SEMBCORP MARINE LTD
Registration Number: 196300098Z

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022 & RELATED ANNOUNCEMENT

TABLE OF CONTENTS

A.	Condensed interim consolidated income statement	1
B.	Condensed interim consolidated statement of comprehensive income	2
C.	Condensed interim balance sheets	3
D.	Condensed interim statements of changes in equity	4
E.	Condensed interim consolidated statement of cash flows	6
F.	Notes to the condensed interim financial statements	7
G.	Other information required by Listing Rule Appendix 7.2	26

SEMBCORP MARINE LTD
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UNAUDITED RESULTS FOR THE SIX MONTHS AND FULL YEAR ENDED 31 DECEMBER 2022

A. CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Note	Group 2H 2022 $'000	Group 2H 2021 $'000	+ / (-) %	Group FY 2022 $'000	Group FY 2021 $'000	+ / (-) %
Turnover	3	**852,232**	**1,018,029**	**(16.3)**	**1,947,195**	**1,862,215**	**4.6**
Cost of sales	4	(891,482)	(1,512,172)	(41.0)	(2,079,357)	(2,944,605)	(29.4)
Gross loss		**(39,250)**	**(494,143)**	**(92.1)**	**(132,162)**	**(1,082,390)**	**(87.8)**
Other operating income	5	63,631	57,424	10.8	110,168	125,587	(12.3)
Other operating expenses	5	(63,691)	(34,128)	86.6	(74,003)	(178,078)	(58.4)
General and administrative expenses	6	(52,082)	(44,336)	17.5	(110,447)	(89,234)	23.8
Operating loss		**(91,392)**	**(515,183)**	**(82.3)**	**(206,444)**	**(1,224,115)**	**(83.1)**
Finance income	7	67,242	27,886	n.m.	102,258	50,768	n.m.
Finance costs	7	(82,060)	(40,466)	n.m.	(136,700)	(82,599)	65.5
Non-operating income	8	8	-	n.m.	8	-	n.m.
Share of results of associates and joint ventures, net of tax		723	503	43.7	1,134	1,166	(2.7)
Loss before tax		**(105,479)**	**(527,260)**	**(80.0)**	**(239,744)**	**(1,254,780)**	**(80.9)**
Tax (expense)/credit	10	(15,050)	1,409	n.m.	(25,816)	79,422	n.m.
Loss for the period/year		**(120,529)**	**(525,851)**	**(77.1)**	**(265,560)**	**(1,175,358)**	**(77.4)**
Loss attributable to:							
Owners of the Company		**(118,284)**	**(523,316)**	**(77.4)**	**(261,141)**	**(1,170,558)**	**(77.7)**
Non-controlling interests		(2,245)	(2,535)	(11.4)	(4,419)	(4,800)	(7.9)
Loss for the period/year		**(120,529)**	**(525,851)**	**(77.1)**	**(265,560)**	**(1,175,358)**	**(77.4)**
Earnings per ordinary share (cents)	12						
Basic		(0.38)	(2.27)	(83.3)	(0.83)	(6.49)	(87.2)
Diluted		(0.38)	(2.27)	(83.3)	(0.83)	(6.49)	(87.2)

n.m.: not meaningful

B. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group			Group		
	2H 2022 $'000	2H 2021 $'000	+ / (-) %	FY 2022 $'000	FY 2021 $'000	+ / (-) %
Loss for the period/year	**(120,529)**	**(525,851)**	**(77.1)**	**(265,560)**	**(1,175,358)**	**(77.4)**
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	(14,915)	20,987	n.m.	(6,614)	14,295	n.m.
Net change in fair value of cash flow hedges	13,912	(9,691)	n.m.	10,540	(5,099)	n.m.
Net change in fair value of cash flow hedges transferred to profit or loss	21,101	(2,133)	n.m.	25,255	(3,562)	n.m.
Realisation of reserve upon disposal of subsidiaries	(2)	-	n.m.	(2)	4	n.m.
Other comprehensive income for the period/year, net of tax	20,096	9,163	n.m.	29,179	5,638	n.m.
Total comprehensive income for the period/year	**(100,433)**	**(516,688)**	**(80.6)**	**(236,381)**	**(1,169,720)**	**(79.8)**
Total comprehensive income attributable to:						
Owners of the Company	(98,193)	(514,117)	(80.9)	(231,922)	(1,164,873)	(80.1)
Non-controlling interests	(2,240)	(2,571)	(12.9)	(4,459)	(4,847)	(8.0)
Total comprehensive income for the period/year	**(100,433)**	**(516,688)**	**(80.6)**	**(236,381)**	**(1,169,720)**	**(79.8)**

C. CONDENSED INTERIM BALANCE SHEETS

		Group		Company	
		As at	As at	As at	As at
		31-Dec-2022	31-Dec-2021	31-Dec-2022	31-Dec-2021
	Note	$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	13	3,860,087	3,992,675	698	937
Right-of-use assets	14	215,851	235,800	796	1,529
Investment properties		-	-	32,985	38,311
Investments in subsidiaries	15	-	-	3,585,686	3,585,686
Interests in associates and joint ventures		17,537	16,559	-	-
Other financial assets		24,057	3,275	-	-
Trade and other receivables		1,507,457	1,167,376	238,000	1,292,700
Contract assets		-	463,517	-	-
Intangible assets		174,705	198,419	133	133
Deferred tax assets		169,232	196,215	29,022	29,940
		5,968,926	6,273,836	3,887,320	4,949,236
Current assets					
Inventories		71,061	66,963	-	-
Trade and other receivables		571,794	471,321	1,337,010	135,557
Contract costs		47,654	68,456	-	-
Contract assets		296,763	1,295,308	-	-
Tax recoverable		14,840	16,093	-	-
Other financial assets		40,007	3,778	-	-
Cash and cash equivalents		2,090,843	1,104,118	615,875	734,167
		3,132,962	3,026,037	1,952,885	869,724
Total assets		9,101,888	9,299,873	5,840,205	5,818,960
Current liabilities					
Trade and other payables		1,052,534	1,432,056	47,412	39,197
Contract liabilities		585,801	171,551	-	-
Provisions		89,407	56,386	48,512	30,673
Other financial liabilities		1,622	25,495	-	-
Current tax payable		9,152	6,092	6,189	56
Interest-bearing borrowings	17	1,669,164	820,581	50,000	50,000
Lease liabilities		26,316	21,094	9,239	8,899
		3,433,996	2,533,255	161,352	128,825
Net current (liabilities)/assets		(301,034)	492,782	1,791,533	740,899
Non-current liabilities					
Deferred tax liabilities		15,789	19,070	-	-
Provisions		196,835	205,108	109,157	126,561
Other financial liabilities		4,524	781	-	-
Interest-bearing borrowings	17	1,419,532	2,255,228	-	-
Lease liabilities		242,373	257,650	33,931	43,026
Other long-term payables		448	3,711	-	1,731
		1,879,501	2,741,548	143,088	171,318
Total liabilities		5,313,497	5,274,803	304,440	300,143
Net assets		**3,788,391**	**4,025,070**	**5,535,765**	**5,518,817**
Equity attributable to owners of the Company					
Share capital	18	4,074,215	4,074,215	4,074,215	4,074,215
Other reserves		(21,672)	(51,682)	(22,948)	(22,948)
Revenue reserve		(283,188)	(21,256)	1,484,498	1,467,550
		3,769,355	4,001,277	5,535,765	5,518,817
Non-controlling interests		19,036	23,793	-	-
Total equity		**3,788,391**	**4,025,070**	**5,535,765**	**5,518,817**

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

i. Statements of Changes in Equity of the Group

	Attributable to owners of the Company									
	Share capital	Reserve for own shares	Capital reserves	Currency translation reserve	Share-based payments reserve	Hedging reserve	Revenue reserve	Total	Non-controlling interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
FY 2022										
At 1 January 2022	**4,074,215**	**(1)**	**(1,683)**	**(17,732)**	**(25,995)**	**(6,271)**	**(21,256)**	**4,001,277**	**23,793**	**4,025,070**
Total comprehensive income										
Loss for the year	-	-	-	-	-	-	(261,141)	(261,141)	(4,419)	(265,560)
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	(6,574)	-	-	-	(6,574)	(40)	(6,614)
Net change in fair value of cash flow hedges	-	-	-	-	-	10,540	-	10,540	-	10,540
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	-	25,255	-	25,255	-	25,255
Realisation of reserves upon disposal of a subsidiary	-	-	-	789	-	-	(791)	(2)	-	(2)
Total other comprehensive income	-	-	-	(5,785)	-	35,795	(791)	29,219	(40)	29,179
Total comprehensive income	**-**	**-**	**-**	**(5,785)**	**-**	**35,795**	**(261,932)**	**(231,922)**	**(4,459)**	**(236,381)**
Transactions with owners of the Company, recognised directly in equity										
Purchase of treasury shares	-	(465)	-	-	-	-	-	(465)	-	(465)
Issue of treasury shares	-	465	-	-	-	-	-	465	-	465
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(298)	(298)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(298)**	**(298)**
At 31 December 2022	**4,074,215**	**(1)**	**(1,683)**	**(23,517)**	**(25,995)**	**29,524**	**(283,188)**	**3,769,355**	**19,036**	**3,788,391**
FY 2021										
At 1 January 2021	**2,575,374**	**(771)**	**(1,683)**	**(32,334)**	**(25,157)**	**2,390**	**1,149,577**	**3,667,396**	**28,751**	**3,696,147**
Total comprehensive income										
Loss for the year	-	-	-	-	-	-	(1,170,558)	(1,170,558)	(4,800)	(1,175,358)
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	14,342	-	-	-	14,342	(47)	14,295
Net change in fair value of cash flow hedges	-	-	-	-	-	(5,099)	-	(5,099)	-	(5,099)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	-	(3,562)	-	(3,562)	-	(3,562)
Realisation of reserves upon disposal of subsidiaries	-	-	-	260	19	-	(275)	4	-	4
Total other comprehensive income	-	-	-	14,602	19	(8,661)	(275)	5,685	(47)	5,638
Total comprehensive income	**-**	**-**	**-**	**14,602**	**19**	**(8,661)**	**(1,170,833)**	**(1,164,873)**	**(4,847)**	**(1,169,720)**
Transactions with owners of the Company, recognised directly in equity										
Purchase of treasury shares	-	(286)	-	-	-	-	-	(286)	-	(286)
Issue of treasury shares	-	1,056	-	-	(857)	-	-	199	-	199
Rights issue	1,498,841	-	-	-	-	-	-	1,498,841	-	1,498,841
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(111)	(111)
Total transactions with owners	**1,498,841**	**770**	**-**	**-**	**(857)**	**-**	**-**	**1,498,754**	**(111)**	**1,498,643**
At 31 December 2021	**4,074,215**	**(1)**	**(1,683)**	**(17,732)**	**(25,995)**	**(6,271)**	**(21,256)**	**4,001,277**	**23,793**	**4,025,070**

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (Cont'd)

ii. Statements of Changes in Equity of the Company

	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Share-based payments reserve $'000	Revenue reserve $'000	Total Equity $'000
FY 2022						
At 1 January 2022	**4,074,215**	**(1)**	**960**	**(23,907)**	**1,467,550**	**5,518,817**
Total comprehensive income						
Profit for the year	-	-	-	-	16,948	16,948
Other comprehensive income						
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**16,948**	**16,948**
Transactions with owners of the Company, recognised directly in equity						
Purchase of treasury shares	-	(465)	-	-	-	(465)
Issue of treasury shares	-	465	-	-	-	465
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2022	**4,074,215**	**(1)**	**960**	**(23,907)**	**1,484,498**	**5,535,765**
FY 2021						
At 1 January 2021	**2,575,374**	**(771)**	**960**	**(23,050)**	**1,531,024**	**4,083,537**
Total comprehensive income						
Loss for the year	-	-	-	-	(63,474)	(63,474)
Other comprehensive income						
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**(63,474)**	**(63,474)**
Transactions with owners of the Company, recognised directly in equity						
Purchase of treasury shares	-	(286)	-	-	-	(286)
Issue of treasury shares	-	1,056	-	(857)	-	199
Rights issue	1,498,841	-	-	-	-	1,498,841
Total transactions with owners	**1,498,841**	**770**	**-**	**(857)**	**-**	**1,498,754**
At 31 December 2021	**4,074,215**	**(1)**	**960**	**(23,907)**	**1,467,550**	**5,518,817**

E. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	FY 2022 $'000	FY 2021 $'000
Cash flows from operating activities:		
Loss for the year	(265,560)	(1,175,358)
Adjustments for:		
Finance income	(102,258)	(50,768)
Finance costs	136,700	82,599
Depreciation of property, plant and equipment, and right-of-use assets	170,473	171,525
Amortisation of intangible assets	29,337	25,056
Share of results of associates and joint ventures, net of tax	(1,134)	(1,166)
(Gain)/loss on disposal of property, plant and equipment, net	(2,466)	4,565
Gain on liquidation of subsidiary	(8)	-
Changes in fair value of financial instruments	(34,196)	35,989
Loss on modified cash flows of receivables	2,884	3,084
Impairment losses on property, plant and equipment	-	45,916
Impairment losses on right-of-use assets	-	66,477
Provision for restoration costs, net	6,318	21,937
Property, plant and equipment written off	1	12
(Reversal of write-down)/write-down of inventories, net	(2,853)	21,328
Impairment losses on trade receivables and contract assets, net	8,815	2,356
Tax expense/(credit)	25,816	(79,422)
Operating loss before working capital changes	(28,131)	(825,870)
Changes in working capital:		
Inventories	(1,245)	6,070
Contract costs	20,802	(15,753)
Contract assets	1,462,062	(206,912)
Contract liabilities	414,250	17,263
Trade and other receivables	(466,878)	122,302
Trade and other payables	(366,781)	382,421
Provisions	(11,906)	(9,956)
Cash generated from/(used in) operations	1,022,173	(530,435)
Interest income received	116,808	9,528
Interest paid	(97,318)	(63,127)
Tax paid	(2,411)	(5,090)
Net cash generated from/(used in) operating activities	1,039,252	(589,124)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(23,295)	(45,724)
Proceeds from sale of property, plant and equipment	2,954	3,917
Purchase of intangible assets	(5,868)	(2,412)
Dividend received from joint venture	-	32
Net cash used in investing activities	(26,209)	(44,187)
Cash flows from financing activities:		
Proceeds from borrowings	325,276	1,526,707
Repayment of borrowings	(325,155)	(2,038,855)
Proceeds from rights issue, net	-	1,498,841
Purchase of treasury shares	(465)	(286)
Payment of lease liabilities	(20,014)	(22,136)
Dividends paid to non-controlling interests of subsidiaries	(298)	(111)
Net cash (used in)/generated from financing activities	(20,656)	964,160
Net increase in cash and cash equivalents	992,387	330,849
Cash and cash equivalents at beginning of the year	1,104,118	772,426
Effect of exchange rate changes on balances held in foreign currencies	(5,662)	843
Cash and cash equivalents at end of the year	**2,090,843**	**1,104,118**

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Domicile and activities

Sembcorp Marine Ltd (the “Company”) is a company incorporated in the Republic of Singapore and has its registered office at 80 Tuas South Boulevard, Singapore 637051, and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim financial statements as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and joint ventures.

Startree Investments Pte. Ltd. and Temasek Holding (Private) Limited are the Company’s immediate and ultimate holding companies, respectively.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the Group are the provision of innovative engineering solutions to the global offshore, marine and energy industries.

2. Basis of preparation

2.1. Going concern basis of accounting

The condensed interim financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its debt obligations as and when they fall due within the next twelve months.

The Covid-19 pandemic and on-going Russia-Ukraine conflict had impacted the execution and completion of projects, along with deferrals of deliveries and payments by customers. As the Covid-19 situation recovers during the year, the Group successfully delivered its projects and generated positive operating cash flows of $1,039,252,000 (2021: negative operating cash flows $589,124,000) for the year ended 31 December 2022.

Despite the improved cashflows, as at 31 December 2022, the Group recorded net current liabilities of $301,034,000 arising mainly from loans which mature in 2023 (31 December 2021: net current assets of $492,782,000), and incurred a loss of $265,560,000 (2021: $1,175,358,000) for the year ended 31 December 2022. The Group is in talks with lenders to refinance and re-profile current loans with longer term maturities. The Group has adequate liquidity and unutilised loan facilities to refinance current borrowings as they fall due.

The appropriateness of the going concern basis of accounting is dependent on the continued availability of borrowings or alternative sources of capital or liquidity to meet its financial obligations as they fall due. As at 31 December 2022, the Group has a cash balance in excess of the loans due. As at 27 February 2023, the Group has also successfully refinanced or repaid its loans that were due in January and February 2023.

Management of the Group is confident that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

2.2. Statement of compliance

The condensed interim financial statements are prepared in accordance to Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs). SFRS(I)s are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board. All references to SFRS(I)s and IFRSs are referred to as SFRS(I)s in these condensed interim financial statements unless otherwise specified.

The condensed interim financial statements for the year ended 31 December 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting*. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

Except as disclosed in Note 2.3. below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period as the most recent audited financial statements for the year ended, and as at, 31 December 2021.

The condensed interim financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand ($'000), unless otherwise stated.

2.3. New and amended standards

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2022:

- *Reference to the Conceptual Framework (Amendments to SFRS(I) 3)*
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to SFRS(I) 1-16)*
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to SFRS(I) 1-37)*
- *Annual Improvements to SFRS(I)s 2018-2020*

The adoption of the above standards do not have any significant impact on the financial statements.

2.4. Use of estimates and judgements

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements as at and for the year ended 31 December 2021.

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

3. Segment and revenue information

The Group has two reportable segments, which are the Group's strategic business units. They are: (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding; and (ii) ship chartering. The strategic business units are managed separately because of their different business activities. The results of all projects related to shipbuilding and repairs are reviewed as a whole and form the basis for resource allocation decisions of the shipyard activities.

Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, intangible assets, 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 tax, as included in the internal management reports that are reviewed by the Group's President & 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.

The Group operates in 12 countries and 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 are based on the geographical location of the assets.

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

3.1. Operating segments

(i) Business segments:

2H 2022	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Elimination $'000	Total $'000
Turnover					
Sales to external parties	841,278	8,830	2,124	-	852,232
Inter-segment sales	-	-	54,570	(54,570)	-
Total	**841,278**	**8,830**	**56,694**	**(54,570)**	**852,232**
Results					
Segment results	(89,952)	4,403	(5,843)	-	(91,392)
Finance income	59,658	6	69,547	(61,969)	67,242
Finance costs	(107,872)	(666)	(35,491)	61,969	(82,060)
Non-operating income	-	-	8	-	8
Share of results of associates and joint ventures, net of tax	501	-	222	-	723
(Loss)/profit before tax	(137,665)	3,743	28,443	-	(105,479)
Tax expense	(12,724)	(735)	(1,591)	-	(15,050)
(Loss)/profit for the period	**(150,389)**	**3,008**	**26,852**	**-**	**(120,529)**
Capital expenditure	15,825	2,805	2,062	-	**20,692**
Significant non-cash items					
Depreciation and amortisation	97,552	5,443	275	-	**103,270**
Changes in fair value of financial instruments	(10,572)	-	(33,301)	-	**(43,873)**
Provision for restoration costs, net	5,876	-	-	-	**5,876**
Property, plant and equipment written off	1	-	-	-	**1**
(Reversal of write-down)/write-down of inventories, net	(2,906)	-	51	-	**(2,855)**
Impairment losses on trade receivables and contract assets, net	1,073	-	-	-	**1,073**
Gain on disposal of a subsidiary	-	-	(8)	-	**(8)**
FY 2022					
Turnover					
Sales to external parties	1,924,987	18,385	3,823	-	1,947,195
Inter-segment sales	-	-	98,887	(98,887)	-
Total	**1,924,987**	**18,385**	**102,710**	**(98,887)**	**1,947,195**
Results					
Segment results	(207,641)	6,304	(5,107)	-	(206,444)
Finance income	98,647	7	111,916	(108,312)	102,258
Finance costs	(185,737)	(1,389)	(57,886)	108,312	(136,700)
Non-operating income	-	-	8	-	8
Share of results of associates and joint ventures, net of tax	417	-	717	-	1,134
(Loss)/profit before tax	(294,314)	4,922	49,648	-	(239,744)
Tax expense	(21,844)	(940)	(3,032)	-	(25,816)
(Loss)/profit for the year	**(316,158)**	**3,982**	**46,616**	**-**	**(265,560)**
Capital expenditure	22,032	5,556	2,113	-	**29,701**
Significant non-cash items					
Depreciation and amortisation	188,511	10,818	481	-	**199,810**
Changes in fair value of financial instruments	(3,808)	-	(30,388)	-	**(34,196)**
Provision for restoration costs, net	6,318	-	-	-	**6,318**
Property, plant and equipment written off	1	-	-	-	**1**
(Reversal of write-down)/write-down of inventories, net	(2,904)	-	51	-	**(2,853)**
Impairment losses on trade receivables and contract assets, net	8,815	-	-	-	**8,815**
Gain on disposal of a subsidiary	-	-	(8)	-	**(8)**
As at 31-Dec-2022					
Assets					
Segment assets	8,158,076	240,556	3,257,024	(2,755,377)	8,900,279
Interests in associates and joint ventures	4,384	-	13,153	-	17,537
Deferred tax assets	167,881	1,351	-	-	169,232
Tax recoverable	14,840	-	-	-	14,840
Total assets	**8,345,181**	**241,907**	**3,270,177**	**(2,755,377)**	**9,101,888**
Liabilities					
Segment liabilities	6,294,596	43,235	1,706,102	(2,755,377)	5,288,556
Deferred tax liabilities	14,779	-	1,010	-	15,789
Current tax payable	4,704	1,492	2,956	-	9,152
Total liabilities	**6,314,079**	**44,727**	**1,710,068**	**(2,755,377)**	**5,313,497**

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

3.1. Operating segments (Cont'd)

(i) Business segments:

2H 2021	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Elimination $'000	Total $'000
Turnover					
Sales to external parties	1,007,012	9,176	1,841	-	1,018,029
Inter-segment sales	-	-	39,558	(39,558)	-
Total	**1,007,012**	**9,176**	**41,399**	**(39,558)**	**1,018,029**
Results					
Segment results	(511,393)	(2,198)	(1,592)	-	(515,183)
Finance income	32,256	-	35,150	(39,520)	27,886
Finance costs	(58,697)	(786)	(20,503)	39,520	(40,466)
Share of results of associates and joint ventures, net of tax	(87)	-	590	-	503
(Loss)/profit before tax	(537,921)	(2,984)	13,645	-	(527,260)
Tax credit/(expense)	4,154	(9)	(2,736)	-	1,409
(Loss)/profit for the period	**(533,767)**	**(2,993)**	**10,909**	**-**	**(525,851)**
Capital expenditure	20,593	2,109	110	-	**22,812**
Significant non-cash items					
Depreciation and amortisation	92,054	6,520	275	-	**98,849**
Changes in fair value of financial instruments	7,650	-	8,489	-	**16,139**
Impairment losses on property, plant and equipment	-	-	140	-	**140**
Provision for restoration costs	10,131	-	-	-	**10,131**
Property, plant and equipment written off	7	-	-	-	**7**
Write-down/(reversal of write-down) of inventories, net	21,273	-	(33)	-	**21,240**
Reversal of impairment losses on trade receivables and contract assets, net	(540)	-	-	-	**(540)**
FY 2021					
Turnover					
Sales to external parties	1,839,938	18,443	3,834	-	1,862,215
Inter-segment sales	-	-	56,861	(56,861)	-
Total	**1,839,938**	**18,443**	**60,695**	**(56,861)**	**1,862,215**
Results					
Segment results	(1,171,565)	(50,036)	(2,514)	-	(1,224,115)
Finance income	59,757	-	61,927	(70,916)	50,768
Finance costs	(112,750)	(1,633)	(39,132)	70,916	(82,599)
Share of results of associates and joint ventures, net of tax	(56)	-	1,222	-	1,166
(Loss)/profit before tax	(1,224,614)	(51,669)	21,503	-	(1,254,780)
Tax credit/(expense)	83,454	(866)	(3,166)	-	79,422
(Loss)/profit for the year	**(1,141,160)**	**(52,535)**	**18,337**	**-**	**(1,175,358)**
Capital expenditure	39,962	5,894	166	-	**46,022**
Significant non-cash items					
Depreciation and amortisation	183,721	12,308	552	-	**196,581**
Changes in fair value of financial instruments	5,331	-	30,658	-	**35,989**
Impairment losses on property, plant and equipment	-	45,718	198	-	**45,916**
Impairment losses on right-of-use assets	66,477	-	-	-	**66,477**
Provision for restoration costs	21,937	-	-	-	**21,937**
Property, plant and equipment written off	12	-	-	-	**12**
Write-down/(reversal of write-down) of inventories, net	21,361	-	(33)	-	**21,328**
Impairment losses on trade receivables and contract assets, net	2,356	-	-	-	**2,356**
As at 31-Dec-2021					
Assets					
Segment assets	9,200,954	182,756	3,245,910	(3,558,614)	9,071,006
Interests in associates and joint ventures	4,123	-	12,436	-	16,559
Deferred tax assets	196,144	71	-	-	196,215
Tax recoverable	16,093	-	-	-	16,093
Total assets	**9,417,314**	**182,827**	**3,258,346**	**(3,558,614)**	**9,299,873**
Liabilities					
Segment liabilities	6,894,856	43,073	1,870,326	(3,558,614)	5,249,641
Deferred tax liabilities	18,878	84	108	-	19,070
Current tax payable	858	1,687	3,547	-	6,092
Total liabilities	**6,914,592**	**44,844**	**1,873,981**	**(3,558,614)**	**5,274,803**

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

3.1. Operating segments (Cont'd)

(ii) Geographical segments:

	Turnover from external customers		Capital expenditure		Non-current assets [1]	Total assets
	2H 2022 $'000	FY 2022 $'000	2H 2022 $'000	FY 2022 $'000	As at 31-Dec-2022 $'000	As at 31-Dec-2022 $'000
Singapore	209,574	283,140	11,097	17,528	3,985,734	7,086,046
Rest of Asia, Australia & India	59,644	115,481	1,490	2,337	106,619	122,264
Middle East & Africa	38,416	102,366	-	-	-	-
United Kingdom	79,740	257,482	6	59	1,772	9,157
Norway	37,375	274,907	62	68	67,630	78,411
The Netherlands	29,890	31,488	5,926	5,926	82,466	95,910
Rest of Europe	73,380	257,854	11	65	136	3,122
Brazil	125,749	224,152	2,100	3,718	1,531,258	1,706,729
U.S.A.	194,869	393,615	-	-	22	249
Other countries	3,595	6,710	-	-	-	-
Total	**852,232**	**1,947,195**	**20,692**	**29,701**	**5,775,637**	**9,101,888**

	2H 2021 $'000	FY 2021 $'000	2H 2021 $'000	FY 2021 $'000	As at 31-Dec-2021 $'000	As at 31-Dec-2021 $'000
Singapore	124,286	226,531	9,136	18,294	4,281,078	7,347,040
Rest of Asia, Australia & India	20,660	108,337	560	857	114,292	151,934
Qatar	110,401	223,616	-	-	-	-
Rest of Middle East & Africa	75	1,141	-	-	-	-
United Kingdom	90,493	208,114	4	17	2,008	4,928
Norway	181,653	263,340	8	8	28,227	38,331
The Netherlands	6,376	28,676	-	-	80,398	84,425
Rest of Europe	183,645	277,488	84	89	155	2,477
Brazil	104,030	144,106	13,020	26,757	1,568,010	1,670,374
U.S.A.	196,230	380,581	-	-	178	364
Other countries	180	285	-	-	-	-
Total	**1,018,029**	**1,862,215**	**22,812**	**46,022**	**6,074,346**	**9,299,873**

[1] *Non-current assets presented consist of property, plant and equipment, right-of-use assets, investments in associates and joint ventures, trade and other receivables, contract assets and intangible assets.*

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

3.2. Disaggregation of revenue

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Elimination $'000	Total $'000
2H 2022					
Turnover					
Sales to external parties	841,278	8,830	2,124	-	852,232
Inter-segment sales	-	-	54,570	(54,570)	-
Total	**841,278**	**8,830**	**56,694**	**(54,570)**	**852,232**
Major product and service lines					
Ship and rig building or conversion	358,360	-	-	-	358,360
Repair, maintenance and related services	302,013	-	-	-	302,013
Offshore platforms	140,692	-	-	-	140,692
Specialised shipbuilding	19,791	-	-	-	19,791
Charter hire	-	8,830	-	-	8,830
Sale of goods	-	-	2,124	-	2,124
Others	20,422	-	-	-	20,422
Total	**841,278**	**8,830**	**2,124**	**-**	**852,232**
Timing of revenue recognition					
Control transferred over time	837,764	8,830	-	-	846,594
Control transferred at a point in time	3,514	-	2,124	-	5,638
Total	**841,278**	**8,830**	**2,124**	**-**	**852,232**
FY 2022					
Turnover					
Sales to external parties	1,924,987	18,385	3,823	-	1,947,195
Inter-segment sales	-	-	98,887	(98,887)	-
Total	**1,924,987**	**18,385**	**102,710**	**(98,887)**	**1,947,195**
Major product and service lines					
Ship and rig building or conversion	1,073,430	-	-	-	1,073,430
Repair, maintenance and related services	506,063	-	-	-	506,063
Offshore platforms	282,960	-	-	-	282,960
Specialised shipbuilding	24,067	-	-	-	24,067
Charter hire	-	18,385	-	-	18,385
Sale of goods	-	-	3,823	-	3,823
Others	38,467	-	-	-	38,467
Total	**1,924,987**	**18,385**	**3,823**	**-**	**1,947,195**
Timing of revenue recognition					
Control transferred over time	1,919,729	18,385	-	-	1,938,114
Control transferred at a point in time	5,258	-	3,823	-	9,081
Total	**1,924,987**	**18,385**	**3,823**	**-**	**1,947,195**

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

3.2. Disaggregation of revenue (Cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Elimination $'000	Total $'000
2H 2021					
Turnover					
Sales to external parties	1,007,012	9,176	1,841	-	1,018,029
Inter-segment sales	-	-	39,558	(39,558)	-
Total	**1,007,012**	**9,176**	**41,399**	**(39,558)**	**1,018,029**
Major product and service lines					
Ship and rig building or conversion	534,724	-	-	-	534,724
Repair, maintenance and related services	157,760	-	-	-	157,760
Offshore platforms	277,935	-	-	-	277,935
Specialised shipbuilding	18,757	-	-	-	18,757
Charter hire	-	9,176	-	-	9,176
Sale of goods	-	-	1,841	-	1,841
Others	17,836	-	-	-	17,836
Total	1,007,012	9,176	1,841	-	1,018,029
Timing of revenue recognition					
Control transferred over time	1,003,382	9,176	-	-	1,012,558
Control transferred at a point in time	3,630	-	1,841	-	5,471
Total	1,007,012	9,176	1,841	-	1,018,029
FY 2021					
Turnover					
Sales to external parties	1,839,938	18,443	3,834	-	1,862,215
Inter-segment sales	-	-	56,861	(56,861)	-
Total	**1,839,938**	**18,443**	**60,695**	**(56,861)**	**1,862,215**
Major product and service lines					
Ship and rig building or conversion	803,940	-	-	-	803,940
Repair, maintenance and related services	395,695	-	-	-	395,695
Offshore platforms	573,475	-	-	-	573,475
Specialised shipbuilding	32,701	-	-	-	32,701
Charter hire	-	18,443	-	-	18,443
Sale of goods	-	-	3,834	-	3,834
Others	34,127	-	-	-	34,127
Total	1,839,938	18,443	3,834	-	1,862,215
Timing of revenue recognition					
Control transferred over time	1,835,520	18,443	-	-	1,853,963
Control transferred at a point in time	4,418	-	3,834	-	8,252
Total	1,839,938	18,443	3,834	-	1,862,215

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

3.2. Disaggregation of revenue (Cont'd)

A breakdown of sales:

		Group	
		FY 2022 $'000	FY 2021 $'000
	First Half Year		
(i)	Sales reported	1,094,963	844,186
(ii)	Loss after tax before deducting non-controlling interests reported	(145,031)	(649,507)
	Second Half Year		
(iii)	Sales reported	852,232	1,018,029
(iv)	Loss after tax before deducting non-controlling interests reported	(120,529)	(525,851)

4. Cost of Sales

	Group		Group	
	2H 2022 $'000	2H 2021 $'000	FY 2022 $'000	FY 2021 $'000
Cost of sales	(891,482)	(1,512,172)	(2,079,357)	(2,944,605)
Included in cost of sales:				
Depreciation and amortisation	(101,440)	(94,876)	(195,929)	(188,174)
Reversal of write-down/(write-down) of inventories, net	2,855	(21,240)	2,853	(21,328)
Property, plant and equipment written off	-	(7)	-	(12)

5. Other operating income/(expenses)

		Group		Group	
	Note	2H 2022 $'000	2H 2021 $'000	FY 2022 $'000	FY 2021 $'000
Other operating income		63,631	57,424	110,168	125,587
Other operating expenses		(63,691)	(34,128)	(74,003)	(178,078)
		(60)	23,296	36,165	(52,491)
Included in other operating income/(expenses):					
Changes in fair value of financial instruments		43,873	(16,139)	34,196	(35,989)
Foreign exchange (loss)/gain, net		(78,912)	17,168	(64,595)	40,522
Gain/(loss) on disposal of property, plant and equipment, net		2,380	(6,990)	2,466	(4,565)
Loss on modified cash flows of receivables		(2,884)	(3,084)	(2,884)	(3,084)
Impairment losses on property, plant and equipment	13	-	(140)	-	(45,916)
Impairment losses on right-of-use assets	14	-	-	-	(66,477)
Provision for restoration costs, net		(5,876)	(10,131)	(6,318)	(21,937)
Rental income		5,190	5,911	11,184	11,303
Grant income		9,745	19,865	20,988	42,716
Other income		26,437	16,905	41,334	31,046
Other expenses		(13)	(69)	(206)	(110)
		(60)	23,296	36,165	(52,491)

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

6. General and administrative expenses

	Group		Group	
	2H 2022 $'000	2H 2021 $'000	FY 2022 $'000	FY 2021 $'000
General and administrative expenses	(52,082)	(44,336)	(110,447)	(89,234)
Included in general and administrative expenses:				
Depreciation and amortisation	(1,830)	(3,973)	(3,881)	(8,407)
Impairment losses on trade receivables and contract assets, net	(1,073)	540	(8,815)	(2,356)
Property, plant and equipment written off	(1)	-	(1)	-

7. Finance income and finance costs

	Group		Group	
	2H 2022 $'000	2H 2021 $'000	FY 2022 $'000	FY 2021 $'000
Finance income	67,242	27,886	102,258	50,768
Finance costs	(82,060)	(40,466)	(136,700)	(82,599)
	(14,818)	(12,580)	(34,442)	(31,831)
Included in finance income/(costs):				
Interest income	67,242	27,886	102,258	50,768
Interest paid and payable to bank and others	(66,084)	(27,823)	(104,419)	(57,535)
Amortisation of capitalised transaction costs	(7,893)	(5,003)	(16,283)	(10,180)
Unwind of discount on restoration costs	(1,858)	(1,254)	(3,473)	(2,012)
Interest expense on lease liabilities	(6,225)	(6,386)	(12,525)	(12,872)
	(14,818)	(12,580)	(34,442)	(31,831)

8. Non-operating income

	Group		Group	
	2H 2022 $'000	2H 2021 $'000	FY 2022 $'000	FY 2021 $'000
Gain on liquidation of a subsidiary	8	-	8	-

9. Seasonality of operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial year.

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

10. Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated income statement are:

	Group		Group	
	2H 2022	**2H 2021**	**FY 2022**	**FY 2021**
	$'000	**$'000**	**$'000**	**$'000**
Current tax credit/(expense)				
Current year	7,066	2,407	(3,655)	(4,785)
Under provided in prior years	(2,698)	(465)	(3,110)	(279)
Deferred tax (expense)/credit				
Movements in temporary differences	(22,195)	1,172	(21,828)	86,407
Over/(under) provided in prior years	2,777	(1,705)	2,777	(1,921)
Tax (expense)/credit	(15,050)	1,409	(25,816)	79,422

During the year, the Group utilised deferred tax credit of $19,051,000 (2021: recognised deferred tax credit of $84,486,000) relating to unutilised tax losses, investment allowances and deductible temporary differences.

The recognition of such deferred tax assets is presumed on the Group's ability to generate future taxable profits in the foreseeable future against which the deferred tax assets will be utilised. Although the Group has been in losses in recent years, the Group has certain subsidiaries who have been in taxable profits position and have been utilising these tax losses and credits. The Group has relied on the financial forecast of these subsidiaries to estimate the future taxable profits against which the deferred tax assets recognised will be utilised. Such forecasts are however subject to estimation uncertainty.

Sources of estimation uncertainty on current tax

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made.

Sources of estimation uncertainty on deferred tax assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the ability of the Group's subsidiaries to generate taxable profits in the foreseeable future.

11. Dividend

There is no dividend recommended for the six months period and year ended 31 December 2022 (31 December 2021: nil).

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

12. Earnings per ordinary share

	Group		Group	
	2H 2022	2H 2021	FY 2022	FY 2021
(i) Based on the weighted average number of shares (cents)	(0.38)	(2.27)	(0.83)	(6.49)
- Weighted average number of shares ('000)	31,389,099	23,060,008	31,389,099	18,033,907
(ii) On a fully diluted basis (cents)	(0.38)	(2.27)	(0.83)	(6.49)
- Adjusted weighted average number of shares ('000)	31,389,099	23,060,008	31,389,099	18,033,907

13. Property, Plant and Equipment

During the year ended 31 December 2022, the Group acquired property, plant and equipment with an aggregate cost of $23,833,000 (31 December 2021: $43,610,000).

The property, plant and equipment comprise mainly shipyard assets attributable to the "rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash generating units in Singapore and Brazil. These property, plant and equipment, together with right-of-use assets and certain intangible assets, were tested for impairment.

Impairment assessment of the Group's accommodation vessel

At each reporting date, judgement is used to determine whether there is any indication of impairment on the Group's vessel.

In prior year, management assessed that there were indicators of possible impairment of the vessel.

In prior year, based on the Group's assessment of the recoverable amount of the marine vessel of $79,919,000 using a range of probability-weighted possible outcomes as at 31 December 2021, impairment loss of $45,718,000 was recognised in profit or loss during the year ended 31 December 2021.

As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection considered different outcomes that took into account the expected renewal rates based on prevailing and foreseeable market conditions. The renewal rates (taking into consideration prevailing rates) were adjusted assuming a certain level of discount from the contractual rates under the last charter contract but factored a 2% inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost was based on approved budget and adjusted for inflation at 2% per annum throughout the cash flow periods. The average utilisation rate was assumed at 85%; and the terminal value was based on expected scrap value at the end of the economic useful life of the vessel. These cash flows were then discounted using the pre-tax weighted average cost of capital determined to be 8.58% at 31 December 2021.

As at 31 December 2022, the Group reassessed the recoverable amount to be higher than the net carrying value by applying similar assumptions as prior year and at a discount rate determined to be 9.64% at 31 December 2022. The assumptions used in the projections are inherently judgmental. The securing of charters, forecasted charter rates and utilisation assumed in the value in use calculation remains subject to estimation uncertainties. Accordingly, the Group did not recognise any write-back of impairment.

13. Property, Plant and Equipment (Cont'd)

Impairment assessment of the Group's shipyard assets

Owing to the continuing difficult market conditions impacting the offshore and marine sector, and the negative impact to the Group's financial performance and liquidity arising from the outbreak of the COVID-19 pandemic and the measures adopted by the Singapore government to mitigate the pandemic's spread, there were indications that the Group's shipyards (the "cash generating units") might be impaired. Under the Group's formal impairment assessment of the individual cash generating units in: (i) Singapore (yards in Singapore, together with their sub-contracting yards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual cash generating units were based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends of the industry.

The discount rate was a post-tax measure estimated based on historical industry average weighted average cost of capital. The discount rates for the Singapore and Brazil cash generating units are 9% to 10% (31 December 2021: 7% to 8.5%) and 13.5% to 14.0% (31 December 2021: 10% to 11.5%), respectively.

The discounted cash flow projections included management's assessment of the forecasted order book over a period of 10 years (31 December 2021: 10 years) for both Singapore and Brazil (the "projection periods"), with applicable growth rates for Singapore and Brazil beyond the projection periods to 47 years and 50 years (31 December 2021: 48 years and 50 years) respectively. The range of long term growth rates for Singapore at 1.5% to 2.5% (31 December 2021: 1.5% to 2.5%) was determined based on long term inflation and considering global growth. Long term growth rate of 4% (31 December 2021: 4%) for Brazil was determined based on Brazil's long term inflation forecast and risk free rate in USD.

The cash flows in the projection period are primarily driven by forecasted order book and project margins. The near term cash flows reflect the most recent developments on the economic impacts of the geopolitical tensions and residual COVID-19 challenges on gross domestic product and inflation as at the reporting date. Due to the high level of uncertainty, it was very challenging to predict the full extent and duration of these impacts on the Group's operations.

The cash flows are projected based on the Group's estimate of pipeline revenue, market observable data surrounding the state-owned and international oil majors' capital commitment and projected capital expenditures in oil and gas production and exploration activities, market expectations and developments for contract order prices, and other external analysts' forecast reports in oil price movements and demands for production solutions. The Brazil cash generating unit is substantially complete, and the yard will gradually ramp up to its full operational capacity over the projection period. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil in their projection.

As the Group pivots to also support the energy transition to renewable energy, the cash flow in the projection period included forecast orders in renewable solutions. For the Singapore cash generating unit, the projections are based on the Group's past experience in this area, market developments on financial support for renewable energy infrastructure, and other analysts' forecast reports on renewable energy demand and growth. For the Brazil cash generating unit, cash flows from year 3 (31 December 2021: year 5) of the projection period are augmented by expectation of active tenders of projects in renewable energy and gas solutions.

Project margins are projected with reference to historical experience and taking into account planned recoveries by management.

Based on the fair value less costs of disposal, the Group assessed that no impairment loss is required for these individual cash generating units.

The forecasted order book and the margins assumed in the discounted cash flows are, however, subject to estimation uncertainties that may have a significant risk of resulting in material adjustments in future periods. Changes to the assumptions used in the recoverable amount could lead to material impairment losses if the forecast order book and the forecasted margins in the near term were to deviate from the original forecast. The recoverable amount of the Brazil cash generating unit is further subject to political risk and will be reviewed at regular intervals.

For the Singapore cash generating unit, based on a mid-point discount rate of 9.5% (31 December 2021: 7.75%) and long term growth rates for Singapore of 1.5% (31 December 2021: 1.5%), a 4% (31 December 2021: 2%) decrease in forecasted project margins throughout the cash flow periods would be required for the recoverable amount to equal the carrying amount.

13. Property, Plant and Equipment (Cont'd)

For the Brazil cash generating unit, based on a mid-point discount rate of 13.8% (31 December 2021: 10.75%), a 3% (31 December 2021: 2.9%) decrease in forecasted project margins throughout the cash flow periods would be required for the recoverable amount to equal the carrying amount.

14. Right-of-use assets and leases

The Group leases many assets including land and buildings and tugboats.

During the year ended 31 December 2022, the Group recognised right-of-use assets amounting to $4,260,000 (31 December 2021: $75,045,000), which included $2,761,000 (31 December 2021: $74,719,000) additional provision for restoration costs.

As part of the Group's transformation and yard consolidation strategy, the Group is scheduled to restore the yard at Tanjong Kling Road ("Tanjong Kling Yard") and return the land to the Singapore Government by 2025. Accordingly, an impairment loss of $nil (31 December 2021: $66,477,000) was recognised as the lease is determined to be onerous once the restoration works commence.

15. Investments in subsidiaries

Impairment assessment of the Company's investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimate of the recoverable amount of the subsidiaries. Estimating the recoverable amount requires the Company to make an estimate of the future cash flows expected from its investment and of an appropriate discount rate in order to calculate the present value of these cash flows. The forecasts used to estimate the future cash flows are subject to the risks noted in the impairment assessments of the Group's shipyards. Information about the assumptions and risk factors are disclosed in Note 13.

Based on the Company's assessment, no impairment loss is required as at 31 December 2022 and 31 December 2021 as the recoverable amounts assessed were in excess of the carrying amounts of the investments in subsidiaries.

16. Net asset value

	Group		**Company**	
	31-Dec-2022	**31-Dec-2021**	**31-Dec-2022**	**31-Dec-2021**
Net asset value per ordinary share based on issued share capital at the end of the financial year (cents)	12.01	12.75	17.64	17.58

17. Group's borrowings and debt securities

Interest-bearing borrowings:	**As at 31-Dec-2022 $'000**	**As at 31-Dec-2021 $'000**
(i) <u>Amount repayable in one year or less, or on demand</u>		
Unsecured	1,669,164	820,581
(ii) <u>Amount repayable after one year</u>		
Unsecured	1,419,532	2,255,228

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

18. Share capital

(i) Issued and Paid Up Capital

As at 31 December 2022, the Company's issued and paid up capital, excluding treasury shares, comprises 31,389,099,152 (31 December 2021: 31,389,099,152) ordinary shares.

(ii) Treasury Shares

	Number of shares	
	2022	2021
At 1 January	6,223	416,840
Treasury shares purchased	4,010,000	-
Treasury shares issued pursuant to RSP	(4,010,000)	-
At 30 June	6,223	416,840
Treasury shares purchased	-	3,009,600
Treasury shares issued pursuant to PSP & RSP	-	(3,420,217)
At 31 December	6,223	6,223

During 2H 2022, the Company acquired nil (2H 2021: 3,009,600) ordinary shares in the Company by way of on-market purchases. In 2H 2022, there were no (2H 2021: 3,420,217) treasury shares issued pursuant to the Company's Performance Share Plan ("PSP") and Restricted Share Plan ("RSP").

As at 31 December 2022, 6,223 (31 December 2021: 6,223) treasury shares were held that may be issued upon the vesting of performance shares and restricted shares under the PSP and RSP respectively.

(iii) Performance Shares

	Number of shares	
	2022	2021
At 1 January	-	1,168,000
Performance shares lapsed arising from targets not met	-	(911,040)
At 30 June	-	256,960
Conditional performance shares released	-	(256,960)
At 31 December	-	-

During 2H 2022, there were no (2H 2021: 256,960) performance shares released under the PSP.

As at 31 December 2022 and 31 December 2021, there is no performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released.

(iv) Restricted Shares

	Number of shares	
	2022	2021
At 1 January	-	956,036
Conditional restricted shares awarded	4,010,000	-
Conditional restricted shares released	(4,010,000)	-
Conditional restricted shares lapsed	-	(47,123)
At 30 June	-	908,913
Conditional restricted shares awarded	-	2,265,500
Conditional restricted shares released	-	(3,163,257)
Conditional restricted shares lapsed	-	(11,156)
At 31 December	-	-

During 2H 2022, there were no (2H 2021: 2,265,500) restricted shares awarded under the RSP, no (2H 2021: 3,163,257) restricted shares released and no (2H 2021: 11,156) restricted shares that lapsed.

As at 31 December 2022 and 31 December 2021, there were no restricted shares outstanding, including awards achieved but not released.

19. Related parties

19a. Related party transactions

The Group had the following outstanding balances and significant transactions with related parties during the year:

	Outstanding balances		Significant transactions	
	31-Dec-2022	31-Dec-2021	31-Dec-2022	31-Dec-2021
	$'000	$'000	$'000	$'000
Related corporations				
Sales	415	428	3,534	-
Purchases	(4,813)	(401)	(65,430)	(42,187)
Finance income	586	-	1,825	148
Finance costs	(2,030)	(1,611)	(19,957)	(2,783)
Others	-	-	(149)	(256)
Associates and joint ventures				
Sales	22	183	10	4
Purchases	(872)	(2,170)	(5,604)	(5,269)
Rental income	-	-	-	4
Finance income	323	12	346	58
Others	(117)	(257)	44	43

19b. Compensation of key management personnel

There were no changes to the key management personnel in FY 2022. There were no changes to the compensation scheme in FY 2022.

20. Fair value measurements

The Group classifies financial assets and liabilities measured at fair value using a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy are as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

The fair value of financial assets at fair value through profit or loss, and fair value through other comprehensive income, is based on quoted market prices (bid price) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The fair value of forward exchange contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

20. Fair value measurements (Cont'd)

Non-derivative non-current financial assets and liabilities

Fair values determined for non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purpose. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

Financial assets and liabilities carried at fair value

	Fair value measurement using:			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group				
At 31 December 2022				
Financial assets at fair value through other comprehensive income				
- Unquoted equity shares	-	-	2,642	2,642
Derivative financial assets	-	61,422	-	61,422
Derivative financial liabilities	-	(6,146)	-	(6,146)
Total	-	55,276	2,642	57,918
At 31 December 2021				
Financial assets at fair value through other comprehensive income				
- Unquoted equity shares	-	-	2,642	2,642
Derivative financial assets	-	4,411	-	4,411
Derivative financial liabilities	-	(26,276)	-	(26,276)
Total	-	(21,865)	2,642	(19,223)

In 2022 and 2021, there were no transfers between the different levels of the fair value hierarchy.

Assets and liabilities not carried at fair value but for which fair values are disclosed*

	Fair value measurement using:			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group				
At 31 December 2022				
Interest-bearing borrowings	-	(1,411,545)	-	(1,411,545)
At 31 December 2021				
Interest-bearing borrowings	-	(2,254,245)	-	(2,254,245)

* *Excludes financial assets and liabilities whose carrying amounts measured on the amortised cost basis that approximate their fair values due to their short-term nature, frequent repricing, and/or where the effect of discounting is immaterial.*

20. Fair value measurements (Cont'd)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows:

Group	**Financial assets at amortised cost $'000**	**Other financial liabilities $'000**	**Total carrying amount $'000**	**Fair value $'000**
At 31 December 2022				
Cash and cash equivalents	2,090,843	-	2,090,843	2,090,843
Trade and other receivables*	1,915,161	-	1,915,161	1,915,161
	4,006,004	-	4,006,004	4,006,004
Trade and other payables**	-	1,047,386	1,047,386	1,047,386
Interest-bearing borrowings				
- Short-term borrowings	-	1,669,164	1,669,164	1,669,164
- Long-term borrowings	-	1,419,532	1,419,532	1,411,545
	-	4,136,082	4,136,082	4,128,095
At 31 December 2021				
Cash and cash equivalents	1,104,118	-	1,104,118	1,104,118
Trade and other receivables*	1,585,387	-	1,585,387	1,585,387
	2,689,505	-	2,689,505	2,689,505
Trade and other payables**	-	1,426,234	1,426,234	1,426,234
Interest-bearing borrowings				
- Short-term borrowings	-	820,581	820,581	820,581
- Long-term borrowings	-	2,255,228	2,255,228	2,254,245
	-	4,502,043	4,502,043	4,501,060
Company				
At 31 December 2022				
Cash and cash equivalents	615,875	-	615,875	615,875
Trade and other receivables*	1,561,794	-	1,561,794	1,561,794
	2,177,669	-	2,177,669	2,177,669
Trade and other payables**	-	47,348	47,348	47,348
Interest-bearing borrowings				
- Short-term borrowings	-	50,000	50,000	50,000
	-	97,348	97,348	97,348
At 31 December 2021				
Cash and cash equivalents	734,167	-	734,167	734,167
Trade and other receivables*	1,425,684	-	1,425,684	1,425,684
	2,159,851	-	2,159,851	2,159,851
Trade and other payables**	-	39,197	39,197	39,197
Interest-bearing borrowings				
- Short-term borrowings	-	50,000	50,000	50,000
	-	89,197	89,197	89,197

* *Excludes Goods and Services Tax and grant receivables.*

** *Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grant income and long-term employee benefits.*

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Cont'd)

21. Subsequent events

On 31 January 2023, the Company issued a circular to its shareholders (the "Circular") setting out further information on the Proposed Combination by way of the acquisition by the Company of the entire issued and paid-up share capital of Keppel Offshore & Marine Ltd ("KOM") and the listing and quotation for up to 36,848,072,918 KOM Consideration Shares on the Mainboard of the SGX-ST. The purpose of the Circular was to provide Shareholders with information pertaining to, and to seek Shareholders' approval at an extraordinary general meeting of the Company (the "EGM") for the Proposed Combination to be held on 16 February 2023.

On 16 February 2023, the Proposed Combination was duly approved and passed by the Company's shareholders at the EGM.

The completion of the Proposed Combination is scheduled to be on 28 February 2023.

G. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Audit

The condensed interim financial statements, comprising the condensed interim balance sheets of Sembcorp Marine Ltd ("the Company") and its Subsidiaries ("the Group") as at 31 December 2022, the condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes, as set out on pages 1 to 25 of this announcement, has not been audited or reviewed.

The financial statements for the full year ended 31 December 2022, which have been prepared in accordance with SFRS(I)s and IFRSs have been audited in accordance with Singapore Standards on Auditing. The auditors' report dated 27 February 2023, as extracted from the financial statements (separately prepared and not included in this filing) of the Group is attached.

2. Auditors' report

See attached Independent Auditors' Report.

3. Review of performance of the Group

Condensed interim consolidated income statement

(a) Turnover

	2H 2022 $'m	2H 2021 $'m	+ / (-) $'m	+ / (-) %	FY 2022 $'m	FY 2021 $'m	+ / (-) $'m	+ / (-) %
Rigs & floaters	358.3	534.7	(176.4)	(33.0)	1,073.4	803.9	269.5	33.5
Repairs & upgrades	302.0	157.8	144.2	91.4	506.1	395.7	110.4	27.9
Offshore platforms	140.7	277.9	(137.2)	(49.4)	283.0	573.5	(290.5)	(50.7)
Specialised shipbuilding	19.8	18.8	1.0	5.3	24.1	32.7	(8.6)	(26.3)
Other activities	31.4	28.8	2.6	9.0	60.6	56.4	4.2	7.4
	852.2	**1,018.0**	**(165.8)**	**(16.3)**	**1,947.2**	**1,862.2**	**85.0**	**4.6**

Turnover for 2H 2022 decreased mainly due to lower revenue recognition from rigs & floaters and offshore platform projects which are nearer to completion, mitigated by higher repairs & upgrades business.

Turnover for FY 2022 increased mainly due to significantly higher revenue recognition from floater projects arising from settlement of final contract negotiation upon completion and contributions from new project, higher repairs & upgrades business, offset by lower revenue recognition from offshore platform projects which are nearer to completion.

(b) Gross loss

Gross loss for 2H 2022 was lower mainly due to higher contributions from floater and offshore platforms projects arising from settlement of final contract negotiation and higher repairs & upgrade business. Gross loss for 2H 2021 was higher mainly due to the significant impact of ongoing COVID-19 disruptions causing further delays and increase in manpower and other related costs to complete existing projects.

Gross loss for FY 2022 was lower mainly due to significantly higher contributions from floater and offshore platforms projects arising from settlement of final contract negotiation and higher contributions from repairs & upgrade business. Gross loss for FY 2021 was higher mainly due to the significant impact of ongoing COVID-19 disruptions causing further delays and increase in manpower and other related costs to complete existing projects.

3. Review of performance of the Group (Cont'd)

Condensed interim consolidated income statement (Cont'd)

(c) Other operating income/(expenses)

(i) Changes in fair value of financial instruments were due to mark-to-market adjustments of foreign currency forward contracts used for managing the Group's foreign currency exposures.

(ii) Foreign exchange loss in 2H 2022 and FY 2022 was mainly due to the revaluation of assets and liabilities denominated in United States dollar to Singapore dollar. In 2H 2021 and FY 2021, foreign exchange gain was mainly due to the revaluation of assets and liabilities denominated in United States dollar to Singapore dollar.

(iii) Impairment losses on property, plant and equipment for FY 2021 was mainly due to impairment of a marine vessel.

(iv) Impairment losses on right-of-use assets for FY 2021 mainly relates to right-of-use assets from the additional restoration costs of land and building at Tanjong Kling Yard.

(v) Net provision for restoration costs for 2H 2022 and FY 2022 mainly relates to additional restoration costs of land and building at Shipyard Road and Pandan Yard. Restoration costs for 2H 2021 and FY 2021 mainly relates to additional restoration costs of land and building at Shipyard Road, Tanjong Kling Yard and Tuas Crecent.

(vi) Lower grant income in 2H 2022 and FY 2022 was mainly due to lower government grants for COVID-19 pandemic.

(d) General and administrative expenses

Higher general and administrative expenses in 2H 2022 and FY 2022 was mainly due to higher personnel related costs, professional fees, expected credit loss for receivables, offset by lower depreciation.

(e) Finance income and finance costs

(i) Higher finance income in 2H 2022 and FY 2022 was mainly due to higher interest income from customers on deferred payment arrangement.

(ii) Higher finance costs in 2H 2022 and FY 2022 was mainly due to higher interest expense and higher amortisation of capitalised transaction costs.

(f) Loss attributable to Owners of the Company ("Net loss")

Net loss for 2H 2022 was lower mainly due to higher contributions from floater and offshore platforms projects, higher repairs & upgrades business, offset by lower grant income and higher tax expenses.

Net loss for FY 2022 was lower mainly due to significantly higher contributions from floater and offshore platforms projects, impairment loss on right-of-use assets and impairment loss on a marine vessel in FY 2021 not applicable during FY 2022, lower restoration cost of land and building, offset by net foreign exchange loss, lower grant income and tax expenses.

Condensed interim consolidated statement of comprehensive income

The movement in foreign currency translation differences for foreign operations arose primarily from the consolidation of entities whose functional currencies are United States dollars.

Net change in fair value of cash flow hedges were due to the mark-to-market adjustments of foreign currency forward contracts and interest rate swaps.

Net change in fair value of cash flow hedges transferred to profit or loss relates to reclassification to profit or loss upon realisation of cash flow hedges.

3. Review of performance of the Group (Cont'd)

Condensed interim balance sheets

(a) Group

Non-current assets

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

'Trade and other receivables' increased mainly due to deferred delivery payment terms agreed with customers upon completion of projects.

'Contract assets' decreased mainly due to billings to customers upon completion of project.

'Intangible assets' decreased mainly due to amortisation during the year.

'Deferred tax assets' decreased mainly due to utilisation of unutilised tax losses and investment allowances.

Current assets

'Trade and other receivables' increased mainly due to higher prepayments and advances.

'Contract costs' decreased mainly due to recognition of costs of sales during the year.

'Contract assets' decreased mainly due to billings to customers upon completion of project.

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

'Cash and cash equivalents' increased mainly due to receipts from ongoing and completed projects, offset by working capital for ongoing projects.

Current liabilities

'Trade and other payables' decreased mainly due to payment made during the year.

'Contract liabilities' increased mainly due to cash received during the year.

'Provisions' increased mainly due to reclassification of provision for restoration costs from non-current liabilities.

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

'Current tax payable' increased mainly due to provision made during the year.

'Interest-bearing borrowings' increased mainly due to reclassification from non-current borrowings.

Non-current liabilities

'Deferred tax liabilities' decreased mainly due to the movements in temporary differences.

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

'Interest-bearing borrowings' decreased mainly due to reclassification to current borrowings.

'Other long-term payables' decreased mainly due to write back of provision for long-term employee benefits.

G. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2 (Cont'd)

3. Review of performance of the Group (Cont'd)

Condensed interim balance sheets (Cont'd)

(b) Company

Non-current assets

'Property, plant and equipment' decreased mainly due to depreciation charge for the year.

'Right-of-use assets' decreased mainly due to depreciation charge for the year.

'Investment properties' decreased mainly due to depreciation charge for the year.

'Trade and other receivables' decreased mainly due to reclassification of non-current loan to a subsidiary to current assets.

Current assets

'Trade and other receivables' increased mainly due to reclassification of non-current loan to a subsidiary from non-current assets and additional loan to a subsidiary.

'Cash and cash equivalents' decreased mainly due to loan to a subsidiary.

Current liabilities

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

'Provisions' increased mainly due to reclassification of provision for restoration costs from non-current liabilities.

'Current tax payable' increased mainly due to provision made during the year.

Non-current liabilities

'Provisions' decreased mainly due to reclassification of provision for restoration costs to current liabilities.

'Lease liabilities' decreased mainly due to payment made during the year.

'Other long-term payables' decreased mainly due to write back of provision for long-term employee benefits.

Condensed interim consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows comprise the following balance sheet amounts:

	31-Dec-2022 $'000	31-Dec-2021 $'000
Fixed deposits	987,493	2,786
Cash and bank balances	1,103,350	1,101,332
Cash and cash equivalents	2,090,843	1,104,118

Cash flows used in operating activities before changes in working capital were $28 million in FY 2022. Net cash generated from operating activities for FY 2022 at $1.0 billion was mainly due to receipts from completed projects, offset by working capital for ongoing projects.

Net cash used in investing activities for FY 2022 was $26 million, mainly due to purchase of property, plant and equipment and intangible assets.

Net cash used in financing activities for FY 2022 was $21 million. It relates mainly to payment of lease liabilities.

G. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2 (Cont'd)

4. Variance from prospect statement

Please refer to paragraph 5.

5. Prospects

The industry outlook for oil & gas, offshore renewables and other green solutions continues to improve amid the ongoing energy transition.

On completion of the Proposed Combination, the Enlarged Group will commence implementation of integration initiatives. While integration of this scale will present challenges, the Enlarged Group is expected to benefit from greater synergies from the broader geographical footprint, larger operational scale and enhanced capabilities of Singapore's two leading O&M companies.

The Enlarged Group will have a combined order book of about S$18 billion with completions scheduled from 2023 to 2026. With improving order visibility, the Enlarged Group will be in a stronger position to convert its orders pipeline into further firm contracts.

The above factors will underpin the operational and financial performance of the Enlarged Group in the year ahead.

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.

6. Interested person transactions

		Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		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)	
Name of Interested Person	**Nature of Relationship**	**FY 2022 $'000**	**FY 2021 $'000**	**FY 2022 $'000**	**FY 2021 $'000**
Transaction for the Purchase of Goods and Services					
PSA Marine (Pte) Ltd	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	-	-	100	-
Sygnia Consulting Ltd	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	-	-	354	-
Total Interested Person Transactions		**-**	**-**	**454**	**-**

G. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2 (Cont'd)

7. 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.

8. Disclosure of persons occupying managerial positions who are related to a director, chief executive officer or substantial shareholder

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company confirms that, to the best of its knowledge, belief and information, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a director or the chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

TAN YAH SZE / KEM HUEY LEE SHARON
JOINT COMPANY SECRETARIES

27 February 2023

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Independent auditors' report

Members of the Company
Sembcorp Marine Ltd

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS112.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets (the "shipyard assets")
(Refer to Notes 4, 5, 13 and 41 to the financial statements: Property, plant and equipment of $3,860,087,000, Right-of-use assets of $215,851,000 and Intangible assets of $174,705,000)

Impairment assessment of investments in subsidiaries
(Refer to Note 7 to the financial statements: Investments in subsidiaries of $3,585,686,000)

Risk:

The Group's shipyard assets were subject to impairment test as market conditions for new builds in the offshore and marine sector remained challenging. Material and labour cost escalations caused by supply chain disruptions and shortages in skilled labour following the Covid-19 pandemic and on-going Russia-Ukraine conflict further suppressed contract margins.

The Group's largest yard assets and facilities are (i) the integrated yards, which include the individual yard locations in Singapore, the sub-contracting yards in Indonesia and the United Kingdom (the Singapore cash generating unit) and (ii) the yard in Brazil (the Brazil cash generating unit). Such shipyard assets are measured at cost less accumulated depreciation and impairment loss. An impairment loss exists when the recoverable amount of the shipyard assets is less than the net carrying amount. The recoverable amount is defined as the higher of the asset's fair value less costs of disposal, and value in use. Management had engaged independent valuation specialists to determine fair value less costs of disposal as at 31 December 2022. The fair value was estimated using discounted cash flows.

The determination of the recoverable amounts of these cash generating units involves a high degree of judgement and is subject to significant estimation uncertainties. The forecasted order book includes contracts from both the oil and gas and renewable energy industries amidst the energy transition. Changes in the key assumptions applied such as project margins, discount rates, long-term growth rates and changes in the timing and quantum of new orders, can have a significant impact on the recoverable amount. Note 41(d) to the financial statements discloses that changes in key assumptions relating to order book and project margins and changes in the timing of new orders could lead to material impairment losses if the forecasted order book and the forecasted margins in the near term were to deviate from original forecast.

As the Group taps on new opportunities in the renewable and green energy sector, more new players may even emerge, creating more competition and affecting project margins.

In determining the timing and the amount of new orders included in the forecasts for both cash generating units, the Group has considered potential outcome of active tenders it participated in by evaluating its competitors, the status and stage of development of the tenders and the Group's competitive edge. Whilst track records at the Brazil cash generating unit remains limited due to on-going construction of remaining phases of full yard facilities, the long-term fundamentals of oil and gas industry in Brazil was considered, together with projected capital expenditure announced by state-owned and international oil majors in relation to exploration and production projects of oil fields in Brazil.

In determining project margins for the cash generating unit, the Group has considered historical margins of the Group, cost differentials of operating in Singapore and in Brazil, and also benchmarked them against median margin of peer group.

The forecasts used to assess the valuation of the Company's investments in subsidiaries are similarly subject to the risks noted in the impairment assessments of the Group's shipyard assets.

The outcome of the impairment assessments performed by the Group on the shipyard assets and the Company's investments in subsidiaries shows that the recoverable amounts are in excess of the net carrying amounts.

Our response:

We assessed the Group's process for identifying and reviewing the cash generating units subject to impairment testing.

We, including our valuation specialists to the extent appropriate, reviewed the key assumptions and estimates supporting the fair value less costs of disposal to arrive at the recoverable amounts of these cash generating units. We compared the forecasted order book to management approved budgets, prevailing industry trends, and industry analysts' reports on growth potential in the demand for green energy infrastructure solutions. We compared the discount rates to market observable data including market and country risk premiums and any asset-specific risk premium. We compared the forecasted project margins to historical information. We assessed the long-term growth rates by comparing to forecasted inflation rates and energy prices.

We checked the forecasted order book against management's guideline for orders evaluation, and enquired on the basis for management's conclusion.

We also reviewed industry trends and regulations, for example, local content requirements at Brazil cash generating unit. We assessed the related disclosures on key assumptions applied in determining the recoverable amounts of the cash generating units.

Our findings:

The Group has a process for identifying and reviewing the cash generating units for impairment testing. The assumptions applied on order book and project margins built from past experience and new industry patterns are relevant but the estimates therein to arrive at recoverable amounts of the Singapore and Brazil cash generating units remain inherently difficult to forecast. Actual results may be different from forecasted financial information since anticipated events frequently do not occur as expected and the variation could be material. Unfavourable changes to any of these assumptions could lead to lower operating cash inflows and material impairment outcomes which might in turn significantly affect the financial position and performances of the Group. Accordingly, disclosures on sensitivity of the assumptions were made in the financial statements where we found them appropriate.

Recognition of revenue from construction contracts with customers
(Refer to Notes 26 and 41 to the financial statements: Turnover of $1,947,195,000)

Risk:

The Group's significant revenue is derived from long-term construction contracts.

Whether these contracts comprise one or more performance obligations, and whether these obligations are satisfied over time or at a point in time are areas of judgement exercised by management.

The Group accounts for revenue from long-term construction contracts using the percentage of completion method. This involves management's estimate of the stage of physical activities completed. Other supply-chain issues that disrupted timing of materials procurement and labour content further add to complexities in estimating the stage of completion of projects.

Our response:

We reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review of project's stage of completion and milestones achieved with customers) used in determining the amounts of revenue recognised in the financial statements.

We reviewed and challenged management's assessment of the outstanding projects' estimated costs to complete and the reasonableness of provision for losses for onerous contracts, where needed.

We reviewed the terms and conditions of contracts, including contract modifications, to identify the performance obligations and timing of fulfilment of these obligations.

We reviewed the work status of projects and checked that contract revenue was recognised according to stage of completion of physical activities.

We assessed the adequacy of disclosures covering estimation uncertainties involving timing of revenue recognition in long-term contracts.

Our findings:

The Group has a process to measure project revenues according to stage of completion of projects, and where an onerous contract is identified, a loss provision is assessed and recorded in the books.

We found the basis applied for identifying the performance obligations and timing of satisfaction of these obligations to be appropriate.

We found the percentage of completion used for revenue recognition appropriately reflects the status and progress of the projects.

We found management's assessment of onerous contracts, and the costs estimate used to measure losses from these onerous contracts to be fair.

We found the disclosures describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Recoverability of trade receivables and contract balances in relation to contracts with customers
(Refer to Notes 10, 12, 16 and 41 to the financial statements: Trade and loan receivables of $1,815,302,000, Contract assets of $296,763,000 and Contract costs of $47,654,000)

Risk:

The Group has significant trade receivables, contract assets and contract costs in relation to contracts with customers. For customers on deferred payment scheme, interest is charged.

In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances on expected credit losses on financial assets and contract assets. The determination of the loss allowances requires significant judgement and estimates to determine whether the financial asset is credit impaired, and the best estimate of the ultimate realisation of the amounts receivable from customers and contract assets from customer contracts.

SFRS(I) 15 *Revenue from Contracts with Customers* further requires contract costs to be recognised up to amounts the Group expects to recover. Judgement is required in assessing whether customers will be able to fulfil their contractual obligations.

The assumptions about the risk of default and expected loss rates on these receivables and contract balances are highly judgemental.

Our response:

We reviewed the Group's estimation process used in determining the amounts of loss allowance recognised on expected credit losses on trade receivables and contract balances.

We reviewed the significant inputs used in management's assessment of the amounts of loss allowance recognised on expected credit losses on trade receivables and contract balances, and considered the reasonableness of the inputs by reference to recent credit review assessments prepared by management.

We reviewed the re-forecast of each significant contract and enquired with management on any on-going negotiations that may impair the recoverability of significant receivables and contract balances.

We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving recoverability of receivables and contract balances in relation to contracts with customers.

Our findings:

The Group has a process to assess credit risk and to determine the amounts of expected credit losses to be recognised on trade receivables and contract assets.

The judgement applied by management surrounding the expected realisation of receivables and contract balances was fair as premised on facts and circumstances available to the Group.

We found the disclosures describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Litigation, claims and other contingencies (Refer to Note 39 to the financial statements)

Update in relation to Brazil (Refer to Note 46 to the financial statements)

Risk:

The Group is exposed to operational, business and political risks in certain countries in which it operates. These risks could give rise to litigation, claims and other contingencies (collectively, the "contingencies") which could have a significant financial impact if the exposures were to materialise. Ad-hoc Committees, when formed for specific reason, may conduct independent investigations on allegations that have potential impact on the business and the Group's financial affairs, and recommend measures as deemed appropriate.

The determination by management of whether, and how much, to provide and/or disclose for such contingencies is also highly judgemental.

Update in relation to Brazil

In 2019 and 2020, the Company made announcements in relation to ongoing investigations related to "Operacao Lava Jato" (Operation Car Wash) in Brazil.

These investigations involved allegations in Brazil of illegal payments made by Mr Guilherme Esteves De Jesus ("GDJ"), who was connected to companies engaged by the Company's subsidiaries as consultants in Brazil. There were alleged acts of money laundering and corruption performed by GDJ and Mr Martin Cheah Kok Choon, former president of Estaleiro Jurong Aracruz Ltda, a subsidiary of the Company.

Since 2015, the Company had formed a Special Committee to conduct independent investigations on the allegations.

As at the date of the financial statements, investigations are still ongoing and the directors of the Company have determined that it remains premature to predict the eventual outcome of this matter.

Our response:

We assessed the Group's process for identifying significant adverse developments arising from contingencies and supervising the legal, regulatory and political developments. We have also reviewed the terms of reference of the Special Committee formed.

We evaluated management's assessment of the likely outcomes and potential exposures arising from all significant contingencies and allegations subject to on-going investigations; and considered the requirements for any provision and related disclosures. Our work included the following:

- Held discussions with management, the Group's legal counsel, the Audit Committee and the Special Committee, and reviewing relevant documents;
- Assessed the progress of all significant contingencies, including reviewing the Group's public announcements;
- Considered any evidence of legal disputes which we were made aware;
- Obtained independent legal confirmation letters from the Group's external lawyers;
- Inquired with the Company's external legal counsel, together with our specialists, to understand the scope, approach and status of the investigations; and
- Assessed the adequacy of disclosures in the financial statements in respect of this matter.

Our findings:

We found that the Group has a process for identifying and monitoring exposures arising from litigation, claims and contingencies and determining the appropriate measurement and/or disclosures of such matters in the Group's financial statements.

From our audit procedures performed and representations obtained from management and the Special Committee, we found the disclosures on contingencies in respect of this matter to be appropriate.

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon. We have obtained the Directors' Statement and Group Financial Review prior to the date of this auditors' report. The other sections in the annual report (the "Reports") are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Ang Fung Fung.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
27 February 2023