



SEMBCORP MARINE LTD
Registration Number: 196300098Z

**FIRST QUARTER ENDED 31 MARCH 2019 FINANCIAL STATEMENTS
& RELATED ANNOUNCEMENT**

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SEMBCORP MARINE LTD
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UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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 2019.

1. CONSOLIDATED INCOME STATEMENT

		Group		
	Note	1Q 2019 \$'000	1Q 2018 \$'000	+ / (-) %
Turnover	2a	810,580	1,180,348	(31.3)
Cost of sales	2a	(788,785)	(1,137,232)	(30.6)
Gross profit	2a	21,795	43,116	(49.5)
Other operating income	2b	11,276	10,862	3.8
Other operating expenses	2b	(4,791)	(10,048)	(52.3)
General and administrative expenses	2c	(21,188)	(24,393)	(13.1)
Operating profit		7,092	19,537	(63.7)
Finance income	2d	24,649	8,518	n.m.
Finance costs	2d	(32,409)	(22,134)	46.4
Non-operating income	2e	-	20	n.m.
Share of results of associates and joint ventures, net of tax	2f	(554)	185	n.m.
(Loss)/profit before tax		(1,222)	6,126	n.m.
Tax credit/(expense)	2g	1,824	(1,845)	n.m.
Profit for the period		602	4,281	(85.9)
Profit attributable to:				
Owners of the Company		1,713	5,315	(67.8)
Non-controlling interests		(1,111)	(1,034)	7.4
Profit for the period		602	4,281	(85.9)
Earnings per ordinary share (cents)	2h			
Basic		0.08	0.25	(68.0)
Diluted		0.08	0.25	(68.0)

n.m.: not meaningful

2. NOTES TO CONSOLIDATED INCOME STATEMENT

2a. Turnover, Cost of Sales

	Note	Group		
		1Q 2019 \$'000	1Q 2018 \$'000	+ / (-) %
Turnover	(i)	810,580	1,180,348	(31.3)
Cost of sales		(788,785)	(1,137,232)	(30.6)
Gross profit	(ii)	21,795	43,116	(49.5)
<i>Included in gross profit:</i>				
Depreciation and amortisation	(iii)	(59,949)	(45,295)	32.4
Inventories (written down)/written back		(7)	48	n.m.

- (i) Turnover for 1Q 2019 decreased mainly due to lower revenue recognition from rigs and floaters and offshore platform projects, mitigated by higher repair and upgrade revenue. Excluding the effects of the delivery of 1 jack-up rig to Borr Drilling in 1Q 2019, and delivery of 2 jack-up rigs to Borr Drilling and 1 jack-up rig to BOTL in 1Q 2018, revenue would have been \$608 million, an increase of 27% compared with \$480 million in 1Q 2018.
- (ii) Gross profit for 1Q 2019 was low mainly due to continued low overall business volume which impacted the absorption of overhead costs, offset by margin recognition from newly secured production floater projects and delivery of rig. The gross profit in 1Q 2018 arose mainly from the margin recognition upon the delivery of the BOTL rig.
- (iii) Higher depreciation in 1Q 2019 was mainly due to the accelerated depreciation of the fixed assets at Tanjong Kling Yard since 4Q 2018.

2b. Other operating income/(expenses)

	Note	Group		
		1Q 2019 \$'000	1Q 2018 \$'000	+ / (-) %
Other operating income		11,276	10,862	3.8
Other operating expenses		(4,791)	(10,048)	(52.3)
		6,485	814	n.m.
<i>Included in other operating income/(expenses):</i>				
Foreign exchange loss, net	(i)	(4,644)	(9,973)	(53.4)
Fair value adjustment on hedging instruments	(ii)	89	973	(90.9)
Fair value adjustment on firm commitments under fair value hedge		-	63	n.m.
Loss on disposal of property, plant and equipment, net		(88)	-	n.m.
Rental income		3,486	3,432	1.6
Other income	(iii)	7,701	6,394	20.4
Other expenses		(59)	(75)	(21.3)
		6,485	814	n.m.

- (i) In 1Q 2019, lower foreign exchange loss was mainly due to the revaluation of assets and liabilities denominated in United States dollar to Singapore dollar.
- (ii) Fair value adjustment on hedging instruments was due to mark-to-market adjustments of foreign currency forward contracts.
- (iii) Higher other income in 1Q 2019 was mainly due to higher sales of scrap.

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

2c. General and administrative expenses

	Note	Group		
		1Q 2019 \$'000	1Q 2018 \$'000	+ / (-) %
General and administrative expenses	(i)	(21,188)	(24,393)	(13.1)
<i>Included in general and administrative expenses:</i>				
Depreciation and amortisation		(1,241)	(730)	70.0
Write-back of/(allowance for) doubtful debts and bad debts, net		769	(469)	n.m.

(i) Lower general and administrative expenses in 1Q 2019 was mainly due to lower personnel and related costs.

2d. Finance income and finance costs

	Note	Group		
		1Q 2019 \$'000	1Q 2018 \$'000	+ / (-) %
Finance income	(i)	24,649	8,518	n.m.
Finance costs	(ii)	(32,409)	(22,134)	46.4
		<u>(7,760)</u>	<u>(13,616)</u>	(43.0)
<i>Included in finance income/(costs):</i>				
Interest income		24,649	8,518	n.m.
Interest paid and payable to bank and others		(27,777)	(21,640)	28.4
Amortisation of capitalised transaction costs		(919)	(494)	86.0
Unwind of discount on restoration costs		(175)	-	n.m.
Interest expense on lease liabilities		<u>(3,538)</u>	<u>-</u>	n.m.
		<u>(7,760)</u>	<u>(13,616)</u>	(43.0)

(i) Higher finance income in 1Q 2019 was mainly due to interest income from a customer on deferred payment arrangement.

(ii) Higher finance costs in 1Q 2019 was mainly due to higher average interest rates compared to the corresponding period in 2018 and higher interest expense on lease liabilities upon the adoption of SFRS(I)16 Leases on 1 January 2019.

2e. Non-operating income

	Group		
	1Q 2019 \$'000	1Q 2018 \$'000	+ / (-) %
Non-operating income	-	20	n.m.
<i>Included in non-operating income:</i>			
Net change in fair value of financial assets measured through profit or loss	-	20	n.m.
	<u>-</u>	<u>20</u>	n.m.

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

The share of results of associates and joint ventures in 1Q 2019 was mainly due to share of losses from joint ventures.

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

2g. Tax credit/(expense)

	Note	Group		
		1Q 2019 \$'000	1Q 2018 \$'000	+ / (-) %
Tax credit/(expense)	(i)	1,824	(1,845)	n.m.
<i>Included in tax credit/(expense):</i>				
Write-back of tax in respect of prior years, net		3,672	79	n.m.

- (i) The tax credit in 1Q 2019 was mainly due to pre-tax losses incurred during the period, recognition of tax incentives and write-back of tax in respect of prior years. The deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised.

2h. Earnings per ordinary share

	Group		
	1Q 2019	1Q 2018	+ / (-) %
(i) Based on the weighted average number of shares (cents)	0.08	0.25	(68.0)
- Weighted average number of shares ('000)	2,088,601	2,087,910	-
(ii) On a fully diluted basis (cents)	0.08	0.25	(68.0)
- Adjusted weighted average number of shares ('000)	2,088,601	2,087,910	-

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		+ / (-) %
		1Q 2019 \$'000	1Q 2018 \$'000	
Profit for the period		602	4,281	(85.9)
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	3a(i)	(13,743)	(23,612)	(41.8)
Net change in fair value of cash flow hedges	3a(ii)	10,925	3,601	n.m.
Net change in fair value of cash flow hedges transferred to profit or loss	3a(iii)	(6,281)	-	n.m.
		<u>(9,099)</u>	<u>(20,011)</u>	<u>(54.5)</u>
<i>Item that may not be reclassified subsequently to profit or loss:</i>				
Net change in fair value of equity investments at FVOCI	3a(iv)	-	(8,109)	n.m.
Other comprehensive income for the period, net of tax		<u>(9,099)</u>	<u>(28,120)</u>	<u>(67.6)</u>
Total comprehensive income for the period		<u>(8,497)</u>	<u>(23,839)</u>	<u>(64.4)</u>
Total comprehensive income attributable to:				
Owners of the Company		(7,373)	(22,731)	(67.6)
Non-controlling interests		<u>(1,124)</u>	<u>(1,108)</u>	<u>1.4</u>
Total comprehensive income for the period		<u>(8,497)</u>	<u>(23,839)</u>	<u>(64.4)</u>

3a. Explanatory notes to Consolidated Statement of Comprehensive Income

- (i) The movement in foreign currency translation reserves in 1Q 2019 arose primarily from the consolidation of entities whose functional currencies are United States dollars.
- (ii) Fair value changes were due to the mark-to-market adjustments of foreign currency forward contracts and interest rate swaps.
- (iii) It relates to reclassification to profit or loss upon realisation of cash flow hedges.
- (iv) Fair value changes in 1Q 2018 were mainly attributable to the mark-to-market adjustments of quoted prices of equity investments at fair value through other comprehensive income (FVOCI).

4. BALANCE SHEETS

	Group		Company	
	As at 31-Mar-2019 \$'000	As at 31-Dec-2018 \$'000	As at 31-Mar-2019 \$'000	As at 31-Dec-2018 \$'000
Non-current assets				
Property, plant and equipment	4,142,001	4,179,257	40,602	57,988
Right-of-use assets	274,354	-	1,525	-
Investment properties	-	-	78,552	13,870
Investments in subsidiaries	-	-	1,786,845	1,786,386
Interests in associates and joint ventures	65,319	66,533	-	-
Other financial assets	3,881	2,881	-	-
Trade and other receivables	1,102,437	1,136,124	31,719	31,719
Intangible assets	210,438	208,934	122	122
Deferred tax assets	20,003	23,223	-	-
	<u>5,818,433</u>	<u>5,616,952</u>	<u>1,939,365</u>	<u>1,890,085</u>
Current assets				
Inventories	90,772	80,171	-	-
Trade and other receivables	468,819	690,550	139,810	107,163
Contract costs	160,606	328,690	-	-
Contract assets	1,362,749	998,666	-	-
Tax recoverable	10,972	10,568	-	-
Asset held for sale	-	1,657	-	-
Other financial assets	15,177	12,283	-	-
Cash and cash equivalents	524,003	837,724	67,873	79,584
	<u>2,633,098</u>	<u>2,960,309</u>	<u>207,683</u>	<u>186,747</u>
Total assets	<u>8,451,531</u>	<u>8,577,261</u>	<u>2,147,048</u>	<u>2,076,832</u>
Current liabilities				
Trade and other payables	1,503,738	1,532,746	28,331	24,706
Contract liabilities	64,277	139,731	-	-
Provisions	18,837	16,875	-	-
Other financial liabilities	7,285	9,809	-	-
Current tax payable	18,277	7,591	5,622	5,304
Interest-bearing borrowings	874,687	1,055,496	50,000	50,000
Lease liabilities	14,436	483	7,292	483
	<u>2,501,537</u>	<u>2,762,731</u>	<u>91,245</u>	<u>80,493</u>
Net current assets	<u>131,561</u>	<u>197,578</u>	<u>116,438</u>	<u>106,254</u>
Non-current liabilities				
Deferred tax liabilities	40,144	52,808	4,975	4,975
Provisions	121,140	120,861	26,260	26,094
Other financial liabilities	3,337	10,162	-	-
Interest-bearing borrowings	3,113,579	3,172,500	-	-
Lease liabilities	314,679	951	58,169	951
Other long-term payables	8,280	108,813	5,574	5,574
	<u>3,601,159</u>	<u>3,466,095</u>	<u>94,978</u>	<u>37,594</u>
Total liabilities	<u>6,102,696</u>	<u>6,228,826</u>	<u>186,223</u>	<u>118,087</u>
Net assets	<u>2,348,835</u>	<u>2,348,435</u>	<u>1,960,825</u>	<u>1,958,745</u>
Equity attributable to owners of the Company				
Share capital	484,288	484,288	484,288	484,288
Other reserves	(59,084)	(51,027)	(22,741)	(23,770)
Revenue reserve	1,888,004	1,878,423	1,499,278	1,498,227
	<u>2,313,208</u>	<u>2,311,684</u>	<u>1,960,825</u>	<u>1,958,745</u>
Non-controlling interests	35,627	36,751	-	-
Total equity	<u>2,348,835</u>	<u>2,348,435</u>	<u>1,960,825</u>	<u>1,958,745</u>

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

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

Interest-bearing borrowings:	As at 31-Mar-2019	As at 31-Dec-2018
	\$'000	\$'000
(i) <u>Amount repayable in one year or less, or on demand</u> Unsecured	874,687	1,055,496
(ii) <u>Amount repayable after one year</u> Unsecured	3,113,579	3,172,500

4b. **Net asset value**

	Group		Company	
	31-Mar-2019	31-Dec-2018	31-Mar-2019	31-Dec-2018
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (cents)	110.73	110.68	93.86	93.78

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

(i) **Group**

Non-current assets

'Right-of-use assets' arose from the adoption of SFRS(I) 16 *Leases* on 1 January 2019. It comprises mainly land leases that were recognised in the balance sheet.

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

'Deferred tax assets' decreased mainly due to the tax effects on the adoption of SFRS(I) 16 *Leases*.

Current assets

'Inventories' increased mainly due to purchase of materials for projects.

'Trade and other receivables' decreased mainly due to receipts from customers for completed projects.

'Contract costs' decreased mainly due to recognition of costs of sales upon the delivery of rig.

'Contract assets' increased mainly due to revenue recognised during the period and timing of billings to customers.

'Asset held for sale' decreased mainly due to the Group's divestment of its 20% equity interest in Ecospec Global Technology Pte. Ltd., which was completed in January 2019.

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

'Cash and cash equivalents' decreased mainly due to capital expenditures and net repayment of borrowings.

Current liabilities

'Contract liabilities' decreased mainly due to recognition of revenue upon the delivery of rig.

'Provisions' increased mainly due to provision for warranty.

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

'Current tax payable' increased mainly due to provision made.

'Interest-bearing borrowings' decreased mainly due to net repayment of borrowings.

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

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

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

Current liabilities (Cont'd)

'Lease liabilities' increased mainly due to recognition of lease obligations amounting to \$13.9 million upon the adoption of SFRS(I) 16 *Leases*.

Non-current liabilities

'Deferred tax liabilities' decreased mainly due to the recognition of unutilised tax losses.

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

'Lease liabilities' increased mainly due to recognition of lease obligations amounting to \$313.7 million upon the adoption of SFRS(I) 16 *Leases*.

'Other long-term payables' decreased mainly due to reclassification of accrued land lease to lease liabilities.

Equity

'Other reserves' deficit increased mainly due to higher foreign currency translation loss for foreign operations, offset by fair value adjustments on foreign currency forward contracts.

(ii) **Company**

Non-current assets

'Property, plant and equipment' decreased mainly due to depreciation charge for the period, and reclassification to right-of-use assets and investment properties.

'Right-of-use assets' arose from the reclassification from property, plant and equipment upon the adoption of SFRS(I) 16 *Leases* on 1 January 2019.

'Investment properties' increased mainly due to recognition of lease obligations upon the adoption of SFRS(I) 16 *Leases*.

Current assets

'Trade and other receivables' increased mainly due to billings to subsidiaries.

'Cash and cash equivalents' decreased mainly due to payments made.

Current liabilities

'Trade and other payables' increased mainly due to higher payables due to subsidiaries.

'Lease liabilities' increased mainly due to recognition of lease obligations amounting to \$6.8 million upon the adoption of SFRS(I) 16 *Leases*.

Non-current liabilities

'Lease liabilities' increased mainly due to recognition of lease obligations amounting to \$57.2 million upon the adoption of SFRS(I) 16 *Leases*.

5. CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	1Q 2019 \$'000	1Q 2018 \$'000
Cash flows from operating activities:		
Profit for the period	602	4,281
Adjustments for:		
Finance income	(24,649)	(8,518)
Finance costs	32,409	22,134
Depreciation of property, plant and equipment, and right-of-use assets	53,739	40,308
Amortisation of intangible assets	7,451	5,717
Share of results of associates and joint ventures, net of tax	554	(185)
Loss on disposal of property, plant and equipment	88	-
Fair value adjustment on hedging instruments	(89)	(973)
Fair value adjustment on firm commitments under fair value hedge	-	(63)
Net change in fair value of financial assets measured through profit or loss	-	(20)
Share-based payment expenses	1,497	1,750
Property, plant and equipment written off	114	4
Inventories written down/(written back), net	7	(48)
(Write-back of)/allowance for doubtful debts and bad debts, net	(769)	469
Tax (credit)/expense	(1,824)	1,845
Operating profit before working capital changes	69,130	66,701
Changes in working capital:		
Inventories	(10,608)	1,044
Contract costs	168,084	669,065
Contract assets	(364,083)	(54,433)
Contract liabilities	(75,454)	(401,018)
Trade and other receivables	256,644	(15,279)
Trade and other payables	(34,547)	(234,750)
Cash generated from operations	9,166	31,330
Interest income received	16,845	8,584
Interest paid	(27,777)	(21,640)
Tax refunded/(paid)	1,718	(11,671)
Net cash (used in)/generated from operating activities	(48)	6,603
Cash flows from investing activities:		
Purchase of property, plant and equipment	(76,524)	(43,898)
Proceeds from sale of property, plant and equipment	377	3
Net cash used in investing activities	(76,147)	(43,895)
Cash flows from financing activities:		
Proceeds from borrowings	311,713	72,540
Repayment of borrowings	(542,167)	(316,174)
Payment of lease liabilities	(4,654)	-
Net cash used in financing activities	(235,108)	(243,634)
Net decrease in cash and cash equivalents	(311,303)	(280,926)
Cash and cash equivalents at beginning of the period	837,173	1,301,000
Effect of exchange rate changes on balances held in foreign currencies	(1,867)	(2,367)
Cash and cash equivalents at end of the period	524,003	1,017,707

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-2019 \$'000	31-Mar-2018 \$'000
Fixed deposits	6,103	40,928
Cash and bank balances	517,900	976,779
Cash and cash equivalents	524,003	1,017,707

5b. Explanatory notes to Consolidated Statement of Cash Flows

First quarter

Cash flows generated from operating activities before changes in working capital were \$69.1 million in 1Q 2019. Net cash used in operating activities for 1Q 2019 was mainly due to working capital for ongoing projects, offset by receipts from completed projects.

Net cash used in investing activities for 1Q 2019 was \$76.1 million, mainly due to purchase of property, plant and equipment for Sembcorp Marine Tuas Boulevard yard.

Net cash used in financing activities for 1Q 2019 was \$235.1 million. It relates mainly to net repayment of borrowings.

6. STATEMENTS OF CHANGES IN EQUITY

6a. Statements of Changes in Equity of the Group

	Attributable to owners of the Company							Non-controlling interests \$'000	Total Equity \$'000
	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Currency translation reserve \$'000	Other reserves \$'000	Revenue reserve \$'000	Total \$'000		
1Q 2019									
At 31 December 2018	484,288	(2,151)	(13,011)	(13,577)	(22,288)	1,878,423	2,311,684	36,751	2,348,435
Adjustment on initial application of SFRS(I) 16, net of tax	-	-	-	-	-	7,868	7,868	-	7,868
Adjusted balance at 1 January 2019	484,288	(2,151)	(13,011)	(13,577)	(22,288)	1,886,291	2,319,552	36,751	2,356,303
Total comprehensive income									
Profit for the period	-	-	-	-	-	1,713	1,713	(1,111)	602
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	(13,730)	-	-	(13,730)	(13)	(13,743)
Net change in fair value of cash flow hedges	-	-	-	-	10,925	-	10,925	-	10,925
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(6,281)	-	(6,281)	-	(6,281)
Total other comprehensive income	-	-	-	(13,730)	4,644	-	(9,086)	(13)	(9,099)
Total comprehensive income	-	-	-	(13,730)	4,644	1,713	(7,373)	(1,124)	(8,497)
Transactions with owners of the Company, recognised directly in equity									
Issue of treasury shares	-	896	-	-	(896)	-	-	-	-
Share-based payments	-	-	-	-	1,029	-	1,029	-	1,029
Total transactions with owners	-	896	-	-	133	-	1,029	-	1,029
At 31 March 2019	484,288	(1,255)	(13,011)	(27,307)	(17,511)	1,888,004	2,313,208	35,627	2,348,835
1Q 2018									
At 31 December 2017									
As previously stated	484,288	(3,451)	(13,011)	(22,712)	8,470	1,985,392	2,438,976	41,199	2,480,175
Adjustment on initial application of SFRS(I) 9, net of tax	-	-	-	-	(447)	(641)	(1,088)	-	(1,088)
Adjusted balance at 1 January 2018	484,288	(3,451)	(13,011)	(22,712)	8,023	1,984,751	2,437,888	41,199	2,479,087
Total comprehensive income									
Profit for the period	-	-	-	-	-	5,315	5,315	(1,034)	4,281
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	(23,538)	-	-	(23,538)	(74)	(23,612)
Net change in fair value of cash flow hedges	-	-	-	-	3,601	-	3,601	-	3,601
Net change in fair value of equity investments at FVOCI	-	-	-	-	(8,109)	-	(8,109)	-	(8,109)
Total other comprehensive income	-	-	-	(23,538)	(4,508)	-	(28,046)	(74)	(28,120)
Total comprehensive income	-	-	-	(23,538)	(4,508)	5,315	(22,731)	(1,108)	(23,839)
Transactions with owners of the Company, recognised directly in equity									
Issue of treasury shares	-	1,665	-	-	(1,665)	-	-	-	-
Share-based payments	-	-	-	-	1,186	-	1,186	-	1,186
Total transactions with owners	-	1,665	-	-	(479)	-	1,186	-	1,186
At 31 March 2018	484,288	(1,786)	(13,011)	(46,250)	3,036	1,990,066	2,416,343	40,091	2,456,434

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 2019						
At 1 January 2019	484,288	(2,151)	960	(22,579)	1,498,227	1,958,745
Total comprehensive income						
Profit for the period	-	-	-	-	1,051	1,051
Other comprehensive income						
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,051	1,051
Transactions with owners of the Company, recognised directly in equity						
Issue of treasury shares	-	896	-	(896)	-	-
Share-based payments	-	-	-	570	-	570
Cost of share-based payment issued to employees of subsidiaries	-	-	-	459	-	459
Total transactions with owners	-	896	-	133	-	1,029
At 31 March 2019	484,288	(1,255)	960	(22,446)	1,499,278	1,960,825
1Q 2018						
At 1 January 2018						
As previously stated	484,288	(3,451)	960	(25,340)	1,276,772	1,733,229
Adjustment on initial application of SFRS(I) 9, net of tax	-	-	-	(447)	447	-
Adjusted balance at 1 January 2018	484,288	(3,451)	960	(25,787)	1,277,219	1,733,229
Total comprehensive income						
Profit for the period	-	-	-	-	1,043	1,043
Other comprehensive income						
Net change in fair value of equity investments at FVOCI	-	-	-	(8,109)	-	(8,109)
Total other comprehensive income	-	-	-	(8,109)	-	(8,109)
Total comprehensive income	-	-	-	(8,109)	1,043	(7,066)
Transactions with owners of the Company, recognised directly in equity						
Issue of treasury shares	-	1,665	-	(1,665)	-	-
Share-based payments	-	-	-	570	-	570
Cost of share-based payment issued to employees of subsidiaries	-	-	-	616	-	616
Total transactions with owners	-	1,665	-	(479)	-	1,186
At 31 March 2018	484,288	(1,786)	960	(34,375)	1,278,262	1,727,349

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 2019, the Company's issued and paid up capital, excluding treasury shares, comprises 2,089,081,967 (31 December 2018: 2,088,597,623) ordinary shares.

(ii) Treasury Shares

	Number of shares	
	2019	2018
At 1 January	1,162,484	1,850,187
Treasury shares issued pursuant to RSP	(484,344)	(892,583)
At 31 March	<u>678,140</u>	<u>957,604</u>

During 1Q 2019, there were 484,344 (1Q 2018: 892,583) treasury shares issued pursuant to the Company's Restricted Share Plan ("RSP").

As at 31 March 2019, 678,140 (31 March 2018: 957,604) treasury shares were held that may be issued upon the vesting of performance shares and restricted shares under the Company's Performance Share Plan ("PSP") and RSP respectively.

(iii) Performance Shares

	Number of shares	
	2019	2018
At 1 January	4,088,000	4,733,000
Performance shares lapsed arising from targets not met	(1,470,000)	(1,215,000)
At 31 March	<u>2,618,000</u>	<u>3,518,000</u>

During 1Q 2019, there were no (1Q 2018: nil) performance shares awarded under the PSP, no (1Q 2018: nil) performance shares released and 1,470,000 (1Q 2018: 1,215,000) performance shares that lapsed 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 2019 was 2,618,000 (31 March 2018: 3,518,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,927,000 (31 March 2018: 5,277,000) performance shares.

(iv) Restricted Shares

	Number of shares	
	2019	2018
At 1 January	15,616,727	15,383,413
Conditional restricted shares released	(484,344)	(892,583)
Conditional restricted shares lapsed	(271,295)	(153,648)
Restricted shares lapsed arising from targets not met	(11,159,921)	(6,078,150)
At 31 March	<u>3,701,167</u>	<u>8,259,032</u>

During 1Q 2019, there were no (1Q 2018: nil) restricted shares awarded under the RSP, 484,344 (1Q 2018: 892,583) restricted shares released and 271,295 (1Q 2018: 153,648) restricted shares that lapsed. The restricted shares released were settled by way of issuance of treasury shares. In 1Q 2019, there were 11,159,921 (1Q 2018: 6,078,150) restricted shares that lapsed due to the under achievement of performance targets.

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 March 2019 was 3,701,167 (31 March 2018: 8,259,032). Of this, there were no (31 March 2018: 7,409,900) restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 March 2019. Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 11,114,850 restricted shares as at 31 March 2018.

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

The financial statements are prepared in accordance to Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). All references to SFRS(I) and IFRS are referred to as SFRS(I) in these financial statements unless otherwise specified.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current quarter as the most recent audited financial statements for the year ended, and as at, 31 December 2018.

10. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following SFRS(I)s, interpretations of SFRS(I) and requirement of SFRS(I) which are mandatorily effective from 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 3 and SFRS(I) 11 *Previously Held Interest in a Joint Operation*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-12 *Income tax consequences of payments on financial instruments classified as equity*
- Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement*
- Amendments to SFRS(I) 1-23 *Borrowing Costs Eligible for Capitalisation*
- Amendments to SFRS(I) 1-28 *Long-Term Interests in Associates and Joint Ventures*

The adoption of the above standards do not have any significant impact on the financial statements except for SFRS(I) 16.

The Group applied SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting SFRS(I) 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group also applied the practical expedient to grandfather the definition of a lease on transition.

At transition, the Group had measured the Right-of-use (ROU) assets at either its carrying amounts as if SFRS(I) 16 had been applied since the commencement date, but discounted using the incremental borrowing rate at the date of initial application; or at amounts equal to the lease liabilities as at 1 January 2019. For lease contracts that contain the option to renew, the Group used hindsight in determining the lease term.

The Group and Company recognise their existing operating lease arrangements as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

10. CHANGES IN ACCOUNTING POLICIES (Cont'd)

As at 1 January 2019, the adoption of SFRS(I) 16 resulted in the following key effects at the Group and Company:

	Group \$'000	Company \$'000
Assets		
Property, plant and equipment	(43,776)	(7,527)
Right-of-use assets	281,710	1,645
Investment properties	-	70,841
Deferred tax assets	(1,625)	-
Liabilities		
Lease liabilities	328,971	64,959
Other long-term payables	(100,530)	-
Equity		
Revenue reserve	7,868	-

11. REVIEW OF GROUP PERFORMANCE

(i) Turnover

	1Q 2019 \$'m	1Q 2018 \$'m	+ / (-) \$'m	+ / (-) %
Rigs & Floaters	679.8	1,019.3	(339.5)	(33.3)
Repairs & Upgrades	102.5	78.6	23.9	30.4
Offshore Platforms	15.2	62.4	(47.2)	(75.6)
Specialised Shipbuilding	4.3	-	4.3	n.m.
Other Activities	8.8	20.0	(11.2)	(56.0)
	810.6	1,180.3	(369.7)	(31.3)

Turnover for 1Q 2019 decreased mainly due to lower revenue recognition from rigs and floaters and offshore platform projects, mitigated by higher repair and upgrade revenue. Excluding the effects of the delivery of 1 jack-up rig to Borr Drilling in 1Q 2019, and delivery of 2 jack-up rigs to Borr Drilling and 1 jack-up rig to BOTL in 1Q 2018, revenue would have been \$608 million, an increase of 27% compared with \$480 million in 1Q 2018.

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

Net profit for 1Q 2019 was lower mainly due to continued low overall business volume which impacted the absorption of overhead costs, offset by margin recognition from newly secured production floater projects and delivery of rig. The net profit in 1Q 2018 arose mainly from the margin recognition upon the delivery of the BOTL rig, offset by low overall business volume.

12. VARIANCE FROM PROSPECT STATEMENT

There is no material change from the previous prospect statement.

13. PROSPECTS

Global capex spend for offshore exploration and production (E&P) continues to improve especially for the offshore production segment. Offshore drilling activities saw some improvement in day rates and utilisation levels for some drilling segments.

Sembcorp Marine is responding to increasing enquiries and tenders for offshore production units, innovative engineering solutions and projects related to the gas value chain.

The outlook for ship repairs and upgrades continues to improve, underpinned by higher work volume from the new IMO regulations requiring the installation of ballast water treatment systems and gas scrubbers.

Overall, competition remains intense, and production activity for the Group is expected to remain low. We will continue to take steps to manage our costs, cash flows and gearing to address our balance sheet and to capitalise on new business opportunities.

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 2019.

15. SEGMENTAL REPORTING

1Q 2019

(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	809,294	-	1,286	-	810,580
Inter-segment sales	-	-	20,169	(20,169)	-
Total	809,294	-	21,455	(20,169)	810,580
Results					
Segment results	13,860	(6,703)	(65)	-	7,092
Finance income	23,276	-	1,373	-	24,649
Finance costs	(29,914)	(350)	(2,145)	-	(32,409)
Share of results of associates and joint ventures, net of tax	(188)	(613)	247	-	(554)
Profit/(loss) before tax	7,034	(7,666)	(590)	-	(1,222)
Tax credit	1,792	-	32	-	1,824
Profit/(loss) for the period	8,826	(7,666)	(558)	-	602
Assets					
Segment assets	7,888,284	238,621	228,332	-	8,355,237
Interests in associates and joint ventures	4,362	49,826	11,131	-	65,319
Deferred tax assets	20,003	-	-	-	20,003
Tax recoverable	10,435	-	537	-	10,972
Total assets	7,923,084	288,447	240,000	-	8,451,531
Liabilities					
Segment liabilities	5,703,525	62,598	278,152	-	6,044,275
Deferred tax liabilities	40,060	-	84	-	40,144
Current tax payable	17,292	-	985	-	18,277
Total liabilities	5,760,877	62,598	279,221	-	6,102,696
Capital expenditure					
	85,425	-	38	-	85,463
Significant non-cash items					
Depreciation and amortisation	57,917	2,235	1,038	-	61,190
Fair value adjustment on hedging instruments	(89)	-	-	-	(89)
Property, plant and equipment written off	-	-	114	-	114
Inventories written down/(written back), net	11	-	(4)	-	7
Allowance for doubtful debts and bad debts, net	(769)	-	-	-	(769)

(ii) Geographical Segments:

	Turnover from external customers		Non-current assets ⁽¹⁾		Total assets		Capital expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	32,125	4	3,806,322	66	6,186,123	73	66,510	78
Rest of Asia, Australia & India	11,998	1	142,095	3	170,015	2	1,172	1
Middle East & Africa	2,174	-	-	-	-	-	-	-
United Kingdom	28,422	3	5,315	-	8,975	-	-	-
Norway	283,209	35	134,283	2	145,911	2	48	-
France	94,327	12	54	-	1,531	-	2	-
The Netherlands	39,234	5	191,810	3	238,645	3	-	-
Rest of Europe	21,196	3	80	-	850	-	26	-
Brazil	71,907	9	1,514,080	26	1,696,663	20	17,691	21
U.S.A.	225,767	28	510	-	2,818	-	14	-
Other countries	221	-	-	-	-	-	-	-
Total	810,580	100	5,794,549	100	8,451,531	100	85,463	100

⁽¹⁾ Non-current assets presented consist of property, plant and equipment, right-of-use assets, interests in associates and joint ventures, trade and other receivables, contract costs and intangible assets.

15. SEGMENTAL REPORTING (Cont'd)

1Q 2018

(i) Business Segments:

Turnover

	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Sales to external parties	1,164,378	14,280	1,690	-	1,180,348
Inter-segment sales	-	-	35,218	(35,218)	-
Total	1,164,378	14,280	36,908	(35,218)	1,180,348

Results

Segment results	17,789	2,497	(749)	-	19,537
Finance income	8,492	-	26	-	8,518
Finance costs	(21,701)	(433)	-	-	(22,134)
Non-operating income	-	-	20	-	20
Share of results of associates and joint ventures, net of tax	(100)	-	285	-	185
Profit/(loss) before tax	4,480	2,064	(418)	-	6,126
Tax (expense)/credit	(1,945)	-	100	-	(1,845)
Profit/(loss) for the period	2,535	2,064	(318)	-	4,281

Assets

Segment assets	8,369,303	241,733	38,954	-	8,649,990
Interests in associates and joint ventures	5,115	51,535	9,984	-	66,634
Deferred tax assets	16,016	-	626	-	16,642
Tax recoverable	10,535	-	-	-	10,535
Total assets	8,400,969	293,268	49,564	-	8,743,801

Liabilities

Segment liabilities	6,099,847	75,619	31,889	-	6,207,355
Deferred tax liabilities	61,689	-	155	-	61,844
Current tax payable	17,735	-	433	-	18,168
Total liabilities	6,179,271	75,619	32,477	-	6,287,367

Capital expenditure

	42,046	-	14	-	42,060
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Significant non-cash items

Depreciation and amortisation	43,628	2,172	225	-	46,025
Fair value adjustment on hedging instruments	(973)	-	-	-	(973)
Fair value adjustment on firm commitments under fair value hedge	(63)	-	-	-	(63)
Property, plant and equipment written off	4	-	-	-	4
Inventories written back, net	(48)	-	-	-	(48)
Allowance for doubtful debts and bad debts, net	469	-	-	-	469
Net change in fair value of financial assets measured through profit or loss	-	-	(20)	-	(20)

(ii) Geographical Segments:

	Turnover from external customers		Non-current assets ⁽¹⁾		Total assets		Capital expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	92,123	8	2,332,070	55	6,582,009	75	24,482	58
Japan	323,922	27	-	-	-	-	-	-
Rest of Asia, Australia & India	9,069	1	147,778	4	222,119	2	1,303	3
Middle East & Africa	9,970	1	-	-	-	-	-	-
United Kingdom	63,219	5	4,986	-	9,182	-	7	-
Norway	402,482	34	143,673	3	149,338	2	-	-
The Netherlands	87,817	7	199,345	5	241,761	3	-	-
Rest of Europe	64,879	6	-	-	-	-	-	-
Brazil	62,432	5	1,403,395	33	1,531,354	18	16,249	39
Other countries	64,435	6	3,995	-	8,038	-	19	-
Total	1,180,348	100	4,235,242	100	8,743,801	100	42,060	100

⁽¹⁾ Non-current assets presented consist of property, plant and equipment, interests in associates and joint ventures, trade and other receivables, contract costs 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 2019 \$'000	1Q 2018 \$'000
Management and Support Services		
Sembcorp Industries Limited	63	63
Total Interested Person Transactions	63	63

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 2019 unaudited financial results to be false or misleading.

BY ORDER OF THE BOARD

**TAN YAH SZE
COMPANY SECRETARY**

2 May 2019