SEMBCORP MARINE LTD
Registration Number: 196300098Z

FIRST QUARTER ENDED 31 MARCH 2014 FINANCIAL STATEMENTS & RELATED ANNOUNCEMENT

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Company Registration Number: 196300098Z

SEMBCORP MARINE LTD

UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

The Board of Directors of Sembcorp Marine Ltd wishes to announce the following unaudited results of the Group for the first quarter ended 31 March 2014.

1. CONSOLIDATED INCOME STATEMENT

	Note	Group 1Q 2014 $'000	1Q 2013 $'000	+ / (-) %
Turnover	2a	**1,335,300**	**1,050,122**	**27.2**
Cost of sales		(1,164,684)	(894,400)	30.2
Gross profit		**170,616**	**155,722**	**9.6**
Other operating income	2b	12,446	17,325	(28.2)
Other operating expenses	2b	(1,592)	(1,950)	(18.4)
General and administrative expenses	2c	(32,628)	(27,647)	18.0
Operating profit		**148,842**	**143,450**	**3.8**
Finance income	2d	2,972	783	n.m.
Finance costs	2e	(2,477)	(1,356)	82.7
Investment income	2f	78	-	n.m.
Non-operating expenses	2g	(171)	-	n.m.
Share of results of associates and joint ventures	2h	7,119	6,179	15.2
Profit before tax		**156,363**	**149,056**	**4.9**
Tax expense	2i	(27,914)	(26,428)	5.6
Profit for the period		**128,449**	**122,628**	**4.7**
Profit attributable to:				
Owners of the Company		**122,475**	**118,743**	**3.1**
Non-controlling interests		5,974	3,885	53.8
Profit for the period		**128,449**	**122,628**	**4.7**
Earnings per share (cents)	2j			
Basic		5.87	5.69	3.2
Diluted		5.87	5.68	3.3

n.m.: not meaningful

2. NOTES TO CONSOLIDATED INCOME STATEMENT

2a. Turnover, Cost of Sales

		Group		
		1Q 2014 $'000	1Q 2013 $'000	+ / (-) %
Turnover	(i)	1,335,300	1,050,122	27.2
Cost of sales		(1,164,684)	(894,400)	30.2
Gross profit	(ii)	170,616	155,722	9.6
Included in cost of sales:				
Depreciation and amortisation		(26,868)	(23,216)	15.7
Allowance for inventory obsolescence		(34)	(34)	-

(i) Group turnover for 1Q 2014 increased mainly due to the higher revenue recognition for rig building and offshore and conversion projects. In 1Q 2014, the Group achieved initial percentage of completion revenue recognition for a rig building and an offshore and conversion project as compared to two rig building projects in 1Q 2013.

(ii) Gross profit for 1Q 2014 was higher mainly due to contribution from higher turnover for rig building and offshore and conversion projects.

2b. Other operating income/(expenses)

		Group		
		1Q 2014 $'000	1Q 2013 $'000	+ / (-) %
Other operating income		12,446	17,325	(28.2)
Other operating expenses		(1,592)	(1,950)	(18.4)
		10,854	15,375	(29.4)
Included in other operating income/(expenses):				
Foreign exchange gain, net	(i)	3,363	1,663	n.m.
Fair value adjustment on hedging instruments	(ii)	(1,520)	(1,901)	(20.0)
Gain on disposal of property, plant and equipment, net		38	33	15.2
Other income	(iii)	9,045	15,629	(42.1)
Other expenses		(72)	(49)	46.9
		10,854	15,375	(29.4)

(i) Foreign exchange gain in 1Q 2014 mainly arose from the revaluation of assets denominated in Euro and United States dollar to Singapore dollar.

(ii) Fair value adjustment on hedging instruments was due to mark-to-market adjustments of foreign currency forward contracts.

(iii) Other income was higher in 1Q 2013 mainly due to settlement of claims.

2c. General and administrative expenses

		Group		
		1Q 2014 $'000	1Q 2013 $'000	+ / (-) %
General and administrative expenses	(i)	(32,628)	(27,647)	18.0
Included in general and administrative expenses:				
Depreciation and amortisation		(784)	(833)	(5.9)
Write-back of/(allowance for) doubtful debts and bad debts		129	(57)	n.m.

(i) Higher general and administrative expenses in 1Q 2014 was mainly due to higher professional fees.

2d. Finance income

Higher finance income in 1Q 2014 was mainly due to higher interest rates and bank balances.

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

2e. Finance costs

		Group		
		1Q 2014 $'000	1Q 2013 $'000	+ / (-) %
Finance costs		(2,477)	(1,356)	82.7
Included in finance costs:				
Interest expense	(i)	(1,951)	(729)	n.m.
Commitment and facility fees		(526)	(627)	(16.1)
		(2,477)	(1,356)	82.7

(i) Higher interest expense in 1Q 2014 was mainly due to higher bank borrowings as compared to the corresponding period in 2013.

2f. Investment income

Investment income in 1Q 2014 was mainly due to dividend received from investments.

2g. Non-operating expenses

Non-operating expenses were mainly due to fair value adjustment on other long-term equity investment.

2h. Share of results of associates and joint ventures

The increase in the share of results of associates and joint ventures in 1Q 2014 was mainly due to higher contribution from associates.

2i. Tax expense

	Group		
	1Q 2014 $'000	1Q 2013 $'000	+ / (-) %
Tax expense	(27,914)	(26,428)	5.6
Included in tax expense:			
Write-back of tax in respect of prior years, net	71	176	(59.7)

2j. Earnings per ordinary share

Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:	Group 1Q 2014	1Q 2013	+ / (-) %
(i) Based on the weighted average number of shares (cents)	5.87	5.69	3.2
Weighted average number of shares ('000)	2,086,803	2,087,794	n.m.
(ii) On a fully diluted basis (cents)	5.87	5.68	3.3
Adjusted weighted average number of shares ('000)	2,087,778	2,089,139	(0.1)

2k. Profitability ratios

	Group		
	1Q 2014 %	1Q 2013 %	+ / (-) %
Profit after taxation as a percentage of Turnover	9.62	11.68	(17.6)
Net profit attributable to owners of the Company as a percentage of Issued Capital and Reserves at end of period	4.38	4.67	(6.2)

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		
		1Q 2014 $'000	1Q 2013 $'000	+ / (-) %
Profit for the period		**128,449**	**122,628**	**4.7**
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	3a(i)	4,956	24,307	(79.6)
Net change in fair value of cash flow hedges	3a(ii)	5,626	(23,454)	n.m.
Net change in fair value of available-for-sale financial assets	3a(iii)	(6,882)	(5,012)	37.3
Other comprehensive income for the period, net of tax		3,700	(4,159)	n.m.
Total comprehensive income for the period		**132,149**	**118,469**	**11.5**
Total comprehensive income attributable to:				
Owners of the Company		125,203	112,399	11.4
Non-controlling interests		6,946	6,070	14.4
Total comprehensive income for the period		**132,149**	**118,469**	**11.5**

3a. Explanatory notes to Consolidated Statement of Comprehensive Income

(i) The translation differences mainly arose from the consolidation of entities whose functional currencies are United States dollars and Renminbi.

(ii) Fair value changes were due to the mark-to-market adjustments of foreign currency forward contracts and interest rate swap.

(iii) Fair value changes were mainly attributable to the mark-to-market adjustments of quoted prices of available-for-sale assets.

4. BALANCE SHEETS

	Group		Company	
	31-Mar-2014	31-Dec-2013	31-Mar-2014	31-Dec-2013
	$'000	$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	2,542,792	2,394,167	85,285	87,744
Investment properties	-	-	24,107	24,632
Investments in subsidiaries	-	-	508,358	506,791
Investments in associates and joint ventures	449,641	445,743	107,369	107,369
Other financial assets	102,338	107,166	63,233	68,666
Trade and other receivables	44,233	44,482	74,374	74,374
Intangible assets	29,502	30,341	184	184
Deferred tax assets	7,018	7,108	-	-
	3,175,524	3,029,007	862,910	869,760
Current assets				
Inventories and work-in-progress	1,754,171	2,083,586	-	-
Trade and other receivables	385,181	442,410	58,941	52,951
Tax recoverable	274	196	-	-
Other financial assets	1,513	-	-	-
Cash and cash equivalents	2,283,231	1,694,901	32,679	49,860
	4,424,370	4,221,093	91,620	102,811
Total assets	7,599,894	7,250,100	954,530	972,571
Current liabilities				
Trade and other payables	1,775,425	1,781,118	9,971	18,553
Progress billings in excess of work-in-progress	1,618,739	1,440,812	-	-
Provisions	19,715	23,057	-	-
Other financial liabilities	17,992	8,775	-	-
Current tax payable	114,178	110,533	5,859	5,080
Interest-bearing borrowings	210,809	166,111	-	-
	3,756,858	3,530,406	15,830	23,633
Net current assets	667,512	690,687	75,790	79,178
Non-current liabilities				
Deferred tax liabilities	130,242	123,066	12,064	12,064
Provisions	96,673	96,573	27,895	27,895
Other financial liabilities	48	10,523	-	-
Interest-bearing borrowings	600,000	600,000	-	-
Other payables	82,287	80,020	19,233	19,233
	909,250	910,182	59,192	59,192
Total liabilities	4,666,108	4,440,588	75,022	82,825
Net assets	**2,933,786**	**2,809,512**	**879,508**	**889,746**
Equity attributable to owners of the Company				
Share capital	484,288	484,288	484,288	484,288
Other reserves	(81,331)	(76,179)	(17,364)	(4,051)
Revenue reserve	2,391,407	2,268,927	412,584	409,509
	2,794,364	2,677,036	879,508	889,746
Non-controlling interests	139,422	132,476	-	-
Total equity	**2,933,786**	**2,809,512**	**879,508**	**889,746**

4. BALANCE SHEETS (Cont'd)

4a. Group's borrowings and debt securities

Interest-bearings borrowings:	As at 31-Mar-2014 $'000	As at 31-Dec-2013 $'000
(i) Amount repayable in one year or less, or on demand Unsecured	210,809	166,111
(ii) Amount repayable after one year Unsecured	600,000	600,000

4b. Net asset value

	Group		Company	
	31-Mar-2014	31-Dec-2013	31-Mar-2014	31-Dec-2013
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (cents)	133.75	128.21	42.10	42.61

4c. Explanatory notes to Balance Sheets

(i) Group

Non-current assets

'Property, plant and equipment' increased mainly due to capital expenditures for the new shipyard in Brazil.

Current assets

'Inventories and work-in-progress' decreased mainly due to deliveries of rig building projects.

'Trade and other receivables' decreased mainly due to timing of receipts.

'Tax recoverable' increased mainly due to payment made during the period.

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

'Cash and cash equivalents' increased mainly due to receipts from ongoing and completed projects.

Current liabilities

'Progress billings in excess of work-in-progress' increased mainly due to receipts from customers for drillship and jack-up rig building projects in progress.

'Provisions' decreased mainly due to net write back of allowance made for warranty provision.

'Other financial liabilities' increased mainly due to fair value adjustment on foreign currency forward contracts.

'Interest-bearing borrowings' increased mainly due to borrowings for capital expenditures for the new yard in Brazil.

Non-current liabilities

'Deferred tax liabilities' increased mainly due to the tax effects of capital expenditures incurred.

'Other financial liabilities' decreased mainly due to fair value adjustment on foreign currency forward contracts.

Equity

'Other reserves' movement was mainly due to fair value adjustments on both foreign currency forward contracts and quoted prices of available-for-sale financial assets.

4. BALANCE SHEETS (Cont'd)

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

(ii) Company

Non-current assets

'Other financial assets' decreased mainly due to fair value adjustment of quoted equity shares.

Current assets

'Trade and other receivables' increased mainly due to timing of receipts.

'Cash and cash equivalents' decreased mainly due to purchase of treasury shares.

Current liabilities

'Trade and other payables' decreased mainly due to payments made during the period.

'Current tax payable' increased mainly due to tax provision for current period.

Equity

'Other reserves' movement was mainly due to fair value adjustments on quoted prices of available-for-sale financial assets.

5. CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	1Q 2014 $'000	1Q 2013 $'000
Cash flows from Operating Activities:		
Profit for the period	128,449	122,628
Adjustments for:		
Finance income	(2,972)	(783)
Finance costs	2,477	1,356
Investment income	(78)	-
Depreciation of property, plant and equipment	26,813	23,210
Amortisation of intangible assets	839	839
Share of results of associates and joint ventures	(7,119)	(6,179)
Gain on disposal of property, plant and equipment, net	(38)	(33)
Fair value adjustment of hedging instruments	1,520	1,901
Share-based payment expenses	2,452	3,064
Assets written-off	26	58
Allowance made for impairment on other long-term equity investments, net	171	-
Tax expense	27,914	26,428
Operating profit before working capital changes	180,454	172,489
Changes in working capital:		
Inventories and work-in-progress	507,342	9,188
Trade and other receivables	57,480	1,466
Trade and other payables	(42,729)	87,605
Cash generated from operations	702,547	270,748
Investment and interest income received	3,048	793
Interest paid	(3,330)	(5,928)
Tax paid	(16,542)	(13,228)
Net cash generated from operating activities	685,723	252,385
Cash flows from Investing Activities:		
Purchase of property, plant and equipment	(138,103)	(93,846)
Proceeds from sale of property, plant and equipment	226	37
Additional investment in a joint venture	-	(1,424)
Acquisition of other financial assets	(19)	(958)
Net cash used in investing activities	(137,896)	(96,191)
Cash flows from Financing Activities:		
Proceeds from borrowings	246,248	100,000
Repayment of borrowings	(200,000)	-
Proceeds from share options exercised	141	44
Purchase of treasury shares	(9,973)	(11,219)
Return of unclaimed dividends	5	-
Net cash generated from financing activities	36,421	88,825
Net increase in cash and cash equivalents	584,248	245,019
Cash and cash equivalents at beginning of the period	1,694,901	1,408,907
Effect of exchange rate changes on balances held in foreign currencies	4,082	3,389
Cash and cash equivalents at end of the period	2,283,231	1,657,315

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:

	31-Mar-2014 $'000	31-Mar-2013 $'000
Fixed deposits	98,486	453,542
Cash and bank balances	2,184,745	1,203,773
	2,283,231	1,657,315

5b. Explanatory notes to Consolidated Statement of Cash Flows

(i) First Quarter

Cash flows from operating activities before changes in working capital was $180.5 million in 1Q 2014. Net cash generated from operating activities for 1Q 2014 at $685.7 million was mainly due to receipts from ongoing and completed projects.

Net cash used in investing activities for 1Q 2014 was $137.9 million. The Group spent $138.1 million on expansion and operational capital expenditure, mainly for the Brazil new yard.

Net cash generated from financing activities for 1Q 2014 was $36.4 million. It relates mainly to net proceeds from borrowings.

(ii) Significant non-cash transactions

Purchase of property, plant and equipment excludes accrued capital expenditure of $33.0 million for the Brazil new yard.

6. STATEMENTS OF CHANGES IN EQUITY

6a. Statements of Changes in Equity for the Group

	Attributable to owners of the Company								
	Share capital	Reserve for own shares	Capital reserves	Foreign currency translation reserve	Other reserves	Revenue reserve	Total	Non-controlling interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1Q 2014									
At 1 January 2014	**484,288**	**(7,759)**	**25,574**	**(67,406)**	**(26,588)**	**2,268,927**	**2,677,036**	**132,476**	**2,809,512**
Total comprehensive income									
Profit for the period	-	-	-	-	-	122,475	122,475	5,974	128,449
Other comprehensive income									
Foreign currency translation differences	-	-	-	3,984	-	-	3,984	972	4,956
Net fair value changes of cash flow hedges	-	-	-	-	5,626	-	5,626	-	5,626
Net fair value changes of available-for-sale financial assets	-	-	-	-	(6,882)	-	(6,882)	-	(6,882)
Total other comprehensive income	-	-	-	3,984	(1,256)	-	2,728	972	3,700
Total comprehensive income	**-**	**-**	**-**	**3,984**	**(1,256)**	**122,475**	**125,203**	**6,946**	**132,149**
Transactions with owners of the Company, recognised directly in equity									
Purchase of treasury shares	-	(9,973)	-	-	-	-	(9,973)	-	(9,973)
Issuance of treasury shares	-	15,310	-	-	(15,169)	-	141	-	141
Return of unclaimed dividends						5	5	-	5
Cost of share-based payment - charged to profit or loss	-	-	-	-	1,952	-	1,952	-	1,952
Total transactions with owners	**-**	**5,337**	**-**	**-**	**(13,217)**	**5**	**(7,875)**	**-**	**(7,875)**
At 31 March 2014	**484,288**	**(2,422)**	**25,574**	**(63,422)**	**(41,061)**	**2,391,407**	**2,794,364**	**139,422**	**2,933,786**
1Q 2013									
At 1 January 2013	**480,086**	**(3,223)**	**25,574**	**(104,782)**	**56,096**	**1,984,773**	**2,438,524**	**108,501**	**2,547,025**
Total comprehensive income									
Profit for the period	-	-	-	-	-	118,743	118,743	3,885	122,628
Other comprehensive income									
Foreign currency translation differences	-	-	-	22,122	-	-	22,122	2,185	24,307
Net fair value changes of cash flow hedges	-	-	-	-	(23,454)	-	(23,454)	-	(23,454)
Net fair value changes of available-for-sale financial assets	-	-	-	-	(5,012)	-	(5,012)	-	(5,012)
Total other comprehensive income	-	-	-	22,122	(28,466)	-	(6,344)	2,185	(4,159)
Total comprehensive income	**-**	**-**	**-**	**22,122**	**(28,466)**	**118,743**	**112,399**	**6,070**	**118,469**
Transactions with owners of the Company, recognised directly in equity									
Issuance of new shares	4,202	-	-	-	(4,202)	-	-	-	-
Purchase of treasury shares	-	(11,219)	-	-	-	-	(11,219)	-	(11,219)
Issuance of treasury shares	-	14,442	-	-	(14,398)	-	44	-	44
Cost of share-based payment - charged to profit or loss	-	-	-	-	2,468	-	2,468	-	2,468
Total transactions with owners	**4,202**	**3,223**	**-**	**-**	**(16,132)**	**-**	**(8,707)**	**-**	**(8,707)**
At 31 March 2013	**484,288**	**-**	**25,574**	**(82,660)**	**11,498**	**2,103,516**	**2,542,216**	**114,571**	**2,656,787**

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

6b. Statements of Changes in Equity of the Company

	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Other reserves $'000	Revenue reserve $'000	Total Equity $'000
1Q 2014						
At 1 January 2014	**484,288**	**(7,759)**	**960**	**2,748**	**409,509**	**889,746**
Total comprehensive income						
Profit for the period	-	-	-	-	3,070	3,070
Other comprehensive income						
Net fair value changes of available-for-sale financial assets	-	-	-	(5,433)	-	(5,433)
Total other comprehensive income	-	-	-	(5,433)	-	(5,433)
Total comprehensive income	**-**	**-**	**-**	**(5,433)**	**3,070**	**(2,363)**
Transactions with owners of the Company, recognised directly in equity						
Purchase of treasury shares	-	(9,973)	-	-	-	(9,973)
Issuance of treasury shares	-	15,310	-	(15,169)	-	141
Return of unclaimed dividends	-	-	-	-	5	5
Cost of share-based payment						
- charged to profit or loss	-	-	-	395	-	395
- issued to employees of subsidiaries	-	-	-	1,557	-	1,557
Total transactions with owners	**-**	**5,337**	**-**	**(13,217)**	**5**	**(7,875)**
At 31 March 2014	**484,288**	**(2,422)**	**960**	**(15,902)**	**412,584**	**879,508**
1Q 2013						
At 1 January 2013	**480,086**	**(3,223)**	**960**	**30,846**	**385,955**	**894,624**
Total comprehensive income						
Profit for the period	-	-	-	-	1,185	1,185
Other comprehensive income						
Net fair value changes of available-for-sale financial assets	-	-	-	(5,357)	-	(5,357)
Total other comprehensive income	-	-	-	(5,357)	-	(5,357)
Total comprehensive income	**-**	**-**	**-**	**(5,357)**	**1,185**	**(4,172)**
Transactions with owners of the Company, recognised directly in equity						
Issuance of new shares	4,202	-	-	(4,202)	-	-
Purchase of treasury shares	-	(11,219)	-	-	-	(11,219)
Issuance of treasury shares	-	14,442	-	(14,398)	-	44
Cost of share-based payment						
- charged to profit or loss	-	-	-	451	-	451
- issued to employees of subsidiaries	-	-	-	2,017	-	2,017
Total transactions with owners	**4,202**	**3,223**	**-**	**(16,132)**	**-**	**(8,707)**
At 31 March 2013	**484,288**	**-**	**960**	**9,357**	**387,140**	**881,745**

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

6c. Changes in the Company's share capital

(i) Issued and Paid Up Capital

During 1Q 2014, the Company did not issue (1Q 2013: 1,233,882) ordinary shares upon the vesting of performance shares under the Company's Performance Share Plan ("PSP") and restricted shares under the Company's Restricted Share Plan ("RSP")

As at 31 March 2014, the Company's issued and paid up capital, excluding treasury shares, comprises 2,089,193,260 (31 December 2013: 2,087,961,345) ordinary shares.

(ii) Share Options

During 1Q 2014, 86,050 (1Q 2013: 19,810) share options under the Company's Share Option Plan ("SOP") were exercised and settled by way of issuance of treasury shares.

In 1Q 2014, there was no (1Q 2013: 16,160) share options lapsed.

As at 31 March 2014, there were 2,074,129 (31 March 2013: 2,480,287) unissued ordinary shares under options granted to eligible employees and directors under the SOP.

(iii) Performance Shares

During 1Q 2014, 162,060 (1Q 2013: 702,333) performance shares were released under the PSP and 62,225 (1Q 2013: 60,556) performance shares lapsed.

In 1Q 2014, 360,715 performance shares lapsed due to the under achievement of performance targets (1Q 2013: 157,889 performance shares awarded for the over-achievement of the performance targets).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 March 2014 was 1,330,000 (31 March 2013: 1,260,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 1,995,000 (31 March 2013: 1,890,000) performance shares.

(iv) Restricted Shares

During 1Q 2014, 3,333,805 (1Q 2013: 3,750,739) restricted shares were released under the RSP and 124,819 (1Q 2013: 78,847) restricted shares lapsed.

In 1Q 2014, there were additional 508,977 (1Q 2013: 464,732) restricted shares awarded for the over-achievement of the performance targets.

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 March 2014 was 5,595,503 (31 March 2013: 6,178,676). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 March 2014 was 2,595,340 (31 March 2013: 2,726,800). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 3,893,010 (31 March 2013: 4,090,200) restricted shares.

(v) Treasury Shares

During 1Q 2014, the Company acquired 2,350,000 (1Q 2013: 2,500,000) ordinary shares in the Company by way of on-market purchases.

In 1Q 2014, 3,581,915 (1Q 2013: 3,239,000) treasury shares were re-issued pursuant to the SOP, PSP and RSP.

As at 31 March 2014, 566,847 (31 March 2013: Nil) treasury shares were held that may be issued upon the exercise of the 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. However, our auditors have performed certain procedures under the requirements of Singapore Standard on Related Services (SSRS) 4400 – Engagements to Perform Agreed-upon Procedures Regarding Financial Information. These procedures do not constitute either an audit or a review made in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements.

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 31 December 2013.

10. CHANGES IN ACCOUNTING POLICIES

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

(i) Turnover

	1Q 2014 $'m	1Q 2013 $'m	+ / (-) $'m	+ / (-) %
Rig Building	796.1	597.6	198.5	33.2
Offshore and Conversion	361.8	291.0	70.8	24.3
Repair	157.7	156.0	1.7	1.1
Other Activities	19.7	5.5	14.2	n.m.
	1,335.3	**1,050.1**	**285.2**	**27.2**

Group turnover for 1Q 2014 increased mainly due to the higher revenue recognition for rig building and offshore and conversion projects. In 1Q 2014, the Group achieved initial percentage of completion revenue recognition for a rig building and an offshore and conversion project as compared to two rig building projects in 1Q 2013.

(ii) Profit attributable to Owners of the Company

Group profit attributable to owners of the Company for 1Q 2014 was higher mainly due to higher operating profit.

12. VARIANCE FROM PROSPECT STATEMENT

There is no material change from the previous prospect statement.

13. PROSPECTS

The Group has a net order book of S$12.9 billion with completion and deliveries stretching into 2019. This includes the S$1.6 billion in new rig orders secured since the start of 2014, but excludes repair and upgrade contracts.

Long term fundamentals driving the offshore exploration and production (E&P) market remain stable, underpinned by firm oil prices. The Transocean contract to build two *Jurong Espadon* III, our proprietary design drillship, is a strong endorsement of the Group's strategy to deepen, broaden and strengthen our product offering to capture this growing market segment. In a competitive industry landscape, the Group will focus on operational efficiency, productivity improvements, safety management and the timely deliveries of orders to our customers.

Since Phase 1 of the Sembmarine Integrated Yard @ Tuas started operations on August 2013, demand for the four big VLCC docks continues to be strong. With its broad range of capabilities and leading edge technology, the new yard will position the Group for long term sustainable growth. The yard has attracted a good range of alliance and new customers as services continue to be rammed up. The Integrated Yard has dry docks totalling 1.55 million dwt and 3.9 kilometres of finger piers and basin quays, and is capable of servicing a wide range of vessels, including VLCCs, new generations of mega containerships, LNG carriers and passenger ships.

Construction on Estaleiro Jurong Aracruz, Sembcorp Marine's wholly owned shipyard in Brazil, continues to progress well and remains on track to commence initial operations in 2H 2014 and is scheduled for completion in 2015.

While enquiry levels remain healthy, competition is keen and intense, exerting pressure on margins.

This release may contain 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, cost of capital and capital availability, competition from other companies and venues for the sale and distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

14. DIVIDEND

No interim dividend for the period ended 31 March 2014 is recommended.

15. SEGMENTAL REPORTING

1Q 2014

(i) Business Segments:

	Ship & rig repair, building, conversion and offshore $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
Turnover					
Sales to external parties	1,315,903	12,253	7,144	-	1,335,300
Inter-segment sales	-	-	47,540	(47,540)	-
Total	**1,315,903**	**12,253**	**54,684**	**(47,540)**	**1,335,300**
Results					
Segment results	142,006	3,520	3,316	-	148,842
Finance income	2,952	-	20	-	2,972
Finance costs	(2,477)	-	-	-	(2,477)
Investment income	78	-	-	-	78
Non-operating expenses	(171)	-	-	-	(171)
Share of results of associates and joint ventures	5,550	987	582	-	7,119
Profit before tax	147,938	4,507	3,918	-	156,363
Tax expense	(27,263)	(89)	(562)	-	(27,914)
Profit for the period	**120,675**	**4,418**	**3,356**	**-**	**128,449**
Assets					
Segment assets	6,768,784	235,243	138,934	-	7,142,961
Investments in associates and joint ventures	394,618	50,190	4,833	-	449,641
Deferred tax assets	7,018	-	-	-	7,018
Tax recoverable	274	-	-	-	274
Total assets	**7,170,694**	**285,433**	**143,767**	**-**	**7,599,894**
Liabilities					
Segment liabilities	4,394,320	5,629	21,739	-	4,421,688
Deferred tax liabilities	129,691	-	551	-	130,242
Current tax payable	111,336	-	2,842	-	114,178
Total liabilities	**4,635,347**	**5,629**	**25,132**	**-**	**4,666,108**
Capital expenditure	171,082	-	13	-	**171,095**
Significant non-cash item					
Depreciation and amortisation	25,368	2,091	193	-	**27,652**
Assets written-off	26	-	-	-	**26**

(ii) Geographical Segments:

	Turnover from external customers	Non-current assets [1]	Total assets	Capital expenditure
	$'000	$'000	$'000	$'000
Singapore	153,538	1,786,324	6,220,645	34,832
China	858	380,860	381,106	13
Rest of ASEAN, Australia & India	169,737	139,719	185,698	2,841
Middle East & Africa	6,722	-	-	-
Norway	360,796	-	-	-
The Netherlands	212,952	226,767	235,256	-
Rest of Europe	46,957	7,615	22,949	448
Brazil	-	521,066	549,185	132,961
U.S.A.	256,563	3,794	5,055	-
Other Countries	127,177	-	-	-
Total	**1,335,300**	**3,066,145**	**7,599,894**	**171,095**

[1] *Non-current assets presented consist of property, plant and equipment, investments in associates and joint ventures, trade and other receivables (other than financial instruments) and intangible assets.*

15. SEGMENTAL REPORTING (Cont'd)

1Q 2013

(i) Business Segments:

	Ship & rig repair, building, conversion and offshore $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
Turnover					
Sales to external parties	1,045,930	-	4,192	-	1,050,122
Inter-segment sales	-	-	51,646	(51,646)	-
Total	**1,045,930**	**-**	**55,838**	**(51,646)**	**1,050,122**
Results					
Segment results	140,520	65	2,865	-	143,450
Finance income	770	-	13	-	783
Finance costs	(1,356)	-	-	-	(1,356)
Share of results of associates and joint ventures	3,595	1,954	630	-	6,179
Profit before tax	143,529	2,019	3,508	-	149,056
Tax expense	(25,802)	3	(629)	-	(26,428)
Profit for the period	**117,727**	**2,022**	**2,879**	**-**	**122,628**
Assets					
Segment assets	5,470,589	14,483	177,995	-	5,663,067
Investments in associates and joint ventures	384,437	45,412	3,845	-	433,694
Deferred tax assets	986	-	1,306	-	2,292
Tax recoverable	103	-	-	-	103
Total assets	**5,856,115**	**59,895**	**183,146**	**-**	**6,099,156**
Liabilities					
Segment liabilities	3,197,370	6	11,143	-	3,208,519
Deferred tax liabilities	117,524	-	9,068	-	126,592
Current tax payable	105,380	-	1,878	-	107,258
Total liabilities	**3,420,274**	**6**	**22,089**	**-**	**3,442,369**
Capital expenditure	93,838	-	8	-	**93,846**
Significant non-cash item					
Depreciation and amortisation	23,803	-	246	-	**24,049**
Assets written-off	58	-	-	-	**58**

(ii) Geographical Segments:

	Turnover from external customers $'000	Non-current assets [1] $'000	Total assets $'000	Capital expenditure $'000
Singapore	37,707	1,524,250	5,453,886	87,013
China	160	355,666	355,692	-
Rest of ASEAN, Australia & India	223,288	138,833	190,099	5,928
Middle East & Africa	51,976	-	-	-
Norway	238,340	-	-	-
The Netherlands	69,063	-	47	-
Rest of Europe	50,827	6,548	29,702	112
Brazil	539	50,336	64,498	793
U.S.A.	294,739	3,778	5,232	-
Other Countries	83,483	-	-	-
Total	**1,050,122**	**2,079,411**	**6,099,156**	**93,846**

[1] *Non-current assets presented consist of property, plant and equipment, investments in associates and joint ventures, trade and other receivables (other than financial instruments) and intangible assets.*

15. SEGMENTAL REPORTING (Cont'd)

15a. Explanatory notes to Segmental Reporting

(i) Business segments

The Group has two reportable segments, which are the Group's strategic business units. The strategic business units are managed separately because of their different business activities. The two reportable segments are (i) ship and rig repair, building, conversion and offshore and (ii) ship chartering.

Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

(ii) Geographical segments

The Group operates principally in the Republic of Singapore. 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.

(iii) Review of segment performance

Please refer to paragraph 11.

16. 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)	
	1Q 2014 $'000	1Q 2013 $'000
Transaction for the Sales of Goods and Services		
PSA International Pte Ltd and its associates	744	222
Sembcorp Industries Limited and its associates	108	-
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	662	1,020
Singapore Technologies Engineering Ltd and its associates	3,107	-
Management and Support Services		
Sembcorp Industries Limited	63	63
Total Interested Person Transactions	**4,684**	**1,305**

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

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the first quarter ended 31 March 2014 unaudited financial results to be false or misleading.

BY ORDER OF THE BOARD

KWONG SOOK MAY/TAN YAH SZE
JOINT COMPANY SECRETARIES

2 May 2014