

# GROUP FINANCIAL REVIEW

## Group Financial Highlights

	2018 \$'000	2017 <sup>#</sup> \$'000	Change (%)
<b>Group Income Statement</b>			
Turnover	4,887,866	3,034,767	61
Earnings before interest, tax, depreciation and amortisation (EBITDA)	143,123	498,626	(71)
Operating (loss) / profit	(52,323)	305,710	n.m.
(Loss) / profit before tax	(100,897)	280,872	n.m.
Net (loss) / profit	(74,131)	260,183	n.m.
<b>Group Balance Sheet</b>			
Total assets	8,577,261	9,691,825	(12)
Total liabilities	6,228,826	7,211,650	(14)
Net tangible assets	2,102,750	2,259,775	(7)
Equity attributable to owners of the Company	2,311,684	2,438,976	(5)
Non-controlling interests	36,751	41,199	(11)
Total equity	2,348,435	2,480,175	(5)
Cash and cash equivalents	837,724	1,301,000	(36)
Interest-bearing borrowings	4,229,430	4,100,123	3
Net debt	3,391,706	2,799,123	21
<b>Economic Value Added (EVA)*</b>			
Net operating (loss) / profit after tax (NOPAT)	(25,253)	56,225	n.m.
Capital charge	405,508	476,912	(15)
EVA	(430,761)	(420,687)	2
EVA attributable to owners of the Company	(422,021)	(411,598)	3
<b>Financial Ratios</b>			
Earnings per share (EPS)			
Basic (cents)	(3.55)	12.45	n.m.
Diluted (cents)	(3.55)	12.45	n.m.
Dividend per share			
One-tier tax-exempt (cents)	–	2.00	n.m.
Net asset value per share (cents)	110.68	116.81	(5)
Net tangible assets per share (cents)	100.68	108.23	(7)
Return on turnover (%)	(1.52)	8.57	n.m.
Return on total assets (%)	0.25	3.65	(93)
Return on equity (%)	(3.12)	11.06	n.m.

<sup>#</sup> For the financial year 2018, Sembcorp Marine has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS") frameworks, as well as the new accounting standards that are effective on 1 January 2018. SFRS(I) and IFRS are issued by the Accounting Standards Council and the International Accounting Standards Board respectively. SFRS(I) comprises standards and interpretations that are equivalent to IFRS. In our report, all references to SFRS(I) and IFRS are referred to as SFRS(I) unless otherwise specified. In addition, 2017 financial figures presented in accordance with SFRS(I) are used to compare against 2018 financial figures, and are marked **2017\*** in the tables and charts.

\* 2017 Economic value added is not adjusted for the adoption of SFRS(I).

## Group Quarterly Performance

	2018				
\$'000	1Q	2Q	3Q	4Q	Total
Turnover	1,180,348	1,627,169	1,167,175	913,174	4,887,866
Operating profit / (loss)	19,537	(52,573)	(21,336)	2,049	(52,323)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	65,562	(3,747)	22,194	59,114	143,123
Profit / (loss) before tax	6,126	(66,445)	(35,024)	(5,554)	(100,897)
Net profit / (loss)	5,315	(55,620)	(29,756)	5,930	(74,131)
Earnings per share (cents)					
Year-to-date	0.25	(2.41)	(3.83)	(3.55)	
In-quarter	0.25	(2.66)	(1.42)	0.28	

	2017 <sup>#</sup>				
\$'000	1Q	2Q	3Q	4Q	Total
Turnover	745,582	648,853	728,765	911,567	3,034,767
Operating profit	8,846	25,164	136,274	135,426	305,710
Earnings before interest, tax, depreciation and amortisation (EBITDA)	55,821	73,403	185,914	183,488	498,626
Profit before tax	33,787	2,941	116,306	127,838	280,872
Net profit	37,043	5,117	100,716	117,307	260,183
Earnings per share (cents)					
Year-to-date	1.77	2.02	6.84	12.45	
In-quarter	1.77	0.24	4.82	5.61	

Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as **2017<sup>#</sup>**. See page 30 for more details.

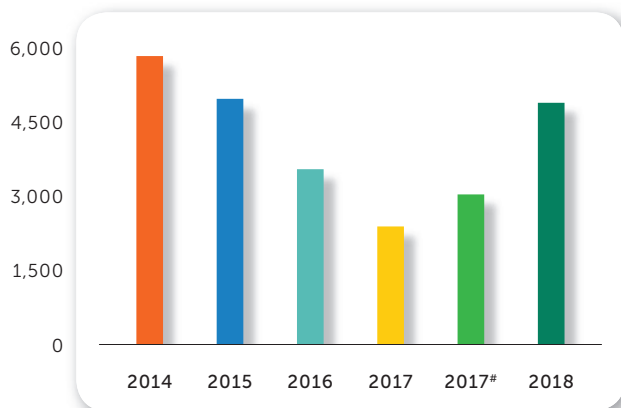
# GROUP FINANCIAL REVIEW

## Group Five-Year Financial Summary

	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2017# \$'000	2018 \$'000
<b>For the Year</b>						
Turnover	5,832,595	4,968,132	3,544,816	2,387,354	3,034,767	4,887,866
Operating profit / (loss)	707,025	(149,991)	225,306	20,453	305,710	(52,323)
Profit / (loss) before tax	707,004	(377,603)	90,520	(15,644)	280,872	(100,897)
Net profit / (loss)	560,128	(289,672)	78,777	14,076	260,183	(74,131)
Dividend - Interim	104,459	83,563	31,345	20,897	20,897	–
Dividend - Final	167,102	41,795	20,897	20,888	20,888	–
Dividend - Total	271,561	125,358	52,242	41,785	41,785	–
<b>At Year End</b>						
Property, plant and equipment	3,008,909	3,540,555	3,986,667	3,995,019	3,995,019	4,179,257
Associates and joint ventures	470,277	312,056	74,816	67,965	67,965	66,533
Other financial assets	90,443	107,263	67,783	46,150	46,150	2,881
Other non-current assets	101,673	124,212	267,262	353,830	490,259	1,368,281
Current assets	4,567,118	5,117,036	5,018,305	4,688,484	5,092,432	2,960,309
Current liabilities	(3,448,597)	(3,897,046)	(3,748,282)	(3,142,611)	(3,646,688)	(2,762,731)
Non-current liabilities	(1,657,796)	(2,639,797)	(3,058,930)	(3,489,465)	(3,564,962)	(3,466,095)
	3,132,027	2,664,279	2,607,621	2,519,372	2,480,175	2,348,435
Share capital	484,288	484,288	484,288	484,288	484,288	484,288
Capital, foreign currency translation and other reserves	(76,625)	9,770	54,905	(25,724)	(30,704)	(51,027)
Revenue reserve	2,557,455	2,017,147	2,022,796	2,019,609	1,985,392	1,878,423
Non-controlling interests	166,909	153,074	45,632	41,199	41,199	36,751
	3,132,027	2,664,279	2,607,621	2,519,372	2,480,175	2,348,435
<b>Per Share</b>						
EPS - basic (cents)	26.83	(13.87)	3.77	0.67	12.45	(3.55)
EPS - diluted (cents)	26.82	(13.87)	3.77	0.67	12.45	(3.55)
Net tangible assets (cents)	139.40	118.00	112.95	110.11	108.23	100.68
Net asset value (cents)	141.92	120.24	122.62	118.69	116.81	110.68
<b>Financial Ratios</b>						
Return on equity (%)	19.86	(10.58)	3.11	0.56	11.06	(3.12)
Return on total assets (%)	8.00	(2.90)	1.76	1.14	3.65	0.25
Operating profit (loss) / equity (%)	25.06	(5.48)	8.88	0.81	13.00	(2.20)
Current ratio (times)	1.32	1.31	1.34	1.49	1.40	1.07
Net gearing (times)	0.21	1.03	1.13	1.11	1.13	1.44
Dividend cover (times)	2.06	n.a.	1.51	0.34	6.23	n.a.

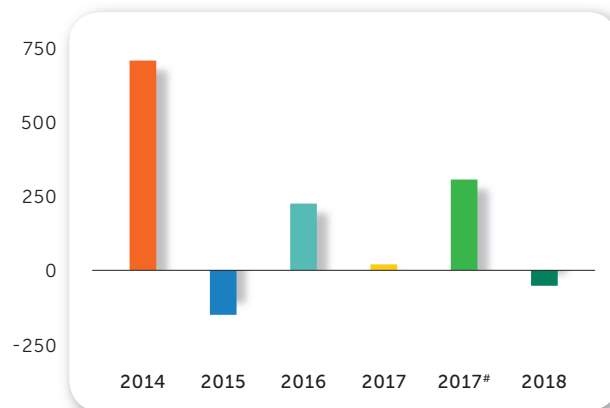
Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as 2017#. See page 30 for more details.

### Turnover \$ Million



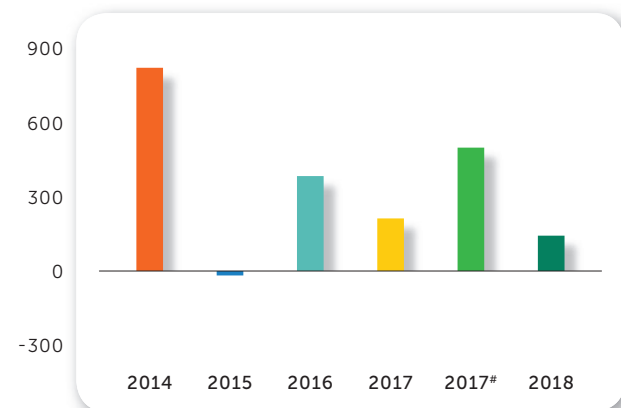
Turnover	5,833	4,968	3,545	2,387	3,035	4,888
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### Operating Profit \$ Million



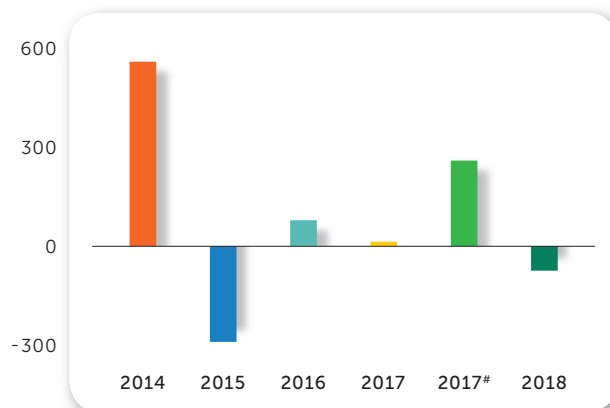
Operating profit / (loss)	707	(150)	225	20	306	(52)
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### EBITDA \$ Million



EBITDA	822	(18)	384	213	499	143
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### Net Profit \$ Million

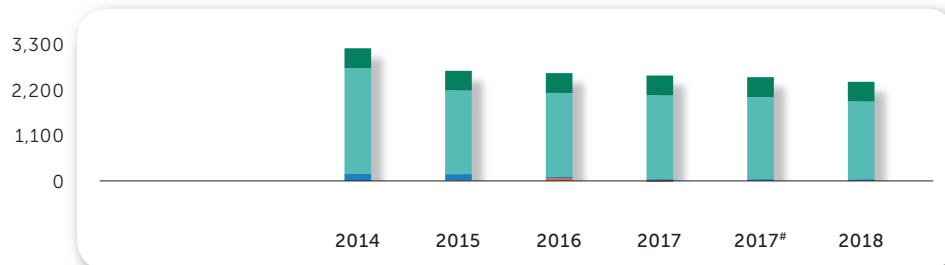


Net profit / (loss)	560	(290)	79	14	260	(74)
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# GROUP FINANCIAL REVIEW

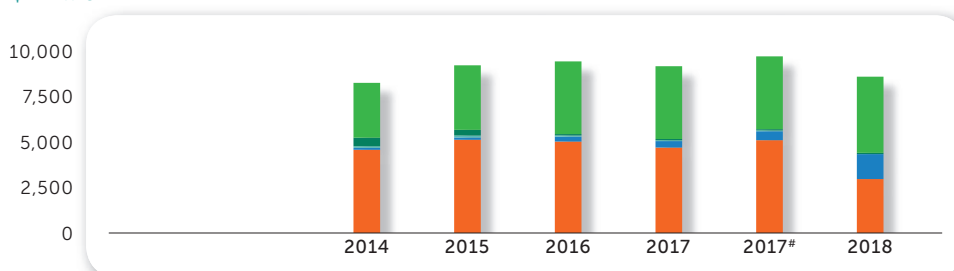
## Total Equity \$ Million



Share capital	484	484	484	484	484	484
Capital, foreign currency translation and other reserves	(77)	10	55	(26)	(31)	(51)
Revenue reserve	2,557	2,017	2,023	2,020	1,985	1,878
Non-controlling interests	167	153	46	41	41	37
<b>Total</b>	<b>3,132</b>	<b>2,664</b>	<b>2,608</b>	<b>2,519</b>	<b>2,480</b>	<b>2,348</b>

- SHARE CAPITAL
- REVENUE RESERVE
- NON-CONTROLLING INTERESTS
- CAPITAL, FOREIGN CURRENCY TRANSLATION AND OTHER RESERVES

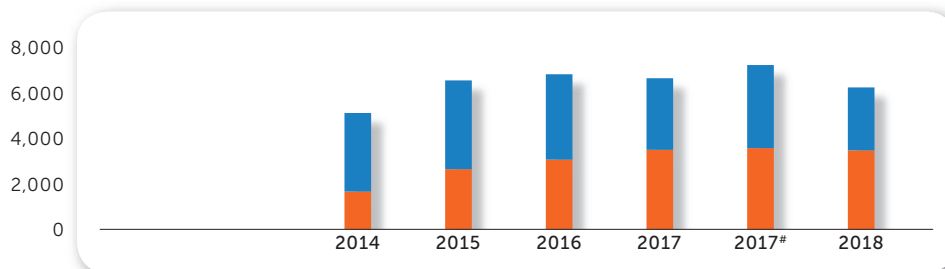
## Assets \$ Million



Property, plant and equipment	3,009	3,541	3,987	3,995	3,995	4,179
Associates and joint ventures	470	312	75	68	68	67
Other financial assets	90	107	68	46	46	3
Other non-current assets	102	124	267	354	490	1,368
Current assets	4,567	5,117	5,018	4,688	5,092	2,960
<b>Total</b>	<b>8,238</b>	<b>9,201</b>	<b>9,415</b>	<b>9,151</b>	<b>9,692</b>	<b>8,577</b>

- PROPERTY, PLANT AND EQUIPMENT
- ASSOCIATES AND JOINT VENTURES
- OTHER FINANCIAL ASSETS
- OTHER NON-CURRENT ASSETS
- CURRENT ASSETS

## Liabilities \$ Million

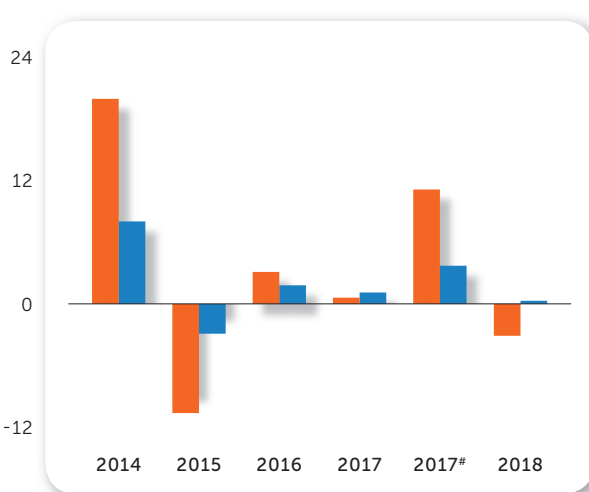


Current liabilities	3,449	3,897	3,748	3,143	3,647	2,763
Non-current liabilities	1,658	2,640	3,059	3,489	3,565	3,466
<b>Total</b>	<b>5,106</b>	<b>6,537</b>	<b>6,807</b>	<b>6,632</b>	<b>7,212</b>	<b>6,229</b>

- CURRENT LIABILITIES
- NON-CURRENT LIABILITIES

Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as 2017<sup>#</sup>. See page 30 for more details.

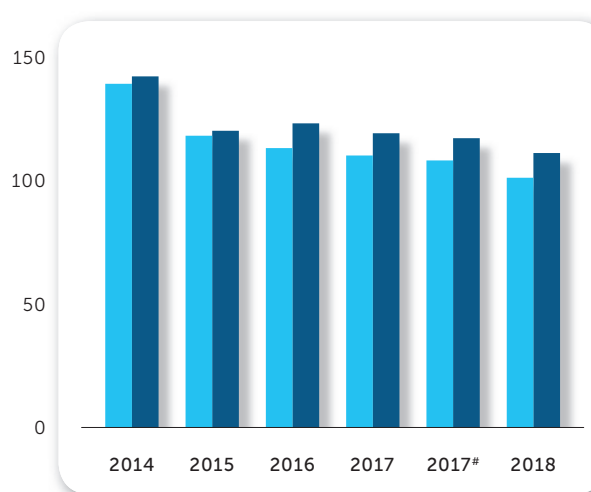
### Return on Equity and Return on Total Assets



Return on Equity	19.9	(10.6)	3.1	0.6	11.1	(3.1)
Return on Total Assets	8.0	(2.9)	1.8	1.1	3.7	0.3

■ RETURN ON EQUITY ■ RETURN ON TOTAL ASSETS

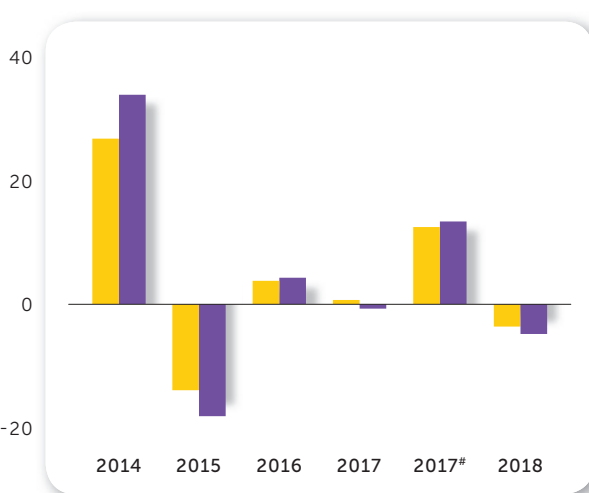
### Net Tangible Assets and Net Asset Value Per Share



Net Tangible Assets Per Share	139	118	113	110	108	101
Net Asset Value Per Share	142	120	123	119	117	111

■ NET TANGIBLE ASSETS PER SHARE ■ NET ASSET VALUE PER SHARE

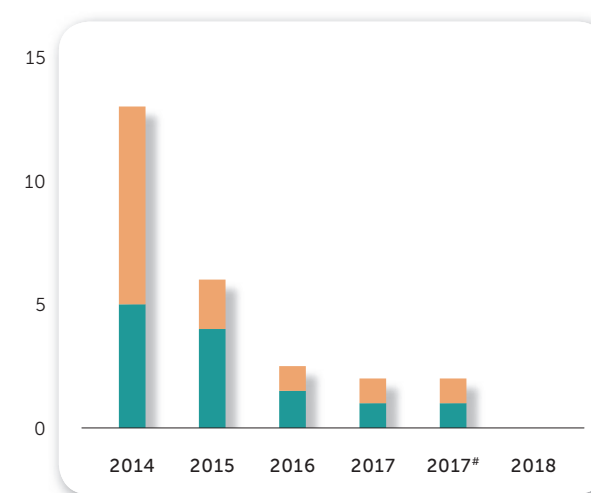
### Earnings Per Share



EPS - After Tax	26.8	(13.9)	3.8	0.7	12.5	(3.6)
EPS - Before Tax	33.9	(18.1)	4.3	(0.7)	13.4	(4.8)

■ EPS - AFTER TAX ■ EPS - Before Tax

### Dividend Per Share



Dividend - Interim	5.0	4.0	1.5	1.0	1.0	-
Dividend - Final	8.0	2.0	1.0	1.0	1.0	-
<b>Total</b>	<b>13.0</b>	<b>6.0</b>	<b>2.5</b>	<b>2.0</b>	<b>2.0</b>	<b>-</b>

■ DIVIDEND - INTERIM ■ DIVIDEND - FINAL

Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as 2017#. See page 30 for more details.

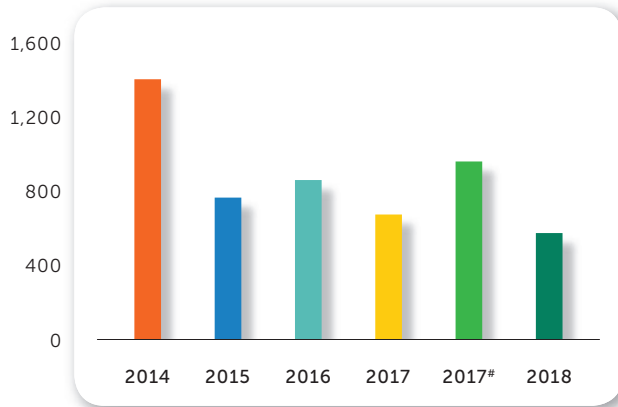
# GROUP FINANCIAL REVIEW

## Value Added Statement

	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2017# \$'000	2018 \$'000
<b>Value added from</b>						
Turnover	5,832,595	4,968,132	3,544,816	2,387,354	3,034,767	4,887,866
Less: Bought in materials and services	(4,402,863)	(4,251,510)	(2,650,304)	(1,713,023)	(2,075,179)	(4,313,561)
Gross value added	1,429,732	716,622	894,512	674,331	959,588	574,305
Investment, interest and other income	12,371	7,368	38,754	55,667	66,926	86,830
Share of results of associates and joint ventures, net of tax	9,859	(173,499)	(35,134)	(3,617)	(3,617)	(2,385)
Non-operating income / (expenses), net	177	(18,708)	(18,923)	51,494	51,494	141
	<b>1,452,139</b>	<b>531,783</b>	<b>879,209</b>	<b>777,875</b>	<b>1,074,391</b>	<b>658,891</b>
<b>Distribution</b>						
To employees in wages, salaries and benefits	556,436	527,159	490,211	460,717	460,717	414,689
To government in income and other taxes	144,959	74,057	58,723	41,094	40,895	33,622
To providers of capital in: Interest on borrowings	20,960	46,775	88,651	95,522	95,522	101,356
Dividends to owners of the Company	271,600	250,636	73,128	41,788	41,788	20,858
<b>Retained in business</b>						
Depreciation, amortisation and R&D expenses	115,142	131,760	159,128	193,015	193,015	195,488
Deferred tax expense / (credit)	12,449	(102,282)	1,683	(23,970)	26,638	(11,315)
Revenue reserve	288,528	(540,308)	5,649	(27,712)	218,395	(94,989)
Non-controlling interests	41,147	(10,294)	(3,617)	(4,128)	(4,128)	(4,235)
Other expenses	918	154,280	5,653	1,549	1,549	3,417
<b>Total distribution</b>	<b>1,452,139</b>	<b>531,783</b>	<b>879,209</b>	<b>777,875</b>	<b>1,074,391</b>	<b>658,891</b>
<b>Productivity data</b>						
Average staff strength	12,938	14,106	13,222	11,689	11,689	11,242
Employment costs	556,436	527,159	490,211	460,717	460,717	414,689
Value added (\$'000)	1,429,732	716,622	894,512	674,331	959,588	574,305
Value added per employee (\$'000)	111	51	68	58	82	51
Value added per dollar employment costs (\$)	2.57	1.36	1.82	1.46	2.08	1.38
Value added per dollar investment in property, plant and equipment (\$)	0.48	0.20	0.22	0.17	0.24	0.14
Value added per dollar turnover (\$)	0.25	0.14	0.25	0.28	0.32	0.12

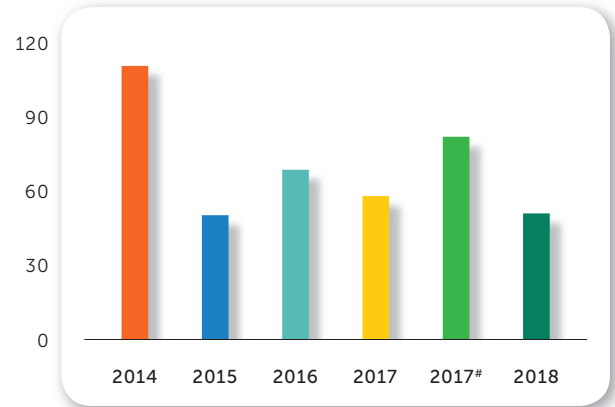
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### Gross Value Added \$ Million



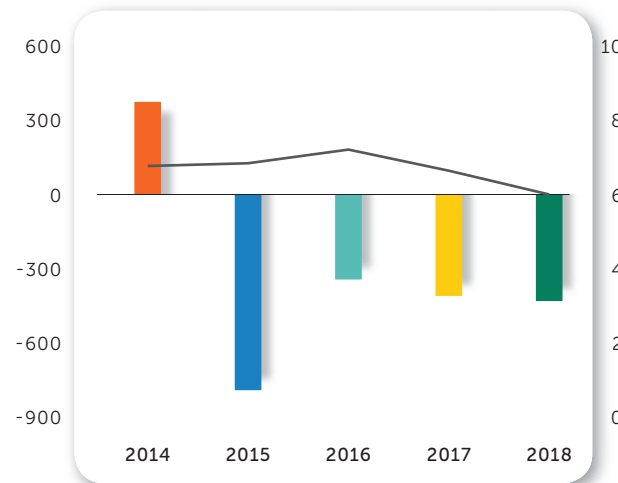
Gross Value Added	2014	2015	2016	2017	2017#	2018
	1,430	717	895	674	960	574

### Value Added Per Employee \$'000



Value Added Per Employee	2014	2015	2016	2017	2017#	2018
	111	51	68	58	82	51

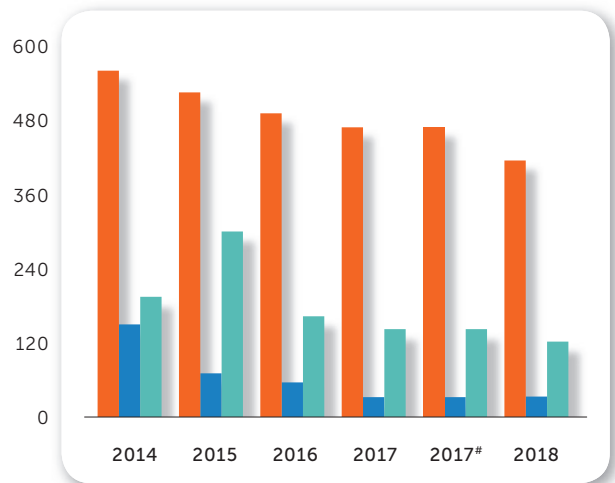
### Economic Value Added (EVA) EVA \$ Million



EVA	2014	2015	2016	2017	2018
	331	(809)	(324)	(421)	(431)
Weighted Average Cost of Capital	6.6	6.7	7.1	6.5	6.0

■ ■ ■ ■ ■ EVA — WEIGHTED AVERAGE COST OF CAPITAL

### Distribution of Value Added \$ Million



Distribution to Employees	2014	2015	2016	2017	2017#	2018
	556	527	490	461	461	415
Distribution to Government	145	74	59	41	41	34
Distribution to Providers of Capital	293	297	162	137	137	122

■ DISTRIBUTION TO EMPLOYEES ■ DISTRIBUTION TO GOVERNMENT ■ DISTRIBUTION TO PROVIDERS OF CAPITAL

Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as 2017#. See page 30 for more details.



# GROUP FINANCIAL REVIEW

## Economic Value Added Statement

	Note	2018 \$'000	2017 \$'000
<b>Net operating loss before tax</b>	<b>1</b>	<b>(98,512)</b>	<b>(12,027)</b>
Adjusted for:			
Share of associates' and joint ventures' results		(2,170)	(3,221)
Interest expense		107,164	103,415
Others	2	(24,871)	(15,718)
<b>Adjusted profit before interest and tax</b>		<b>(18,389)</b>	<b>72,449</b>
Cash operating taxes	3	(6,864)	(16,224)
<b>Net operating profit after tax (NOPAT)</b>		<b>(25,253)</b>	<b>56,225</b>
Average capital employed	4	6,758,474	7,337,114
Weighted average cost of capital	5	6.0%	6.5%
<b>Capital charge</b>		<b>405,508</b>	<b>476,912</b>
<b>Economic value added (EVA)</b>		<b>(430,761)</b>	<b>(420,687)</b>
Non-controlling share of EVA		8,740	9,089
<b>EVA attributable to owners of the Company</b>		<b>(422,021)</b>	<b>(411,598)</b>
Unusual items (UI) gains	6	–	(44,493)
<b>EVA attributable to owners of the Company (exclude UI)</b>		<b>(422,021)</b>	<b>(456,091)</b>

Notes:

- 2017 Economic value added is not adjusted for the adoption of SFRS(I).
- This includes adjustments that exclude the profit of certain contracts which, with the adoption of SFRS(I) have been reversed (Note 46), and subsequently recognised when the projects was delivered to the customers in 2018.
- The reported current tax is adjusted for the statutory tax impact of interest expense.
- Average capital employed is computed by taking monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill write off / impaired and present value of operating leases.
- The weighted average cost of capital is calculated in accordance with Sembcorp Marine Ltd Group EVA Policy as follows:
  - Cost of equity using Capital Asset Pricing Model with market risk premium at 5.0% (2017: 5.0%);
  - Risk-free rate of 2.26% (2017: 2.22%) based on yield-to-maturity of Singapore Government 10-year Bonds;
  - Ungeared beta 0.7 (2017: 0.7) based on Sembcorp Marine risk categorisation; and
  - Cost of debt rate at 3.12% (2017: 4.25%).
- Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.