



SWIBER HOLDINGS LIMITED

Financial Statements And Dividends Announcement

**For The Second Quarter And Six Months Ended
30 June 2013**



UNAUDITED FINANCIAL STATEMENT AND DIVIDENDS ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2013 (“2Q2013”).

1(a)(i) Consolidated Income Statement

	Group			Group		
	2Q2013 US\$'000	2Q2012 US\$'000	Change	HY2013 US\$'000	HY2012 US\$'000	Change
Revenue	242,062	229,552	5.4%	551,805	423,978	30.1%
Cost of sales	(204,946)	(196,895)	4.1%	(464,825)	(352,890)	31.7%
Gross profit	37,116	32,657	13.7%	86,980	71,088	22.4%
Other operating income	8,502	11,486	-26.0%	14,892	9,130	63.1%
Administrative expenses	(18,002)	(13,506)	33.3%	(32,682)	(27,322)	19.6%
Other operating expenses	(3,617)	(1,599)	126.2%	(9,682)	(2,803)	245.4%
Finance expenses	(11,485)	(7,258)	58.2%	(20,758)	(13,500)	53.8%
Share of profit of associates and joint ventures	5,646	4,119	37.1%	10,374	6,595	57.3%
Profit before tax	18,160	25,899	-29.9%	49,124	43,188	13.7%
Income tax expenses	(6,348)	(4,985)	27.3%	(11,716)	(9,724)	20.5%
Profit for the period	11,812	20,914	-43.5%	37,408	33,464	11.8%
Attributable to :						
Owners of the company	4,160	15,112	-72.5%	24,229	23,759	2.0%
Perpetual securities holders	1,563	-	N/M	3,099	-	N/M
Non-controlling interests	6,089	5,802	4.9%	10,080	9,705	3.9%
	11,812	20,914	-43.5%	37,408	33,464	11.8%
Gross profit margin	15.3%	14.2%		15.8%	16.8%	
Net profit margin	4.9%	9.1%		6.8%	7.9%	
EBITDA* (US\$'000)	35,248	40,064		79,554	69,632	
EBITDA* margin	14.6%	17.5%		14.4%	16.4%	
EBITDA* margin excluding changes in fair value of financial liabilities designated as at fair value through profit or loss"	16.36%	19.10%		16.09%	16.89%	

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

N/M : Not Meaningful



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

	Group			Group		
	2Q2013 US\$'000	2Q2012 US\$'000		HY2013 US\$'000	HY2012 US\$'000	
Profit for the period	11,812	20,914		37,408	33,464	
Other comprehensive income:						
Cash flow hedges	1,208	(1,364)	N/M	2,198	(1,045)	N/M
Currency translation differences on translation of foreign operations	(449)	(262)	71.4%	1,359	150	N/M
Total comprehensive income for the period	12,571	19,288		40,965	32,569	
Total comprehensive income attributable to:						
Owners of the company	4,919	13,486	-63.5%	27,786	22,862	21.5%
Perpetual securities holders	1,563	-	N/M	3,099	-	N/M
Non-controlling interests	6,089	5,802	4.9%	10,080	9,707	3.8%
Total	12,571	19,288		40,965	32,569	

*N/M : Not Meaningful

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

	Group			Group		
	2Q2013 US\$'000	2Q2012 US\$'000		HY2013 US\$'000	HY2012 US\$'000	
Charging:						
Bad debts written off	23	18	27.8%	31	18	72.2%
Depreciation of property, plant and equipment	8,169	6,560	24.5%	16,474	12,598	30.8%
Employees' share options/ awards expense	746	182	309.9%	1,076	623	72.7%
Fair value loss on financial liabilities designated as at fair value through profit or loss	4,361	-	N/M	9,214	-	N/M
Foreign exchange losses	-	-	N/M	-	1,748	N/M
Interest on borrowings	8,919	5,052	76.5%	13,956	9,352	49.2%
Property, plant and equipment written off	11	14	-21.4%	11	-	N/M
Crediting:						
Bad debts recovered	(38)	-	N/M	(38)	-	N/M
Interest income	(810)	(295)	174.6%	(1,666)	(734)	127.0%
Fair value gain on financial liabilities designated as at fair value through profit or loss	-	(3,774)	N/M	-	(1,986)	N/M
Foreign exchange gains	(123)	(1,734)	-92.9%	(3,007)	-	N/M
Gain on disposal of property, plant and equipment	(4,713)	-	N/M	(6,119)	(403)	N/M
Gain on disposal of associate	-	(4,934)	N/M	-	(4,934)	N/M

N/M: Not Meaningful

1(b)(i) Statements of Financial Position

	Group		Company	
	6M2013 US\$'000	FY2012 US\$'000	6M2013 US\$'000	FY2012 US\$'000
ASSETS				
Current assets				
Cash and bank balances	255,747	129,499	2,813	8,805
Trade receivables	548,518	519,895	-	-
Other receivables	327,523	232,216	714,964	560,425
Inventories	59,671	169,199	-	-
Derivative financial instruments	-	2,803	-	2,795
Construction contract work-in-progress	136,143	26,761	-	-
Total current assets	1,327,602	1,080,373	717,777	572,025
Non-current assets				
Derivative financial instruments	-	1,558	-	1,558
Investment in associates	103,009	97,225	33,336	33,336
Investment in joint ventures	75,491	21,938	-	-
Investment in subsidiaries	-	-	249,638	249,638
Other receivables	154,130	88,398	8,325	37,614
Property, plant and equipment	430,772	678,161	131	303
Goodwill	309	309	-	-
Total non-current assets	763,711	887,589	291,430	322,449
Total assets	2,091,313	1,967,962	1,009,207	894,474

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

	Group		Company	
	6M2013	FY2012	6M2013	FY2012
	US\$'000	US\$'000	US\$'000	US\$'000
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade payables	182,446	165,333	-	-
Other payables	250,764	327,293	89,906	104,868
Income tax payable	33,742	30,116	-	-
Bank borrowings	235,141	202,988	-	-
Derivative financial instruments	6,264	16	3,417	16
Notes payables	181,059	185,732	181,059	185,732
Finance leases	3,517	3,897	36	66
Total current liabilities	892,933	915,375	274,418	290,682
Non-current liabilities				
Derivative financial instruments	9,792	3,818	9,792	122
Bank borrowings	87,919	100,198	-	-
Notes payables	348,941	233,274	348,941	233,274
Convertible bonds	38,507	36,196	38,507	36,196
Finance leases	3,732	4,314	67	129
Deferred income tax liabilities	8,514	9,208	18	18
Total non-current liabilities	497,405	387,008	397,325	269,739
Capital, reserves and non-controlling interests				
Share capital	208,246	208,246	208,246	208,246
Treasury shares	(780)	(1,643)	(780)	(1,643)
Perpetual capital securities	63,616	63,627	63,616	63,627
Hedging reserve	(10,189)	(12,387)	(6,316)	(7,612)
Translation reserve	981	(378)	-	-
Equity reserve	(7,370)	(7,584)	-	-
Employees' share option reserve	4,455	4,236	4,455	4,236
Retained earnings	254,790	227,356	68,243	67,199
Equity attributable to owners of the company	513,749	481,473	337,464	334,053
Non-controlling interests	187,226	184,106	-	-
Total equity	700,975	665,579	337,464	334,053
Total liabilities and equity	2,091,313	1,967,962	1,009,207	894,474

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

Amount repayable in one year or less, or on demand

Group		Group	
6M2013		FY2012	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
238,658	181,059	206,885	185,732

Amount repayable after one year

Group		Group	
6M2013		FY2012	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
91,651	387,448	104,512	269,470

The bank loans and finance leases are secured by:

- (i) First legal mortgage over certain vessels and 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	
	2Q2013	2Q2012
	US\$'000	US\$'000
Operating activities		
Profit after income tax	11,812	20,914
Adjustments for :		
Income tax expenses	6,348	4,985
Bad debts written off	22	18
Depreciation of property, plant and equipment	8,169	6,560
Employees' share options/ awards expense	746	182
Fair value loss/ (gain) on financial liabilities designated as at fair value through profit and loss	4,361	(3,774)
Finance expenses	4,683	7,258
Foreign exchange gains	(534)	(1,092)
Gain on disposal of property, plant and equipment	(4,713)	-
Interest income	(810)	(295)
Gain on disposal of associate	-	(4,934)
Property, plant and equipment written off	11	14
Share of profit of associates and joint ventures - net	(5,646)	(4,119)
Operating cash flows before movements in working capital	24,449	25,717
Trade receivables	4,593	(33,539)
Construction work in progress	(55,334)	(1,264)
Inventories	63,696	(16,283)
Other assets and receivables	(64,741)	(26,484)
Trade payables	36,973	(43,696)
Other payables	(14,212)	38,080
Cash used in operations	(4,576)	(57,469)
Income taxes paid	(4,868)	(2,416)
Interest expense paid	(2,188)	(6,250)
Net cash used in operating activities	(11,632)	(66,135)
Investing activities		
Interest income received	810	295
Dividend received from associates/ joint ventures	2,340	2,286
Proceeds on disposal of property, plant and equipment	136,280	-
Proceeds from disposal of associate	-	5,200
Purchases of property, plant and equipment	(92,439)	(34,805)
Investment in associates	-	(10,681)
Net cash generated from/ (used in) investing activities	46,991	(37,705)

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

	Group	
	2Q2013	2Q2012
	US\$'000	US\$'000
Financing activities		
Contribution from non-controlling interests of a subsidiary	-	13,171
Pledged deposits	-	13,300
Proceeds on issuance of bonds	123,198	64,461
Redemption of preference shares issued by a subsidiary	(1,500)	(1,500)
Repayment of obligations under finance leases	(1,154)	(1,036)
New bank loans raised	234,117	131,191
Repayment of bank loans	(301,319)	(112,558)
Net cash generated from financing activities	53,342	107,029
Net increase in cash and cash equivalents	88,701	3,189
Cash and cash equivalents at beginning of the period	155,808	114,110
Effect of exchange rate changes on the balance of cash held in foreign currencies	(46)	(59)
Cash and cash equivalents at end of the period	244,463	117,240
Cash and cash equivalents consist of:		
Cash at bank	244,410	116,870
Fixed deposits	11,292	12,025
Cash on hand	45	268
	255,747	129,163
Less: Pledged cash placed with banks	(11,284)	(11,923)
Total	244,463	117,240

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

←----- Equity attributable to owners of the company -----→

	Share capital US\$'000	Treasury shares US\$'000	Hedging reserve US\$'000	Translation reserve US\$'000	Equity reserve US\$'000	Employees' share option reserve US\$'000	Retained earnings US\$'000	Perpetual capital securities US\$'000	Equity attributable to owners of the company US\$'000	Non-controlling interests US\$'000	Total US\$'000
GROUP											
Balance at 1 January 2013	208,246	(1,643)	(12,387)	(378)	(7,584)	4,236	227,356	63,627	481,473	184,106	665,579
Total comprehensive income for the period	-	-	2,198	1,359	-	-	34,309	3,099	40,965	10,080	51,045
Value of employee services received for issue of share options	-	-	-	-	-	1,082	-	-	1,082	-	1,082
Performance shares awarded using treasury shares	-	863	-	-	-	(863)	-	-	-	-	-
Change of interest in subsidiary	-	-	-	-	214	-	-	-	214	(210)	4
Redemption of preference shares issued by a subsidiary	-	-	-	-	-	-	-	-	-	(6,750)	(6,750)
Dividends paid on preference shares issued by a subsidiary	-	-	-	-	-	-	(1,475)	-	(1,475)	-	(1,475)
Interim dividends paid	-	-	-	-	-	-	(5,400)	-	(5,400)	-	(5,400)
Transaction costs relating to issuance of perpetual capital securities	-	-	-	-	-	-	-	(3,110)	(3,110)	-	(3,110)
Balance at 30 June 2013	208,246	(780)	(10,189)	981	(7,370)	4,455	254,790	63,616	513,749	187,226	700,975
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	-	-	(1,045)	150	-	-	23,759	-	22,864	9,705	32,569
Proceeds from shares issued	50,240	-	-	-	-	-	-	-	50,240	-	50,240
Value of employee services received for issue of share options	-	-	-	-	-	(176)	-	-	(176)	-	(176)
Performance shares awarded using treasury shares	-	864	-	-	(63)	-	-	-	801	-	801
Change of interest in subsidiary	-	-	-	-	687	-	3,479	-	4,166	13,216	17,382
Redemption of preference shares issued by a subsidiary	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Dividends paid on preference shares issued by a subsidiary	-	-	-	-	-	-	(3,221)	-	(3,221)	-	(3,221)
Balance at 30 June 2012	208,246	(1,643)	(3,036)	688	(7,582)	3,833	233,331	-	433,837	182,850	616,687

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

COMPANY	Share capital US\$'000	Treasury shares US\$'000	Hedging reserve US\$'000	Translation reserve US\$'000	Equity reserve US\$'000	Employees' share option reserve US\$'000	Retained earnings US\$'000	Perpetual capital securities US\$'000	Equity attributable to owners of the company US\$'000	Non-controlling interests US\$'000	Total US\$'000
Balance at 1 January 2013	208,246	(1,643)	(7,612)	-	-	4,236	67,199	63,627	334,053	-	334,053
Total comprehensive income for the period	-	-	1,296	-	-	-	1,044	3,099	5,439	-	5,439
Proceeds from shares issued	-	-	-	-	-	-	-	-	-	-	-
Value of employee services received for issue of share options	-	-	-	-	-	1,082	-	-	1,082	-	1,082
Performance shares awarded using treasury shares	-	863	-	-	-	(863)	-	-	-	-	-
Transaction costs relating to issuance of perpetual capital securities	-	-	-	-	-	-	-	(3,110)	(3,110)	-	(3,110)
Balance at 30 June 2013	208,246	(780)	(6,316)	-	-	4,455	68,243	63,616	337,464	-	337,464
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	-	-	(1,045)	-	-	-	227	-	(818)	-	(818)
Proceeds from shares issued	50,240	-	-	-	-	-	-	-	50,240	-	50,240
Value of employee services received for issue of share options	-	-	-	-	-	(176)	-	-	(176)	-	(176)
Performance shares awarded using treasury shares	-	864	-	-	(63)	-	-	-	801	-	801
Balance at 30 June 2012	208,246	(1,643)	(3,036)	-	(63)	3,833	66,295	-	273,632	-	273,632

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

A) US\$35.6 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**") 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 at 30 June 2013, US\$35,600,000 in aggregate principal amount of the Convertible Bonds is outstanding. The current Conversion Price per Share of the outstanding Convertible Bonds is S\$0.82.

For the purpose of illustration, assuming that all the Convertible Bonds are converted at current conversion price of S\$0.82, the aggregate number of shares that may be issued on conversion would be approximately 62,517,073 shares. This represents approximately 10.3% of the Company's existing share capital of 608,489,323 shares (net of treasury shares).

B) SHARE OPTION SCHEME

Date of grant	1 January 2013	Granted	30 June 2013	Exercise price per share
26-Jan-2011	15,000,000	-	15,000,000	S\$0.97
19-Mar-2013	-	15,000,000	15,000,000	S\$0.64

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 2013	Granted	Vested	30 June 2013
26-Jan-2011	2,063,334	-	(1,031,667)	1,031,667
19-Mar-2013	-	6,000,000	-	6,000,000

The above-mentioned share awards were all granted to the senior management of the Company.

Validity period of the awards:

- (a) Vesting period : over 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)

	6M2013	FY2012
Total number of issued shares	<u>608,489,333</u>	<u>607,457,666</u>

1(d)(iv) Treasury shares

	6M2013	FY2012
Total number of treasury shares	<u>931,667</u>	<u>1,963,334</u>

On 26 January 2013, 1,031,667 treasury shares were transferred for the purpose of the performance share plan.

2. Audit

Except for the comparative balance sheets of the Company and its subsidiaries (the "**Group**") and of the Company as at 31 December 2012, 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 2012.

5. Changes in the accounting policies

The Group has adopted the new or revised Financial Reporting Standard ("**FRS**") and the interpretation of FRS that become effective for the entities with financial period commencing 1 January 2013. The adoption of these new and revised FRSs have no material impact to the result of the Group and of the Company for 2Q2013.

6. Earnings per ordinary share

	Group		Group	
	2Q2013	2Q2012	HY2013	HY2012
Net profit after tax attributable to owners of the Company	4,160	15,112	24,229	23,759
Earnings per share				
a) Based on weighted average number of ordinary shares on issue (US\$ cents)	0.7	2.5	4.0	4.0
b) Based on fully diluted basis (US\$ cents)	*0.7	*2.5	*4.0	*3.0
Weighted average number of shares applicable to basic earnings per share ('000)	607,744	594,359	608,347	594,359
Weighted average number of shares based on fully diluted basis ('000)	607,744	594,359	608,347	778,682

* Convertible Bonds, share options and share awards were not included in the computation of diluted earnings per share because they were anti-dilutive.

7. Net asset value

	Group		Company	
	6M2013	FY2012	6M2013	FY2012
Net asset value (US\$'000)	513,749	481,473	337,464	334,053
Total number of shares issued ('000)	608,489	607,458	608,489	607,458
Net asset value per share (US\$ cents per share)	84.4	79.3	55.5	55.0

8. Review of the Group's performance

Consolidated Income Statement and Statement of Comprehensive Income

(a) Revenue

HY2013 vs HY2012/ 2Q2013 vs 2Q2012

Revenues increased by 30.1%, or US\$127.8 million, to US\$551.8 million in HY2013 compared to US\$424.0 million for the corresponding period ended 30 June 2012 ("**HY2012**"). For 2Q2012, the Group's revenue increased by US\$12.5 million or 5.4%, from US\$229.6 million in second quarter ended 30 June 2012 ("**2Q2012**") to US\$242.1 million in 2Q2013. The strong revenue growth was mainly attributable to South East Asia segment.

Revenue contributed by geographical area

	2Q2013 US\$'000	2Q2012 US\$'000	HY2013 US\$'000	HY2012 US\$'000
South Asia	9,849	85,689	74,969	203,994
South East Asia	218,510	106,560	356,321	159,139
Latin America	9,002	10,294	90,783	10,294
Middle East	-	13,713	-	25,500
Others	4,701	13,296	29,732	25,051
	242,062	229,552	551,805	423,978

(b) Cost of sales and gross profit

HY2013 vs HY2012/ 2Q2013 vs 2Q2012

In tandem with a higher proportion of revenue, cost of sales increased by US\$111.9 million or 31.7% from US\$352.9 million in HY2012 to US\$464.8 million in HY2013. Cost of sales comprises mainly of:

	2Q2013 %	2Q2012 %	HY2013 %	HY2012 %
Material cost	37	24	35	18
Charter hire	24	24	28	30
Labour related cost	21	17	18	16
Sub-contractor cost	8	5	9	9

Higher material cost generally due to higher Engineering, Procurement, Construction, and Installation ("**EPCI**") services as compared to Transportation and Installation ("**T&I**").

The Group recorded gross profit margin of 15.8% and 15.3% HY2013 and 2Q2013 respectively.

(c) Other operating income

HY2013 vs HY2012/ 2Q2013 vs 2Q2012

Other operating income increased by US\$5.8 million or 63.1% from US\$9.1 million in HY2012 to US\$14.9 million in HY2013. For 2Q2013, other operating income decreased by US\$3.0 million from US\$11.5 million in 2Q2012 to US\$8.5 million in 2Q2013. The increase in HY2013 was due mainly to higher foreign exchange gain of US\$3.0 million and gain on disposal of property, plant and equipment of US\$6.1 million. Whereas in 2Q2013, decrease was due mainly to fair value gain on Convertible Bond of US\$4.1 million in 2Q2012 as compared to fair value loss of US\$0.8 million in 2QFY2013.

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

(d) Administrative expenses

HY2013 vs HY2012/ 2Q2013 vs 2Q2012

Administrative expenses increased by approximately US\$5.4 million or 19.6% from US\$27.3 million in HY2012 to US\$32.7 million in HY2013. As for 2Q2013, administrative expenses increased by US\$4.5 million or 33.3% from US\$13.5 million in 2Q2012 to US\$18.0 million in 2Q2013. This increase is mainly due to increase in employee compensation expenses.

(e) Other operating expenses

HY2013 vs HY2012/ 2Q2013 vs 2Q2012

Other operating expenses increased by approximately US\$6.9 million or 245.4% from US\$2.8 million in HY2012 to US\$9.7 million in HY2013. As for 2Q2013, other operating expenses increased by US\$2.0 million or 126.2% from US\$1.6 million in 2Q2012 to US\$3.6 million in 2Q 2013. Increase in HY2013 was due mainly to fair value loss on financial liabilities of US\$9.2 million partially offset against decrease in exchange loss of US\$1.7 million. The increase in 2Q2013 was mainly attributable by higher fair value gain on financial liabilities of US\$4.4 million partially offset against certain expenses.

(f) Finance expenses

HY2013 vs HY2012/ 2Q2013 vs 2Q2012

Finance expenses increased by approximately US\$7.3 million or 53.8%, from US\$13.5 million in HY2012 to US\$20.8 million in HY2013. As for 2Q2013, finance expenses increased by US\$4.2 million or 58.2% from US\$7.3 million in 2Q2012 to US\$11.5 million in 2Q2013 primarily as a result of higher borrowing and issuance of debt securities. Finance expenses include interest on bank borrowings, and finance charges/ debt issuance cost on debt securities. Total borrowings as at 30 June 2013 were US\$898.8 million as compared to 30 June 2012 of US\$680.7 million.

(g) Share of profit of associates and joint ventures

HY2013 vs HY2012/ 2Q2013 vs 2Q2012

Share of profit of associates and joint ventures increased by US\$3.8 million or 57.3%, from US\$6.6 million in HY2012 to US\$10.4 million in HY2013. As for 2Q2013, share of profits increased by US\$1.5 million or 37.1% from US\$4.1 million in 2QFY2012 to US\$5.6 million in 2Q2013. The increase was due to certain associates delivering positive results.

Statements of Financial Position

(h) Trade receivables and construction work in progress ("CWIP")

Revenue is recognized based on percentage of completion method. This is computed based on the percentage of cost incurred to date on contracts to their estimated total costs. Invoices are issued to customers once certain milestones are reached.

The Group's trade receivables and CWIP increased by US\$138.0 million from US\$546.7 million as at 31 December 2012 to US\$684.7 million as at 30 June 2013. The increase corresponds with the increase in revenue and timing difference between achievement of milestone and revenue recognized for projects in progress.

Subsequent to 30 June 2013, the Group received settlement and billing of approximately US\$139.2 million.

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

(i) Other receivables (current)

Other current receivables increased by US\$95.3 million from US\$232.2 million as at 31 December 2012 to US\$327.5 million as at 30 June 2013. The increase was due to:

- i) increase in various output taxes; and
- ii) advance payments to sub-contractors and suppliers for projects executing in South Asia and advances to associates and joint ventures.

(j) Inventories

Inventories decreased by US\$109.5 million, from US\$169.2 million as at 31 December 2012 to US\$59.7 million as at 30 June 2013. The decrease was due to continued consumption of materials in project execution.

(k) Investment in joint ventures

Investment in joint ventures increased by US\$53.6 million, from US\$21.9 million as at 31 December 2012 to US\$75.5 million as at 30 June 2013. The increase was due mainly to reclassification of US\$35.5 million due from certain joint ventures as quasi-equity.

(l) Other receivables (non-current)

Other non-current receivables increased by US\$65.7 million from US\$88.4 million as at 31 December 2012 to US\$154.1 million as at 30 June 2013. The increase was due mainly to seller credits from an associate of US\$71.9 million.

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.

(m) Property, plant and equipment

Property, plant and equipment decreased by US\$247.4 million from US\$678.2 million as at 31 December 2012 to US\$430.8 million as at 30 June 2013. The decrease was mainly due to transfer of certain vessels to associates.

Depreciation increased by US\$1.6 million or 24.5%, from US\$6.6 million in 2Q2012 to US\$8.2 million in 2Q2013. The increase was mainly due to addition of diving support vessel in 3Q2012.

Assets under construction are not depreciated.

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

(n) Total current and non-current borrowings

Total current and non-current borrowings include bank loans, notes payables, Convertible Bonds and finance leases.

	Group					
	6M2013			FY2012		
	Current US\$'000	Non-Current US\$'000	Total US\$'000	Current US\$'000	Non-Current US\$'000	Total US\$'000
Bank loans	66,251	87,919	154,170	61,422	100,198	161,620
Working lines	168,890	-	168,890	141,566	-	141,566
Convertible Bonds	-	38,507	38,507	-	36,196	36,196
Notes payables	181,059	348,941	530,001	185,732	233,274	419,006
Finance leases	3,517	3,732	7,249	3,897	4,314	8,211
	419,717	479,099	898,817	392,617	373,982	766,599

Total current and non-current borrowings increased by US\$132.2 million from US\$766.6 million as at 31 December 2012 to US\$898.8 million as at 30 June 2013. The increase was due to higher bank borrowings.

Net debt-to-equity ratio is as follows:

Financial period ended	30 June 2013	31 March 2013	31 December 2012	30 September 2012	30 June 2012
Net debt-to-equity ratio	0.92	1.00	0.95	1.00	0.89

As at 30 June 2013, the Group has the following outstanding notes payables and Convertible Bonds:

Notes Payables

Multicurrency medium term notes	Tenure (year)	Interest rate	Due Date	Group		
				6M2013 S\$'000	6M2013 US\$'000	FY2012 US\$'000
<u>Current</u>						
- series 8	3	5.80%	11-Oct-13	80,000	62,998	65,030
- series 13	1	5.80%	6-Aug-13	150,000	118,061	120,702
				230,000	181,059	185,732
<u>Non-current</u>						
- series 9	3.5	5.90%	25-Jul-14	120,000	94,078	97,232
- series 11	3	6.25%	8-Jun-15	95,000	73,778	76,204
- series 12	4	7.00%	6-Jul-16	75,000	57,887	59,838
- series 14	4	7.10%	18-Apr-17	160,000	123,198	-
				450,000	348,941	233,274

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.

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

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

Convertible Bonds

	Group		Due Date
	6M2013 US\$'000	FY2012 US\$'000	
<u>Non-current</u>			
Nominal value of the Convertible Bonds	35,600	35,600	16 October 2014
Fair value through profit or loss	2,907	596	
	38,507	36,196	

The increased amount of Convertible Bonds represents changes in fair value of financial derivative embedded in the Convertible Bonds of US\$2.3 million in 6M2013, such changes in fair value was accounted for at fair value through profit or loss.

Consolidated Statement of Cash Flows

(o) Cash flow used in operating activities

In 2Q2013, the Group net cash used in operating activities amounted to US\$11.6 million. This comprised operating cash flow before working capital changes of US\$24.4 million, and adjusted for net working capital outflows of US\$29.0 million and income tax and interest payment of US\$7.1 million. The net working capital outflows were mainly the result of the following:

- (i) increase in trade receivables and CWIP of US\$50.7 million;
- (ii) increase in other receivables of US\$64.7 million;
- (iii) decrease in trade and other payables of US\$22.8 million; and
- (iv) decrease in inventories of US\$63.7 million.

(p) Cash flow generated from investing activities

In 2Q2013, the Group's net cash generated from investing activities amounted to US\$47.0 million, which was mainly due to proceeds on disposal of plant, property and equipment of US\$136.3 million, and partially offset by purchases of property, plant and equipment of US\$92.4 million.

(q) Cash flow generated from financing activities

In 2Q2013, the Group recorded net cash inflow from financing activities of US\$53.3 million, which was mainly due to new bank borrowings amounting to US\$234.1 million. However, this cash inflow was partially offset by repayment of bank loans amounting to US\$301.3 million.

9. Forecast or a prospect statement

Not applicable.

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

With oil price forecasted to be at sustainable level, management believes that major oil and gas companies will continue to expand their offshore exploration activities and enhance their production capital expenditure. This will translate into more opportunities for offshore and subsea contractors that undertake platform, pipeline and subsea installation as well as inspection, repair and maintenance works and other offshore support services. The group is capitalizing on the increase in the offshore sector by actively bidding for major projects in its target market and geographical region.

With the right resources and an experienced management team coupled with a solid track record and reputation, a large fleet of construction and supporting vessels, competent and technically skilled workforce, a good safety record, the group is confident that it is well positioned to win more major contracts in the coming years.

As of May 2013, the group has an order book of approximately US\$1.2 billion. The group will remain prudent in managing its operations, maximizing cost efficiencies to provide value added solutions to its customers.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date Payable

Not applicable.

(d) Book Closure Date.

Not applicable.

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

No dividend for the six months ended 30 June 2013 is declared or recommended.

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 **second quarter and six months' financial results for the period ended 30 June 2013** 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 August 2013