



SEMBCORP MARINE LTD
Registration Number: 196300098Z

**FIRST QUARTER ENDED 31 MARCH 2016 FINANCIAL STATEMENTS
 & RELATED ANNOUNCEMENT**

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SEMBCORP MARINE LTD
UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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 2016.

1. CONSOLIDATED INCOME STATEMENT

		Group		
		1Q 2016	1Q 2015	+ / (-)
	Note	\$'000	\$'000	%
Turnover	2a	918,432	1,303,687	(29.6)
Cost of sales	2a	(837,826)	(1,134,578)	(26.2)
Gross profit	2a	80,606	169,109	(52.3)
Other operating income	2b	34,268	13,222	n.m.
Other operating expenses	2b	(17,340)	(13,453)	28.9
General and administrative expenses	2c	(25,800)	(30,646)	(15.8)
Operating profit		71,734	138,232	(48.1)
Finance income	2d	2,309	2,432	(5.1)
Finance costs	2e	(17,863)	(9,533)	87.4
Non-operating income	2f	9,502	187	n.m.
Non-operating expenses	2f	-	(1)	n.m.
Share of results of associates and joint ventures, net of tax	2g	2,612	3,868	(32.5)
Profit before tax		68,294	135,185	(49.5)
Tax expense	2h	(12,689)	(26,288)	(51.7)
Profit for the period		55,605	108,897	(48.9)
Profit attributable to:				
Owners of the Company		54,826	105,871	(48.2)
Non-controlling interests		779	3,026	(74.3)
Profit for the period		55,605	108,897	(48.9)
Earnings per share (cents)	2i			
Basic		2.63	5.07	(48.1)
Diluted		2.63	5.07	(48.1)

n.m.: not meaningful

2. NOTES TO CONSOLIDATED INCOME STATEMENT

2a. Turnover, Cost of Sales

		Group		
		1Q 2016 \$'000	1Q 2015 \$'000	+ / (-) %
Turnover	(i)	918,432	1,303,687	(29.6)
Cost of sales		(837,826)	(1,134,578)	(26.2)
Gross profit	(ii)	80,606	169,109	(52.3)
<i>Included in cost of sales:</i>				
Depreciation and amortisation	(iii)	(32,742)	(29,781)	9.9
Inventories written down, net		(35)	(35)	-

- (i) Turnover for 1Q 2016 decreased mainly due to the lower revenue recognition for rig building projects resulting from customer deferment requests and customer's restructuring. For the offshore platforms projects, turnover was higher in 1Q 2016.
- (ii) Gross profit for 1Q 2016 decreased mainly due to lower contribution from rig building projects. However, gross profit for the offshore platforms projects was higher.
- (iii) Depreciation and amortisation for 1Q 2016 increased mainly due to depreciation charge for Tuas Boulevard yard and Brazil new yard.

2b. Other operating income/(expenses)

		Group		
		1Q 2016 \$'000	1Q 2015 \$'000	+ / (-) %
Other operating income		34,268	13,222	n.m.
Other operating expenses		(17,340)	(13,453)	28.9
		16,928	(231)	n.m.
<i>Included in other operating income/(expenses):</i>				
Foreign exchange loss, net	(i)	(17,203)	(10,869)	58.3
Fair value adjustment on hedging instruments	(ii)	24,069	(2,158)	n.m.
Gain on disposal of property, plant and equipment, net		32	123	(74.0)
Rental income		3,714	3,823	(2.9)
Other income		6,453	9,276	(30.4)
Other expenses		(137)	(426)	(67.8)
		16,928	(231)	n.m.

- (i) Foreign exchange loss in 1Q 2016 mainly arose from the revaluation of assets and liabilities denominated in Pounds sterling and United States dollar to Singapore dollar against the foreign exchange rate as at the previous year end.
- (ii) Fair value adjustment on hedging instruments was due to mark-to-market adjustments of foreign currency forward contracts.

2c. General and administrative expenses

		Group		
		1Q 2016 \$'000	1Q 2015 \$'000	+ / (-) %
General and administrative expenses	(i)	(25,800)	(30,646)	(15.8)
<i>Included in general and administrative expenses:</i>				
Personnel and related costs	(i)	(12,023)	(16,945)	(29.0)
Depreciation and amortisation		(1,969)	(1,036)	90.1
Allowance for doubtful debts and bad debts, net		(64)	(359)	(82.2)

- (i) Lower general and administrative expenses in 1Q 2016 were mainly due to lower personnel related costs arising from the write-back of prior year bonus provision.

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

2d. Finance income

Lower finance income in 1Q 2016 was mainly due to lower interest income as compared to the corresponding period in 2015.

2e. Finance costs

	Group		
	1Q 2016 \$'000	1Q 2015 \$'000	+ / (-) %
Finance costs	(17,863)	(9,533)	87.4
<i>Included in finance costs:</i>			
Interest expense (i)	(17,291)	(8,920)	93.8
Commitment and facility fees	(572)	(613)	(6.7)
	<u>(17,863)</u>	<u>(9,533)</u>	87.4

(i) Higher interest expense in 1Q 2016 was mainly due to higher bank borrowings as compared to the corresponding period in 2015.

2f. Non-operating income/(expenses)

	Group		
	1Q 2016 \$'000	1Q 2015 \$'000	+ / (-) %
Non-operating income	9,502	187	n.m.
Non-operating expenses	-	(1)	n.m.
	<u>9,502</u>	<u>186</u>	n.m.
<i>Included in non-operating income/(expenses):</i>			
Gain on disposal of a joint venture	186	-	n.m.
Gain on deemed disposal of available-for-sale financial asset (i)	9,316	-	n.m.
Net change in fair value of financial assets measured through profit or loss	-	186	n.m.
	<u>9,502</u>	<u>186</u>	n.m.

(i) The gain on deemed disposal of available-for-sale financial asset arose from the Group's step-up acquisition of Gravifloat AS from 12% to 56% in March 2016.

2g. Share of results of associates and joint ventures, net of tax

The share of results of associates and joint ventures decreased in 1Q 2016 mainly due to lower contribution from associates and joint ventures.

2h. Tax expense

	Group		
	1Q 2016 \$'000	1Q 2015 \$'000	+ / (-) %
Tax expense	(12,689)	(26,288)	(51.7)
<i>Included in tax expense:</i>			
(Under provision)/write-back of tax in respect of prior years, net	(70)	1,609	n.m.

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

2i. Earnings per ordinary share

Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:	Group		
	1Q 2016	1Q 2015	+ / (-) %
(i) Based on the weighted average number of shares (cents)	2.63	5.07	(48.1)
Weighted average number of shares ('000)	2,088,520	2,088,848	-
(ii) On a fully diluted basis (cents)	2.63	5.07	(48.1)
Adjusted weighted average number of shares ('000)	2,088,520	2,089,268	-

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		+ / (-) %
		1Q 2016 \$'000	1Q 2015 \$'000	
Profit for the period		55,605	108,897	(48.9)
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	3a(i)	(22,263)	89,094	n.m.
Net change in fair value of cash flow hedges	3a(ii)	27,441	(36,859)	n.m.
Net change in fair value of available-for-sale financial assets	3a(iii)	(19,579)	1,247	n.m.
Other comprehensive income for the period, net of tax		(14,401)	53,482	n.m.
Total comprehensive income for the period		41,204	162,379	(74.6)
Total comprehensive income attributable to:				
Owners of the Company		42,293	148,994	(71.6)
Non-controlling interests		(1,089)	13,385	n.m.
Total comprehensive income for the period		41,204	162,379	(74.6)

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 swaps.
- (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-2016 \$'000	31-Dec-2015 \$'000	31-Mar-2016 \$'000	31-Dec-2015 \$'000
Non-current assets				
Property, plant and equipment	3,599,233	3,540,555	93,042	94,490
Investment properties	-	-	20,321	20,733
Investments in subsidiaries	-	-	561,595	503,022
Interests in associates and joint ventures	306,719	312,056	107,369	107,369
Other financial assets	79,377	107,263	49,986	70,429
Trade and other receivables	53,230	54,106	54,514	54,515
Intangible assets	164,441	46,607	184	184
Deferred tax assets	20,890	23,499	-	-
	<u>4,223,890</u>	<u>4,084,086</u>	<u>887,011</u>	<u>850,742</u>
Current assets				
Inventories and work-in-progress	3,662,385	3,833,066	-	-
Trade and other receivables	692,379	589,711	45,294	48,329
Tax recoverable	4,056	3,893	1,611	1,611
Other financial assets	33,025	61,061	-	-
Cash and cash equivalents	957,141	629,305	43,757	10,908
	<u>5,348,986</u>	<u>5,117,036</u>	<u>90,662</u>	<u>60,848</u>
Total assets	<u>9,572,876</u>	<u>9,201,122</u>	<u>977,673</u>	<u>911,590</u>
Current liabilities				
Trade and other payables	2,269,583	2,518,677	25,637	22,502
Excess of progress billings over work-in-progress	335,923	288,067	-	-
Provisions	16,016	24,136	6,771	6,771
Other financial liabilities	59,500	104,614	-	-
Current tax payable	54,299	46,601	-	-
Interest-bearing borrowings	725,563	914,951	-	-
	<u>3,460,884</u>	<u>3,897,046</u>	<u>32,408</u>	<u>29,273</u>
Net current assets	<u>1,888,102</u>	<u>1,219,990</u>	<u>58,254</u>	<u>31,575</u>
Non-current liabilities				
Deferred tax liabilities	49,046	42,722	9,833	10,541
Provisions	51,627	51,391	18,036	18,036
Other financial liabilities	1,378	2,635	-	-
Interest-bearing borrowings	3,176,261	2,465,224	-	-
Other long-term payables	75,841	77,825	4,738	5,580
	<u>3,354,153</u>	<u>2,639,797</u>	<u>32,607</u>	<u>34,157</u>
Total liabilities	<u>6,815,037</u>	<u>6,536,843</u>	<u>65,015</u>	<u>63,430</u>
Net assets	<u>2,757,839</u>	<u>2,664,279</u>	<u>912,658</u>	<u>848,160</u>
Equity attributable to owners of the Company				
Share capital	484,288	484,288	484,288	484,288
Other reserves	(2,915)	9,770	(23,579)	(7,988)
Revenue reserve	2,071,973	2,017,147	451,949	371,860
	<u>2,553,346</u>	<u>2,511,205</u>	<u>912,658</u>	<u>848,160</u>
Non-controlling interests	204,493	153,074	-	-
Total equity	<u>2,757,839</u>	<u>2,664,279</u>	<u>912,658</u>	<u>848,160</u>

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

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

Interest-bearing borrowings:	As at 31-Mar-2016 \$'000	As at 31-Dec-2015 \$'000
(i) <u>Amount repayable in one year or less, or on demand</u> Unsecured	725,563	914,951
(ii) <u>Amount repayable after one year</u> Unsecured	3,176,261	2,465,224

4b. **Net asset value**

	Group		Company	
	31-Mar-2016	31-Dec-2015	31-Mar-2016	31-Dec-2015
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (cents)	122.18	120.24	43.67	40.61

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

(i) **Group**

Non-current assets

'Other financial assets' decreased mainly due to fair value adjustments of quoted equity shares and foreign currency forward contracts.

'Intangible assets' increased mainly due to acquisition of Gravifloat AS in March 2016.

'Deferred tax assets' decreased mainly due to utilisation of unabsorbed tax losses.

Current assets

'Inventories and work-in-progress' comprising mainly work-in-progress decreased due to the successful delivery of a rig building project. The recoverability of work-in-progress from the rig building segment is dependent on the customers taking delivery of the rigs in the future.

'Trade and other receivables' increased mainly due to billings for ongoing projects and timing of receipts.

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

'Other financial assets' decreased mainly due to fair value adjustments on foreign currency forward contracts.

'Cash and cash equivalents' increased mainly due to proceeds from borrowings.

Current liabilities

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

'Excess of progress billings over work-in-progress' increased mainly due to billing to a customer for offshore platforms project.

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

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

'Current tax payable' increased mainly due to current year tax provision, offset by payments made during the period.

'Interest-bearing borrowings' decreased mainly due to refinancing of short term borrowings to long term borrowings. The Group has secured adequate committed long term banking facilities to refinance the short term borrowings as they fall due.

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

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

(i) **Group** (Cont'd)

Non-current liabilities

'Deferred tax liabilities' increased mainly due to tax effects of fair value adjustments on foreign currency forward contracts and movement in temporary differences.

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

'Interest-bearing borrowings' increased mainly due to borrowings for working capital and capital expenditures, and refinancing of short term borrowings to long term borrowings.

Equity

'Other reserves' deficit mainly due to fair value adjustments on quoted prices of available-for-sale financial assets, lower foreign currency translation gain for foreign operations, offset by fair value adjustments on foreign currency forward contracts.

'Non-controlling interests' increased mainly due to acquisition of subsidiary (Gravifloat AS) with non-controlling interests.

(ii) **Company**

Non-current assets

'Investments in subsidiaries' increased mainly due to the acquisition of Gravifloat AS.

'Other financial assets' decreased mainly due to fair value adjustments of quoted equity shares, and deemed disposal of other financial asset arising from the Group's step-up acquisition of Gravifloat AS from 12% to 56% in March 2016.

Current assets

'Cash and cash equivalents' increased mainly due to dividends received from subsidiaries.

Current liabilities

'Trade and other payables' increased mainly due to timing of payments made during the period.

Non-current liabilities

'Other long-term payables' decreased mainly due to lower long-term employee benefits.

Equity

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

5. CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group	
		1Q 2016 \$'000	1Q 2015 \$'000
Cash flows from operating activities:			
Profit for the period		55,605	108,897
Adjustments for:			
Finance income		(2,309)	(2,432)
Finance costs		17,863	9,533
Depreciation of property, plant and equipment		33,209	29,315
Amortisation of intangible assets		1,502	1,502
Share of results of associates and joint ventures, net of tax		(2,612)	(3,868)
Gain on disposal of property, plant and equipment		(32)	(123)
Gain on disposal of a joint venture		(186)	-
Gain on deemed disposal of available-for-sale financial asset		(9,316)	-
Fair value adjustment on hedging instruments		(24,069)	2,158
Net change in fair value of financial assets measured through profit or loss		-	(186)
Share-based payment expenses		1,599	2,345
Property, plant and equipment written off		-	6
Inventories written down, net		35	35
Allowance for doubtful debts and bad debts, net		64	359
Tax expense		12,689	26,288
Operating profit before working capital changes		84,042	173,829
Changes in working capital:			
Inventories and work-in-progress		218,502	86,199
Trade and other receivables		(101,827)	(94,742)
Trade and other payables		(259,252)	(181,742)
Cash used in operations		(58,535)	(16,456)
Investment and interest income received		2,280	2,487
Interest paid		(14,253)	(20,224)
Tax paid		(2,407)	(15,492)
Net cash used in operating activities		(72,915)	(49,685)
Cash flows from investing activities:			
Purchase of property, plant and equipment		(102,050)	(221,623)
Proceeds from sale of property, plant and equipment		72	276
Acquisition of subsidiary, net of cash acquired	5b	(47,258)	-
Acquisition of other financial assets		-	(16)
Proceeds from disposal of a joint venture		450	-
Net cash used in investing activities		(148,786)	(221,363)
Cash flows from financing activities:			
Proceeds from borrowings		768,803	320,188
Repayment of borrowings		(194,894)	(4,178)
Proceeds from share options exercised		-	397
Purchase of treasury shares		(1,521)	(10,505)
Capital contribution by non-controlling interests		-	157
Net cash generated from financing activities		572,388	306,059
Net increase in cash and cash equivalents		350,687	35,011
Cash and cash equivalents at beginning of the period		627,282	1,076,783
Effect of exchange rate changes on balances held in foreign currencies		(22,686)	12,795
Cash and cash equivalents at end of the period		955,283	1,124,589

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-2016 \$'000	31-Mar-2015 \$'000
Fixed deposits	117,635	307
Cash and bank balances	839,506	1,126,284
Cash and cash equivalents in balance sheets	957,141	1,126,591
Bank overdrafts	(1,858)	(2,002)
Cash and cash equivalents in consolidated statement of cash flows	955,283	1,124,589

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

	1Q 2016 ¹ \$'000	1Q 2015 \$'000
(i) Effect on cash flows of the Group		
Cash paid	47,258	-
Cash outflow on acquisition	47,258	-
(ii) Identifiable assets acquired and liabilities assumed		
Intangible assets*	119,336	-
Total assets	119,336	-
Net identifiable assets	119,336	-
Less: Non-controlling interests	(52,508)	-
Less: Amount previously accounted for as <i>available-for-sale financial asset</i>	(5,004)	-
Less: Gain on step up acquisition of <i>available-for-sale financial asset</i>	(9,316)	-
Consideration transferred for the business	52,508	-

¹ Step-up acquisition of Gravifloat AS, previously available-for-sale financial asset

* Fair value is measured on a provisional basis

5c. Explanatory notes to Consolidated Statement of Cash Flows

First quarter

Cash flows from operating activities before changes in working capital was \$84.0 million in 1Q 2016. Net cash used in operating activities for 1Q 2016 at \$72.9 million was mainly due to working capital for the ongoing rig building projects.

Net cash used in investing activities for 1Q 2016 was \$148.8 million. The Group spent \$102.1 million on expansion and operational capital expenditures, mainly for the Brazil new yard and Phase II of Sembmarine Integrated Yard @ Tuas.

Net cash generated from financing activities for 1Q 2016 was \$572.4 million. It relates mainly to net proceeds from borrowings.

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	Currency translation reserve	Other reserves	Revenue reserve	Total	Non-controlling interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1Q 2016									
At 1 January 2016	484,288	(3,149)	25,574	50,903	(63,558)	2,017,147	2,511,205	153,074	2,664,279
Total comprehensive income									
Profit for the period	-	-	-	-	-	54,826	54,826	779	55,605
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	(20,395)	-	-	(20,395)	(1,868)	(22,263)
Net change in fair value of cash flow hedges	-	-	-	-	27,441	-	27,441	-	27,441
Net change in fair value of available-for-sale financial assets	-	-	-	-	(19,579)	-	(19,579)	-	(19,579)
Total other comprehensive income	-	-	-	(20,395)	7,862	-	(12,533)	(1,868)	(14,401)
Total comprehensive income	-	-	-	(20,395)	7,862	54,826	42,293	(1,089)	41,204
Transactions with owners of the Company, recognised directly in equity									
Purchase of treasury shares	-	(1,521)	-	-	-	-	(1,521)	-	(1,521)
Issue of treasury shares	-	4,626	-	-	(4,626)	-	-	-	-
Share-based payments	-	-	-	-	1,369	-	1,369	-	1,369
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	52,508	52,508
Total transactions with owners	-	3,105	-	-	(3,257)	-	(152)	52,508	52,356
At 31 March 2016	484,288	(44)	25,574	30,508	(58,953)	2,071,973	2,553,346	204,493	2,757,839
1Q 2015									
At 1 January 2015	484,288	(1,715)	25,574	(17,044)	(83,440)	2,557,455	2,965,118	166,909	3,132,027
Total comprehensive income									
Profit for the period	-	-	-	-	-	105,871	105,871	3,026	108,897
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	78,735	-	-	78,735	10,359	89,094
Net change in fair value of cash flow hedges	-	-	-	-	(36,859)	-	(36,859)	-	(36,859)
Net change in fair value of available-for-sale financial assets	-	-	-	-	1,247	-	1,247	-	1,247
Total other comprehensive income	-	-	-	78,735	(35,612)	-	43,123	10,359	53,482
Total comprehensive income	-	-	-	78,735	(35,612)	105,871	148,994	13,385	162,379
Transactions with owners of the Company, recognised directly in equity									
Purchase of treasury shares	-	(10,505)	-	-	-	-	(10,505)	-	(10,505)
Issue of treasury shares	-	8,823	-	-	(8,426)	-	397	-	397
Share-based payments	-	-	-	-	1,827	-	1,827	-	1,827
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	157	157
Total transactions with owners	-	(1,682)	-	-	(6,599)	-	(8,281)	157	(8,124)
At 31 March 2015	484,288	(3,397)	25,574	61,691	(125,651)	2,663,326	3,105,831	180,451	3,286,282

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 2016						
At 1 January 2016	484,288	(3,149)	960	(5,799)	371,860	848,160
Total comprehensive income						
Profit for the period	-	-	-	-	80,089	80,089
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	-	(15,439)	-	(15,439)
Total other comprehensive income	-	-	-	(15,439)	-	(15,439)
Total comprehensive income	-	-	-	(15,439)	80,089	64,650
Transactions with owners of the Company, recognised directly in equity						
Purchase of treasury shares	-	(1,521)	-	-	-	(1,521)
Issue of treasury shares	-	4,626	-	(4,626)	-	-
Share-based payments	-	-	-	308	-	308
Cost of share-based payment issued to employees of subsidiaries	-	-	-	1,061	-	1,061
Total transactions with owners	-	3,105	-	(3,257)	-	(152)
At 31 March 2016	484,288	(44)	960	(24,495)	451,949	912,658
1Q 2015						
At 1 January 2015	484,288	(1,715)	960	(15,978)	374,737	842,292
Total comprehensive income						
Profit for the period	-	-	-	-	426	426
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	-	3,524	-	3,524
Total other comprehensive income	-	-	-	3,524	-	3,524
Total comprehensive income	-	-	-	3,524	426	3,950
Transactions with owners of the Company, recognised directly in equity						
Purchase of treasury shares	-	(10,505)	-	-	-	(10,505)
Issue of treasury shares	-	8,823	-	(8,426)	-	397
Share-based payments	-	-	-	357	-	357
Cost of share-based payment issued to employees of subsidiaries	-	-	-	1,531	-	1,531
Total transactions with owners	-	(1,682)	-	(6,538)	-	(8,220)
At 31 March 2015	484,288	(3,397)	960	(18,992)	375,163	838,022

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

6c. Changes in the Company's share capital

(i) Issued and Paid Up Capital

As at 31 March 2016, the Company's issued and paid up capital, excluding treasury shares, comprises 2,089,740,293 (31 December 2015: 2,088,567,580) ordinary shares.

(ii) Share Options

As at 31 March 2016, there were 973,312 (31 March 2015: 1,676,502) unissued ordinary shares under options granted to eligible employees and directors under the Company's Share Option Plan ("SOP").

(iii) Performance Shares

In 1Q 2016, there were 605,000 (1Q 2015: 675,000) performance shares that lapsed under the Company's Performance Share Plan ("PSP") due to the under achievement of 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 2016 was 2,595,000 (31 March 2015: 2,135,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,892,500 (31 March 2015: 3,202,500) performance shares.

(iv) Restricted Shares

During 1Q 2016, 2,072,713 (1Q 2015: 2,821,760) restricted shares were released under the Company's Restricted Share Plan ("RSP") and 145,891 (1Q 2015: 101,647) restricted shares lapsed. The restricted shares released were settled by way of issuance of treasury shares.

In 1Q 2016, there were 1,471,967 restricted shares that lapsed due to the under achievement of performance targets (1Q 2015: 198,159 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 2016 was 6,411,014 (31 March 2015: 5,537,553). 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 2016 was 4,833,801 (31 March 2015: 2,895,200). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 7,250,702 (31 March 2015: 4,342,800) restricted shares.

(v) Treasury Shares

During 1Q 2016, the Company acquired 900,000 (1Q 2015: 3,500,000) ordinary shares in the Company by way of on-market purchases.

In 1Q 2016, 2,072,713 (1Q 2015: 2,821,760) treasury shares were issued pursuant to the RSP.

As at 31 March 2016, 19,814 (31 March 2015: 1,094,487) 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 2015.

10. CHANGES IN ACCOUNTING POLICIES

The following new/amended FRSs have become effective from 1 January 2016:

Amendments to FRSs	
- FRS 1	Presentation of Financial Statements
- FRS 16	Property, Plant and Equipment
- FRS 27	Separate Financial Statements
- FRS 28	Investments in Associates and Joint Ventures
- FRS 38	Intangible Assets
- FRS 110	Consolidated Financial Statements
- FRS 111	Joint Arrangements
- FRS 112	Disclosure of interests in other entities

Improvements to FRSs (November 2014)

- FRS 19	Employee Benefit Plans: Employee Contributions
- FRS 105	Non-current Assets Held for Sale and Discontinued Operations

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 2016 \$'m	1Q 2015 \$'m	+ / (-) \$'m	+ / (-) %
Rigs & Floaters	540.0	946.8	(406.8)	(43.0)
Repairs & Upgrades	99.2	100.1	(0.9)	(0.9)
Offshore Platforms	261.0	237.3	23.7	10.0
Other Activities	18.2	19.5	(1.3)	(6.7)
	918.4	1,303.7	(385.3)	(29.6)

Turnover for 1Q 2016 decreased mainly due to the lower revenue recognition for rig building projects resulting from customer deferment requests and customer's restructuring. For the offshore platforms projects, turnover was higher in 1Q 2016.

(ii) **Profit attributable to Owners of the Company ("Net profit")**

Net profit for 1Q 2016 decreased mainly due to lower contribution from rig building projects resulting from customer deferment requests and restructuring, and higher finance costs.

12. VARIANCE FROM PROSPECT STATEMENT

There is no material change from the previous prospect statement.

13. PROSPECTS

The offshore oil and gas exploration industry is now into its second year of weak prices and capex cuts following the collapse of oil prices in mid 2014. Offshore rig charter contracts continue to be negotiated at lower levels and utilisation is on a downtrend for all segments.

The global oil and gas industry continues to be volatile and uncertain with the April OPEC and non-OPEC producers meeting in Doha failing to reach an agreement for a production freeze.

On 20 April 2016, shareholders of Sete Brazil agreed to a plan to file for judicial recovery. Meanwhile the political upheaval in Brazil continues with the process to impeach its current president.

Sembcorp Marine believes this down-cycle is likely to be more protracted than previous cycles. Whilst maintaining its cautious outlook, the Group is prepared not just to overcome these challenges but to lay stronger foundations for the future when the market recovers.

The Group will continue to actively manage its balance sheet. It remains optimistic of the longer term prospects of its business with facilities being built to cater to the Industry's demand for the long term. As an integrated Sembcorp Marine, we will optimise our capabilities and capacities as well as increase our efficiency and productivity to better serve our partners and customers.

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

There is no dividend recommended for the period ended 31 March 2016.

15. SEGMENTAL REPORTING

1Q 2016

(i) Business Segments:

	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
<u>Turnover</u>					
Sales to external parties	901,351	14,445	2,636	-	918,432
Inter-segment sales	-	-	43,696	(43,696)	-
Total	901,351	14,445	46,332	(43,696)	918,432
<u>Results</u>					
Segment results	69,653	1,360	721	-	71,734
Finance income	2,268	-	41	-	2,309
Finance costs	(17,235)	(628)	-	-	(17,863)
Non-operating income	-	-	9,502	-	9,502
Share of results of associates and joint ventures, net of tax	1,744	544	324	-	2,612
Profit before tax	56,430	1,276	10,588	-	68,294
Tax expense	(12,527)	-	(162)	-	(12,689)
Profit for the period	43,903	1,276	10,426	-	55,605
<u>Assets</u>					
Segment assets	8,882,772	255,312	103,127	-	9,241,211
Investments in associates and joint ventures	237,028	61,809	7,882	-	306,719
Deferred tax assets	20,890	-	-	-	20,890
Tax recoverable	4,056	-	-	-	4,056
Total assets	9,144,746	317,121	111,009	-	9,572,876
<u>Liabilities</u>					
Segment liabilities	6,563,652	111,631	36,409	-	6,711,692
Deferred tax liabilities	48,696	-	350	-	49,046
Current tax payable	52,026	-	2,273	-	54,299
Total liabilities	6,664,374	111,631	39,032	-	6,815,037
<u>Capital expenditure</u>					
	100,988	-	319	-	101,307
<u>Significant non-cash items</u>					
Depreciation and amortisation	32,091	2,325	295	-	34,711
Fair value adjustment on hedging instruments	(24,069)	-	-	-	(24,069)
Inventories written down, net	35	-	-	-	35
Allowance for doubtful debts and bad debts, net	64	-	-	-	64

(ii) Geographical Segments:

	Turnover from external customers \$'000	Non-current assets ⁽¹⁾ \$'000	Total assets \$'000	Capital expenditure \$'000
Singapore	62,917	2,300,262	7,601,837	36,382
China	-	232,440	232,456	-
Rest of ASEAN, Australia & India	73,745	167,847	256,708	3,849
Middle East & Africa	3,344	-	-	-
Norway	133,924	119,336	119,336	-
The Netherlands	147,739	227,959	255,238	-
Austria	132,406	-	-	-
Rest of Europe	140,264	5,979	9,602	82
Brazil	11,617	1,065,598	1,091,616	60,994
U.S.A.	212,476	4,176	6,083	-
Total	918,432	4,123,597	9,572,876	101,307

⁽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 2015

(i) Business Segments:

	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Turnover					
Sales to external parties	1,284,866	13,748	5,073	-	1,303,687
Inter-segment sales	-	-	58,510	(58,510)	-
Total	1,284,866	13,748	63,583	(58,510)	1,303,687
Results					
Segment results	131,298	4,651	2,283	-	138,232
Finance income	2,385	-	47	-	2,432
Finance costs	(8,800)	(733)	-	-	(9,533)
Non-operating income	187	-	-	-	187
Non-operating expenses	(1)	-	-	-	(1)
Share of results of associates and joint ventures, net of tax	1,532	1,937	399	-	3,868
Profit before tax	126,601	5,855	2,729	-	135,185
Tax expense	(25,870)	-	(418)	-	(26,288)
Profit for the period	100,731	5,855	2,311	-	108,897
Assets					
Segment assets	7,442,575	256,880	125,897	-	7,825,352
Investments in associates and joint ventures	429,187	61,612	6,463	-	497,262
Deferred tax assets	8,225	-	-	-	8,225
Tax recoverable	903	-	-	-	903
Total assets	7,880,890	318,492	132,360	-	8,331,742
Liabilities					
Segment liabilities	4,650,122	130,744	7,642	-	4,788,508
Deferred tax liabilities	129,470	-	412	-	129,882
Current tax payable	123,890	-	3,180	-	127,070
Total liabilities	4,903,482	130,744	11,234	-	5,045,460
Capital expenditure					
	204,311	-	36	-	204,347
Significant non-cash items					
Depreciation and amortisation	28,348	2,245	224	-	30,817
Fair value adjustment on hedging instruments	2,158	-	-	-	2,158
Property, plant and equipment written off	6	-	-	-	6
Inventories written down, net	35	-	-	-	35
Allowance for doubtful debts and bad debts, net	359	-	-	-	359

(ii) Geographical Segments:

	Turnover from external customers \$'000	Non-current assets ⁽¹⁾ \$'000	Total assets \$'000	Capital expenditure \$'000
Singapore	223,094	2,026,823	6,561,221	95,082
China	-	420,845	420,922	-
Rest of ASEAN, Australia & India	87,622	156,231	185,212	4,665
Middle East & Africa	2,545	-	-	-
Norway	332,293	-	-	-
The Netherlands	193,780	240,505	256,831	-
Rest of Europe	133,555	6,620	20,430	144
Brazil	18,472	812,585	881,000	104,440
U.S.A.	262,307	4,185	6,126	16
Other countries	50,019	-	-	-
Total	1,303,687	3,667,794	8,331,742	204,347

⁽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) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding (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 2016 \$'000	1Q 2015 \$'000
Transaction for the Sales of Goods and Services		
PSA International Pte Ltd and its associates	-	955
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	111	-
Management and Support Services		
Sembcorp Industries Limited	63	63
Total Interested Person Transactions	<u>174</u>	<u>1,018</u>

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. **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 2016 unaudited financial results to be false or misleading.

BY ORDER OF THE BOARD

**TAN YAH SZE
COMPANY SECRETARY**

27 April 2016