature on conversion price, the Company does not deliver fixed amount of equity for a fixed number of bonds based on the prevailing conversion rate. Therefore, it will not be able to determine the aggregate number of shares that may be issued on conversion of all the outstanding convertibles as at the end of current financial period reported on.

As announced on 16 October 2012, certain holders of the Convertible Bonds had exercised their option (the "Put Option") to require the Company to redeem their Convertible Bonds on the Put Option Date, being 16 October 2012. Pursuant to the exercise of the Put Option, the Company has redeemed US\$64,400,000 in principal amount of the Convertible Bonds on the Put Option Date. As at the date of this announcement, US\$35,600,000, in aggregate principal amount of the Bonds is outstanding.

The current Conversion Price per Share of the outstanding Convertible Bonds is S\$0.84.

For the purpose of illustration, assuming that all the Convertible Bonds are converted at current conversion price of S\$0.84, the aggregate number of shares that may be issued on conversion would be approximately 61,028,571 shares. This represents approximately 10.0% of the Company's existing share capital of 607,457,666 shares (net of treasury shares).

B) SHARE OPTION SCHEME

| <u>Date of grant</u> | <u>1 January 2012</u> | <u>Granted</u> | <u>30 September 2012</u> | <u>Exercise price per share</u> |
|----------------------|---------------------------|----------------|------------------------------|-------------------------------------|
| 26-Jan-2011 | 15,000,000 | - | 15,000,000 | 0.97 |

The above-mentioned share options were all granted to the directors of the Company.

Validity period of the options:

- (a) Exercisable after the first anniversary of the Date of Grant of the options.
- (b) A period of five (5) years commencing from the Date of Grant of the options.

1(d)(ii) Changes in the company's share capital. (cont'd)

C) PERFORMANCE SHARE PLAN

| Date of grant | 1 January 2012 | Granted | Vested | 30 September 2012 |
|---------------|-------------------|---------|-------------|----------------------|
| 26-Jan-2011 | 3,095,000 | - | (1,031,666) | 2,063,334 |

Validity period of the awards:

(a) Vesting period : 3 years

(b) Release schedule : one third of the Awards shall be vested in each year on the anniversary of the Awards

1(d)(iii) Issued shares (excluding treasury shares)

| | 9M2012 | FY2011 |
|-------------------------------|--------------------|-------------|
| Total number of issued shares | 607,457,666 | 505,355,000 |

1(d)(iv) Treasury shares

| | 9M2012 | FY2011 |
|---|------------------|-----------|
| Total number of treasury shares as at 30 September 2012 and 31 December 2011 | 1,963,334 | 2,995,000 |

2. Audit

Except for the comparative balance sheets of the Company and its subsidiaries (the "Group") and of the Company as at 31 December 2011, the financial statements have not been audited or reviewed by the Company's auditors.

3. Auditors' report

Not applicable.

4. Accounting policies.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as those applied in the audited financial statement for the year ended 31 December 2011.

5. Changes in the accounting policies.

There are no changes in the accounting policies and methods of computation.

6. Earnings per ordinary share

| | Group | | Group | |
|---|--------------|---------|---------------|---------|
| | 3Q2012 | 3Q2011 | 9M2012 | 9M2011 |
| Net profit after tax attributable to owners of the Company | 7,330 | 13,522 | 31,089 | 30,600 |
| Earnings per share | | | | |
| a) Based on weighted average number of ordinary shares on issue (US\$ cents) | 1.2 | 2.7 | 5.1 | 6.1 |
| b) Based on fully diluted basis (US\$ cents) | 1.2* | 0.8 | 4.2 | 2.2 |
| Weighted average number of shares applicable to basic earnings per share ('000) | 594,359 | 505,355 | 594,359 | 505,355 |
| Weighted average number of shares based on fully diluted basis ('000) | 594,359 | 672,022 | 778,682 | 672,022 |

* Convertible loan notes were not included in the computation of diluted earnings per share because they were anti-dilutive.

7. Net asset value per ordinary share

| | Group | | Company | |
|--|----------------|---------|----------------|---------|
| | 9M2012 | FY2011 | 9M2012 | FY2011 |
| Net asset value (US\$'000) | 498,239 | 359,163 | 334,722 | 223,585 |
| Total number of shares issued ('000) | 607,458 | 505,355 | 607,458 | 505,355 |
| Net asset value per share (US\$ cents per share) | 82.0 | 71.1 | 55.1 | 44.2 |

8. Review of the group performance

Consolidated Income Statement and Statement of Comprehensive Income

(a) Revenue

9M2012 vs 9M2011/ 3Q2012 vs 3Q2011

Group's revenue increased by US\$220.4 million or 47.0%, to US\$689.3 million in 9M2012 compared to US\$468.9 million for the corresponding period ended 30 September 2011 ("**9M2011**"). For 3Q2012, Group's revenue was US\$265.3 million, 92.6% higher than the US\$137.7 million recorded in third quarter 2011 ("**3Q2011**"). The strong growth in revenue for the Group was driven by progressive revenue recognition from the offshore construction contracts awarded to the Group in South Asia, Southeast Asia and Latin America.

(b) Cost of sales and gross profit

9M2012 vs 9M2011/ 3Q2012 vs 3Q2011

With higher revenue earned, cost of sales increased by US\$185.9 million or 47.0%, from US\$395.0 million in 9M2011 to US\$580.9 million in 9M2012. For 3Q2012, cost of sales increased by US\$113.1 million or 98.5%, from US\$114.9 million in 3Q2011 to US\$228.0 million in 3Q2012. Cost of sales comprises mainly of charter hire, sub-contractor cost, material cost, salaries and labour related cost and consumables. Overall gross profit margin remained in the range of 15% - 16%.

(c) Other operating income

9M2012 vs 9M2011/ 3Q2012 vs 3Q2011

Other operating income decreased by US\$18.5 million or 61.2%, from US\$30.2 million in 9M2011 to US\$11.7 million in 9M2012. As for 3Q2012, other operating income decreased by US\$11.9 million or 73.8% from US\$16.1 million in 3Q2012 to US\$4.2 million in 3Q2011. The decreased were due mainly to the following :

| | 3Q2012 | 3Q2011 | 9M2012 | 9M2011 |
|--|-----------------|-----------------|----------|----------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Gain on disposal of investment | - | 383 | 4,309 | 383 |
| Fair value gain on financial liabilities designated as at fair value through profit or loss | - | 9,399 | 1,399 | 19,790 |
| Interest income | 353 | 843 | 1,087 | 1,616 |
| Gain on disposal of property, plant and equipment | 23 | - | 426 | - |
| Gain on disposal of assets held for sale | - | 312 | - | 3,555 |
| Foreign exchange gain | - | 4,429 | - | - |

8. Review of the group performance (cont'd)

(d) Administrative expenses

9M2012 vs 9M2011/ 3Q2012 vs 3Q2011

Administrative expenses for 9M2012 increased by US\$2.9 million or 8.0%, from US\$37.3 million in 9M2011 to US\$40.2 million in 9M2012. As for 3Q2012, administrative expenses reduced by approximately US\$100,000. As at 30 September 2012 and 30 September 2011, the Group had 1,020 and 723 onshore employees, respectively.

(e) Other operating expenses

9M2012 vs 9M2011/ 3Q2012 vs 3Q2011

Other operating expenses increased by approximately US\$5.0 million or 166.1%, from US\$3.0 million in 9M2011 to US\$8.0 million in 9M2012. As for 3Q2012, other operating expenses increased by approximately US\$6.0 million, from approximately US\$750,000 in 3Q2011 to approximately US\$6.8 million in 3Q2012. The increase was due mainly to the foreign exchange losses of US\$6.7 million and US\$4.9 million recorded in 9M2012 and 3Q2012 respectively.

(f) Share of profit/ (loss) from associates and joint ventures

9M2012 vs 9M2011/ 3Q2012 vs 3Q2011

Share of profit of associates and joint ventures for 9M2012 increased by US\$9.9 million, from US\$1.6 million in 9M2011 to US\$11.5 million in 9M2012. As for 3Q2012, the Group recorded share of profit of associates and joint ventures of US\$4.9 million as compared to share of losses of approximately US\$960,000 in 3Q2011. The increase was due to certain associates in Southeast Asia deliver positive results.

8. Review of the group performance (cont'd)

(g) Finance costs

9M2012 vs 9M2011/ 3Q2012 vs 3Q2011

Finance cost for 9M2012 increased by US\$8.4 million or 53.4%, from US\$15.7 million in 9M2011 to US\$24.1 million in 9M2012. As for 3Q2012, finance costs increased by US\$5.5 million or 108.1%, from US\$5.1 million in 3Q2011 to US\$10.6 million in 3Q2012. The higher finance cost incurred was due mainly to higher bank borrowings and new issues of multicurrency medium term notes.

(h) Profit for the period

9M2012 vs 9M2011/ 3Q2012 vs 3Q2011

With the above, profit for 9M2012 increased by US\$5.7 million or 14.0%, from US\$40.3 million in 9M2011 to US\$46.0 million in 9M2012. As for 3Q2012, profit increased by US\$3.4 million from US\$15.9 million in 3Q2011 to US\$12.5 million in 3Q2012.

Statements of Financial Position

(i) Trade receivables

Revenue is recognized based on percentage of completion method. This is computed based on the percentage of costs incurred to date on contracts to their estimated total costs.

Invoices are issued to customer upon the achievement of billing milestones.

Due to the strong growth of revenue in 9M2012, the Group's trade receivables increased by US\$234.6 million from US\$276.7 million as at 31 December 2011 to US\$511.3 million as at 30 September 2012. The timing difference between the achievement of milestone and revenue recognized for projects in progress has resulted in an increase in trade receivables.

(j) Inventories

Inventories decreased by US\$17.6 million, from US\$91.7 million as at 31 December 2011 to US\$74.1 million as at 30 September 2012, the decrease was due to continued consumption of materials in project execution.

8. Review of the group performance (cont'd)

(k) Other assets and receivables (current)

Other current assets and receivables increased by US\$149.2 million from US\$118.8 million as at 31 December 2011 to US\$268.0 million as at 30 September 2012. The increase was due mainly to advances to/ amounts due from certain joint ventures and associates.

(l) Property, plant and equipment

Property, plant and equipment increased by US\$111.3 million from US\$552.7 million as at 31 December 2011 to US\$664.0 million as at 30 September 2012. The increase was due mainly to :

- (i) addition of a diving support vessel for subsea construction and installation activities;
- (ii) a diving support vessel previously under sales and lease back arrangement included in property, plant and equipment following the acquisition of share in Atlantis Navigation AS; and
- (iii) cost incurred for vessels under construction.

Depreciation increased by US\$5.7 million or 40.0%, from US\$14.4 million in 9M2011 to US\$20.1 million in 9M2012. The increase was due mainly to addition of the derrick pipelay barge in financial year 2011.

Assets under construction are not depreciated.

(m) Associates

Investment in associates decreased by US\$11.7 million from US\$110.4 million as at 31 December 2011 to US\$98.7 million as at 30 September 2012. The decrease was due mainly to Atlantis Navigation AS ceased to be an associate and become a subsidiary following the acquisition of shares in Atlantis Navigation AS.

8. Review of the group performance (cont'd)

(n) Other assets and receivables (non-current)

Other non-current assets and receivables decreased by US\$26.6 million from US\$82.8 million as at 31 December 2011 to US\$56.2 million as at 30 September 2012. Decrease in other receivables was due mainly to elimination of seller credit/ loans to Atlantis Navigation AS ("Atlantis"), as a result of acquisition of remaining shares of Atlantis in Q32012. Following the acquisition, the Group's interest in Atlantis increased from 49.3% to 100.0%.

Other assets and receivables include seller credits granted under the sales and leaseback transactions. The Group has entered into sales and lease back agreements ("Agreements") with several outside parties. Under the Agreements, the Group has granted each buyer of the vessel credit facilities in connection with their purchase of vessel. The seller credits shall serve as security for the obligations of the Group under the respective bareboat charter parties. These deposits will be refunded in the event that the Company decides not to seek for renewal upon the expiry of the Agreement. As such, the seller credits are recorded as deposits in other receivables.

(o) Total current and non-current borrowings

Total current and non-current borrowings comprises of:

| | Group | | | |
|-------------------|---------------------|-------------------------|---------------------|-------------------------|
| | 9M2012 | | FY2011 | |
| | Current US\$'000 | Non-Current US\$'000 | Current US\$'000 | Non-Current US\$'000 |
| Bank Loan | 57,908 | 107,092 | 83,613 | 76,625 |
| Working Lines | 93,757 | - | 22,144 | - |
| Convertible Loans | 101,361 | - | 102,570 | - |
| Medium Term notes | 169,872 | 294,915 | 128,445 | 151,330 |
| Finance Lease | 6,562 | 2,489 | 4,384 | 7,840 |
| | 429,460 | 404,496 | 341,156 | 235,795 |

Total current and non-current borrowings increased by US\$257.0 million from US\$577.0 million as at 31 December 2011 to US\$834.0 million as at 30 September 2012. The increase was due to proceed from bonds issued and higher bank borrowings.

Net debt-to-equity ratio is as follows:

| Financial period ended | 30 September 2012 | 30 June 2012 | 31 December 2011 | 30 September 2011 | 30 June 2011 |
|-----------------------------|----------------------|-----------------|---------------------|----------------------|-----------------|
| Net debt-to-equity ratio | 1.00 | 0.89 | 0.88 | 0.85 | 1.06 |

8. Review of the group performance (cont'd)

(o) Total current and non-current borrowings (cont'd)

For the 9M2012, the Group has the following outstanding bonds and convertible loan notes:

Bonds

Multicurrency medium term note

| | Tenure (year) | Interest rate | Due Date | 9M2012 S\$'000 | Group 9M2012 US\$'000 | FY2011 US\$'000 |
|--------------------|------------------|------------------|-----------------|-------------------|-----------------------------|--------------------|
| <u>Current</u> | | | | | | |
| - series 7 | 2 | 5.75% | 31 August 2012 | - | - | 83,694 |
| - series 10 | 1 | 5.0% | 25 October 2012 | 60,000 | 48,815 | 44,751 |
| - series 13 | 1 | 5.8% | 6 August 2013 | 150,000 | 121,057 | - |
| | | | | 210,000 | 169,872 | 128,445 |
| <u>Non-current</u> | | | | | | |
| - series 8 | 3 | 5.8% | 11 October 2013 | 80,000 | 64,645 | 60,620 |
| - series 9 | 3.5 | 5.9% | 25 July 2014 | 120,000 | 96,635 | 90,710 |
| - series 11 | 3 | 6.25% | 8 June 2015 | 95,000 | 75,674 | - |
| - series 12 | 4 | 7.0% | 6 July 2016 | 75,000 | 57,961 | - |
| | | | | 370,000 | 294,915 | 151,330 |

Cross currency interest rate swap contracts relating to the above-mentioned issued notes have been established and creating an effective cash flow hedge against the foreign currency and interest rate movement.

Convertible loan notes

| | 9M2012 US\$'000 | Group FY2011 US\$'000 | Due Date |
|--|--------------------|-----------------------------|--------------|
| <u>Non-current</u> | | | |
| Nominal value of the Convertible Bonds | 100,000 | 100,000 | October 2014 |
| Fair value through profit or loss | 1,361 | 2,570 | |
| | 101,361 | 102,570 | |

The decreased amount of Convertible Bonds represents changes in fair value of financial derivative embedded in the Convertible Bonds of US\$1.2 million in 9M2012, such changes in fair value was accounted for at fair value through profit or loss.

8. Review of the group performance (cont'd)

(p) Trade and Other payables (current)

| | 9M2012 | Group |
|----------------|-----------------|--------------------|
| | US\$'000 | FY2011 US\$'000 |
| Trade Payables | 96,278 | 154,782 |
| Other Payables | 215,419 | 98,106 |
| | 311,697 | 252,888 |

Total trade and other payables increased by US\$58.8 million from US\$252.9 million as at 31 December 2011 to US\$311.7 million as at 30 September 2012. The increase was due mainly to accrual of cost for vessel under construction and increase in operating activities.

Consolidated Statement of Cash Flows

(q) Cash flow from operating activities

In 3Q2012, the Group net cash used in operating activities amounted to US\$144.2 million, this comprised operating cash flow before working capital changes of US\$28.0 million and adjusted for net working capital outflows of US\$164.1 million and income tax and interest payment of US\$8.1 million. The net working capital outflows were mainly the result of the followings:

- (i) increase in trade receivables, other assets and receivables of US\$161.0 million;
- (ii) net decrease in trade and other payables of US\$21.1 million; and
- (iii) decrease in inventories of US\$14.0 million.

(r) Cash flow used in investing activities

In 3Q2012, the Group's net cash used in investing activities amounted to US\$44.9 million, which was due mainly to purchase of property, plant and equipment and capital expenditure of US\$62.9 million.

(s) Cash flow from financing activities

In 3Q2012, the Group recorded a net cash inflow from financing activities of US\$210.7 million, which was due mainly to proceeds on issuance of bond and perpetual capital securities of US\$192.2 million and US\$62.7 million respectively. These cash inflow was however partially offset by repayment of bank loans and redemption of bonds amounting to US\$137.0 million and US\$84.8 million respectively.

9. Forecast or a prospect statement

Not applicable.

10. Commentary of the significant trends and competitive conditions of the industry.

In the past quarters, oil price remained within the healthy range of US\$80 - US\$100/ bbl, with oil prices forecasted to be at sustainable level, the management reckons that oil companies will continue to drive its offshore exploration and production capital expenditure, create more jobs for offshore and subsea contractors that undertake platform, pipeline and subsea installation, inspection, repair and maintenance works and other offshore support services, this is evidenced by active bidding activities in the markets that the Group is penetrating and focusing on.

As of November 2012, the Group has an order book of approximately US\$1.4 billion. The Group is equipped with large fleet size and is advantaged in contract bidding, with the right resources and experienced management team, the Group is well positioned to bid for major contracts and continue to focus on winning new contracts.

The Group will remain prudent in managing its operations, maximizing cost efficiencies to provide value added solutions to customers.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes

| | |
|------------------|----------------------------|
| Name of dividend | Interim dividend |
| Dividend type | Cash |
| Dividend value | S\$0.01 per ordinary share |
| Tax rate | Tax exempt one-tier |

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

11. Dividend (cont'd)

(c) Date Payable

18 January 2013

(d) Book Closure Date.

Notice is hereby given that the Transfer Books and the Register of Members of the Company will be closed on 31 December 2012 for the purpose of determining Shareholders' entitlement to the interim dividend of S\$0.01 per ordinary share ("Dividend") in respect of the financial year ending 31 December 2012.

Duly completed registered transfers in respect of ordinary shares in the capital of the Company ("Shares") received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on Friday, 28 December 2012 will be registered to determine Shareholders' entitlement to the Dividend.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on Friday, 28 December 2012 will be entitled to the Dividend.

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

Not applicable

13. Interested person transaction

There was no interested person transaction during the period under review.

Note: Rule 920(1)(a)(ii) of the Listing Manual – An issuer must announce the aggregate value of transactions conducted pursuant to the general mandate for interested person transactions for the financial periods which it is required to report on pursuant to Rule 705.

STATEMENT BY DIRECTORS PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

On behalf of the Board of Directors of the Company, we confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the **third quarter and nine months' financial results for the period ended 30 September 2012** to be false or misleading in any material aspect.

On behalf of the Board of Directors

Raymond Kim Goh
Director
Executive Chairman

Francis Wong Chin Sing
Director
Group Chief Executive Officer and President

BY ORDER OF THE BOARD

Lee Bee Fong
Company secretary
14 November 2012