



SEMBCORP INDUSTRIES LTD
Registration Number: 199802418D

SECOND QUARTER AND HALF YEAR ENDED JUNE 30, 2017 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT

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SEMBCORP INDUSTRIES LTD

UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED JUNE 30, 2017

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, 2017.

1. CONSOLIDATED INCOME STATEMENT

	Note	GROUP			GROUP		
		2Q17 \$'000	2Q16 \$'000	+ / (-) %	1H17 \$'000	1H16 \$'000	+ / (-) %
Turnover	2a	2,275,261	1,846,503	23.2	4,414,818	3,741,728	18.0
Cost of sales	2a	(1,949,599)	(1,558,538)	25.1	(3,848,665)	(3,185,115)	20.8
Gross profit	2a	325,662	287,965	13.1	566,153	556,613	1.7
General & administrative expenses	2b	(113,899)	(94,334)	20.7	(201,740)	(184,116)	9.6
Other income	2c	20,061	25,729	(22.0)	89,774	56,467	59.0
Other expense (net)	2d	(43,829)	(49,431)	(11.3)	(48,610)	(57,155)	(15.0)
Finance income	2e	13,110	6,239	110.1	17,280	15,995	8.0
Finance costs	2e	(144,367)	(91,298)	58.1	(273,423)	(177,605)	54.0
Share of results of associates and joint ventures, net of tax	2f	34,691	38,083	(8.9)	92,246	73,699	25.2
Profit before tax		91,429	122,953	(25.6)	241,680	283,898	(14.9)
Tax expense	2g	(31,895)	(28,195)	13.1	(46,798)	(58,095)	(19.4)
Profit for the period		59,534	94,758	(37.2)	194,882	225,803	(13.7)
Attributable to:							
Owners of the Company		55,268	86,456	(36.1)	174,375	193,490	(9.9)
Non-controlling interests		4,266	8,302	(48.6)	20,507	32,313	(36.5)
		59,534	94,758	(37.2)	194,882	225,803	(13.7)
Earnings per ordinary share (cents)							
	2h						
- basic		2.54	4.29	(40.9)	8.67	9.74	(11.0)
- diluted		2.51	4.25	(40.9)	8.60	9.67	(11.1)

2. NOTES TO THE CONSOLIDATED INCOME STATEMENT

2a. Turnover, Cost of Sales

	GROUP			GROUP		
	2Q17 \$'000	2Q16 \$'000	+ / (-) %	1H17 \$'000	1H16 \$'000	+ / (-) %
Turnover	2,275,261	1,846,503	23.2	4,414,818	3,741,728	18.0
Cost of sales	(1,949,599)	(1,558,538)	25.1	(3,848,665)	(3,185,115)	20.8
Gross profit	325,662	287,965	13.1	566,153	556,613	1.7
Included in Cost of sales:-						
Depreciation and amortisation	(i) (139,146)	(102,471)	35.8	(267,291)	(203,281)	31.5

In 2Q17, the Group recorded a turnover of \$2.3 billion, an increase of 23% or \$428.8 million. Utilities' turnover grew 75% or \$667 million, while Marine's turnover reduced by \$253 million or 28% lower than last year.

Group gross profit increased by 13% in 2Q17 against 2Q16 mainly due to higher contribution from Utilities' Singapore and India operations, reduced by Marine's lower contribution from its rig building and offshore platform projects.

- (i) Depreciation and amortisation in 2Q17 was higher mainly due to Marine's depreciation charge for Tuas Boulevard yard and the amortisation of intangible property rights of Gravifloat AS and LMG Marin AS as well as higher depreciation expense from Utilities India's second thermal power plant, Sembcorp Gayatri Power Limited (SGPL), which commenced full commercial operation in February 2017.

2b. General & administrative expenses

	GROUP			GROUP		
	2Q17 \$'000	2Q16 \$'000	+ / (-) %	1H17 \$'000	1H16 \$'000	+ / (-) %
General & administrative expenses	(113,899)	(94,334)	20.7	(201,740)	(184,116)	9.6
Included in general & administrative expenses:-						
Depreciation and amortisation	(6,472)	(5,881)	10.0	(12,115)	(11,855)	2.2
(Allowance for)/Write-back of doubtful debts	(i) (777)	(1,581)	(50.9)	5,466	(2,781)	NM
Provision in relation to a joint venture	(ii) (5,500)	-	NM	(5,500)	-	NM
Intangible assets written off	(iii) -	(8,297)	(100.0)	-	(8,297)	(100.0)

General & administrative expenses in 2Q17 were higher mainly due to SGPL's refinancing costs.

- (i) Net write-back of doubtful debts in 1H17 relates to Utilities' China operations.
- (ii) Provision is in relation to a joint venture of Marine.
- (iii) The amount pertained to write-off of development rights relating to certain wind sites in 2016.

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

2c. Other income

	GROUP			GROUP		
	2Q17 \$'000	2Q16 \$'000	+ / (-) %	1H17 \$'000	1H16 \$'000	+ / (-) %
Other income	20,061	25,729	(22.0)	89,774	56,467	59.0
Included in other income: -						
Dividend income	-	-	-	32	-	NM
Fair value gain on re-measurement of pre-existing equity interest in joint venture and available-for-sale financial asset (AFS), which became subsidiaries, see Note 5(b)	-	-	-	-	10,702	(100.0)
Gain on disposal of subsidiary	866	-	NM	866	-	NM
Gain on disposal of assets held for sale (i)	-	-	-	46,816	-	NM
Gain on disposal of joint venture	-	-	-	-	186	(100.0)
Gain on disposal of other financial assets	1,045	432	141.9	2,830	1,589	78.1
Gain on disposal of investment held for sale	-	3,411	(100.0)	-	3,411	(100.0)
(Loss) / Gain on disposal of property, plant and equipment	(1,069)	(21)	NM	(1,065)	29	NM

(i) Gain on disposal of assets held for sale in 1H17 arose from Marine's divestment of its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG), in January 2017.

2d. Other expense (net)

	GROUP			GROUP		
	2Q17 \$'000	2Q16 \$'000	+ / (-) %	1H17 \$'000	1H16 \$'000	+ / (-) %
Other expense (net)	(43,829)	(49,431)	(11.3)	(48,610)	(57,155)	(15.0)
Included in other expense (net): -						
Changes in fair value of financial instruments	(4,574)	2,536	NM	(5,985)	19,949	NM
Changes in fair value of available-for-sale assets (i)	-	(8,355)	(100.0)	-	(14,126)	(100.0)
Foreign exchange loss (ii)	(35,456)	(43,022)	(17.6)	(37,593)	(62,249)	(39.6)

(i) Changes in fair value of available-for-sale assets in 2Q16 was predominantly due to Marine's impairment of its available-for-sale financial assets.

(ii) Foreign exchange loss in 2Q17 and 1H17 arose mainly from Marine's revaluation of liabilities denominated in United States dollar to Brazilian Real and the revaluation of assets and liabilities denominated in United States dollar to Singapore dollar.

2e. Finance income and finance costs

	GROUP			GROUP		
	2Q17 \$'000	2Q16 \$'000	+ / (-) %	1H17 \$'000	1H16 \$'000	+ / (-) %
Finance income (i)	13,110	6,239	110.1	17,280	15,995	8.0
Finance costs (ii)	(144,367)	(91,298)	58.1	(273,423)	(177,605)	54.0

(i) Higher finance income in 2Q17 was mainly due to higher bank balances.

(ii) Higher finance costs in 2Q17 was primarily as a result of Marine's higher bank borrowings and SGPL's finance costs, which were capitalised in 2Q16 while under construction.

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

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

The Group recorded a lower share of profit from associates and joint ventures in 2Q17 compared to 2Q16 mainly due to the lower contribution from Utilities' China operations.

2g. Tax expense

		GROUP			GROUP		
		2Q17	2Q16	+ / (-)	1H17	1H16	+ / (-)
		\$'000	\$'000	%	\$'000	\$'000	%
Tax expense	(i)	(31,895)	(28,195)	13.1	(46,798)	(58,095)	(19.4)
<i>Included in tax expense: -</i>							
Tax expense							
- Net write-back / (under-provision) of tax in respect of prior years	(ii)	6,125	(156)	NM	6,244	(179)	NM

(i) The effective tax rate in 2Q17 was higher because the tax benefit for losses from a subsidiary in India was not recognized.

1H17 effective tax rate was also impacted by the disposal gain from CSG, which was not subject to Singapore tax.

(ii) The net write-back of tax in respect of prior years was mainly from Marine.

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		
	2Q17	2Q16	+ / (-)	1H17	1H16	+ / (-)
			%			%
(i) Based on the weighted average number of shares (in cents)	2.54	4.29	(40.9)	8.67	9.74	(11.0)
- Weighted average number of shares (in million)	1,787.4	1,787.4	-	1,786.5	1,786.6	(0.0)
(ii) On a fully diluted basis (in cents)	2.51	4.25	(40.9)	8.60	9.67	(11.1)
- Adjusted weighted average number of shares (in million)	1,805.8	1,804.9	0.0	1,801.3	1,800.6	0.0

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP		GROUP	
		2Q17 \$'000	2Q16 \$'000	1H17 \$'000	1H16 \$'000
Profit for the period		59,534	94,758	194,882	225,803
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations	(i)	(9,586)	(110,884)	(80,501)	(229,401)
Exchange differences on monetary items forming part of net investment in foreign operation		(2,110)	(1,514)	(5,856)	139
Net change in fair value of cash flow hedges	(ii)	(30,355)	37,684	(26,213)	55,402
Net change in fair value of cash flow hedges reclassified to profit or loss		(2,393)	11,359	(10,723)	35,879
Net change in fair value of available-for-sale financial assets	(iii)	(28,448)	(8,089)	12,873	(27,201)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(126)	7,747	(481)	7,747
Share of other comprehensive income of associates and joint ventures	(iv)	6,211	(1,852)	17,048	(22,479)
		<u>(66,807)</u>	<u>(65,549)</u>	<u>(93,853)</u>	<u>(179,914)</u>
Items that may not be reclassified subsequently to profit or loss:					
Defined benefit plan actuarial losses		(170)	-	(170)	-
Other comprehensive income for the period, net of tax		<u>(66,977)</u>	<u>(65,549)</u>	<u>(94,023)</u>	<u>(179,914)</u>
Total comprehensive income for the period		<u>(7,443)</u>	<u>29,209</u>	<u>100,859</u>	<u>45,889</u>
Attributable to:					
Owners of the Company		2,204	36,832	88,299	46,775
Non-controlling interests		(9,647)	(7,623)	12,560	(886)
Total comprehensive income for the period		<u>(7,443)</u>	<u>29,209</u>	<u>100,859</u>	<u>45,889</u>

3a. Notes to Consolidated Statement of Comprehensive Income

- (i) The movement in foreign currency translation reserves in 2Q17 was primarily due to the depreciation of the United States dollar partially offset by the appreciation of the Indian rupees.
- (ii) The fair value changes in cash flow hedges in 2Q17 were primarily due to changes in fair value on fuel oil swaps, foreign currency forward contract and interest rate swaps.
- (iii) This was mainly due to changes in mark-to-market of the Group's quoted prices of available-for-sale financial assets.
- (iv) This was mainly due to hedging gain from associates and joint ventures in the UK and the Middle East.

4. BALANCE SHEETS

	GROUP		COMPANY	
	As at	As at	As at	As at
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	11,420,188	11,225,917	482,349	498,385
Investment properties	65,639	61,264	-	-
Investments in subsidiaries	-	-	2,443,167	2,444,010
Interests in associates and joint ventures	1,765,677	1,745,749	-	-
Other financial assets	210,601	200,905	-	-
Trade and other receivables	986,133	734,123	205,700	205,843
Tax recoverable	5,674	9,529	-	-
Intangible assets	621,612	636,997	23,484	23,103
Deferred tax assets	42,702	51,520	-	-
	<u>15,118,226</u>	<u>14,666,004</u>	<u>3,154,700</u>	<u>3,171,341</u>
Current assets				
Inventories and work-in-progress	3,676,456	3,466,280	8,209	10,615
Trade and other receivables	2,178,227	1,958,030	164,437	171,028
Tax recoverable	21,987	15,703	-	-
Assets held for sale	-	182,215	-	-
Other financial assets	103,533	119,456	87	-
Cash and cash equivalents	2,015,065	1,882,547	600,941	389,905
	<u>7,995,268</u>	<u>7,624,231</u>	<u>773,674</u>	<u>571,548</u>
Total assets	<u>23,113,494</u>	<u>22,290,235</u>	<u>3,928,374</u>	<u>3,742,889</u>
Current liabilities				
Trade and other payables	3,132,453	3,398,015	119,482	138,057
Excess of progress billings over work-in-progress	364,726	223,073	-	-
Provisions	41,709	42,419	16,373	14,874
Other financial liabilities	17,392	36,976	-	326
Current tax payable	184,358	189,471	45,997	47,938
Interest-bearing borrowings	2,565,054	2,125,587	-	-
	<u>6,305,692</u>	<u>6,015,541</u>	<u>181,852</u>	<u>201,195</u>
Net current assets	<u>1,689,576</u>	<u>1,608,690</u>	<u>591,822</u>	<u>370,353</u>
Non-current liabilities				
Deferred tax liabilities	392,724	402,431	60,559	60,501
Provisions	98,102	92,547	10,661	10,661
Other financial liabilities	304,811	256,654	-	-
Retirement benefit obligations	5,684	6,565	-	-
Interest-bearing borrowings	7,421,326	7,095,717	-	-
Other long-term payables	260,974	258,066	281,412	281,910
	<u>8,483,621</u>	<u>8,111,980</u>	<u>352,632</u>	<u>353,072</u>
Total liabilities	<u>14,789,313</u>	<u>14,127,521</u>	<u>534,484</u>	<u>554,267</u>
Net assets	<u>8,324,181</u>	<u>8,162,714</u>	<u>3,393,890</u>	<u>3,188,622</u>
Equity attributable to owners of the Company:-				
Share capital	565,572	565,572	565,572	565,572
Other reserves	(175,195)	(52,147)	(5,083)	(6,721)
Revenue reserve	5,483,139	5,384,897	1,830,548	1,826,675
	<u>5,873,516</u>	<u>5,898,322</u>	<u>2,391,037</u>	<u>2,385,526</u>
Perpetual securities	1,002,853	803,096	1,002,853	803,096
	<u>6,876,369</u>	<u>6,701,418</u>	<u>3,393,890</u>	<u>3,188,622</u>
Non-controlling interests	<u>1,447,812</u>	<u>1,461,296</u>	<u>-</u>	<u>-</u>
Total equity	<u>8,324,181</u>	<u>8,162,714</u>	<u>3,393,890</u>	<u>3,188,622</u>

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

4a. **Group's borrowings and debt securities**

	As at 30/06/2017 \$'000	As at 31/12/2016 \$'000
Amount repayable:		
(i) <u>In one year or less, or on demand</u>		
Interest-bearing borrowings		
Secured	939,996	548,509
Unsecured	1,625,058	1,577,078
	<u>2,565,054</u>	<u>2,125,587</u>
(ii) <u>Between one to five years</u>		
Interest-bearing borrowings		
Secured	869,132	948,288
Unsecured	3,952,661	3,094,717
	<u>4,821,793</u>	<u>4,043,005</u>
(iii) <u>After five years</u>		
Interest-bearing borrowings		
Secured	1,720,111	2,272,275
Unsecured	879,422	780,437
	<u>2,599,533</u>	<u>3,052,712</u>
Total	<u>9,986,380</u>	<u>9,221,304</u>

(iv) **The secured loans are collateralised by the following assets' net book value:-**

	As at 30/06/2017 \$'000	As at 31/12/2016 \$'000
Net assets and equity shares of subsidiaries, property, plant and equipment, and other assets	<u>6,881,172</u>	<u>6,863,426</u>

4b. **Net asset value**

	Group		Company	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Net asset value per ordinary share based on issued share capital at the end of the financial period (in \$)	3.85	3.75	1.90	1.79

Net asset value per ordinary share has increased with the \$200 million perpetual securities issued in June 2017.

Net asset value (excluding perpetual securities) for the Group per ordinary share based on issued share capital at Jun 30, 2017 was \$3.29 (December 31, 2016: \$3.30).

4c. **Explanatory Notes to Balance Sheets**

(i) **Group** **Non-current assets**

"Other financial assets" increased mainly due to fair value adjustments of quoted equity shares.

"Trade and other receivables" increased mainly due to service concession receivables from Sirajganj Unit 4 power project.

"Intangible assets" decreased mainly due to amortisation.

"Deferred tax assets" decreased mainly due to Marine's utilisation of tax credit.

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

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

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

Net current assets

“Trade and other receivables” increased mainly due to receivables arising from disposal of CSG.

“Assets held for sale” decreased mainly due to Marine’s divestment of its 30% equity interest in CSG, which was completed in January 2017.

“Trade and other payables” decreased mainly due to payments made during the period for completed projects.

“Excess of progress billings over work-in-progress” decreased mainly due to Marine’s receipts from customers for offshore platform projects in progress.

“Other financial liabilities” decreased mainly due to fair value adjustments on foreign currency forward contracts.

“Cash and cash equivalents” increased mainly due to proceeds from the issuance of perpetual securities.

Non-current liabilities

“Other financial liabilities” increased mainly due to fair value adjustments in foreign currency forward contracts.

Equity

The deficit in “Other reserves” increased primarily due to foreign currency translation loss mainly arising from the depreciation of the United States dollar and the Renminbi.

“Perpetual securities” amounting to \$200 million were issued by the Company on June 22, 2017. The perpetual securities are subordinated; coupon payments are at the option of the Company and are cumulative, subject to terms and conditions of the securities issue. These perpetual securities are classified as equity instruments and recorded in equity.

(ii) **Company**

Net current assets

“Trade and other payables” decreased mainly due to lower accrued operating expenditure.

“Provisions” increased mainly due to allowance made for claims.

“Cash and cash equivalents” increased mainly due to proceeds from the issuance of perpetual securities.

5. CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	GROUP		GROUP	
		2Q17 \$'000	2Q16 \$'000	1H17 \$'000	1H16 \$'000
Cash flows from Operating Activities					
Profit for the period		59,534	94,758	194,882	225,803
Adjustments for :					
Dividend		-	-	(32)	-
Finance income		(13,110)	(6,239)	(17,280)	(15,995)
Finance costs		144,367	91,298	273,423	177,605
Depreciation and amortisation		145,618	108,352	279,406	215,136
Share of results of associates and joint ventures, net of tax		(34,691)	(38,083)	(92,246)	(73,699)
Loss / (Gain) on disposal of property, plant and equipment and other financial assets		24	(411)	(1,765)	(1,618)
Loss on disposal of intangible assets		13	-	13	-
Gain on disposal of investment in a joint venture		-	-	-	(186)
Gain on disposal of investment held for sale		-	(3,411)	(46,816)	(3,411)
Gain on disposal of investments in subsidiary		(866)	-	(866)	-
Fair value gain on re-measurement of pre-existing equity investments in joint venture and available-for-sale financial asset, which became subsidiaries		-	-	-	(10,702)
Changes in fair value of financial instruments		4,574	(2,536)	5,985	(19,949)
Equity settled share-based compensation expenses		2,252	6,654	7,582	11,867
Allowance made for impairment loss in value of assets and assets written off (net)		817	17,379	1,574	23,352
Provision in relation to a joint venture		5,500	-	5,500	-
Allowance for / (Write-back of) doubtful debts and bad debts (net)		1,239	1,581	(5,451)	2,781
Bad debts written off		(462)	-	(15)	-
Tax expense		31,895	28,195	46,798	58,095
Operating profit before working capital changes		346,704	297,537	650,692	589,079
Changes in working capital:					
Inventories and work-in-progress		(46,225)	154,027	(71,141)	366,598
Receivables		(250,773)	(314,403)	(335,900)	(495,709)
Payables		(336,858)	74,586	(403,506)	(170,054)
		(287,152)	211,747	(159,855)	289,914
Tax paid		(33,633)	(35,562)	(42,603)	(45,834)
Net cash (used in) / from operating activities		(320,785)	176,185	(202,458)	244,080
Cash flows from Investing Activities					
Dividend received		46,352	9,553	58,003	15,852
Interest received		10,213	2,935	16,241	12,471
Proceeds from divestment of investment/assets held for sale		-	22,485	-	22,485
Proceeds from disposal of interests in joint venture and associate		-	-	-	450
Proceeds from prior year disposal of joint venture		-	-	30,805	-
Proceeds from sale of other financial assets		53,115	1,751	69,079	4,268
Proceeds from sale of property, plant and equipment		85	88	8,181	3,001
Proceeds from sale of intangible assets		168	-	168	-
Loan repayment from related parties		366	383	4,452	11,000
Non-trade balances with related corporations, net of repayment		4,539	11,017	(4,569)	(2,445)
Acquisition of subsidiaries, net of cash acquired	5b	-	-	-	(41,376)
Acquisition of / additional investments in joint ventures and associates		(7,457)	(7,092)	(14,127)	(9,629)
Acquisition of other financial assets		(43,618)	(3,193)	(74,602)	(3,558)
Purchase of property, plant and equipment and investment properties		(4,248)	(297,672)	(356,100)	(488,326)
Purchase of intangible assets		(1,824)	-	(3,045)	(2,271)
Net cash from / (used in) investing activities		57,691	(259,745)	(265,514)	(478,078)

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

	Note	GROUP		GROUP	
		2Q17 \$'000	2Q16 \$'000	1H17 \$'000	1H16 \$'000
Cash flows from Financing Activities					
Proceeds from share issued to non-controlling interests of subsidiaries	20	1,852	2	2,062	
Proceeds from share options exercised with issue of treasury shares	-	388	-	427	
Proceeds from share options exercised with issue of treasury shares of a subsidiary	687	836	687	836	
Purchase of treasury shares	-	(1,090)	(4,057)	(2,031)	
Purchase of treasury shares by subsidiary	(688)	(828)	(2,577)	(2,349)	
Proceeds from issue of perpetual securities, net of transaction costs	199,467	-	199,467	-	
Proceeds from borrowings	1,398,132	506,614	2,012,171	1,471,453	
Repayment of borrowings	(877,308)	(397,938)	(1,225,880)	(754,142)	
Payment on finance leases	(133)	(102)	(262)	(176)	
Unclaimed dividends	-	5	6	2	
Dividends paid to owners of the Company	(71,492)	(107,246)	(71,492)	(107,246)	
Dividends paid to non-controlling interests of subsidiaries	(12,672)	(18,606)	(18,552)	(26,062)	
Restricted cash held as collateral	(801)	-	2,321	-	
Perpetual securities distribution paid	(14,133)	(14,211)	(19,174)	(19,252)	
Interest paid	(138,662)	(112,629)	(247,105)	(197,096)	
Net cash from / (used in) financing activities		<u>482,417</u>	<u>(142,955)</u>	<u>625,555</u>	<u>366,426</u>
Net increase / (decrease) in cash and cash equivalents		219,323	(226,515)	157,583	132,428
Cash and cash equivalents at beginning of the period		1,768,807	1,925,203	1,854,713	1,604,465
Effect of exchange rate changes on balances held in foreign currency		16,724	(17,573)	(7,442)	(55,778)
Cash and cash equivalents at end of the period		<u>2,004,854</u>	<u>1,681,115</u>	<u>2,004,854</u>	<u>1,681,115</u>

5a. Cash and cash equivalents

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

	Group	
	30/06/2017 \$'000	31/12/2016 \$'000
Fixed deposits with banks	433,482	487,377
Cash and bank balances	1,581,583	1,395,170
Cash and cash equivalents in the balance sheets	<u>2,015,065</u>	<u>1,882,547</u>
Bank overdrafts	(1,483)	(16,785)
Restricted bank balances held as collateral by banks	<u>(8,728)</u>	<u>(11,049)</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>2,004,854</u>	<u>1,854,713</u>

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

5b. **Cash flow on acquisition of subsidiaries, net of cash acquired**

	1H 2016 ¹
	\$'000
Effect on cash flows of the Group	
Cash paid	119,833
Less: Cash and cash equivalents in subsidiaries acquired	<u>(78,457)</u>
Cash outflow on acquisition	<u><u>41,376</u></u>
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1,739,644
Long-term receivables and prepayments	28,830
Intangible assets	119,442
Inventories	95
Trade and other receivables	69,584
Cash and cash equivalents	<u>78,457</u>
Total assets	<u><u>2,036,052</u></u>
Trade and other payables	139,766
Current tax payable	7,146
Borrowings	<u>1,184,678</u>
Total liabilities	<u><u>1,331,590</u></u>
Net identifiable assets	704,462
Less: Non-controlling interests	(165,593)
Add: Goodwill	24,676
Less: Amount previously accounted for as available-for-sale financial asset and joint venture	(425,350)
Less: Foreign currency translation reserve realised when the joint venture became a subsidiary	(2,410)
Less: Gain on step up acquisition of available-for-sale financial asset and joint venture	(10,702)
Consideration transferred for the business	<u>125,083</u>
Amount reflected as other payables	<u>(5,250)</u>
Cash paid	<u><u>119,833</u></u>

¹ Step-up of Gravifloat AS, previously an available-for-sale financial asset and Sembcorp Gayatri Power Limited (SGPL), previously a joint venture

Note: The above are inclusive of fair value adjustments, determined on a provisional basis.

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

5c. Explanatory Notes to Consolidated Statement of Cash Flows

(i) Second Quarter

Cash flows from operating activities before changes in working capital stood at \$346.7 million. The cash outflow from changes in working capital was mainly due to Marine's working capital for ongoing projects, Utilities' India working capital for operations and the service concession receivables from Sirajganj Unit 4 power project.

Net cash inflow from investing activities for 2Q17 was \$57.7 million, mainly from dividend received.

Net cash inflow from financing activities for 2Q17 was \$482.4 million mainly from the increase in net borrowings and issuance of perpetual securities mainly for Group's working capital and capital expenditure requirements.

(ii) Half Year

The cash outflow from changes in working capital was mainly due to Marine's working capital for ongoing projects, Utilities' India working capital for operations and the service concession receivables from Myingyan and Sirajganj Unit 4 power project.

Net cash outflow from investing activities for 1H17 was \$265.5 million, mainly from Utilities' and Marine's purchase of property, plant and equipment.

Net cash inflow from financing activities for 1H17 was \$625.6 million mainly from the increase in net borrowings and issuance of perpetual securities mainly for Group's working capital and capital expenditure requirements.

(iii) Significant non-cash transactions

There was no material non-cash transaction other than those disclosed in the cash flow 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	Perpetual securities	Non-controlling interests	Total	Total equity
		Reserve for own shares	Currency translation reserve		Others					
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
1Q17										
At January 1, 2017	565,572	(5,490)	(113,534)	66,877	5,384,897	5,898,322	803,096	6,701,418	1,461,296	8,162,714
Total comprehensive income										
Profit for the period	-	-	-	-	119,107	119,107	-	119,107	16,241	135,348
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(62,018)	-	-	(62,018)	-	(62,018)	(8,897)	(70,915)
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(3,746)	-	-	(3,746)	-	(3,746)	-	(3,746)
Net change in fair value of cash flow hedges	-	-	-	(7,367)	-	(7,367)	-	(7,367)	11,509	4,142
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	(8,598)	-	(8,598)	-	(8,598)	268	(8,330)
Net change in fair value of available-for-sale financial assets	-	-	-	38,129	-	38,129	-	38,129	3,192	41,321
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	(250)	-	(250)	-	(250)	(105)	(355)
Defined benefit plan actuarial gains and losses	-	-	-	-	1	1	-	1	(1)	-
Share of other comprehensive income of associates and joint ventures	-	-	-	10,837	-	10,837	-	10,837	-	10,837
Total other comprehensive income	-	-	(65,764)	32,751	1	(33,012)	-	(33,012)	5,966	(27,046)
Total comprehensive income	-	-	(65,764)	32,751	119,108	86,095	-	86,095	22,207	108,302
Transactions with owners of the Company, recognised directly in equity										
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	(18)	(18)
Share-based payments	-	-	-	4,928	-	4,928	-	4,928	402	5,330
Purchase of treasury shares	-	(4,057)	-	-	-	(4,057)	-	(4,057)	-	(4,057)
Treasury shares transferred to employees	-	8,797	-	(8,797)	-	-	-	-	-	-
Treasury shares of a subsidiary	-	-	-	(1,152)	-	(1,152)	-	(1,152)	(737)	(1,889)
Acquisition of non-controlling interests	-	-	-	(637)	-	(637)	-	(637)	611	(26)
Put liability to acquire non-controlling interests	-	-	-	(5,129)	-	(5,129)	-	(5,129)	-	(5,129)
Transfer of reserve	-	-	-	(14,958)	14,958	-	-	-	-	-
Realisation of reserve upon disposal of assets held for sale	-	-	(12,493)	-	-	(12,493)	-	(12,493)	(7,991)	(20,484)
Perpetual securities distribution paid	-	-	-	-	-	-	(5,041)	(5,041)	-	(5,041)
Accrued perpetual securities distribution	-	-	-	-	(9,596)	(9,596)	9,596	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(5,880)	(5,880)
Unclaimed dividends	-	-	-	-	6	6	-	6	-	6
Total transactions with owners	-	4,740	(12,493)	(25,745)	5,368	(28,130)	4,555	(23,575)	(13,613)	(37,188)
At March 31, 2017	565,572	(750)	(191,791)	73,883	5,509,373	5,956,287	807,651	6,763,938	1,469,890	8,233,828

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	Perpetual securities	Total	Non-controlling interests	Total equity	
		Reserve for own shares	Currency translation								Others
			reserve	reserve							
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
2Q17											
Total comprehensive income											
Profit for the period	-	-	-	-	55,268	55,268	-	55,268	4,266	59,534	
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	(5,742)	-	-	(5,742)	-	(5,742)	(3,844)	(9,586)	
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(2,110)	-	-	(2,110)	-	(2,110)	-	(2,110)	
Net change in fair value of cash flow hedges	-	-	-	(22,511)	-	(22,511)	-	(22,511)	(7,844)	(30,355)	
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	(2,662)	-	(2,662)	-	(2,662)	269	(2,393)	
Net change in fair value of available-for-sale financial assets	-	-	-	(25,982)	-	(25,982)	-	(25,982)	(2,466)	(28,448)	
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	(126)	-	(126)	-	(126)	-	(126)	
Defined benefit plan actuarial gains and losses	-	-	-	-	(142)	(142)	-	(142)	(28)	(170)	
Share of other comprehensive of associates and joint ventures	-	-	-	6,211	-	6,211	-	6,211	-	6,211	
Total other comprehensive income	-	-	(7,852)	(45,070)	(142)	(53,064)	-	(53,064)	(13,913)	(66,977)	
Total comprehensive income	-	-	(7,852)	(45,070)	55,126	2,204	-	2,204	(9,647)	(7,443)	
Transactions with owners of the Company, recognised directly in equity											
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	20	20	
Issue of perpetual securities	-	-	-	-	-	-	199,467	199,467	-	199,467	
Share-based payments	-	-	-	1,851	-	1,851	-	1,851	401	2,252	
Treasury shares transferred to employees	-	625	-	(625)	-	-	-	-	-	-	
Treasury shares of a subsidiary	-	-	-	-	-	-	-	-	(1)	(1)	
Put liability to acquire non-controlling interests	-	-	-	(5,428)	-	(5,428)	-	(5,428)	-	(5,428)	
Realisation of reserve upon disposal of subsidiary	-	-	(38)	-	-	(38)	-	(38)	(179)	(217)	
Perpetual securities distribution paid	-	-	-	-	-	-	(14,133)	(14,133)	-	(14,133)	
Accrued perpetual securities distribution	-	-	-	-	(9,868)	(9,868)	9,868	-	-	-	
Dividend paid	-	-	-	-	(71,492)	(71,492)	-	(71,492)	(12,672)	(84,164)	
Total transactions with owners	-	625	(38)	(4,202)	(81,360)	(84,975)	195,202	110,227	(12,431)	97,796	
At June 30, 2017	565,572	(125)	(199,681)	24,611	5,483,139	5,873,516	1,002,853	6,876,369	1,447,812	8,324,181	

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	Perpetual securities	Total	Non-controlling interests	Total equity
		Reserve for own shares	Currency translation		Others						
			reserve								
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
1Q16											
At January 1, 2016	565,572	(8,645)	(84,321)	(49,972)	5,207,742	5,630,376	802,688	6,433,064	1,610,430	8,043,494	
Total comprehensive income											
Profit for the period	-	-	-	-	107,034	107,034	-	107,034	24,011	131,045	
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	(97,428)	-	-	(97,428)	-	(97,428)	(21,089)	(118,517)	
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	1,653	-	-	1,653	-	1,653	-	1,653	
Net change in fair value of cash flow hedges	-	-	-	6,602	-	6,602	-	6,602	11,116	17,718	
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	24,079	-	24,079	-	24,079	441	24,520	
Net change in fair value of available-for-sale financial assets	-	-	-	(11,370)	-	(11,370)	-	(11,370)	(7,742)	(19,112)	
Share of other comprehensive of associates and joint ventures	-	-	-	(20,627)	-	(20,627)	-	(20,627)	-	(20,627)	
Total other comprehensive income	-	-	(95,775)	(1,316)	-	(97,091)	-	(97,091)	(17,274)	(114,365)	
Total comprehensive income	-	-	(95,775)	(1,316)	107,034	9,943	-	9,943	6,737	16,680	
Transactions with owners of the Company, recognised directly in equity											
Redemption of preference shares for non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	(7,380)	(7,380)	
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	210	210	
Share-based payments	-	-	-	4,679	-	4,679	-	4,679	534	5,213	
Purchase of treasury shares	-	(941)	-	-	-	(941)	-	(941)	-	(941)	
Treasury shares transferred to employees	-	9,107	-	(9,068)	-	39	-	39	-	39	
Treasury shares of a subsidiary	-	-	-	(928)	-	(928)	-	(928)	(593)	(1,521)	
Non-controlling interests of subsidiary acquired	-	-	-	-	-	-	-	-	165,593	165,593	
Acquisition of non-controlling interests	-	-	-	(603)	-	(603)	-	(603)	590	(13)	
Put liability to acquire non-controlling interests	-	-	-	(749)	-	(749)	-	(749)	-	(749)	
Realisation of reserve upon disposal of subsidiary	-	-	-	(25)	-	(25)	-	(25)	(6,311)	(6,336)	
Realisation of reserve when a joint venture became a subsidiary	-	-	2,410	-	-	2,410	-	2,410	-	2,410	
Perpetual securities distribution paid	-	-	-	-	-	-	(5,041)	(5,041)	-	(5,041)	
Accrued perpetual securities distribution	-	-	-	-	(9,699)	(9,699)	9,699	-	-	-	
Dividend paid	-	-	-	-	-	-	-	-	(7,456)	(7,456)	
Unclaimed dividends	-	-	-	-	(3)	(3)	-	(3)	-	(3)	
Total transactions with owners	-	8,166	2,410	(6,694)	(9,702)	(5,820)	4,658	(1,162)	145,187	144,025	
At March 31, 2016	565,572	(479)	(177,686)	(57,982)	5,305,074	5,634,499	807,346	6,441,845	1,762,354	8,204,199	

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	Perpetual securities	Total	Non-controlling interests	Total equity
		Reserve for own shares	Currency translation		Others						
			reserve								
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
2Q16											
Total comprehensive income											
Profit for the period	-	-	-	-	86,456	86,456	-	86,456	8,302	94,758	
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	(88,304)	-	-	(88,304)	-	(88,304)	(22,580)	(110,884)	
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(1,514)	-	-	(1,514)	-	(1,514)	-	(1,514)	
Net change in fair value of cash flow hedges	-	-	-	31,650	-	31,650	-	31,650	6,034	37,684	
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	11,108	-	11,108	-	11,108	251	11,359	
Net change in fair value of available-for-sale financial assets	-	-	-	(5,398)	-	(5,398)	-	(5,398)	(2,691)	(8,089)	
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	4,686	-	4,686	-	4,686	3,061	7,747	
Share of other comprehensive of associates and joint ventures	-	-	-	(1,852)	-	(1,852)	-	(1,852)	-	(1,852)	
Total other comprehensive income	-	-	(89,818)	40,194	-	(49,624)	-	(49,624)	(15,925)	(65,549)	
Total comprehensive income	-	-	(89,818)	40,194	86,456	36,832	-	36,832	(7,623)	29,209	
Transactions with owners of the Company, recognised directly in equity											
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	1,852	1,852	
Share-based payments	-	-	-	5,268	-	5,268	-	5,268	1,386	6,654	
Purchase of treasury shares	-	(1,090)	-	-	-	(1,090)	-	(1,090)	-	(1,090)	
Treasury shares transferred to employees	-	1,114	-	(726)	-	388	-	388	-	388	
Treasury shares of a subsidiary	-	-	-	5	-	5	-	5	1	6	
Acquisition of non-controlling interests	-	-	-	23,786	-	23,786	-	23,786	(157,854)	(134,068)	
Put liability to acquire non-controlling interests	-	-	-	(175)	-	(175)	-	(175)	-	(175)	
Perpetual securities distribution paid	-	-	-	-	-	-	(14,211)	(14,211)	-	(14,211)	
Accrued perpetual securities distribution	-	-	-	-	(9,698)	(9,698)	9,699	1	-	1	
Dividend paid	-	-	-	-	(107,246)	(107,246)	-	(107,246)	(18,606)	(125,852)	
Unclaimed dividends	-	-	-	-	5	5	-	5	-	5	
Total transactions with owners	-	24	-	28,158	(116,939)	(88,757)	(4,512)	(93,269)	(173,221)	(266,490)	
At June 30, 2016	565,572	(455)	(267,504)	10,370	5,274,591	5,582,574	802,834	6,385,408	1,581,510	7,966,918	

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

6b. Statements of Changes in Equity of the Company

	Attributable to owners of the Company						
	Share capital	Other reserves		Revenue reserve	Total	Perpetual securities	Total
		Reserve for own shares	Others				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1Q17							
At January 1, 2017	565,572	(5,490)	(1,231)	1,826,675	2,385,526	803,096	3,188,622
Total comprehensive income							
Profit for the period	-	-	-	19,067	19,067	-	19,067
Other comprehensive income							
Net change in fair value of cash flow hedges	-	-	385	-	385	-	385
Total other comprehensive income	-	-	385	-	385	-	385
Total comprehensive income	-	-	385	19,067	19,452	-	19,452
Transactions with owners of the Company, recognised directly in equity							
Share-based payments	-	-	4,126	-	4,126	-	4,126
Purchase of treasury shares	-	(4,057)	-	-	(4,057)	-	(4,057)
Treasury shares transferred to employees	-	8,797	(8,797)	-	-	-	-
Perpetual securities distribution paid	-	-	-	-	-	(5,041)	(5,041)
Accrued perpetual securities distribution	-	-	-	(9,596)	(9,596)	9,596	-
Total transactions with owners	-	4,740	(4,671)	(9,596)	(9,527)	4,555	(4,972)
At March 31, 2017	565,572	(750)	(5,517)	1,836,146	2,395,451	807,651	3,203,102
2Q17							
Total comprehensive income							
Profit for the period	-	-	-	75,762	75,762	-	75,762
Other comprehensive income							
Net change in fair value of cash flow hedges	-	-	(105)	-	(105)	-	(105)
Total other comprehensive income, net of tax	-	-	(105)	-	(105)	-	(105)
Total comprehensive income	-	-	(105)	75,762	75,657	-	75,657
Transactions with owners of the Company, recognised directly in equity							
Issue of perpetual securities	-	-	-	-	-	199,467	199,467
Share-based payments	-	-	1,289	-	1,289	-	1,289
Treasury shares transferred to employees	-	625	(625)	-	-	-	-
Perpetual securities distribution paid	-	-	-	-	-	(14,133)	(14,133)
Accrued perpetual securities distribution	-	-	-	(9,868)	(9,868)	9,868	-
Dividends paid	-	-	-	(71,492)	(71,492)	-	(71,492)
Total transactions with owners	-	625	664	(81,360)	(80,071)	195,202	115,131
At June 30, 2017	565,572	(125)	(4,958)	1,830,548	2,391,037	1,002,853	3,393,890

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

6b. Statements of Changes in Equity of the Company (Cont'd)

	Attributable to owners of the Company						
	Share capital	Other reserves		Revenue reserve	Total	Perpetual securities	Total
		Reserve for own shares	Others				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1Q16							
At January 1, 2016	565,572	(8,645)	(5,015)	1,756,013	2,307,925	802,688	3,110,613
Total comprehensive income							
Profit for the period	-	-	-	25,785	25,785	-	25,785
Other comprehensive income							
Net change in fair value of cash flow hedges	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	25,785	25,785	-	25,785
Transactions with owners of the Company, recognised directly in equity							
Share-based payments	-	-	3,521	-	3,521	-	3,521
Purchase of treasury shares	-	(941)	-	-	(941)	-	(941)
Treasury shares transferred to employees	-	9,107	(9,068)	-	39	-	39
Perpetual securities distribution paid	-	-	-	-	-	(5,041)	(5,041)
Accrued perpetual securities distribution	-	-	-	(9,699)	(9,699)	9,699	-
Unclaimed dividends	-	-	-	(3)	(3)	-	(3)
Total transactions with owners	-	8,166	(5,547)	(9,702)	(7,083)	4,658	(2,425)
At March 31, 2016	565,572	(479)	(10,562)	1,772,096	2,326,627	807,346	3,133,973
2Q16							
Total comprehensive income							
Profit for the period	-	-	-	79,724	79,724	-	79,724
Other comprehensive income							
Net change in fair value of cash flow hedges	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	79,724	79,724	-	79,724
Transactions with owners of the Company, recognised directly in equity							
Share-based payments	-	-	3,431	-	3,431	-	3,431
Purchase of treasury shares	-	(1,090)	-	-	(1,090)	-	(1,090)
Treasury shares transferred to employees	-	1,114	(726)	-	388	-	388
Perpetual securities distribution paid	-	-	-	-	-	(14,211)	(14,211)
Accrued perpetual securities distribution	-	-	-	(9,698)	(9,698)	9,699	1
Dividends paid	-	-	-	(107,246)	(107,246)	-	(107,246)
Unclaimed dividends	-	-	-	5	5	-	5
Total transactions with owners	-	24	2,705	(116,939)	(114,210)	(4,512)	(118,722)
At June 30, 2016	565,572	(455)	(7,857)	1,734,881	2,292,141	802,834	3,094,975

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

6c. Changes in the Company's share capital

Issued share capital and treasury shares

	Number of shares	
	Issued Share Capital	Treasury Shares
At January 1, 2017	1,787,547,732	1,990,038
Treasury shares transferred pursuant to restricted share plan	-	(3,012,861)
Treasury shares purchased	-	1,280,000
At March 31, 2017	1,787,547,732	257,177
Treasury shares transferred pursuant to restricted share plan	-	(214,350)
At June 30, 2017	1,787,547,732	42,827

Issued and paid up capital

As at June 30, 2017, the Company's issued and paid up capital excluding treasury shares comprised 1,787,504,905 (December 31, 2016: 1,785,557,694) ordinary shares.

Treasury shares

During 2Q17, the Company acquired no (2Q16: 400,000) ordinary shares in the Company by way of on-market purchases. 214,350 (2Q16: 222,600) treasury shares were re-issued pursuant to the Restricted Share Plan ("RSP") and no (2Q16:153,750) treasury shares were re-issued pursuant to the Share Option Plan ("SOP").

As at June 30, 2017, 42,827 (June 30, 2016: 160,038) treasury shares were held that may be re-issued upon the vesting of performance shares and restricted shares under the Performance Share Plan ("PSP") and RSP respectively.

Share Options

During 2Q17, no (2Q16: 153,750) share options under the Company's SOP were exercised and settled by way of issuance of treasury shares.

All options have expired in June 2016.

Performance Shares

	Number of shares
At January 1, 2017	2,418,250
Performance shares lapsed arising from targets not met	(600,000)
At March 31, 2017	1,818,250
Conditional performance shares awarded	889,553
Conditional performance shares lapsed	(304,500)
At June 30, 2017	2,403,303

During 2Q17, 889,553 (2Q16: 987,000) performance shares were awarded under the Company's PSP, no (2Q16: nil) performance shares were released and 304,500 (2Q16: 25,000) 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, 2017, was 2,403,303 (June 30, 2016: 2,418,250). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,604,954 (June 30, 2016: 3,627,375) performance shares.

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

6c. Changes in the Company's share capital (Cont'd)

Restricted Shares

	Number of shares
At January 1, 2017	9,095,728
Conditional restricted shares released	(3,049,374)
Conditional restricted shares lapsed	(62,575)
Additional restricted shares awarded arising from targets met	589,655
At March 31, 2017	<u>6,573,434</u>
Conditional restricted shares awarded	3,554,234
Conditional restricted shares released	(214,350)
Conditional restricted shares lapsed	(103,304)
At June 30, 2017	<u><u>9,810,014</u></u>

During 2Q17, 3,554,234 (2Q16: 3,980,832) restricted shares were awarded under the RSP, 214,350 (2Q16: 222,600) restricted shares were released and 103,304 (2Q16: 54,443) restricted shares lapsed. All restricted shares released were settled by way of issuance of treasury shares.

In 2Q17, no (2Q16: 1,500) restricted shares were awarded for the over-achievement of the performance targets.

The total number of restricted shares outstanding, including awards achieved but not released, as at end June 30, 2017 was 9,810,014 (June 30, 2016: 9,231,036). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 7,011,366 (June 30, 2016: 6,782,607). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 10,517,049 (June 30, 2016: 10,173,911) restricted shares.

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, 2016.

10. CHANGES IN ACCOUNTING POLICIES

The following amended FRSs have become effective from January 1, 2017.

Amendments to FRSs

- FRS 7 Statement of Cash Flows – Disclosure initiative
- FRS 12 Income Tax – Recognition of deferred tax assets for unrealised losses

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

2Q17

The Group reported a turnover of \$2.3 billion, 23.2% higher than 2Q16's turnover of \$1.8 billion. The increase was mainly due to higher turnover from Utilities, reduced by lower turnover from Marine.

Utilities' turnover of \$1.6 billion was an increase of \$667 million, mainly due to higher HSFO prices, higher contribution from India and construction revenue for Myingyan and Sirajganj Unit 4 power projects. Marine's turnover of \$655 million was \$253 million lower than last year, mainly from its rig building and offshore platform projects.

Profit attributable to owners of the company (Net profit) for the 2Q17 was \$55.3 million, as compared to 2Q16 of \$86.5 million.

Utilities was the largest net profit contributor, contributed 78% of the Group's net profit for the quarter.

1H17

The Group achieved \$4.4 billion turnover in 1H17, 18.0% higher than 1H16's turnover of \$3.7 billion. The increase was mainly due to higher turnover from Utilities, reduced by lower turnover from Marine.

Utilities' turnover for 1H17 was \$2.9 billion, an increase of \$1.1 billion, from \$1.8 billion in 1H16, mainly due to higher HSFO prices, higher contribution from India and construction revenue for Myingyan and Sirajganj Unit 4 power projects. Marine's turnover of \$1.4 billion was \$411 million lower than 1H16, mainly from its rig building and offshore platform projects.

Net profit for the Group stood at \$174.4 million in 1H17, \$19.1 million lower than the corresponding period last year.

Utilities was the largest net profit contributor, contributing 56% of the Group's net profit. This was followed by Urban Development contributing 26% and Marine at 16%.

12. SEGMENTAL REPORTING

1H17

(i) Operating segments

	Utilities	Marine	Urban Development	Others/ Corporate	Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External sales	2,877,354	1,415,525	3,985	117,954	-	4,414,818
Inter-segment sales	14,872	-	2,098	29,943	(46,913)	-
Total	2,892,226	1,415,525	6,083	147,897	(46,913)	4,414,818
Results						
Segment results	331,227	83,511	(6,989)	(2,172)	-	405,577
Finance income	11,590	6,194	78	32,005	(32,587)	17,280
Finance costs	(229,708)	(48,909)	(2,025)	(25,368)	32,587	(273,423)
	113,109	40,796	(8,936)	4,465	-	149,434
Share of results of associates and joint ventures, net of tax	34,969	(1,226)	56,786	1,717	-	92,246
	148,078	39,570	47,850	6,182	-	241,680
Tax expense	(46,854)	3,162	(540)	(2,566)	-	(46,798)
Non-controlling interests	(2,892)	(15,354)	(1,572)	(689)	-	(20,507)
Net profit for the period	98,332	27,378	45,738	2,927	-	174,375
Assets						
Segment assets	11,632,810	9,320,989	361,131	2,811,374	(2,848,850)	21,277,454
Investment in associates and joint ventures	901,029	71,580	694,424	98,644	-	1,765,677
Tax assets	58,241	10,523	1,079	520	-	70,363
Total assets	12,592,080	9,403,092	1,056,634	2,910,538	(2,848,850)	23,113,494
Liabilities						
Segment liabilities	7,732,109	6,688,347	249,625	2,391,000	(2,848,850)	14,212,231
Tax liabilities	451,623	111,545	1,680	12,234	-	577,082
Total liabilities	8,183,732	6,799,892	251,305	2,403,234	(2,848,850)	14,789,313
Capital expenditure	341,850	96,197	154	7,567	-	445,768
Significant non-cash items						
Depreciation and amortisation	176,408	95,962	1,686	5,350	-	279,406
Allowance for impairment in value of assets and assets written off (net)	1,059	480	-	35	-	1,574
(Write-back of) / Allowance for doubtful debts and bad debts (net)	(5,481)	26	(4)	(7)	-	(5,466)
Gain on disposal of assets held for sale	-	(46,816)	-	-	-	(46,816)
Provision in relation to a joint venture	-	5,500	-	-	-	5,500

(ii) Geographical segments

	Revenue		Non-current Assets		Total Assets		Capital Expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	1,746,956	40	4,447,161	29	10,452,312	45	69,930	16
China	62,282	1	1,441,711	10	1,855,978	8	10,480	2
India	820,742	19	5,437,046	36	6,505,232	28	294,743	66
Rest of Asia	353,724	8	1,280,615	9	1,476,271	6	2,228	1
Middle East & Africa	96,624	2	441,619	3	496,471	2	1,992	-
UK	608,210	14	128,280	1	234,074	1	2,669	1
Rest of Europe	472,535	11	377,263	2	418,787	2	22	-
Brazil	83,230	2	1,383,921	9	1,498,097	7	53,258	12
U.S.A.	109,077	2	5,080	-	6,969	-	-	-
Other Countries	61,438	1	175,530	1	169,303	1	10,446	2
Total	4,414,818	100	15,118,226	100	23,113,494	100	445,768	100

12. SEGMENTAL REPORTING (Cont'd)

1H16

(i) Operating segments

	Utilities	Marine	Urban Development	Others/ Corporate	Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External sales	1,789,669	1,826,455	2,790	122,814	-	3,741,728
Inter-segment sales	9,990	462	2,087	7,806	(20,345)	-
Total	1,799,659	1,826,917	4,877	130,620	(20,345)	3,741,728
Results						
Segment results	259,964	126,228	(6,446)	(7,937)	-	371,809
Finance income	13,074	3,576	106	26,317	(27,078)	15,995
Finance costs	(139,646)	(40,373)	(1,224)	(23,440)	27,078	(177,605)
	133,392	89,431	(7,564)	(5,060)	-	210,199
Share of results of associates and joint ventures, net of tax	56,955	(2,106)	16,145	2,705	-	73,699
	190,347	87,325	8,581	(2,355)	-	283,898
Tax expense	(33,734)	(21,084)	(431)	(2,846)	-	(58,095)
Non-controlling interests	(6,742)	(25,674)	(728)	831	-	(32,313)
Net profit / (loss) for the period	149,871	40,567	7,422	(4,370)	-	193,490
Assets						
Segment assets	9,979,722	9,594,527	399,481	1,615,383	(1,925,967)	19,663,146
Investment in associates and joint ventures	831,893	312,051	634,413	94,795	-	1,873,152
Tax assets	56,660	25,972	660	504	-	83,796
Total assets	10,868,275	9,932,550	1,034,554	1,710,682	(1,925,967)	21,620,094
Liabilities						
Segment liabilities	6,276,847	7,092,269	243,723	1,418,821	(1,925,967)	13,105,693
Tax liabilities	423,639	107,094	2,329	14,421	-	547,483
Total liabilities	6,700,486	7,199,363	246,052	1,433,242	(1,925,967)	13,653,176
Capital expenditure	227,810	186,140	654	6,911	-	421,515
Significant non-cash items						
Depreciation and amortisation	138,479	70,553	988	5,116	-	215,136
Allowance for impairment in value of assets and assets written off (net)	9,131	8,366	84	5,771	-	23,352
Allowance for / (Write back of) doubtful debts and bad debts (net)	2,660	268	-	(147)	-	2,781

(ii) Geographical segments

	Revenue		Non-current Assets		Total Assets		Capital Expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	1,339,107	36	4,466,685	33	10,767,803	50	103,486	25
China	79,186	2	1,545,226	11	1,891,823	9	36,232	9
India	422,049	11	4,709,447	34	5,596,714	26	119,772	28
Rest of Asia	166,601	4	798,670	6	942,522	4	38,589	9
Middle East & Africa	51,036	1	381,592	3	419,404	2	2,669	1
UK	355,982	10	151,327	1	261,059	1	6,385	1
Rest of Europe	847,510	23	347,579	3	381,281	2	-	-
Brazil	41,738	1	1,163,293	8	1,190,874	5	96,898	23
U.S.A.	412,866	11	5,029	-	6,766	-	7	-
Other Countries	25,653	1	152,911	1	161,848	1	17,477	4
Total	3,741,728	100	13,721,759	100	21,620,094	100	421,515	100

12. SEGMENTAL REPORTING (Cont'd)

Notes to Segmental Analysis

12a. 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 and water to industrial, commercial and municipal customers. Key activities in the energy sector include power generation, process steam production, as well as natural gas importation. In the water sector, the business offers wastewater treatment as well as the production of reclaimed, desalinated and potable water and water for industrial use. In addition, the business also provides on-site logistics, solid waste management and specialised project management, engineering, and procurement services.
- (ii) The Marine segment focuses principally on providing integrated solutions for the offshore and marine industry. Key capabilities include rigs & floaters; repairs & upgrades; offshore platforms and specialised shipbuilding.
- (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) The 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.

12b. Geographical Segments

The Group's geographical segments are presented in ten principal geographical areas: Singapore, China, India, Rest of Asia, 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.

12. SEGMENTAL REPORTING (Cont'd)

12c. Review of segment performance

Utilities

	2Q17	2Q16	Growth		1H17	1H16	Growth	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	%
Turnover	1,561,780	894,668	667,112	75	2,877,354	1,789,669	1,087,685	61
Net Profit (before refinancing costs)	76,929	74,645	2,284	3	137,391	149,871	(12,480)	(8)
Refinancing costs	(33,900)	-	(33,900)	NM	(39,059)	-	(39,059)	NM
	<u>43,029</u>	<u>74,645</u>	<u>(31,616)</u>	<u>(42)</u>	<u>98,332</u>	<u>149,871</u>	<u>(51,539)</u>	<u>(34)</u>

Turnover for 2Q17 and 1H17 increased due to higher HSFO prices from its Singapore operations, contribution from India's second thermal power plant (SGPL) and construction revenue from its Myingyan and Sirajganj Unit 4 power projects.

SGPL's refinancing cost was \$33.9 million in 2Q17 and \$39.1 million in 1H17.

2Q17 net profit before refinancing cost was \$76.9 million compared to \$74.6 million in 2Q16, an increase of \$2.3 million. Singapore's net profit increased 45% against 2Q16 mainly due to improved performance of the centralised utilities and gas businesses. However this was reduced by net lower performance from India due to SGPL's losses.

1H17 net profit before refinancing cost was \$137.4 million, compared to \$149.9 million in 1H16, was \$12.5 million lower. The weak performance of SGPL dampened the overall performance of Utilities segment.

Singapore operations was the largest net profit contributor to the Utilities' net profit before refinancing cost at 1H17.

Marine

	2Q17	2Q16	Growth		1H17	1H16	Growth	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	%
Turnover	655,474	908,047	(252,573)	(28)	1,415,525	1,826,455	(410,930)	(23)
Net Profit	3,261	7,055	(3,794)	(54)	27,378	40,567	(13,189)	(33)

Turnover for 2Q17 and 1H17 decreased mainly due to the lower revenue recognition for rig building and offshore platform projects.

Net profit for 2Q17 decreased mainly due to lower contribution from rig building and offshore platform projects, and foreign exchange translation loss on the USD borrowings for the Brazil yard.

Net profit for 1H17 decreased mainly due to lower contribution from rig building and offshore platform projects, and costs incurred for a floater project which is pending finalisation with the customer. These are offset by the gain on disposal of Cosco Shipyard Group Co., Ltd.

12. SEGMENTAL REPORTING (Cont'd)

12c. Review of segment performance (Cont'd)

Urban Development

	2Q17	2Q16	Growth		1H17	1H16	Growth	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	%
Turnover *	2,038	1,481	557	38	3,985	2,790	1,195	43
Net Profit	8,549	6,199	2,350	38	45,738	7,422	38,316	516

*Urban Development businesses comprise mainly associates or joint ventures which are accounted for under the equity method. The turnover reflected was derived from providing services to these associates or joint ventures.

Higher net profit in 2Q17 and 1H17 was mainly due to higher land sales from its China associate and Vietnam operations.

13. VARIANCE FROM PROSPECT STATEMENT

There is no material change from the previous prospect statement.

14. PROSPECTS

Utilities

The performance of Utilities' China operations in 2017 is expected to be lower than 2016 due to the expiry of the Yangcheng cooperative joint venture agreement in 2016.

In India, Sembcorp has two thermal power plants and renewable energy assets totalling over 3,800MW. Its renewable energy business and its first thermal power plant, TPCIL, are performing well. Its second thermal power plant, SGPL, has yet to secure long-term power purchase agreements and is expected to incur losses for the year. The Group is closely reviewing the situation.

In Singapore, the centralised utilities, gas and solid waste management businesses are expected to remain steady. However, the power business continues to face intense competition.

Operating performance in the other regions is expected to be stable.

14. PROSPECTS (Cont'd)

Marine

Global exploration and production spending is expected to increase. Offshore day rates appear to have stabilised and utilisation levels have begun to improve. However, a more robust recovery will take longer.

Enquiries for non-drilling solutions continue to be encouraging. The business remains cautiously optimistic of new orders for production facilities in the next few years.

Sembcorp Marine continues to make steady progress in the development and commercialization of its Gravifloat technology for near-shore gas infrastructure solutions. However, it will take time for such efforts to translate into orders.

Sembcorp Marine remains focused on optimising its talent pool, operational excellence, rebuilding its orderbook and financial prudence.

Urban Development

The Urban Development business is expected to deliver a better performance in 2017, underpinned by land sales in its urban developments in Vietnam, China and Indonesia.

Group

The market environment is expected to remain challenging in 2017. With strong capabilities and resilient businesses, Sembcorp continues to position itself well for the future.

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.

15. **DIVIDEND**

(a) Current Financial Period Reported On

	2017
Name of Dividend	Interim Ordinary Exempt-1-Tier
Dividend Type	Cash
Dividend Amount (cents per share)	3.0

(b) Corresponding Period of the Immediately Preceding Financial Year

	2016
Name of Dividend	Interim Ordinary Exempt-1-Tier
Dividend Type	Cash
Dividend Amount (cents per share)	4.0

(c) Date Payable

The interim dividend will be paid on August 31, 2017.

(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 18, 2017 to determine the shareholders' entitlements to the 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 17, 2017 (the "Book Closure Date") will be registered to determine shareholders' entitlements to the 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 dividend.

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)		
	2Q17	1H17
	\$'000	\$'000
<u>Sale of Goods and Services</u>		
Temasek Holdings (Private) Limited and its Associates		
- PSA International Pte Ltd and its Associates	2,043	3,493
- Singapore Power Limited and its Associates	570	1,478
- Temasek Capital (Private) Limited and its Associates	363	832
	2,976	5,803
Starhub Ltd and its Associates	13,486	21,610
SATS Ltd and its Associates	185	4,507
Singapore Telecommunications Ltd and its Associates	5,083	5,083
	21,730	37,003
<u>Purchase of Goods and Services</u>		
Temasek Holdings (Private) Limited and its Associates		
- Singapore Power Limited and its Associates	1,327	2,643
- Temasek Capital (Private) Limited and its Associates ¹	126,346	266,140
Singapore Technologies Engineering Ltd and its Associates	2,311	2,311
	129,984	271,094
<u>Management and Support Services</u>		
Temasek Holdings (Private) Limited and its Associates		
- Temasek Capital (Private) Limited and its Associates	-	1,909
<u>Treasury transactions</u>		
Temasek Holdings (Private) Limited and its Associates		
- Clifford Capital Pte Ltd	33,473	33,473
	185,187	343,479

Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		
<u>Establishment of Joint Venture</u>		
Temasek Holdings (Private) Limited and its Associates		
- Ascendas-Singbridge Pte. Ltd. and its Associates	33,488	33,488
	33,488	33,488

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.

17. **CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

18. **REPORT OF PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO A DIRECTOR, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER**

We, Ang Kong Hua, and Neil McGregor, 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, 2017 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, 2017.

On behalf of the board of directors

Ang Kong Hua
Chairman

Neil McGregor
Director

BY ORDER OF THE BOARD

Kwong Sook May (Ms)
Company Secretary
August 3, 2017