



SEMBCORP INDUSTRIES LTD
Registration Number: 199802418D

SECOND QUARTER AND HALF YEAR ENDED JUNE 30, 2014 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT

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SEMBCORP INDUSTRIES LTD

UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED JUNE 30, 2014

The Board of Directors of Sembcorp Industries Ltd wishes to announce the following unaudited results of the Group for the second quarter and half year ended June 30, 2014.

Following the initial public offering of Sembcorp Salalah Power and Water Company SAOC ("Salalah") in September 2013, Sembcorp's shareholding in Salalah was reduced from 60% to 40%. Consequently, Salalah was accounted for under the equity method as an associate, resulting in the deconsolidation of its financials from Sembcorp's turnover, gross profit and finance costs.

1. GROUP INCOME STATEMENT

| | Note | GROUP | | | GROUP | | |
|---|------|------------------|------------------|---------------|------------------|------------------|---------------|
| | | 2Q14 \$'000 | 2Q13 \$'000 | + / (-) % | 1H14 \$'000 | 1H13 \$'000 | + / (-) % |
| Turnover | 2a | 2,533,758 | 2,499,411 | 1.4 | 5,160,803 | 4,849,489 | 6.4 |
| Cost of sales | 2a | (2,199,788) | (2,171,213) | 1.3 | (4,514,172) | (4,197,518) | 7.5 |
| Gross profit | 2a | 333,970 | 328,198 | 1.8 | 646,631 | 651,971 | (0.8) |
| General & administrative expenses | 2b | (87,054) | (84,232) | 3.4 | (170,315) | (156,906) | 8.5 |
| Other income | 2c | 16,184 | 39,115 | (58.6) | 34,067 | 61,660 | (44.8) |
| Other expense (net) | 2d | (9,207) | (10,637) | (13.4) | (8,979) | (8,436) | 6.4 |
| Finance income | 2e | 4,232 | 3,299 | 28.3 | 9,165 | 5,203 | 76.1 |
| Finance costs | 2e | (16,552) | (30,949) | (46.5) | (34,728) | (66,824) | (48.0) |
| Share of results of associates and joint ventures, net of tax | 2f | 44,162 | 25,393 | 73.9 | 97,507 | 62,854 | 55.1 |
| Profit before tax | | 285,735 | 270,187 | 5.8 | 573,348 | 549,522 | 4.3 |
| Tax expense | 2g | (41,143) | (43,745) | (5.9) | (84,173) | (90,241) | (6.7) |
| Profit for the period | | 244,592 | 226,442 | 8.0 | 489,175 | 459,281 | 6.5 |
| Attributable to: | | | | | | | |
| Owners of the Company | | 179,047 | 165,374 | 8.3 | 363,895 | 342,245 | 6.3 |
| Non-controlling interests | | 65,545 | 61,068 | 7.3 | 125,280 | 117,036 | 7.0 |
| | | 244,592 | 226,442 | 8.0 | 489,175 | 459,281 | 6.5 |
| Earnings per ordinary share (cents) | | | | | | | |
| | 2h | | | | | | |
| - basic | | 9.87 | 9.26 | 6.6 | 20.12 | 19.16 | 5.0 |
| - diluted | | 9.79 | 9.18 | 6.6 | 19.98 | 19.02 | 5.0 |
| Economic value added | | | | | | | |
| | 2i | 119,301 | 143,496 | (16.9) | 234,904 | 275,018 | (14.6) |

2. NOTES TO THE CONSOLIDATED INCOME STATEMENT

2a. Turnover, Cost of Sales

| | GROUP | | | GROUP | | |
|-------------------------------|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2Q14 \$'000 | 2Q13 \$'000 | + / (-) % | 1H14 \$'000 | 1H13 \$'000 | + / (-) % |
| Turnover | 2,533,758 | 2,499,411 | 1.4 | 5,160,803 | 4,849,489 | 6.4 |
| Cost of sales | (2,199,788) | (2,171,213) | 1.3 | (4,514,172) | (4,197,518) | 7.5 |
| Gross profit | 333,970 | 328,198 | 1.8 | 646,631 | 651,971 | (0.8) |
| Included in Cost of sales:- | | | | | | |
| Depreciation and amortisation | (72,426) | (72,472) | (0.1) | (143,790) | (142,686) | 0.8 |

Group turnover – refer to Page 15, note 11.

Group gross profit increased by 2% in 2Q14 against 2Q13. Marine's gross profit was higher mainly due to contribution from higher turnover for rig building projects. Utilities' gross profit declined as a result of deconsolidation of Salalah.

2b. General & administrative expenses

| | GROUP | | | GROUP | | |
|---|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2Q14 \$'000 | 2Q13 \$'000 | + / (-) % | 1H14 \$'000 | 1H13 \$'000 | + / (-) % |
| General & administrative expenses | (87,054) | (84,232) | 3.4 | (170,315) | (156,906) | 8.5 |
| Included in general & administrative expenses:- | | | | | | |
| Depreciation and amortisation | (4,371) | (4,370) | 0.0 | (8,606) | (8,425) | 2.1 |

General & administrative expenses for 2Q14 were higher mainly due to higher professional fees.

2c. Other income

| | GROUP | | | GROUP | | |
|---|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2Q14 \$'000 | 2Q13 \$'000 | + / (-) % | 1H14 \$'000 | 1H13 \$'000 | + / (-) % |
| Other income (i) | 16,184 | 39,115 | (58.6) | 34,067 | 61,660 | (44.8) |
| Included in other income:- | | | | | | |
| Dividend income | 1,116 | 2,228 | (49.9) | 1,194 | 2,228 | (46.4) |
| Gain on disposal of investments | - | 2,253 | (100.0) | - | 2,253 | (100.0) |
| Gain on sale of property, plant and equipment and investment property | 267 | 13,028 | (98.0) | 512 | 13,332 | (96.2) |

(i) Higher income in 2Q13 was primarily due to Marine's higher sales of scrap and rental income. The 2Q13 other income included Marine's gain on disposal of investment and property.

2. NOTES TO THE CONSOLIDATED INCOME STATEMENT (Cont'd)

2d. Other expense (net)

| | GROUP | | | GROUP | | |
|--|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2Q14 \$'000 | 2Q13 \$'000 | + / (-) % | 1H14 \$'000 | 1H13 \$'000 | + / (-) % |
| Other expense (net) | (9,207) | (10,637) | (13.4) | (8,979) | (8,436) | 6.4 |
| Included in other expense (net): - | | | | | | |
| Changes in fair value of financial instruments | 1,277 | (1,480) | NM | 2,412 | (3,457) | NM |
| Changes in fair value of available-for-sale assets | 55 | (24,521) | NM | (116) | (24,525) | (99.5) |
| Foreign exchange (loss) / gain (i) | (10,441) | 15,576 | NM | (11,094) | 18,824 | NM |

(i) Foreign exchange loss in 2Q14 arose mainly from Marine's revaluation of assets denominated in Euro and United States dollar to Singapore dollar against the foreign exchange rate as at the previous quarter.

2e. Finance income and finance costs

| | GROUP | | | GROUP | | |
|-------------------|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2Q14 \$'000 | 2Q13 \$'000 | + / (-) % | 1H14 \$'000 | 1H13 \$'000 | + / (-) % |
| Finance income | 4,232 | 3,299 | 28.3 | 9,165 | 5,203 | 76.1 |
| Finance costs (i) | (16,552) | (30,949) | (46.5) | (34,728) | (66,824) | (48.0) |

(i) Lower finance costs in 2Q14 was mainly due to de-consolidation of Salalah.

2f. Share of results of Associates and Joint Ventures, net of tax

The Group recorded higher share of results from associates and joint ventures in 2Q14 compared to 2Q13, mainly due to operations from Salalah is accounted for as an associate in 2Q14. In addition, there are higher contributions from Marine's and Urban Development's associates.

2g. Tax expense

| Included in tax expense are the following: | GROUP | | | GROUP | | |
|---|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2Q14 \$'000 | 2Q13 \$'000 | + / (-) % | 1H14 \$'000 | 1H13 \$'000 | + / (-) % |
| Tax expense | | | | | | |
| - Net write-back of tax in respect of prior years | 575 | 9,428 | (93.9) | 1,906 | 9,611 | (80.2) |

The net write-back of tax in 2Q13 was mainly due to Urban Development's prior year's provision for gain on disposal of equity investment no longer required.

2h. Earnings per ordinary share

| Earnings per ordinary share of the Group based on net profit attributable to the owners of the Company, less distribution to holders of perpetual securities: | Group | | | Group | | |
|---|---------|---------|--------------|---------|---------|--------------|
| | 2Q14 | 2Q13 | + / (-) % | 1H14 | 1H13 | + / (-) % |
| (i) Based on the weighted average number of shares (in cents) | 9.87 | 9.26 | 6.6 | 20.12 | 19.16 | 5.0 |
| - Weighted average number of shares (in million) | 1,787.0 | 1,786.7 | 0.0 | 1,785.9 | 1,786.4 | (0.0) |
| (ii) On a fully diluted basis (in cents) | 9.79 | 9.18 | 6.6 | 19.98 | 19.02 | 5.0 |
| - Adjusted weighted average number of shares (in million) | 1,801.5 | 1,801.3 | 0.0 | 1,798.4 | 1,799.1 | (0.0) |

2. NOTES TO THE CONSOLIDATED INCOME STATEMENT (Cont'd)

2i. Economic Value Added

Lower Economic Value Added (“EVA”) was generated in 2Q14 due to lower net operating profit after tax (“NOPAT”) which excluded the changes in fair value of available-for-sale assets. Lower EVA in 2Q14 was also due to higher average capital employed for building up of our capacities through capital expenditure and new investments.

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | GROUP | | GROUP | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2Q14 \$'000 | 2Q13 \$'000 | 1H14 \$'000 | 1H13 \$'000 |
| Profit for the period | | 244,592 | 226,442 | 489,175 | 459,281 |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Foreign currency translation differences for foreign operations | (i) | (31,727) | 1,539 | (15,843) | 30,063 |
| Exchange differences on monetary items forming part of net investment in foreign operation | | 221 | (4,553) | (2,030) | 661 |
| Net change in fair value of cash flow hedges | (ii) | 9,339 | 1,723 | 9,225 | (1,075) |
| Net change in fair value of cash flow hedges transferred to profit or loss | | (1,657) | 241 | (2,371) | 6,001 |
| Net change in fair value of available-for-sale financial assets | (iii) | 23,726 | (8,123) | 34,177 | (13,135) |
| Share of other comprehensive income of associates and joint ventures | | (3,836) | (3,004) | (3,223) | (4,129) |
| Items that may not be reclassified subsequently to profit or loss: | | | | | |
| Defined benefit plan actuarial gains and losses | | 880 | (1,562) | 1,630 | (8,563) |
| Other comprehensive income for the period, net of tax | | (3,054) | (13,739) | 21,565 | 9,823 |
| Total comprehensive income for the period | | 241,538 | 212,703 | 510,740 | 469,104 |
| Attributable to: | | | | | |
| Owners of the Company | | 176,541 | 154,725 | 384,238 | 346,987 |
| Non-controlling interests | | 64,997 | 57,978 | 126,502 | 122,117 |
| Total comprehensive income for the period | | 241,538 | 212,703 | 510,740 | 469,104 |

3a. Notes to Consolidated Statement of Comprehensive Income

- (i) The movement in reserves in 2Q14 arose primarily due to depreciation of United States dollar and Renminbi against Singapore dollar relative to the rate as at end of previous quarter.
- (ii) The fair value gain in 2Q14 was primarily due to fair value adjustments on foreign currency forward contracts and fuel oil swap.
- (iii) Mainly due to Urban Development's and Marine's mark-to-market adjustments of quoted prices of available-for-sale assets.

4. BALANCE SHEETS

| | GROUP | | COMPANY | |
|---|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | As at 30/6/2014 \$'000 | As at 31/12/2013 \$'000 | As at 30/6/2014 \$'000 | As at 31/12/2013 \$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 5,483,148 | 5,126,650 | 624,961 | 637,590 |
| Investment properties | 20,766 | 20,954 | - | - |
| Investments in subsidiaries | - | - | 1,703,605 | 1,706,116 |
| Interests in associates and joint ventures | 2,086,839 | 1,852,249 | - | - |
| Other financial assets | 377,783 | 344,181 | - | - |
| Long-term receivables and prepayments | 351,934 | 360,970 | 6,917 | 7,223 |
| Intangible assets | 298,952 | 308,223 | 20,915 | 21,068 |
| Deferred tax assets | 52,974 | 51,170 | - | - |
| | <u>8,672,396</u> | <u>8,064,397</u> | <u>2,356,398</u> | <u>2,371,997</u> |
| Current assets | | | | |
| Inventories and work-in-progress | 1,941,233 | 2,240,655 | 10,676 | 10,023 |
| Trade and other receivables | 1,225,280 | 1,140,173 | 138,071 | 104,885 |
| Tax recoverable | 11,230 | 6,698 | - | - |
| Assets held for sale | 24,437 | 36,517 | - | - |
| Other financial assets | 15,277 | 9,581 | - | - |
| Cash and cash equivalents | 2,217,745 | 2,255,865 | 154,753 | 450,220 |
| | <u>5,435,202</u> | <u>5,689,489</u> | <u>303,500</u> | <u>565,128</u> |
| Total assets | <u>14,107,598</u> | <u>13,753,886</u> | <u>2,659,898</u> | <u>2,937,125</u> |
| Current liabilities | | | | |
| Trade and other payables | 2,413,388 | 2,691,962 | 229,773 | 188,396 |
| Excess of progress billings over work-in-progress | 1,582,971 | 1,448,501 | - | - |
| Provisions | 88,916 | 92,347 | 21,220 | 20,931 |
| Other financial liabilities | 20,316 | 18,695 | - | - |
| Current tax payable | 250,657 | 236,254 | 46,459 | 37,970 |
| Interest-bearing borrowings | 299,461 | 413,993 | 10 | 61 |
| | <u>4,655,709</u> | <u>4,901,752</u> | <u>297,462</u> | <u>247,358</u> |
| Net current assets | <u>779,493</u> | <u>787,737</u> | <u>6,038</u> | <u>317,770</u> |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 387,765 | 371,596 | 44,212 | 44,212 |
| Provisions | 101,672 | 101,693 | 593 | 593 |
| Other financial liabilities | 51,595 | 56,786 | - | - |
| Retirement benefit obligations | 29,564 | 30,910 | - | - |
| Interest-bearing borrowings | 1,966,894 | 1,485,011 | 8 | 12 |
| Other long-term liabilities | 280,397 | 276,144 | 273,906 | 462,915 |
| | <u>2,817,887</u> | <u>2,322,140</u> | <u>318,719</u> | <u>507,732</u> |
| Total liabilities | <u>7,473,596</u> | <u>7,223,892</u> | <u>616,181</u> | <u>755,090</u> |
| Net assets | <u>6,634,002</u> | <u>6,529,994</u> | <u>2,043,717</u> | <u>2,182,035</u> |
| Equity attributable to owners of the Company:- | | | | |
| Share capital | 565,572 | 565,572 | 565,572 | 565,572 |
| Other reserves | (84,450) | (101,230) | (16,711) | (18,839) |
| Revenue reserve | 4,620,400 | 4,563,136 | 1,292,436 | 1,432,332 |
| | <u>5,101,522</u> | <u>5,027,478</u> | <u>1,841,297</u> | <u>1,979,065</u> |
| Perpetual securities | 202,420 | 202,970 | 202,420 | 202,970 |
| | <u>5,303,942</u> | <u>5,230,448</u> | <u>2,043,717</u> | <u>2,182,035</u> |
| Non-controlling interests | <u>1,330,060</u> | <u>1,299,546</u> | <u>-</u> | <u>-</u> |
| Total equity | <u>6,634,002</u> | <u>6,529,994</u> | <u>2,043,717</u> | <u>2,182,035</u> |

4. BALANCE SHEETS (Cont'd)

4a. Group's borrowings and debt securities

| | As at 30/6/2014 \$'000 | As at 31/12/2013 \$'000 |
|--|---------------------------|----------------------------|
| Amount repayable: | | |
| (i) <u>In one year or less, or on demand</u> | | |
| Interest-bearing borrowings | | |
| Secured | 21,333 | 20,561 |
| Unsecured | <u>278,128</u> | <u>393,432</u> |
| | <u>299,461</u> | <u>413,993</u> |
| (ii) <u>Between one to five years</u> | | |
| Interest-bearing borrowings | | |
| Secured | 30,329 | 35,711 |
| Unsecured | <u>1,133,622</u> | <u>653,420</u> |
| | <u>1,163,951</u> | <u>689,131</u> |
| (iii) <u>After five years</u> | | |
| Interest-bearing borrowings | | |
| Secured | 189,532 | 181,232 |
| Unsecured | <u>613,411</u> | <u>614,648</u> |
| | <u>802,943</u> | <u>795,880</u> |
| Total | <u>2,266,355</u> | <u>1,899,004</u> |
| (iv) The secured loans are collateralised by the following assets' net book value:- | | |
| | As at 30/6/2014 \$'000 | As at 31/12/2013 \$'000 |
| Net assets of a subsidiary and property, plant and equipment | <u>322,468</u> | <u>319,732</u> |

4b. Net asset value

| | Group | | Company | |
|---|-----------|------------|-----------|------------|
| | 30/6/2014 | 31/12/2013 | 30/6/2014 | 31/12/2013 |
| Net asset value per ordinary share based on issued share capital at the end of the financial period (in \$) | 2.97 | 2.93 | 1.14 | 1.22 |

4c. Explanatory Notes to Balance Sheets

Significant variances for balance sheets items are explained as follows:

(i) Group

Non-current assets

"Interests in associates and joint ventures" increased mainly due to Utilities' new and additional investments in India and Urban Development's additional investment in Indonesia as well as share of profits contributed by the associates and joint ventures during the period.

Net current assets

"Inventories and work-in-progress" decreased primarily due to deliveries of rig building projects.

"Assets held for sale" decreased due to divestment of Sembcorp Enviro (India) and SembRamky Environmental Management. The sale was completed in January 2014.

"Other financial assets" increased mainly due to Marine's fair value adjustment on foreign currency forward contracts.

4. **BALANCE SHEETS** (Cont'd)

4c. **Explanatory Notes to Balance Sheets** (Cont'd)

(i) **Group** (cont'd)

Net current assets (cont'd)

“Excess of progress billings over work-in-progress” increased mainly due to receipts from customers for drillship and jack-up rig building projects in progress.

“Interest-bearing borrowings” decreased mainly due to repayment of loans, partially offset by increase in Marine’s borrowings for capital expenditures for the new yard in Brazil.

Non-current liabilities

“Interest-bearing borrowings” increased mainly due to increase in Utilities’ and Marine’s borrowings.

Equity

The deficit in “Other reserves” is reduced mainly due to mark-to-market gain for available-for-sale financial assets, partially offset by the increase in foreign currency translation loss in 1H14.

(ii) **Company**

Net current assets

“Trade and other receivables” increased mainly due to increase in turnover.

“Cash and cash equivalents” decreased mainly due to payment of dividends to shareholders and repayment of an amount owing to the Group’s wholly owned subsidiary.

“Trade and other payables” increased mainly due increased borrowings owing to the Group’s wholly owned subsidiary.

Non-current liabilities

“Other long-term liabilities” decreased mainly due to repayment of an amount to the Group’s wholly owned subsidiary.

5. CONSOLIDATED STATEMENT OF CASH FLOWS

| | GROUP | | GROUP | | |
|---|-------|----------------|----------------|----------------|----------------|
| | Note | 2Q14 \$'000 | 2Q13 \$'000 | 1H14 \$'000 | 1H13 \$'000 |
| Cash flows from Operating Activities | | | | | |
| Profit for the period | | 244,592 | 226,442 | 489,175 | 459,281 |
| Adjustments for : | | | | | |
| Dividend | | (1,116) | (2,228) | (1,194) | (2,228) |
| Finance income | | (4,232) | (3,299) | (9,165) | (5,203) |
| Finance costs | | 16,552 | 30,949 | 34,728 | 66,824 |
| Depreciation and amortisation | | 76,797 | 76,842 | 152,396 | 151,111 |
| Share of results of associates and joint ventures | | (44,162) | (25,393) | (97,507) | (62,854) |
| Gain on disposal of property, plant and equipment and investment property | | (267) | (13,028) | (512) | (13,332) |
| Gain on disposal of investments in an associate | | - | (2,253) | - | (2,253) |
| Changes in fair value of financial instruments | | (1,332) | 26,001 | (2,296) | 27,982 |
| Equity settled share-based compensation expenses | | 5,843 | 7,037 | 13,713 | 14,093 |
| Allowance made for impairment in value of assets and assets written off (net) | | 493 | 543 | 893 | 1,300 |
| Tax expense | | 41,143 | 43,745 | 84,173 | 90,241 |
| Operating profit before working capital changes | | 334,311 | 365,358 | 664,404 | 724,962 |
| Changes in working capital: | | | | | |
| Inventories and work-in-progress | | (84,975) | 66,981 | 434,775 | 82,125 |
| Receivables | | (71,013) | 75,457 | (14,734) | 10,043 |
| Payables | | (213,988) | 74,587 | (304,258) | 133,744 |
| | | (35,665) | 582,383 | 780,187 | 950,874 |
| Tax paid | | (42,900) | (48,965) | (64,238) | (66,917) |
| Net cash inflow / (outflow) from operating activities | | (78,565) | 533,418 | 715,949 | 883,957 |
| Cash flows from Investing Activities | | | | | |
| Dividend received | | 1,191 | 5,695 | 29,348 | 10,904 |
| Interest received | | 4,073 | 3,369 | 8,987 | 5,383 |
| Proceeds from sale of associate | | - | 6,976 | - | 6,976 |
| Proceeds from sale of investment held for sale | | - | - | 7,250 | - |
| Proceeds from sale of property, plant and equipment | | 1,061 | 16,636 | 1,538 | 16,878 |
| Acquisition of non-controlling interests | | - | - | - | (7,611) |
| Acquisition of / additional investments in associates and joint ventures | | (35,710) | (1,198) | (172,357) | (135,632) |
| Money placed in an Escrow account for additional investment in a joint venture | | - | - | (53,422) | - |
| Acquisition of other financial assets | | (5,897) | (841) | (6,263) | (1,799) |
| Purchase of property, plant and equipment | | (247,413) | (291,120) | (476,365) | (477,198) |
| Payment for intangible assets | | (374) | (800) | (1,367) | (1,809) |
| Net cash outflow from investing activities | | (283,069) | (261,283) | (662,651) | (583,908) |
| Cash flows from Financing Activities | | | | | |
| Proceeds from share issued to non-controlling interest of a subsidiary | | - | 8,040 | 757 | 8,040 |
| Proceeds from share options exercised with issue of treasury shares | | 185 | 1,192 | 1,186 | 1,449 |
| Proceeds from share options exercised with issue of treasury shares of a subsidiary | | 260 | 694 | 401 | 738 |
| Purchase of treasury shares | | - | (8,897) | (8,508) | (20,620) |
| Purchase of treasury shares by subsidiary | | (1,606) | (3,575) | (11,579) | (14,794) |
| Proceeds from borrowings | | 316,455 | 149,986 | 563,077 | 250,159 |
| Repayment of borrowings | | (201,315) | (4,874) | (204,046) | (26,102) |
| Payment on finance leases | | (893) | 381 | (1,234) | (783) |
| Increase / (Decrease) in other long term liabilities | | 3,358 | (3,156) | 3,836 | (6,124) |
| Dividends paid to owners of the Company | | (303,774) | (268,035) | (303,774) | (268,035) |
| Dividends paid to non-controlling interests of subsidiaries | | (80,626) | (78,917) | (89,061) | (90,167) |
| Perpetual securities distribution paid | | - | - | (5,041) | - |
| Interest paid | | (20,350) | (60,628) | (30,798) | (62,594) |
| Net cash outflow from financing activities | | (288,306) | (267,789) | (84,784) | (228,833) |
| Net (decrease) / increase in cash and cash equivalents | | (649,940) | 4,346 | (31,486) | 71,216 |
| Cash and cash equivalents at beginning of the period | | 2,880,668 | 2,135,400 | 2,255,865 | 2,059,800 |
| Effect of exchange rate changes on balances held in foreign currency | | (15,008) | 7,613 | (8,659) | 16,343 |
| Cash and cash equivalents at end of the period | | 2,215,720 | 2,147,359 | 2,215,720 | 2,147,359 |

5. **CONSOLIDATED STATEMENT OF CASH FLOWS** (Cont'd)

5a. **Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of cash flows comprise the following balance sheet amounts:

| | Group | |
|---|-----------|------------|
| | 30/6/2014 | 31/12/2013 |
| | \$'000 | \$'000 |
| Fixed deposits with banks | 257,462 | 253,127 |
| Cash and bank balances | 1,960,283 | 2,002,738 |
| Cash and cash equivalents in the balance sheets | 2,217,745 | 2,255,865 |
| Bank overdrafts | (2,025) | - |
| Cash and cash equivalents in the consolidated statement of cash flows | 2,215,720 | 2,255,865 |

5b. **Explanatory Notes to Consolidated Statement of Cash Flows**

(i) **Second Quarter**

The cash outflow from changes in working capital was mainly due to Marine's working capital for ongoing projects.

Net cash outflow from investing activities for 2Q14 was \$283.1 million of which \$35.7 million was spent on Utilities' equity investments in India and Urban Development's equity investment in Indonesia. \$247.4 million was spent on purchase of property, plant and equipment, mainly for Marine's Brazil new yard.

(ii) **Half Year**

The cash inflow from changes in working capital was mainly due to Marine's receipts from ongoing and completed projects.

Net cash outflow from investing activities for 1H14 was \$662.7 million of which \$172.4 million was spent on Utilities' equity investments in India and Urban Development's equity investment in Indonesia. Another \$53.4 million was placed in an Escrow account for additional investment in a joint venture in Vietnam. \$476.4 million was spent on purchase of property, plant and equipment, mainly for Marine's Brazil new yard.

(iii) **Significant non-cash transactions**

There was no material non-cash transaction other than those disclosed in the cashflow statement.

6. STATEMENTS OF CHANGES IN EQUITY

6a. Statements of Changes in Equity of the Group

| | Attributable to owners of the Company | | | | | | | | | | | |
|--|---------------------------------------|------------------------|------------------------------|-----------------|------------------|------------------|----------------|----------------------|------------------|------------------|--------------|-------|
| | Share capital | Other reserves | | | | Revenue reserve | Total | Perpetual securities | Non-controlling | | Total equity | |
| | | Reserve for own shares | Currency translation reserve | | Others | | | | Total | interests | | Total |
| | | | \$'000 | \$'000 | | | | | | | | |
| 1Q14 | | | | | | | | | | | | |
| At January 1, 2014 | 565,572 | (13,877) | (333,798) | 246,445 | 4,563,136 | 5,027,478 | 202,970 | 5,230,448 | 1,299,546 | 6,529,994 | | |
| Total comprehensive income | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | 184,848 | 184,848 | - | 184,848 | 59,735 | 244,583 | | |
| Other comprehensive income | | | | | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | 13,494 | - | - | 13,494 | - | 13,494 | 2,390 | 15,884 | | |
| Exchange differences on monetary items forming part of net investment in foreign operation | - | - | (2,251) | - | - | (2,251) | - | (2,251) | - | (2,251) | | |
| Net change in fair value of cash flow hedges | - | - | - | (2,263) | - | (2,263) | - | (2,263) | 2,149 | (114) | | |
| Net change in fair value of cash flow hedges transferred to profit or loss | - | - | - | (656) | - | (656) | - | (656) | (58) | (714) | | |
| Net change in fair value of available-for-sale financial assets | - | - | - | 13,162 | - | 13,162 | - | 13,162 | (2,711) | 10,451 | | |
| Defined benefit plan actuarial gains and losses | - | - | - | - | 750 | 750 | - | 750 | - | 750 | | |
| Share of other comprehensive of associates and joint ventures | - | - | - | 613 | - | 613 | - | 613 | - | 613 | | |
| Total other comprehensive income, net of tax | - | - | 11,243 | 10,856 | 750 | 22,849 | - | 22,849 | 1,770 | 24,619 | | |
| Total comprehensive income | - | - | 11,243 | 10,856 | 185,598 | 207,697 | - | 207,697 | 61,505 | 269,202 | | |
| Transactions with owners of the Company, recognised directly in equity | | | | | | | | | | | | |
| Contribution by non-controlling interests | - | - | - | - | - | - | - | - | 757 | 757 | | |
| Share-based payments | - | - | - | 7,101 | - | 7,101 | - | 7,101 | 769 | 7,870 | | |
| Purchase of treasury shares | - | (8,508) | - | - | - | (8,508) | - | (8,508) | - | (8,508) | | |
| Treasury shares transferred to employees | - | 18,727 | - | (17,726) | - | 1,001 | - | 1,001 | - | 1,001 | | |
| Treasury shares of a subsidiary | - | - | - | (5,960) | - | (5,960) | - | (5,960) | (3,872) | (9,832) | | |
| Realisation of reserve upon sale of investment held for sale | - | - | - | - | - | - | - | - | (4,830) | (4,830) | | |
| Perpetual securities distribution paid | - | - | - | - | - | - | (5,041) | (5,041) | - | (5,041) | | |
| Accrued perpetual securities distribution | - | - | - | - | (1,967) | (1,967) | 1,967 | - | - | - | | |
| Dividend paid | - | - | - | - | - | - | - | - | (8,435) | (8,435) | | |
| Unclaimed dividends | - | - | - | - | 5 | 5 | - | 5 | - | 5 | | |
| Total transactions with owners | - | 10,219 | - | (16,585) | (1,962) | (8,328) | (3,074) | (11,402) | (15,611) | (27,013) | | |
| At March 31, 2014 | 565,572 | (3,658) | (322,555) | 240,716 | 4,746,772 | 5,226,847 | 199,896 | 5,426,743 | 1,345,440 | 6,772,183 | | |
| 2Q14 | | | | | | | | | | | | |
| Total comprehensive income | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | 179,047 | 179,047 | - | 179,047 | 65,545 | 244,592 | | |
| Other comprehensive income | | | | | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | (23,925) | - | - | (23,925) | - | (23,925) | (7,802) | (31,727) | | |
| Exchange differences on monetary items forming part of net investment in foreign operation | - | - | 221 | - | - | 221 | - | 221 | - | 221 | | |
| Net change in fair value of cash flow hedges | - | - | - | 6,844 | - | 6,844 | - | 6,844 | 2,495 | 9,339 | | |
| Net change in fair value of cash flow hedges transferred to profit or loss | - | - | - | (1,590) | - | (1,590) | - | (1,590) | (67) | (1,657) | | |
| Net change in fair value of available-for-sale financial assets | - | - | - | 18,900 | - | 18,900 | - | 18,900 | 4,826 | 23,726 | | |
| Defined benefit plan actuarial gains and losses | - | - | - | - | 880 | 880 | - | 880 | - | 880 | | |
| Share of other comprehensive of associates and joint ventures | - | - | - | (3,836) | - | (3,836) | - | (3,836) | - | (3,836) | | |
| Total other comprehensive income, net of tax | - | - | (23,704) | 20,318 | 880 | (2,506) | - | (2,506) | (548) | (3,054) | | |
| Total comprehensive income | - | - | (23,704) | 20,318 | 179,927 | 176,541 | - | 176,541 | 64,997 | 241,538 | | |
| Transactions with owners of the Company, recognised directly in equity | | | | | | | | | | | | |
| Share-based payments | - | - | - | 5,065 | - | 5,065 | - | 5,065 | 778 | 5,843 | | |
| Treasury shares transferred to employees | - | 876 | - | (691) | - | 185 | - | 185 | - | 185 | | |
| Treasury shares of a subsidiary | - | - | - | (817) | - | (817) | - | (817) | (529) | (1,346) | | |
| Accrued perpetual securities distribution | - | - | - | - | (2,524) | (2,524) | 2,524 | - | - | - | | |
| Dividend paid | - | - | - | - | (303,774) | (303,774) | - | (303,774) | (80,626) | (384,400) | | |
| Unclaimed dividends | - | - | - | - | (1) | (1) | - | (1) | - | (1) | | |
| Total transactions with owners | - | 876 | - | 3,557 | (306,299) | (301,866) | 2,524 | (299,342) | (80,377) | (379,719) | | |
| At June 30, 2014 | 565,572 | (2,782) | (346,259) | 264,591 | 4,620,400 | 5,101,522 | 202,420 | 5,303,942 | 1,330,060 | 6,634,002 | | |

6. STATEMENTS OF CHANGES IN EQUITY (Cont'd)

6a. Statements of Changes in Equity of the Group (Cont'd)

| | Attributable to owners of the Company | | | | | | | | |
|--|---------------------------------------|------------------------|------------------------------|----------|-----------------|-----------|---------------------------|--------------|--------|
| | Share capital | Other reserves | | | Revenue reserve | Total | Non-controlling interests | Total equity | |
| | | Reserve for own shares | Currency translation reserve | | | | | | Others |
| | | | | | | | | | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | |
| 1Q13 | | | | | | | | | |
| At January 1, 2013 | 565,572 | (8,163) | (331,720) | 237,561 | 4,040,081 | 4,503,331 | 1,141,096 | 5,644,427 | |
| Total comprehensive income | | | | | | | | | |
| Profit for the period | - | - | - | - | 176,871 | 176,871 | 55,968 | 232,839 | |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | 16,427 | - | (125) | 16,302 | 12,222 | 28,524 | |
| Exchange differences on monetary items forming part of net investment in foreign operation | - | - | 5,214 | - | - | 5,214 | - | 5,214 | |
| Net change in fair value of cash flow hedges | - | - | - | 1,756 | - | 1,756 | (4,554) | (2,798) | |
| Net change in fair value of cash flow hedges transferred to profit or loss | - | - | - | 3,283 | - | 3,283 | 2,477 | 5,760 | |
| Net change in fair value of available-for-sale financial assets | - | - | - | (3,038) | - | (3,038) | (1,974) | (5,012) | |
| Defined benefit plan actuarial gains and losses | - | - | - | - | (7,001) | (7,001) | - | (7,001) | |
| Share of other comprehensive of associates and joint ventures | - | - | - | (1,125) | - | (1,125) | - | (1,125) | |
| Total other comprehensive income, net of tax | - | - | 21,641 | 876 | (7,126) | 15,391 | 8,171 | 23,562 | |
| Total comprehensive income | - | - | 21,641 | 876 | 169,745 | 192,262 | 64,139 | 256,401 | |
| Transactions with owners of the Company, recognised directly in equity | | | | | | | | | |
| Share-based payments | - | - | - | 6,048 | - | 6,048 | 1,008 | 7,056 | |
| Purchase of treasury shares | - | (11,723) | - | - | - | (11,723) | - | (11,723) | |
| Treasury shares transferred to employees | - | 19,461 | - | (19,204) | - | 257 | - | 257 | |
| Treasury shares of a subsidiary | - | - | - | (6,774) | - | (6,774) | (4,401) | (11,175) | |
| Acquisition of non-controlling interests | - | - | - | - | - | - | (7,611) | (7,611) | |
| Dividend paid | - | - | - | - | - | - | (11,250) | (11,250) | |
| Total transactions with owners | - | 7,738 | - | (19,930) | - | (12,192) | (22,254) | (34,446) | |
| At March 31, 2013 | 565,572 | (425) | (310,079) | 218,507 | 4,209,826 | 4,683,401 | 1,182,981 | 5,866,382 | |
| 2Q13 | | | | | | | | | |
| Total comprehensive income | | | | | | | | | |
| Profit for the period | - | - | - | - | 165,374 | 165,374 | 61,068 | 226,442 | |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | (505) | - | 125 | (380) | 1,919 | 1,539 | |
| Exchange differences on monetary items forming part of net investment in foreign operation | - | - | (4,553) | - | - | (4,553) | - | (4,553) | |
| Net change in fair value of cash flow hedges | - | - | - | (967) | - | (967) | 2,690 | 1,723 | |
| Net change in fair value of cash flow hedges transferred to profit or loss | - | - | - | 214 | - | 214 | 27 | 241 | |
| Net change in fair value of available-for-sale financial assets | - | - | - | (397) | - | (397) | (7,726) | (8,123) | |
| Defined benefit plan actuarial gains and losses | - | - | - | - | (1,562) | (1,562) | - | (1,562) | |
| Share of other comprehensive of associates and joint ventures | - | - | - | (3,004) | - | (3,004) | - | (3,004) | |
| Total other comprehensive income, net of tax | - | - | (5,058) | (4,154) | (1,437) | (10,649) | (3,090) | (13,739) | |
| Total comprehensive income | - | - | (5,058) | (4,154) | 163,937 | 154,725 | 57,978 | 212,703 | |
| Transactions with owners of the Company, recognised directly in equity | | | | | | | | | |
| Contribution by non-controlling interests | - | - | - | - | - | - | 8,040 | 8,040 | |
| Share-based payments | - | - | - | 5,618 | - | 5,618 | 1,419 | 7,037 | |
| Purchase of treasury shares | - | (8,897) | - | - | - | (8,897) | - | (8,897) | |
| Treasury shares transferred to employees | - | 3,198 | - | (2,006) | - | 1,192 | - | 1,192 | |
| Treasury shares of a subsidiary | - | - | - | (1,745) | - | (1,745) | (1,136) | (2,881) | |
| Realisation of reserve upon reclassification of associate to available-for-sale | - | - | - | (21,713) | - | (21,713) | - | (21,713) | |
| Dividend paid | - | - | - | - | (268,035) | (268,035) | (78,917) | (346,952) | |
| Total transactions with owners | - | (5,699) | - | (19,846) | (268,035) | (293,580) | (70,594) | (364,174) | |
| At June 30, 2013 | 565,572 | (6,124) | (315,137) | 194,507 | 4,105,728 | 4,544,546 | 1,170,365 | 5,714,911 | |

6. STATEMENTS OF CHANGES IN EQUITY (Cont'd)

6c. Changes in the Company's share capital

Issued and paid up capital

As at June 30, 2014, the Company's issued and paid up capital excluding treasury shares comprises 1,787,005,225 (December 31, 2013: 1,784,781,629) ordinary shares.

Share Options

During 2Q14, 76,500 (2Q13: 563,750) share options under the Company's Share Option Plan ("SOP") were exercised and settled by way of issuance of treasury shares.

As at June 30, 2014, there were 720,674 (June 30, 2013: 1,316,174) unissued ordinary shares under options granted to eligible employees and directors under the Company's SOP.

Performance Shares

During 2Q14, 625,000 (2Q13: 625,000) performance shares were awarded under the Company's Performance Share Plan ("PSP"), nil (2Q13: nil) performance shares were released and nil (2Q13: nil) performance shares lapsed.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at June 30, 2014, was 2,004,862 (June 30, 2013: 2,185,001). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,007,293 (June 30, 2013: 3,277,502) performance shares.

Restricted Shares

During 2Q14, 2,374,300 (2Q13: 2,262,600) restricted shares were awarded under the Restricted Share Plan ("RSP"), 94,323 (2Q13: 71,500) restricted shares were released and 37,868 (2Q13: 43,627) restricted shares lapsed.

The total number of restricted shares outstanding, including awards achieved but not released, as at end June 30, 2014 was 7,421,061 (June 30, 2013: 7,053,509). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,424,000 (June 30, 2013: 4,527,300). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,636,000 (June 30, 2013: 6,790,950) restricted shares.

Treasury shares

During 2Q14, the Company acquired nil (2Q13: 1,800,000) ordinary shares in the Company by way of on-market purchases. 170,823 (2Q13: 635,250) treasury shares were re-issued pursuant to the SOP and RSP.

As at June 30, 2014, 542,507 (June 30, 2013: 1,246,868) treasury shares were held that may be re-issued upon the exercise of options under the SOP and upon the vesting of performance shares and restricted shares under the PSP and RSP respectively.

7. AUDIT

The figures have not been audited or reviewed by the Company's auditors.

8. AUDITORS' REPORT

Not applicable.

9. ACCOUNTING POLICIES

Except as disclosed in paragraph 10 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at December 31, 2013.

10. CHANGES IN ACCOUNTING POLICIES

The following new/amended FRSs have become effective from January 1, 2014.

| | |
|---|--|
| FRS 27 (2011) | Separate Financial Statements |
| FRS 28 (2011) | Investments in Associates and Joint Ventures |
| FRS 110 | Consolidated Financial Statements |
| FRS 111 | Joint Arrangements |
| FRS 112 | Disclosure of Interests in Other Entities |
| Amendments to FRS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to FRS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to FRS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| Amendments to FRS 110, FRS 111 and FRS 112 | Transition Guidance |
| Amendments to FRS 110, FRS 112 and FRS 27 | Investment Entities |
| INT FRS 121 | Levies |

The adoption of the above FRSs (including consequential amendments) does not have any significant impact on the financial statements.

11. REVIEW OF GROUP PERFORMANCE

Group Overview

Net profit grew 6% to \$363.9 million from \$342.2 million in 1H13, while turnover increased 6% to \$5.2 billion from \$4.8 billion the previous year. In 2Q14, Group net profit grew 8% to \$179.0 million from \$165.4 million in 2Q13, while turnover increased 1% to \$2.5 billion.

Turnover

| | <u>2Q14</u> | <u>2Q13</u> | <u>Growth</u> | | <u>1H14</u> | <u>1H13</u> | <u>Growth</u> | |
|-------------------|------------------|------------------|---------------|----------|------------------|------------------|----------------|----------|
| | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>%</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>%</u> |
| Utilities | 1,157,550 | 1,330,860 | (173,310) | (13) | 2,371,088 | 2,579,407 | (208,319) | (8) |
| Marine | 1,340,128 | 1,123,494 | 216,634 | 19 | 2,674,618 | 2,173,138 | 501,480 | 23 |
| Urban Development | 2,087 | 1,566 | 521 | 33 | 3,395 | 3,375 | 20 | 1 |
| Others/Corporate | 33,993 | 43,491 | (9,498) | (22) | 111,702 | 93,569 | 18,133 | 19 |
| | <u>2,533,758</u> | <u>2,499,411</u> | <u>34,347</u> | <u>1</u> | <u>5,160,803</u> | <u>4,849,489</u> | <u>311,314</u> | <u>6</u> |

The Utilities' turnover in 2Q14 and 1H14 was lower mainly attributable to de-consolidation of Salah and Singapore operations' lower electricity sales, lower gas offtake and lower High Sulphur Fuel Oil ("HSFO") prices recorded during the period.

Marine's turnover for 2Q14 and 1H14 increased mainly due to the higher revenue recognition for rig building projects. In 2Q14, Marine achieved initial percentage of completion revenue recognition for two rig building projects as compared to one rig building and two offshore and conversion projects in 2Q13.

Turnover of Others/Corporate was mainly contributed by a subsidiary dealing in specialised construction activities. Decrease in turnover in 2Q14 was mainly due to timing difference in recognition of projects. Increase in turnover in 1H14 was mainly due to recognition of projects with higher contract values compared to 1H13.

11. REVIEW OF GROUP PERFORMANCE (Cont'd)

Net profit attributable to owners of the Company ("Net Profit")

| | 2Q14 | 2Q13 | Growth | | 1H14 | 1H13 | Growth | |
|-------------------|----------------|----------------|---------------|----------|----------------|----------------|---------------|----------|
| | \$'000 | \$'000 | \$'000 | % | \$'000 | \$'000 | \$'000 | % |
| Utilities | 92,785 | 111,939 | (19,154) | (17) | 184,397 | 201,335 | (16,938) | (8) |
| Marine | 79,767 | 75,721 | 4,046 | 5 | 154,065 | 147,723 | 6,342 | 4 |
| Urban Development | 4,802 | 3,626 | 1,176 | 32 | 24,331 | 10,310 | 14,021 | 136 |
| Others/Corporate | 1,693 | (25,912) | 27,605 | NM | 1,102 | (17,123) | 18,225 | NM |
| | 179,047 | 165,374 | 13,673 | 8 | 363,895 | 342,245 | 21,650 | 6 |

The Utilities business' net profit for 2Q14 and 1H14 decreased mainly due to lower contribution from Singapore's Energy operations as a result of lower spark spread. Competition in the Singapore power market continues to be intense. Overseas operations contributed 48% of the net profit compared to 41% in 1H13.

Marine's net profit for 2Q14 and 1H14 increased mainly due to higher operating profit and higher contribution from an associated company.

Urban Development's business showed an increase of 136% to \$24.3 million, due to contributions from its Nanjing Eco Hi-tech Island project in China in 1Q14. 1H13 also included allowance for doubtful debts made by its associated company in China.

Net profit for Others/Corporate was lower in 2Q13 and 1H13 mainly due to recognition of fair value loss of \$25.1 million for its then associated company upon shareholding dilution from 23.92% to 11.96%.

12. VARIANCE FROM PROSPECT STATEMENT

There is no material change from the previous prospect statement.

13. PROSPECTS

Utilities

Notwithstanding the completion of its new S\$635 million cogeneration plant on Jurong Island, competition in the power market has intensified and is expected to affect the performance of its Singapore operations. Overseas operations are expected to deliver continued growth. In 2014, the Utilities underlying core business is expected to deliver a steady performance compared to 2013.

Strategically positioned in key emerging markets, the business continues to focus on its significant growth in capacity.

Marine

The Marine business has a net orderbook of S\$12.7 billion with completion and deliveries stretching into 2019. This includes a total of S\$2.5 billion in new contracts secured since the start of 2014.

Long term fundamentals driving the offshore exploration and production (E&P) market remain stable. However, slowdown in capital expenditure may impact new orders and keen competition continues to exert pressure on margins. The pipeline for new projects is encouraging, based on robust enquiry levels.

The repair business continues to see increase in market share. However, despite the larger number of vessels, the average revenue per ship remained low in view of market conditions.

The four new dry docks at Sembmarine Integrated Yard @ Tuas continue to see full utilisation, while construction of the wholly-owned shipyard in Brazil is on track to commence initial operations in the second half of 2014, and is scheduled for completion in 2015.

Urban Development

The Urban Development business is expected to deliver a comparable performance in 2014, underpinned by land sales in its urban developments in China and Vietnam.

Group

With a strategic presence in key emerging markets, significant growth in capacity and a strong Marine orderbook, Sembcorp is well-positioned to deliver sustainable long-term growth.

This release contains forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, exchange rate movement, availability and cost of fuel and materials, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy, directives and changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of the management on future events and impact on the Group.

14. SUBSEQUENT EVENTS

On July 14, 2014, the Group increased its shareholding in Thermal Powertech Corporation India ("TPCIL") from 49% to 65%. The total investment for the incremental 16% stake amounts to approximately Rs 400 crores (approximately S\$83.7 million), financed by a mix of internal funds and borrowings. The investment amount was arrived at by taking into account mainly the book value of the project. With this increase in stake, TPCIL now becomes a subsidiary of Sembcorp. The remaining 35% is owned by Gayatri Energy Ventures, a wholly-owned subsidiary of Gayatri Projects. The additional investment does not have a material impact to the Group in 2014.

15. **DIVIDEND**

(a) Current Financial Period Reported On

| | 2014 |
|------------------------------------|---|
| Name of Dividend | Interim Ordinary Exempt-1-Tier |
| Dividend Type | Cash |
| Dividend Amount (cents per shares) | 5.0 |

(b) Corresponding Period of the Immediately Preceding Financial Year

| | 2013 |
|------------------------------------|---|
| Name of Dividend | Interim Ordinary Exempt-1-Tier |
| Dividend Type | Cash |
| Dividend Amount (cents per shares) | - |

(c) Date payable

The interim dividend will be paid on September 2, 2014.

(d) Books closure date

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will be closed on August 20, 2014 to determine the shareholders' entitlements to the proposed dividend. Duly completed transfers of shares received by the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01 Singapore 068902, up to 5.00 p.m. on August 19, 2014 (the "Book Closure Date") will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Book Closure Date will be entitled to the proposed dividend.

16. SEGMENTAL REPORTING

1H14

(i) Operating segments

| | Utilities | Marine | Urban Development | Others/ Corporate | Elimi- nation | Total |
|--|------------------|------------------|----------------------|----------------------|--------------------|-------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Turnover | | | | | | |
| External sales | 2,371,088 | 2,674,618 | 3,395 | 111,702 | - | 5,160,803 |
| Inter-segment sales | 19,533 | 1,481 | 2,066 | 8,986 | (32,066) | - |
| Total | 2,390,621 | 2,676,099 | 5,461 | 120,688 | (32,066) | 5,160,803 |
| Results | | | | | | |
| Segment results | 196,988 | 304,152 | (4,164) | 4,428 | - | 501,404 |
| Finance income | 6,083 | 5,328 | 49 | 23,756 | (26,051) | 9,165 |
| Finance costs | (24,281) | (6,055) | (670) | (29,773) | 26,051 | (34,728) |
| | 178,790 | 303,425 | (4,785) | (1,589) | - | 475,841 |
| Share of results of associates and joint ventures | 47,305 | 14,626 | 30,233 | 5,343 | - | 97,507 |
| | 226,095 | 318,051 | 25,448 | 3,754 | - | 573,348 |
| Tax expense | (31,385) | (49,608) | (357) | (2,823) | - | (84,173) |
| Non-controlling interests | (10,313) | (114,378) | (760) | 171 | - | (125,280) |
| Net profit for the period | 184,397 | 154,065 | 24,331 | 1,102 | - | 363,895 |
| Assets | | | | | | |
| Segment assets | 4,928,279 | 6,966,772 | 317,152 | 1,430,947 | (1,686,595) | 11,956,555 |
| Investment in associates and joint ventures | 1,021,771 | 465,862 | 520,843 | 78,363 | - | 2,086,839 |
| Tax assets | 51,084 | 9,168 | 3,821 | 131 | - | 64,204 |
| Total assets | 6,001,134 | 7,441,802 | 841,816 | 1,509,441 | (1,686,595) | 14,107,598 |
| Liabilities | | | | | | |
| Segment liabilities | 2,727,244 | 4,278,525 | 167,106 | 1,348,894 | (1,686,595) | 6,835,174 |
| Tax liabilities | 375,025 | 246,287 | 2,206 | 14,904 | - | 638,422 |
| Total liabilities | 3,102,269 | 4,524,812 | 169,312 | 1,363,798 | (1,686,595) | 7,473,596 |
| Capital expenditure | 124,317 | 345,784 | 83 | 2,105 | - | 472,289 |
| Significant non-cash items | | | | | | |
| Depreciation and amortisation | 91,644 | 55,862 | 750 | 4,140 | - | 152,396 |
| Allowance made for impairment in value of assets and assets written off (net) | 796 | 97 | - | - | - | 893 |

(ii) Geographical segments

| | Revenue | | Non-current Assets | | Total Assets | | Capital Expenditure | |
|----------------------------------|------------------|------------|--------------------|------------|-------------------|------------|---------------------|------------|
| | \$'000 | % | \$'000 | % | \$'000 | % | \$'000 | % |
| Singapore | 2,470,829 | 48 | 4,279,404 | 49 | 9,102,849 | 64 | 165,238 | 35 |
| Rest of ASEAN, Australia & India | 395,816 | 8 | 997,928 | 11 | 1,080,348 | 8 | 9,422 | 2 |
| China | 70,332 | 1 | 1,321,314 | 15 | 1,515,416 | 11 | 4,577 | 1 |
| Middle East & Africa | 55,437 | 1 | 309,788 | 4 | 411,240 | 3 | 2,230 | - |
| UK | 269,436 | 5 | 703,107 | 8 | 841,873 | 6 | 12,546 | 3 |
| Rest of Europe | 1,019,847 | 20 | 227,535 | 3 | 240,675 | 2 | - | - |
| Brazil | - | - | 688,528 | 8 | 748,212 | 5 | 274,770 | 58 |
| U.S.A. | 503,060 | 10 | 4,454 | - | 6,006 | - | - | - |
| Other Countries | 376,046 | 7 | 140,338 | 2 | 160,979 | 1 | 3,506 | 1 |
| Total | 5,160,803 | 100 | 8,672,396 | 100 | 14,107,598 | 100 | 472,289 | 100 |

16. SEGMENTAL REPORTING (Cont'd)

1H13

(i) Operating segments

| | Utilities | Marine | Urban Development | Others/ Corporate | Elimi- nation | Total |
|---|------------------|------------------|----------------------|----------------------|--------------------|-------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Turnover | | | | | | |
| External sales | 2,579,407 | 2,173,138 | 3,375 | 93,569 | - | 4,849,489 |
| Inter-segment sales | 21,538 | 1,231 | 2,009 | 20,287 | (45,065) | - |
| Total | 2,600,945 | 2,174,369 | 5,384 | 113,856 | (45,065) | 4,849,489 |
| Results | | | | | | |
| Segment results | 274,551 | 294,429 | (3,799) | (16,892) | - | 548,289 |
| Finance income | 4,391 | 2,747 | 93 | 25,417 | (27,445) | 5,203 |
| Finance costs | (61,593) | (3,524) | (683) | (28,469) | 27,445 | (66,824) |
| | 217,349 | 293,652 | (4,389) | (19,944) | - | 486,668 |
| Share of results of associates and joint ventures | 40,949 | 9,458 | 6,661 | 5,786 | - | 62,854 |
| | 258,298 | 303,110 | 2,272 | (14,158) | - | 549,522 |
| Tax expense | (45,582) | (49,455) | 7,805 | (3,009) | - | (90,241) |
| Non-controlling interests | (11,381) | (105,932) | 233 | 44 | - | (117,036) |
| Net profit for the period | 201,335 | 147,723 | 10,310 | (17,123) | - | 342,245 |
| Assets | | | | | | |
| Segment assets | 6,184,359 | 6,144,256 | 312,556 | 1,412,941 | (1,937,605) | 12,116,507 |
| Investment in associates and joint ventures | 519,167 | 453,550 | 436,494 | 80,965 | - | 1,490,176 |
| Tax assets | 50,109 | 3,546 | 1,560 | 126 | - | 55,341 |
| Total assets | 6,753,635 | 6,601,352 | 750,610 | 1,494,032 | (1,937,605) | 13,662,024 |
| Liabilities | | | | | | |
| Segment liabilities | 4,034,387 | 3,764,016 | 159,521 | 1,270,250 | (1,937,605) | 7,290,569 |
| Tax liabilities | 403,196 | 238,382 | 354 | 14,612 | - | 656,544 |
| Total liabilities | 4,437,583 | 4,002,398 | 159,875 | 1,284,862 | (1,937,605) | 7,947,113 |
| Capital expenditure | 159,783 | 274,403 | 12 | 1,391 | - | 435,589 |
| Significant non-cash items | | | | | | |
| Depreciation and amortisation | 98,160 | 49,030 | 709 | 3,212 | - | 151,111 |
| Allowance made for impairment in value of assets and assets written off (net) | 1,238 | 62 | - | - | - | 1,300 |

(ii) Geographical segments

| | Revenue | | Non-current Assets | | Total Assets | | Capital Expenditure | |
|----------------------------------|------------------|------------|--------------------|------------|-------------------|------------|---------------------|------------|
| | \$'000 | % | \$'000 | % | \$'000 | % | \$'000 | % |
| Singapore | 2,394,031 | 49 | 3,855,243 | 46 | 8,601,100 | 63 | 310,191 | 71 |
| Rest of ASEAN, Australia & India | 469,918 | 10 | 713,354 | 9 | 818,909 | 6 | 9,498 | 2 |
| China | 60,174 | 1 | 1,257,648 | 15 | 1,358,201 | 10 | 10,337 | 2 |
| Middle East & Africa | 208,293 | 4 | 1,196,988 | 14 | 1,432,920 | 11 | 1,423 | - |
| UK | 270,561 | 6 | 760,811 | 9 | 847,843 | 6 | 10,521 | 3 |
| Rest of Europe | 620,789 | 13 | 242,401 | 3 | 242,460 | 2 | - | - |
| Brazil | 8,541 | - | 131,392 | 2 | 179,047 | 1 | 89,680 | 21 |
| U.S.A. | 607,865 | 13 | 4,534 | - | 6,052 | - | - | - |
| Other Countries | 209,317 | 4 | 154,885 | 2 | 175,492 | 1 | 3,939 | 1 |
| Total | 4,849,489 | 100 | 8,317,256 | 100 | 13,662,024 | 100 | 435,589 | 100 |

16. SEGMENTAL REPORTING (Cont'd)

Notes to Segmental Analysis

16a. Operating Segments

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- (i) The Utilities segment's principal activities are in the provision of energy, water, on-site logistics and solid waste management to industrial and municipal customers. Key activities in the energy sector include power generation and retail, process steam production and supply, as well as natural gas import, supply and retail. In the water sector, the business offers wastewater treatment as well as the production and supply of reclaimed, desalinated and potable water and water for industrial use.
- (ii) The Marine segment focuses principally on providing integrated solutions in the repair, building and conversion of ships and rigs, and offshore engineering and construction.
- (iii) The Urban Development segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia.
- (iv) Others / Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

16b. Geographical Segments

The Group operates in nine principal geographical areas: Singapore, China, Rest of ASEAN, Australia & India, Middle East & Africa, UK, Rest of Europe, Brazil, U.S.A and Other Countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets.

16c. Review of segment performance

Please refer to Paragraph 11 for analysis by operating segments.

17. INTERESTED PERSON TRANSACTIONS

**Aggregate value of all interested person transactions
conducted under shareholders' mandate pursuant to Rule
920 of the SGX-ST Listing Manual (excluding transactions
less than \$100,000)**

| | 2Q14 | 1H14 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| <u>Sale of Goods and Services</u> | | |
| Temasek Holdings (Private) Limited and its Associates | | |
| - PSA International Pte Ltd and its Associates | 1,355 | 2,746 |
| - Singapore Power Limited and its Associates | 547 | 1,094 |
| - Temasek Capital (Private) Limited and its Associates | 1,027 | 1,832 |
| - Singapore Technologies Telemedia Pte Ltd and its Associates | 121 | 241 |
| | 3,050 | 5,913 |
| Starhub Ltd and its Associates | 2,747 | 4,570 |
| Singapore Airlines Limited and its Associates | 1,733 | 3,151 |
| STATS ChipPAC Ltd and its Associates | 216 | 216 |
| | 7,746 | 13,850 |
| <u>Purchase of Goods and Services</u> | | |
| Temasek Holdings (Private) Limited and its Associates | | |
| - Temasek Capital (Private) Limited and its Associates ¹ | 241,995 | 475,605 |
| - Singapore Power Limited and its Associates | 1,099 | 2,134 |
| | 243,094 | 477,739 |
| Singapore Technologies Engineering Ltd and its Associates | 125 | 315 |
| | 243,219 | 478,054 |
| <u>Management and Support Services</u> | | |
| - Temasek Capital (Private) Limited and its Associates | - | 1,595 |
| Total interested person transactions | 250,965 | 493,499 |

Note:

1. This relates mainly to the purchase of gas by Sembcorp Cogen Pte Ltd from Sembcorp Gas Pte Ltd for the generation of electricity. Sembcorp Gas Pte Ltd is 30% owned by Seletar Investments Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

18. CONFIRMATION PURSUANT TO THE RULE 705(5) OF THE LISTING MANUAL

We, Ang Kong Hua, and Tang Kin Fei, being two directors of Sembcorp Industries Ltd (the "Company"), do hereby confirm on behalf of the directors of the Company, that to the best of their knowledge, nothing has come to their attention which would render the second quarter and half year ended June 30, 2014 unaudited financial results to be false or misleading.

The Board has noted that the board of directors of the Company's listed subsidiary, Sembcorp Marine Ltd, has also announced and confirmed the results for second quarter and half year ended June 30, 2014.

On behalf of the board of directors

Ang Kong Hua
Chairman

Tang Kin Fei
Director

BY ORDER OF THE BOARD

Kwong Sook May (Ms)
Company Secretary
August 6, 2014