



SEMBCORP MARINE LTD  
Registration Number: 196300098Z

## THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019 FINANCIAL STATEMENTS & RELATED ANNOUNCEMENT

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**UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019**

The Board of Directors of Sembcorp Marine Ltd wishes to announce the following unaudited results of the Group for the third quarter and nine months ended 30 September 2019.

**1. CONSOLIDATED INCOME STATEMENT**

		Group			Group		
	Note	3Q 2019 \$'000	3Q 2018 \$'000	+ / (-) %	9M 2019 \$'000	9M 2018 \$'000	+ / (-) %
<b>Turnover</b>	2a	<b>717,150</b>	<b>1,167,175</b>	<b>(38.6)</b>	<b>2,259,024</b>	<b>3,974,692</b>	<b>(43.2)</b>
Cost of sales	2a	(763,370)	(1,179,978)	(35.3)	(2,278,814)	(3,991,452)	(42.9)
<b>Gross loss</b>	2a	<b>(46,220)</b>	<b>(12,803)</b>	<b>n.m.</b>	<b>(19,790)</b>	<b>(16,760)</b>	<b>18.1</b>
Other operating income	2b	26,511	16,448	61.2	48,179	36,683	31.3
Other operating expenses	2b	(13,840)	1,211	n.m.	(14,799)	(2,310)	n.m.
General and administrative expenses	2c	(19,342)	(26,192)	(26.2)	(63,811)	(71,985)	(11.4)
<b>Operating loss</b>		<b>(52,891)</b>	<b>(21,336)</b>	<b>n.m.</b>	<b>(50,221)</b>	<b>(54,372)</b>	<b>(7.6)</b>
Finance income	2d	24,286	14,854	63.5	71,982	34,120	n.m.
Finance costs	2d	(35,266)	(27,000)	30.6	(100,782)	(74,602)	35.1
Non-operating income	2e	-	55	n.m.	-	141	n.m.
Share of results of associates and joint ventures, net of tax	2f	(512)	(1,597)	(67.9)	(1,705)	(630)	n.m.
<b>Loss before tax</b>		<b>(64,383)</b>	<b>(35,024)</b>	<b>83.8</b>	<b>(80,726)</b>	<b>(95,343)</b>	<b>(15.3)</b>
Tax credit	2g	11,877	4,119	n.m.	19,449	12,176	59.7
<b>Loss for the period</b>		<b>(52,506)</b>	<b>(30,905)</b>	<b>69.9</b>	<b>(61,277)</b>	<b>(83,167)</b>	<b>(26.3)</b>
<b>Loss attributable to:</b>							
Owners of the Company		<b>(52,620)</b>	<b>(29,756)</b>	<b>76.8</b>	<b>(59,450)</b>	<b>(80,061)</b>	<b>(25.7)</b>
Non-controlling interests		114	(1,149)	n.m.	(1,827)	(3,106)	(41.2)
<b>Loss for the period</b>		<b>(52,506)</b>	<b>(30,905)</b>	<b>69.9</b>	<b>(61,277)</b>	<b>(83,167)</b>	<b>(26.3)</b>
<b>Earnings per ordinary share (cents)</b>							
Basic	2h	(2.52)	(1.42)	77.5	(2.85)	(3.83)	(25.6)
Diluted		(2.52)	(1.42)	77.5	(2.85)	(3.83)	(25.6)

n.m.: not meaningful

## 2. NOTES TO CONSOLIDATED INCOME STATEMENT

### 2a. Turnover, Cost of Sales

	Note	Group			Group		
		3Q 2019 \$'000	3Q 2018 \$'000	+ / (-) %	9M 2019 \$'000	9M 2018 \$'000	+ / (-) %
Turnover	(i)	717,150	1,167,175	(38.6)	2,259,024	3,974,692	(43.2)
Cost of sales		(763,370)	(1,179,978)	(35.3)	(2,278,814)	(3,991,452)	(42.9)
Gross loss	(ii)	(46,220)	(12,803)	n.m.	(19,790)	(16,760)	18.1
<i>Included in gross loss:</i>							
Depreciation and amortisation	(iii)	(61,270)	(42,913)	42.8	(182,120)	(136,337)	33.6
Inventories written back, net		88	25	n.m.	70	52	34.6

- (i) Turnover for 3Q 2019 decreased mainly due to lower revenue recognition from rigs and floaters projects. Excluding the effects of delivery of 2 jack-up rigs to Borr Drilling in 3Q 2018, revenue would have been \$773 million, a decrease of 8% in 3Q 2019 when compared to 3Q 2018.

Turnover for 9M 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 9M 2019, and delivery of 6 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL and sale of a semi-submersible rig in 9M 2018, revenue would have been \$2.0 billion, an increase of 12% compared with \$1.8 billion in 9M 2018.

- (ii) Gross loss for 3Q 2019 and 9M 2019 was mainly due to additional costs for rigs and floaters projects and 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 loss in 3Q 2018 and 9M 2018 was mainly due to loss upon the sale of a semi-submersible rig, low overall business volume, mitigated by margin recognition from newly secured projects and delivery of BOTL rig.
- (iii) Higher depreciation in 3Q 2019 and 9M 2019 was mainly due to the accelerated depreciation of the fixed assets at Tanjong Kling Yard since 4Q 2018 and depreciation of rights-of-use assets.

### 2b. Other operating income/(expenses)

	Note	Group			Group		
		3Q 2019 \$'000	3Q 2018 \$'000	+ / (-) %	9M 2019 \$'000	9M 2018 \$'000	+ / (-) %
Other operating income		26,511	16,448	61.2	48,179	36,683	31.3
Other operating expenses		(13,840)	1,211	n.m.	(14,799)	(2,310)	n.m.
		<u>12,671</u>	<u>17,659</u>	(28.2)	<u>33,380</u>	<u>34,373</u>	(2.9)
<i>Included in other operating income/(expenses):</i>							
Foreign exchange gain, net	(i)	14,890	6,926	n.m.	14,149	4,960	n.m.
Fair value adjustment on hedging instruments	(ii)	(3,716)	(715)	n.m.	(2,552)	(1,794)	42.3
Fair value adjustment on firm commitments under fair value hedge		(8,984)	143	n.m.	(8,984)	(228)	n.m.
(Loss)/gain on disposal of property, plant and equipment, net		(2,723)	1,605	n.m.	(2,777)	2,590	n.m.
Negative goodwill	(iii)	4,999	-	n.m.	4,999	-	n.m.
Rental income		3,961	3,410	16.2	10,980	10,320	6.4
Other income	(iv)	4,566	6,473	(29.5)	18,051	18,813	(4.1)
Other expenses		(322)	(183)	76.0	(486)	(288)	68.8
		<u>12,671</u>	<u>17,659</u>	(28.2)	<u>33,380</u>	<u>34,373</u>	(2.9)

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

### 2b. Other operating income/(expenses) (Cont'd)

- (i) Foreign exchange gain in 3Q 2019 and 9M 2019 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) Negative goodwill was mainly due to the fair value adjustments on completion of valuation and final allocation of purchase price for the acquisition of interests and titles to all intellectual property rights of Sevan Marine ASA and HiLoad LNG AS in 3Q 2018.
- (iv) Lower other income in 3Q 2019 and 9M 2019 was mainly due to lower sales of scrap.

### 2c. General and administrative expenses

	Note	Group			Group		
		3Q 2019 \$'000	3Q 2018 \$'000	+ / (-) %	9M 2019 \$'000	9M 2018 \$'000	+ / (-) %
General and administrative expenses	(i)	(19,342)	(26,192)	(26.2)	(63,811)	(71,985)	(11.4)
<i>Included in general and administrative expenses:</i>							
Depreciation and amortisation		(844)	(617)	36.8	(2,395)	(2,044)	17.2
(Allowance for)/write-back of doubtful debts and bad debts, net		-	(336)	n.m.	602	(805)	n.m.

- (i) Lower general and administrative expenses in 3Q 2019 and 9M 2019 was mainly due to lower personnel related costs.

### 2d. Finance income and finance costs

	Note	Group			Group		
		3Q 2019 \$'000	3Q 2018 \$'000	+ / (-) %	9M 2019 \$'000	9M 2018 \$'000	+ / (-) %
Finance income	(i)	24,286	14,854	63.5	71,982	34,120	n.m.
Finance costs	(ii)	(35,266)	(27,000)	30.6	(100,782)	(74,602)	35.1
		(10,980)	(12,146)	(9.6)	(28,800)	(40,482)	(28.9)
<i>Included in finance income/(costs):</i>							
Interest income		24,286	14,854	63.5	71,982	34,120	n.m.
Interest paid and payable to bank and others		(28,966)	(26,032)	11.3	(85,269)	(72,104)	18.3
Amortisation of capitalised transaction costs		(2,076)	(968)	n.m.	(3,861)	(2,498)	54.6
Unwind of discount on restoration costs		(198)	-	n.m.	(558)	-	n.m.
Interest expense on lease liabilities		(4,026)	-	n.m.	(11,094)	-	n.m.
		(10,980)	(12,146)	(9.6)	(28,800)	(40,482)	(28.9)

- (i) Higher finance income in 3Q 2019 and 9M 2019 was mainly due to interest income from customers on deferred payment arrangement.
- (ii) Higher finance costs in 3Q 2019 and 9M 2019 was mainly due to higher average bank borrowings 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.

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

### 2e. Non-operating income

	Group			Group		
	3Q 2019 \$'000	3Q 2018 \$'000	+ / (-) %	9M 2019 \$'000	9M 2018 \$'000	+ / (-) %
Non-operating income	-	55	n.m.	-	141	n.m.
<i>Included in non-operating income:</i>						
Gain on disposal of other financial assets	-	27	n.m.	-	27	n.m.
Net change in fair value of financial assets measured through profit or loss	-	28	n.m.	-	114	n.m.
	-	55	n.m.	-	141	n.m.

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

The share of results of associates and joint ventures in 3Q 2019 and 9M 2019 was mainly due to share of losses from joint ventures.

### 2g. Tax credit

	Note	Group			Group		
		3Q 2019 \$'000	3Q 2018 \$'000	+ / (-) %	9M 2019 \$'000	9M 2018 \$'000	+ / (-) %
Tax credit	(i)	11,877	4,119	n.m.	19,449	12,176	59.7
<i>Included in tax credit:</i>							
(Under provision)/write-back of tax in respect of prior years, net		(122)	(37)	n.m.	3,743	419	n.m.

- (i) The tax credit 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			Group		
	3Q 2019	3Q 2018	+ / (-) %	9M 2019	9M 2018	+ / (-) %
(i) Based on the weighted average number of shares (cents)	(2.52)	(1.42)	77.5	(2.85)	(3.83)	(25.6)
- Weighted average number of shares ('000)	2,089,343	2,088,868	-	2,088,884	2,088,360	-
(ii) On a fully diluted basis (cents)	(2.52)	(1.42)	77.5	(2.85)	(3.83)	(25.6)
- Adjusted weighted average number of shares ('000)	2,089,343	2,088,868	-	2,088,884	2,088,360	-

### 3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group			Group		
		3Q 2019 \$'000	3Q 2018 \$'000	+ / (-) %	9M 2019 \$'000	9M 2018 \$'000	+ / (-) %
<b>Loss for the period</b>		<b>(52,506)</b>	<b>(30,905)</b>	<b>69.9</b>	<b>(61,277)</b>	<b>(83,167)</b>	<b>(26.3)</b>
<b>Other comprehensive income</b>							
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Foreign currency translation differences for foreign operations	3a(i)	549	35,210	(98.4)	1,942	32,177	(94.0)
Net change in fair value of cash flow hedges	3a(ii)	(2,708)	(12,226)	(77.9)	(6,752)	(35,340)	(80.9)
Net change in fair value of cash flow hedges transferred to profit or loss	3a(iii)	(3,523)	11,326	n.m.	(7,455)	11,326	n.m.
Realisation of reserve upon disposal of subsidiaries		(352)	-	n.m.	(352)	-	n.m.
		<u>(6,034)</u>	<u>34,310</u>	<u>n.m.</u>	<u>(12,617)</u>	<u>8,163</u>	<u>n.m.</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)	-	-	-	-	(11,339)	n.m.
Other comprehensive income for the period, net of tax		<u>(6,034)</u>	<u>34,310</u>	<u>n.m.</u>	<u>(12,617)</u>	<u>(3,176)</u>	<u>n.m.</u>
<b>Total comprehensive income for the period</b>		<b><u>(58,540)</u></b>	<b><u>3,405</u></b>	<b><u>n.m.</u></b>	<b><u>(73,894)</u></b>	<b><u>(86,343)</u></b>	<b><u>(14.4)</u></b>
<b>Total comprehensive income attributable to:</b>							
Owners of the Company		(58,638)	4,532	n.m.	(72,043)	(83,133)	(13.3)
Non-controlling interests		<u>98</u>	<u>(1,127)</u>	<u>n.m.</u>	<u>(1,851)</u>	<u>(3,210)</u>	<u>(42.3)</u>
<b>Total comprehensive income for the period</b>		<b><u>(58,540)</u></b>	<b><u>3,405</u></b>	<b><u>n.m.</u></b>	<b><u>(73,894)</u></b>	<b><u>(86,343)</u></b>	<b><u>(14.4)</u></b>

#### 3a. Explanatory notes to Consolidated Statement of Comprehensive Income

- (i) The movement in foreign currency translation reserves in 3Q 2019 and 9M 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 9M 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 30-Sep-2019 \$'000	As at 31-Dec-2018 \$'000	As at 30-Sep-2019 \$'000	As at 31-Dec-2018 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	4,265,984	4,179,257	21,655	57,988
Right-of-use assets	279,360	-	1,285	-
Investment properties	-	-	66,494	13,870
Investments in subsidiaries	-	-	1,785,931	1,786,386
Interests in associates and joint ventures	15,318	66,533	-	-
Other financial assets	6,921	2,881	-	-
Trade and other receivables	1,115,908	1,136,124	29,396	31,719
Other assets	47,435	-	-	-
Intangible assets	203,924	208,934	122	122
Deferred tax assets	53,461	23,223	-	-
	<u>5,988,311</u>	<u>5,616,952</u>	<u>1,904,883</u>	<u>1,890,085</u>
<b>Current assets</b>				
Inventories	114,456	80,171	-	-
Trade and other receivables	373,095	690,550	184,070	107,163
Contract costs	156,002	328,690	-	-
Contract assets	1,544,405	998,666	-	-
Tax recoverable	11,071	10,568	-	-
Assets held for sale	985	1,657	-	-
Other financial assets	2,025	12,283	-	-
Cash and cash equivalents	467,619	837,724	54,599	79,584
	<u>2,669,658</u>	<u>2,960,309</u>	<u>238,669</u>	<u>186,747</u>
<b>Total assets</b>	<u>8,657,969</u>	<u>8,577,261</u>	<u>2,143,552</u>	<u>2,076,832</u>
<b>Current liabilities</b>				
Trade and other payables	1,557,026	1,532,746	28,477	24,706
Contract liabilities	63,803	139,731	-	-
Provisions	17,211	16,875	-	-
Other financial liabilities	19,425	9,809	-	-
Current tax payable	39,114	7,591	3,499	5,304
Interest-bearing borrowings	1,251,284	1,055,496	50,000	50,000
Lease liabilities	19,230	483	7,101	483
	<u>2,967,093</u>	<u>2,762,731</u>	<u>89,077</u>	<u>80,493</u>
<b>Net current (liabilities)/assets</b>	<u>(297,435)</u>	<u>197,578</u>	<u>149,592</u>	<u>106,254</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	34,544	52,808	4,975	4,975
Provisions	122,861	120,861	26,593	26,094
Other financial liabilities	11,989	10,162	-	-
Interest-bearing borrowings	1,400,868	3,172,500	-	-
Subordinated loan	1,500,000	-	-	-
Lease liabilities	326,623	951	54,223	951
Other long-term payables	8,569	108,813	5,574	5,574
	<u>3,405,454</u>	<u>3,466,095</u>	<u>91,365</u>	<u>37,594</u>
<b>Total liabilities</b>	<u>6,372,547</u>	<u>6,228,826</u>	<u>180,442</u>	<u>118,087</u>
<b>Net assets</b>	<u>2,285,422</u>	<u>2,348,435</u>	<u>1,963,110</u>	<u>1,958,745</u>
<b>Equity attributable to owners of the Company</b>				
Share capital	484,288	484,288	484,288	484,288
Other reserves	(49,474)	(51,027)	(21,159)	(23,770)
Revenue reserve	1,815,786	1,878,423	1,499,981	1,498,227
	<u>2,250,600</u>	<u>2,311,684</u>	<u>1,963,110</u>	<u>1,958,745</u>
Non-controlling interests	34,822	36,751	-	-
<b>Total equity</b>	<u>2,285,422</u>	<u>2,348,435</u>	<u>1,963,110</u>	<u>1,958,745</u>

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

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

Interest-bearing borrowings:	As at 30-Sep-2019 \$'000	As at 31-Dec-2018 \$'000
(i) <b><u>Amount repayable in one year or less, or on demand</u></b> Unsecured	1,251,284	1,055,496
(ii) <b><u>Amount repayable after one year</u></b> Unsecured	1,400,868	3,172,500
<b>Subordinated loan:</b>		
(i) <b><u>Amount repayable after one year</u></b> Unsecured	1,500,000	-

##### 4b. **Net asset value**

	Group		Company	
	30-Sep-2019	31-Dec-2018	30-Sep-2019	31-Dec-2018
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (cents)	107.72	110.68	93.96	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.

'Interests in associates and joint ventures' decreased mainly due to reclassification to other assets as a result of the Group's divestment of its 50% shareholding interest in Pacific Workboats Pte Ltd on 9 October 2019.

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

'Other assets' arose from the Group's divestment of its 50% shareholding interest in Pacific Workboats Pte Ltd ("PWPL") on 9 October 2019. The divestment was conditional upon dividend distribution by PWPL which was satisfied through a distribution of assets, comprising primarily of vessels.

'Deferred tax assets' increased mainly due to tax credit on unutilised tax losses, offset by 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.

'Assets 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. During the year, a workshop in Malaysia amounting to \$0.985 million was reclassified from property, plant and equipment.

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

'Cash and cash equivalents' decreased mainly due to capital expenditures and working capital for ongoing projects.



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

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

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

##### **Current liabilities**

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

'Other financial liabilities' increased 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' increased mainly due to reclassification from long term borrowings, offset by repayments. The Group has adequate loan facilities to refinance the short term borrowings as they fall due.

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

##### **Net current liabilities**

The Group recorded net current liabilities of \$297 million as at 30 September 2019. The Group is finalising with lenders to refinance and re-profile existing short term borrowings with longer term maturities.

##### **Non-current liabilities**

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

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

'Interest-bearing borrowings' decreased mainly due to reclassification to short term borrowings and repayments.

'Subordinated loan' arose from the five-year subordinated loan facility from Sembcorp Industries of \$2 billion, of which \$1.5 billion was drawn down on 8 July 2019.

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

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

#### (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.

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

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

##### **Non-current liabilities**

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

## 5. CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		Group	
	3Q 2019	3Q 2018	9M 2019	9M 2018
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>				
Loss for the period	(52,506)	(30,905)	(61,277)	(83,167)
Adjustments for:				
Finance income	(24,286)	(14,854)	(71,982)	(34,120)
Finance costs	35,266	27,000	100,782	74,602
Depreciation of property, plant and equipment, and right-of-use assets	56,381	37,814	163,980	121,219
Amortisation of intangible assets	5,733	5,716	20,535	17,162
Share of results of associates and joint ventures, net of tax	512	1,597	1,705	630
Loss/(gain) on disposal of property, plant and equipment	2,723	(1,605)	2,777	(2,590)
Gain on disposal of other financial assets	-	(27)	-	(27)
Negative goodwill	(4,999)	-	(4,999)	-
Fair value adjustment on hedging instruments	3,716	715	2,552	1,794
Fair value adjustment on firm commitments under fair value hedge	8,984	(143)	8,984	228
Net change in fair value of financial assets measured through profit or loss	-	(28)	-	(114)
Share-based payment expenses	874	1,658	2,579	4,787
Property, plant and equipment written off	-	-	114	6
Inventories written back, net	(88)	(25)	(70)	(52)
Allowance for/(write-back of) doubtful debts and bad debts, net	-	336	(602)	805
Tax credit	(11,877)	(4,119)	(19,449)	(12,176)
Operating profit before working capital changes	20,433	23,130	145,629	88,987
Changes in working capital:				
Inventories	(5,975)	1,532	(34,215)	9,693
Contract costs	3,379	274,103	172,688	1,960,692
Contract assets	(257,691)	(261,948)	(545,739)	(442,851)
Contract liabilities	22,464	(206,210)	(75,928)	(921,481)
Trade and other receivables	25,393	(213,824)	349,908	(861,220)
Trade and other payables	(87,359)	320,507	4,488	65,519
Cash (used in)/generated from operations	(279,356)	(62,710)	16,831	(100,661)
Interest income received	16,042	14,876	52,649	34,161
Interest paid	(29,763)	(26,032)	(89,895)	(72,104)
Tax refunded/(paid)	2,671	(4,586)	3,102	(15,374)
Net cash used in operating activities	(290,406)	(78,452)	(17,313)	(153,978)
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment	(67,976)	(107,648)	(273,076)	(221,063)
Proceeds from sale of property, plant and equipment	1,007	1,643	1,419	2,633
Acquisition of subsidiary and intangible assets, net of cash acquired (Note 5b)	-	(54,594)	-	(54,594)
Proceeds from disposal of equity investments at FVOCI	-	-	-	6,861
Proceeds from disposal of other financial assets	-	835	-	835
Dividend received from associate	160	-	160	-
Dividend received from joint venture	-	-	1,904	-
Net cash used in investing activities	(66,809)	(159,764)	(269,593)	(265,328)
<b>Cash flows from financing activities:</b>				
Proceeds from borrowings	1,594,947	321,146	2,088,109	552,187
Repayment of borrowings	(1,554,226)	(251,210)	(2,162,113)	(730,709)
Payment of lease liabilities	(3,699)	-	(11,874)	(512)
Purchase of treasury shares	-	(916)	-	(916)
Dividends paid to owners of the Company	-	-	-	(20,888)
Dividends paid to non-controlling interests of subsidiaries	(78)	(78)	(78)	(78)
Unclaimed dividends	-	17	-	30
Net cash generated from/(used in) financing activities	36,944	68,959	(85,956)	(200,886)
Net decrease in cash and cash equivalents	(320,271)	(169,257)	(372,862)	(620,192)
<b>Cash and cash equivalents at beginning of the period</b>	<b>781,889</b>	<b>847,968</b>	<b>837,173</b>	<b>1,301,000</b>
Effect of exchange rate changes on balances held in foreign currencies	6,001	3,867	3,308	1,770
<b>Cash and cash equivalents at end of the period</b>	<b>467,619</b>	<b>682,578</b>	<b>467,619</b>	<b>682,578</b>

## 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:

	30-Sep-2019 \$'000	30-Sep-2018 \$'000
Fixed deposits	5,742	3,038
Cash and bank balances	461,877	680,057
Cash and cash equivalents in balance sheets	467,619	683,095
Bank overdrafts	-	(517)
Cash and cash equivalents in consolidated statement of cash flows	467,619	682,578

### 5b. Cash flow on acquisition of subsidiary and intangible assets, net of cash acquired

During the financial period ended 30 September 2018, the Group acquired the interests and titles to all intellectual property rights of Sevan Marine ASA and HiLoad LNG AS. The fair value of assets (including intangible assets) and liabilities from the acquisitions had initially been determined based on provisional fair values.

The Group completed the purchase price allocation exercise during the period ended 30 September 2019 and had made adjustments to the provisional fair value originally recorded in the prior year. The effect of the adjustments is set out below:

	3Q 2019 and 9M 2019 \$'000	3Q 2018 and 9M 2018 \$'000
<b>(i) Effect on cash flows of the Group</b>		
Cash paid	-	54,619
Less: Cash and cash equivalents in subsidiary acquired	-	(25)
Cash outflow on acquisition	-	54,594

	3Q 2018 and 9M 2018 (Provisional) \$'000	Adjustments during measurement period \$'000	3Q 2019 and 9M 2019 <sup>1</sup> (Final) \$'000
<b>(ii) Identifiable assets acquired and liabilities assumed</b>			
Intangible assets	51,625	8,808	60,433
Trade and other receivables	5	-	5
Cash and cash equivalents	25	-	25
Total assets	51,655	8,808	60,463
Trade and other payables	15	48	63
Deferred tax liabilities	-	1,634	1,634
Total liabilities	15	1,682	1,697
Net identifiable assets	51,640	7,126	58,766
Add: Goodwill	2,979	(2,127)	852
Less: Negative goodwill	-	(4,999)	(4,999)
Consideration transferred for the business	54,619	-	54,619

<sup>1</sup> Purchase price adjustments, which are non-cash in nature, made during the measurement period have not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects and certain consequential income statement effects, are immaterial to the Group.

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

### **5c. Explanatory notes to Consolidated Statement of Cash Flows**

#### **Third quarter**

Cash flows generated from operating activities before changes in working capital were \$20.4 million in 3Q 2019. Net cash used in operating activities for 3Q 2019 at \$290.4 million was mainly due to working capital for ongoing projects, offset by receipts from completed projects.

Net cash used in investing activities for 3Q 2019 was \$66.8 million, mainly due to purchase of property, plant and equipment for Sembcorp Marine Tuas Boulevard yard.

Net cash generated from financing activities for 3Q 2019 was \$36.9 million. It relates mainly to net proceeds from borrowings.

#### **Nine months**

Cash flows generated from operating activities before changes in working capital were \$145.6 million in 9M 2019. Net cash used in operating activities for 9M 2019 at \$17.3 million was mainly due to working capital for ongoing projects, offset by receipts from completed projects.

Net cash used in investing activities for 9M 2019 was \$269.6 million, mainly due to purchase of property, plant and equipment for Sembcorp Marine Tuas Boulevard yard.

Net cash used in financing activities for 9M 2019 was \$86.0 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
<b>1H 2019</b>									
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
<b>Adjusted balance at 1 January 2019</b>	<b>484,288</b>	<b>(2,151)</b>	<b>(13,011)</b>	<b>(13,577)</b>	<b>(22,288)</b>	<b>1,886,291</b>	<b>2,319,552</b>	<b>36,751</b>	<b>2,356,303</b>
<b>Total comprehensive income</b>									
Loss for the period	-	-	-	-	-	(6,830)	(6,830)	(1,941)	(8,771)
<b>Other comprehensive income</b>									
Foreign currency translation differences for foreign operations	-	-	-	1,401	-	-	1,401	(8)	1,393
Net change in fair value of cash flow hedges	-	-	-	-	(4,044)	-	(4,044)	-	(4,044)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(3,932)	-	(3,932)	-	(3,932)
Total other comprehensive income	-	-	-	1,401	(7,976)	-	(6,575)	(8)	(6,583)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,401</b>	<b>(7,976)</b>	<b>(6,830)</b>	<b>(13,405)</b>	<b>(1,949)</b>	<b>(15,354)</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>									
Issue of treasury shares	-	1,380	-	-	(896)	-	484	-	484
Share-based payments	-	-	-	-	1,735	-	1,735	-	1,735
<b>Total transactions with owners</b>	<b>-</b>	<b>1,380</b>	<b>-</b>	<b>-</b>	<b>839</b>	<b>-</b>	<b>2,219</b>	<b>-</b>	<b>2,219</b>
<b>At 30 June 2019</b>	<b>484,288</b>	<b>(771)</b>	<b>(13,011)</b>	<b>(12,176)</b>	<b>(29,425)</b>	<b>1,879,461</b>	<b>2,308,366</b>	<b>34,802</b>	<b>2,343,168</b>
<b>3Q 2019</b>									
<b>Total comprehensive income</b>									
Loss for the period	-	-	-	-	-	(52,620)	(52,620)	114	(52,506)
<b>Other comprehensive income</b>									
Foreign currency translation differences for foreign operations	-	-	-	565	-	-	565	(16)	549
Net change in fair value of cash flow hedges	-	-	-	-	(2,708)	-	(2,708)	-	(2,708)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(3,523)	-	(3,523)	-	(3,523)
Realisation of reserves upon disposal of subsidiaries	-	-	11,328	(145)	(480)	(11,055)	(352)	-	(352)
Total other comprehensive income	-	-	11,328	420	(6,711)	(11,055)	(6,018)	(16)	(6,034)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>11,328</b>	<b>420</b>	<b>(6,711)</b>	<b>(63,675)</b>	<b>(58,638)</b>	<b>98</b>	<b>(58,540)</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>									
Dividends paid	-	-	-	-	-	-	-	(78)	(78)
Share-based payments	-	-	-	-	872	-	872	-	872
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>872</b>	<b>-</b>	<b>872</b>	<b>(78)</b>	<b>794</b>
<b>At 30 September 2019</b>	<b>484,288</b>	<b>(771)</b>	<b>(1,683)</b>	<b>(11,756)</b>	<b>(35,264)</b>	<b>1,815,786</b>	<b>2,250,600</b>	<b>34,822</b>	<b>2,285,422</b>

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

### 6a. Statements of Changes in Equity of the Group (Cont'd)

	Attributable to owners of the Company						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
<b>1H 2018</b>									
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
<b>Total comprehensive income</b>									
Loss for the period	-	-	-	-	-	(50,305)	(50,305)	(1,957)	(52,262)
<b>Other comprehensive income</b>									
Foreign currency translation differences for foreign operations	-	-	-	(2,907)	-	-	(2,907)	(126)	(3,033)
Net change in fair value of cash flow hedges	-	-	-	-	(23,114)	-	(23,114)	-	(23,114)
Net change in fair value of equity investments at FVOCI	-	-	-	-	(11,339)	-	(11,339)	-	(11,339)
Reclassification of reserve on disposal of equity investments at FVOCI	-	-	-	-	11,339	(11,339)	-	-	-
Total other comprehensive income	-	-	-	(2,907)	(23,114)	(11,339)	(37,360)	(126)	(37,486)
<b>Total comprehensive income</b>	-	-	-	(2,907)	(23,114)	(61,644)	(87,665)	(2,083)	(89,748)
<b>Transactions with owners of the Company, recognised directly in equity</b>									
Issue of treasury shares	-	2,192	-	-	(1,678)	-	514	-	514
Dividends paid	-	-	-	-	-	(20,888)	(20,888)	-	(20,888)
Unclaimed dividends	-	-	-	-	-	13	13	-	13
Share-based payments	-	-	-	-	2,308	-	2,308	-	2,308
<b>Total transactions with owners</b>	-	2,192	-	-	630	(20,875)	(18,053)	-	(18,053)
At 30 June 2018	484,288	(1,259)	(13,011)	(25,619)	(14,461)	1,902,232	2,332,170	39,116	2,371,286
<b>3Q 2018</b>									
<b>Total comprehensive income</b>									
Loss for the period	-	-	-	-	-	(29,756)	(29,756)	(1,149)	(30,905)
<b>Other comprehensive income</b>									
Foreign currency translation differences for foreign operations	-	-	-	35,188	-	-	35,188	22	35,210
Net change in fair value of cash flow hedges	-	-	-	-	(12,226)	-	(12,226)	-	(12,226)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	11,326	-	11,326	-	11,326
Total other comprehensive income	-	-	-	35,188	(900)	-	34,288	22	34,310
<b>Total comprehensive income</b>	-	-	-	35,188	(900)	(29,756)	4,532	(1,127)	3,405
<b>Transactions with owners of the Company, recognised directly in equity</b>									
Purchase of treasury shares	-	(916)	-	-	-	-	(916)	-	(916)
Dividends paid	-	-	-	-	-	-	-	(78)	(78)
Unclaimed dividends	-	-	-	-	-	17	17	-	17
Share-based payments	-	-	-	-	1,125	-	1,125	-	1,125
<b>Total transactions with owners</b>	-	(916)	-	-	1,125	17	226	(78)	148
At 30 September 2018	484,288	(2,175)	(13,011)	9,569	(14,236)	1,872,493	2,336,928	37,911	2,374,839

## 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
<b>1H 2019</b>						
At 1 January 2019	484,288	(2,151)	960	(22,579)	1,498,227	1,958,745
<b>Total comprehensive income</b>						
Profit for the period	-	-	-	-	2,112	2,112
<b>Other comprehensive income</b>						
Total other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	2,112	2,112
<b>Transactions with owners of the Company, recognised directly in equity</b>						
Issue of treasury shares	-	1,380	-	(896)	-	484
Share-based payments	-	-	-	1,054	-	1,054
Cost of share-based payment issued to employees of subsidiaries	-	-	-	681	-	681
<b>Total transactions with owners</b>	-	1,380	-	839	-	2,219
At 30 June 2019	484,288	(771)	960	(21,740)	1,500,339	1,963,076
<b>3Q 2019</b>						
<b>Total comprehensive income</b>						
Loss for the period	-	-	-	-	(358)	(358)
<b>Other comprehensive income</b>						
Realisation of reserve upon disposal of a subsidiary	-	-	-	(480)	-	(480)
Total other comprehensive income	-	-	-	(480)	-	(480)
<b>Total comprehensive income</b>	-	-	-	(480)	(358)	(838)
<b>Transactions with owners of the Company, recognised directly in equity</b>						
Share-based payments	-	-	-	528	-	528
Cost of share-based payment issued to employees of subsidiaries	-	-	-	344	-	344
<b>Total transactions with owners</b>	-	-	-	872	-	872
At 30 September 2019	484,288	(771)	960	(21,348)	1,499,981	1,963,110

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

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

	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Other reserves \$'000	Revenue reserve \$'000	Total Equity \$'000
<b>1H 2018</b>						
At 1 January 2018	484,288	(3,451)	960	(25,787)	1,277,219	1,733,229
<b>Total comprehensive income</b>						
Profit for the period	-	-	-	-	91,702	91,702
<b>Other comprehensive income</b>						
Net change in fair value of equity investments at FVOCI	-	-	-	(11,339)	-	(11,339)
Reclassification of reserve on disposal of equity investments at FVOCI	-	-	-	11,339	(11,339)	-
Total other comprehensive income	-	-	-	-	(11,339)	(11,339)
<b>Total comprehensive income</b>	-	-	-	-	80,363	80,363
<b>Transactions with owners of the Company, recognised directly in equity</b>						
Issue of treasury shares	-	2,192	-	(1,678)	-	514
Dividends paid	-	-	-	-	(20,888)	(20,888)
Unclaimed dividends	-	-	-	-	13	13
Share-based payments	-	-	-	1,141	-	1,141
Cost of share-based payment issued to employees of subsidiaries	-	-	-	1,167	-	1,167
<b>Total transactions with owners</b>	-	2,192	-	630	(20,875)	(18,053)
At 30 June 2018	484,288	(1,259)	960	(25,157)	1,336,707	1,795,539
<b>3Q 2018</b>						
<b>Total comprehensive income</b>						
Profit for the period	-	-	-	-	3,238	3,238
<b>Other comprehensive income</b>						
Total other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	3,238	3,238
<b>Transactions with owners of the Company, recognised directly in equity</b>						
Purchase of treasury shares	-	(916)	-	-	-	(916)
Unclaimed dividends	-	-	-	-	17	17
Share-based payments	-	-	-	570	-	570
Cost of share-based payment issued to employees of subsidiaries	-	-	-	555	-	555
<b>Total transactions with owners</b>	-	(916)	-	1,125	17	226
At 30 September 2018	484,288	(2,175)	960	(24,032)	1,339,962	1,799,003



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

### 6c. Changes in the Company's share capital

#### (i) Issued and Paid Up Capital

As at 30 September 2019, the Company's issued and paid up capital, excluding treasury shares, comprises 2,089,343,267 (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	(745,644)	(1,175,208)
At 30 June	416,840	674,979
Treasury shares purchased	-	500,000
At 30 September	416,840	1,174,979

During 3Q 2019, the Company did not acquire (3Q 2018: 500,000) any ordinary shares in the Company by way of on-market purchases.

As at 30 September 2019, 416,840 (30 September 2018: 1,174,979) 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 the Company's Restricted Share Plan ("RSP") respectively.

#### (iii) Performance Shares

	Number of shares	
	2019	2018
At 1 January	4,088,000	4,733,000
Conditional performance shares lapsed	-	(278,000)
Performance shares lapsed arising from targets not met	(1,470,000)	(1,215,000)
At 30 June	2,618,000	3,240,000
Conditional performance shares awarded	-	1,168,000
Conditional performance shares lapsed	-	(320,000)
At 30 September	2,618,000	4,088,000

During 3Q 2019, there were no (3Q 2018: 1,168,000) performance shares awarded under the PSP, no (3Q 2018: nil) performance shares released and no (3Q 2018: 320,000) performance shares that lapsed.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 30 September 2019 was 2,618,000 (30 September 2018: 4,088,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,927,000 (30 September 2018: 6,132,000) performance shares.

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

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

#### (iv) Restricted Shares

	Number of shares	
	2019	2018
At 1 January	15,616,727	15,383,413
Conditional restricted shares awarded	261,300	275,800
Conditional restricted shares released	(745,644)	(1,175,208)
Conditional restricted shares lapsed	(326,126)	(286,231)
Restricted shares lapsed arising from targets not met	(11,159,921)	(6,078,150)
At 30 June	3,646,336	8,119,624
Conditional restricted shares awarded	-	7,848,188
Conditional restricted shares lapsed	(47,729)	(220,073)
At 30 September	3,598,607	15,747,739

During 3Q 2019, there was no (3Q 2018: 7,848,188) restricted shares awarded under the RSP and 47,729 (3Q 2018: 220,073) restricted shares that lapsed.

The total number of restricted shares outstanding, including awards achieved but not released, as at 30 September 2019 was 3,598,607 (30 September 2018: 15,747,739). Of this, there was no (30 September 2018: 14,930,938) restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 30 September 2019. Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 22,396,407 restricted shares as at 30 September 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

### 9a. Basis of preparation

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.

Except as disclosed in paragraph 9b below, 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.

## 9. ACCOUNTING POLICIES (Cont'd)

### 9b. 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 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.

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

	<b>Group \$'000</b>	<b>Company \$'000</b>
<b>Assets</b>		
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)	-
<b>Liabilities</b>		
Lease liabilities	328,971	64,959
Other long-term payables	(100,530)	-
<b>Equity</b>		
Revenue reserve	7,868	-

## 10. REVIEW OF GROUP PERFORMANCE

### (i) Turnover

	3Q 2019	3Q 2018	+ / (-)	+ / (-)	9M 2019	9M 2018	+ / (-)	+ / (-)
	\$'m	\$'m	\$'m	%	\$'m	\$'m	\$'m	%
<b>Rigs &amp; Floaters</b>	513.1	989.0	(475.9)	(48.1)	1,735.3	3,401.9	(1,666.6)	(49.0)
<b>Repairs &amp; Upgrades</b>	146.2	131.4	14.8	11.3	391.1	335.9	55.2	16.4
<b>Offshore Platforms</b>	39.8	25.1	14.7	58.6	88.9	172.4	(83.5)	(48.4)
<b>Specialised Shipbuilding</b>	8.6	-	8.6	n.m.	15.7	-	15.7	n.m.
<b>Other Activities</b>	9.5	21.7	(12.2)	(56.2)	28.0	64.5	(36.5)	(56.6)
	<b>717.2</b>	<b>1,167.2</b>	<b>(450.0)</b>	<b>(38.6)</b>	<b>2,259.0</b>	<b>3,974.7</b>	<b>(1,715.7)</b>	<b>(43.2)</b>

Turnover for 3Q 2019 decreased mainly due to lower revenue recognition from rigs and floaters projects. Excluding the effects of delivery of 2 jack-up rigs to Borr Drilling in 3Q 2018, revenue would have been \$773 million, a decrease of 8% in 3Q 2019 when compared to 3Q 2018.

Turnover for 9M 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 9M 2019, and delivery of 6 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL and sale of a semi-submersible rig in 9M 2018, revenue would have been \$2.0 billion, an increase of 12% compared with \$1.8 billion in 9M 2018.

### (ii) Loss attributable to Owners of the Company (“Net loss”)

Net loss for 3Q 2019 and 9M 2019 was mainly due to additional costs for rigs and floaters projects and 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 loss in 3Q 2018 and 9M 2018 was mainly due to loss upon the sale of a semi-submersible rig, low overall business volume, mitigated by margin recognition from newly secured projects and delivery of BOTL rig.

## 11. VARIANCE FROM PROSPECT STATEMENT

Please refer to paragraph 12.

## 12. PROSPECTS

Challenges in the offshore and marine sector persist and competition remains intense. Activity levels in all segments remain low except for repairs and upgrades, which continues to improve, underpinned by the cruise ship segment, and IMO regulations that require installation of ballast water treatment systems and gas scrubbers.

The company is expecting the trend of losses to continue into the 4th Quarter, and the full year loss to be higher than last year.

*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.*

## 13. DIVIDEND

There is no dividend recommended for the period ended 30 September 2019.

## 14. SEGMENTAL REPORTING

### 9M 2019

#### (i) Business Segments:

	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
<b>Turnover</b>					
Sales to external parties	2,253,277	-	5,747	-	2,259,024
Inter-segment sales	-	-	89,991	(89,991)	-
<b>Total</b>	<b>2,253,277</b>	<b>-</b>	<b>95,738</b>	<b>(89,991)</b>	<b>2,259,024</b>
<b>Results</b>					
Segment results	(34,487)	(16,602)	868	-	(50,221)
Finance income	88,724	1	39,029	(55,772)	71,982
Finance costs	(116,460)	(597)	(39,497)	55,772	(100,782)
Share of results of associates and joint ventures, net of tax	(344)	(1,814)	453	-	(1,705)
(Loss)/profit before tax	(62,567)	(19,012)	853	-	(80,726)
Tax credit/(expense)	19,680	-	(231)	-	19,449
<b>(Loss)/profit for the period</b>	<b>(42,887)</b>	<b>(19,012)</b>	<b>622</b>	<b>-</b>	<b>(61,277)</b>
<b>Assets</b>					
Segment assets	8,979,391	243,005	2,478,362	(3,122,639)	8,578,119
Interests in associates and joint ventures	4,141	-	11,177	-	15,318
Deferred tax assets	53,461	-	-	-	53,461
Tax recoverable	10,500	-	571	-	11,071
<b>Total assets</b>	<b>9,047,493</b>	<b>243,005</b>	<b>2,490,110</b>	<b>(3,122,639)</b>	<b>8,657,969</b>
<b>Liabilities</b>					
Segment liabilities	6,936,026	3,674	2,481,828	(3,122,639)	6,298,889
Deferred tax liabilities	34,460	-	84	-	34,544
Current tax payable	38,085	-	1,029	-	39,114
<b>Total liabilities</b>	<b>7,008,571</b>	<b>3,674</b>	<b>2,482,941</b>	<b>(3,122,639)</b>	<b>6,372,547</b>
<b>Capital expenditure</b>	<b>282,703</b>	<b>-</b>	<b>57</b>	<b>-</b>	<b>282,760</b>
<b>Significant non-cash items</b>					
Depreciation and amortisation	174,647	6,763	3,105	-	184,515
Fair value adjustment on hedging instruments	2,552	-	-	-	2,552
Fair value adjustment on firm commitments under fair value hedge	(382)	-	9,366	-	8,984
Property, plant and equipment written off	-	-	114	-	114
Inventories written down/(written back), net	24	-	(94)	-	(70)
Write-back of doubtful debts and bad debts, net	(602)	-	-	-	(602)

#### (ii) Geographical Segments:

	Turnover from external customers		Non-current assets <sup>(1)</sup>		Total assets		Capital expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	117,509	5	3,914,161	67	6,344,788	73	233,147	83
Rest of Asia, Australia & India	110,336	5	138,561	2	176,979	2	3,537	1
Middle East & Africa	8,738	-	-	-	-	-	-	-
United Kingdom	124,590	6	4,647	-	7,087	-	-	-
Norway	551,568	24	125,663	2	140,337	2	48	-
France	326,989	15	91	-	2,197	-	58	-
The Netherlands	72,059	3	190,117	3	197,127	2	-	-
Rest of Europe	56,692	3	70	-	991	-	17	-
Brazil	289,893	13	1,553,574	26	1,785,826	21	45,888	16
U.S.A.	593,165	26	1,045	-	2,637	-	65	-
Other countries	7,485	-	-	-	-	-	-	-
<b>Total</b>	<b>2,259,024</b>	<b>100</b>	<b>5,927,929</b>	<b>100</b>	<b>8,657,969</b>	<b>100</b>	<b>282,760</b>	<b>100</b>

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

## 14. SEGMENTAL REPORTING (Cont'd)

### 9M 2018

#### (i) Business Segments:

	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
<b>Turnover</b>					
Sales to external parties	3,924,902	43,393	6,397	-	3,974,692
Inter-segment sales	-	-	154,950	(154,950)	-
<b>Total</b>	<b>3,924,902</b>	<b>43,393</b>	<b>161,347</b>	<b>(154,950)</b>	<b>3,974,692</b>
<b>Results</b>					
Segment results	(83,294)	9,088	19,834	-	(54,372)
Finance income	33,987	-	133	-	34,120
Finance costs	(73,323)	(1,279)	-	-	(74,602)
Non-operating income	-	-	141	-	141
Share of results of associates and joint ventures, net of tax	(732)	(874)	976	-	(630)
(Loss)/profit before tax	(123,362)	6,935	21,084	-	(95,343)
Tax credit	12,003	-	173	-	12,176
<b>(Loss)/profit for the period</b>	<b>(111,359)</b>	<b>6,935</b>	<b>21,257</b>	<b>-</b>	<b>(83,167)</b>
<b>Assets</b>					
Segment assets	7,779,395	261,779	377,500	-	8,418,674
Interests in associates and joint ventures	4,456	53,021	10,675	-	68,152
Deferred tax assets	47,645	-	626	-	48,271
Tax recoverable	10,530	-	-	-	10,530
<b>Total assets</b>	<b>7,842,026</b>	<b>314,800</b>	<b>388,801</b>	<b>-</b>	<b>8,545,627</b>
<b>Liabilities</b>					
Segment liabilities	5,972,469	73,667	36,893	-	6,083,029
Deferred tax liabilities	53,905	-	155	-	54,060
Current tax payable	33,355	-	344	-	33,699
<b>Total liabilities</b>	<b>6,059,729</b>	<b>73,667</b>	<b>37,392</b>	<b>-</b>	<b>6,170,788</b>
<b>Capital expenditure</b>					
	219,019	-	19	-	219,038
<b>Significant non-cash items</b>					
Depreciation and amortisation	130,828	7,016	537	-	138,381
Fair value adjustment on hedging instruments	1,794	-	-	-	1,794
Fair value adjustment on firm commitments under fair value hedge	228	-	-	-	228
Property, plant and equipment written off	6	-	-	-	6
Inventories written back, net	(52)	-	-	-	(52)
Allowance for doubtful debts and bad debts, net	805	-	-	-	805
Net change in fair value of financial assets measured through profit or loss	-	-	(114)	-	(114)
Gain on disposal of other financial assets	-	-	(27)	-	(27)

#### (ii) Geographical Segments:

	Turnover from external customers		Non-current assets <sup>(1)</sup>		Total assets		Capital expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	354,796	9	2,583,264	56	6,265,840	73	151,901	69
Japan	332,542	8	-	-	-	-	-	-
Rest of Asia, Australia & India	61,944	2	147,935	3	178,050	2	2,037	1
Middle East & Africa	10,795	-	-	-	-	-	-	-
United Kingdom	190,442	5	4,536	-	12,095	-	53	-
Norway	1,191,574	30	138,547	3	146,684	2	14	-
The Netherlands	297,081	8	204,015	5	261,834	3	-	-
Rest of Europe	338,619	9	124	-	2,501	-	56	-
Brazil	167,459	4	1,506,448	33	1,673,319	20	64,964	30
U.S.A.	971,820	24	4,066	-	5,304	-	13	-
Other countries	57,620	1	-	-	-	-	-	-
<b>Total</b>	<b>3,974,692</b>	<b>100</b>	<b>4,588,935</b>	<b>100</b>	<b>8,545,627</b>	<b>100</b>	<b>219,038</b>	<b>100</b>

<sup>(1)</sup> Non-current assets presented consist of property, plant and equipment, interests in associates and joint ventures, trade and other receivables and intangible assets.

## 14. **SEGMENTAL REPORTING** (Cont'd)

### 14a. **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 10.

15. **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)	
	9M 2019 \$'000	9M 2018 \$'000
<b>Transaction for the Purchase of Goods and Services</b> Sembcorp Industries Limited and its associates	293	-
<b>Management and Support Services</b> Sembcorp Industries Limited	188	188
<b>Total Interested Person Transactions</b>	<u>481</u>	<u>188</u>
<b>Treasury Transactions</b> <b>Subordinated Loan from – as at 30 September</b> Sembcorp Industries Limited and its associates	<u>1,500,000</u>	<u>-</u>

16. **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.

17. **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 third quarter and nine months ended 30 September 2019 unaudited financial results to be false or misleading.

**BY ORDER OF THE BOARD**

**TAN YAH SZE**  
**COMPANY SECRETARY**

**12 November 2019**