

SIMPLIFIED GROUP FINANCIAL POSITION

Financial Position

The financial position of the Group continued to be strong. The change in financial position between the two years reflected the Group's efforts in divesting its non-core assets and investing in its core business of ship and rig repair, building and conversion. For example, the acquisition of a 30 per cent equity stake in the enlarged capital of COSCO Shipyard Group Co. Ltd was in line with SembCorp Marine's strategy to establish a China Hub to grow its ship repair and marine business in China.

Working capital of the Group increased in line with the higher activities in its core business. Total assets of the Group increased by 25 per cent from \$1.86 billion to \$2.33 billion.

Capital Employed

Total capital employed as at 31 December 2005 was \$1.1 billion, comprising shareholders' funds of \$1,066 million and minority interests of \$50 million. The Group's shareholders' funds increased by 11 per cent during the year.

Minority interests of the Group were increased from \$34 million to \$50 million in 2005. This was principally due to new equity shares issued to the minority interest of Kristiansand Drilling Pte Ltd, the Group's 82 per cent subsidiary company owning the first Baker Marine Pacific Class 375 Deep Drilling Offshore Jack-up Rig.

Borrowings

Gross debts of the Group as at 31 December 2005 comprised a five-year 3 per cent fixed-rate medium-term note amounting to \$150 million. After deducting cash and cash-equivalent of \$531 million, the Group was in a net cash position of \$382 million at the end of the financial year.

Financial Resources

The Group maintained sufficient cash and cash-equivalents, internal-generated cash flow and the availability of funding resources through an adequate amount of committed credit facilities. A mixture of short-term money market borrowings and medium term loans was obtained to fund working capital requirements, capital expenditure and investments. Due to the dynamic nature of the business, the Group maintained flexibility in funding by ensuring that ample working capital lines were available at any one time.

