



SEMBCORP MARINE LTD
 Registration Number: 196300098Z

THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018 FINANCIAL STATEMENTS & RELATED ANNOUNCEMENT

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SEMBCORP MARINE LTD
UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

The Board of Directors of Sembcorp Marine Ltd wishes to announce the following unaudited results of the Group for the third quarter and nine months ended 30 September 2018.

1. CONSOLIDATED INCOME STATEMENT

		Group			Group		
	Note	3Q 2018 \$'000	3Q 2017 (Restated) \$'000	+ / (-) %	9M 2018 \$'000	9M 2017 (Restated) \$'000	+ / (-) %
Turnover	2a	1,167,175	728,765	60.2	3,974,692	2,123,200	87.2
Cost of sales	2a	(1,179,978)	(602,071)	96.0	(3,991,452)	(1,908,343)	n.m.
Gross (loss)/profit	2a	(12,803)	126,694	n.m.	(16,760)	214,857	n.m.
Other operating income	2b	16,448	8,813	86.6	36,683	33,696	8.9
Other operating expenses	2b	1,211	28,493	(95.7)	(2,310)	(3,871)	(40.3)
General and administrative expenses	2c	(26,192)	(27,726)	(5.5)	(71,985)	(74,398)	(3.2)
Operating (loss)/profit		(21,336)	136,274	n.m.	(54,372)	170,284	n.m.
Finance income	2d	14,854	5,473	n.m.	34,120	16,144	n.m.
Finance costs	2e	(27,000)	(23,693)	14.0	(74,602)	(72,602)	2.8
Non-operating income	2f	55	-	n.m.	141	47,682	(99.7)
Non-operating expenses	2f	-	(1,050)	n.m.	-	(6,550)	n.m.
Share of results of associates and joint ventures, net of tax	2g	(1,597)	(698)	n.m.	(630)	(1,924)	(67.3)
(Loss)/profit before tax		(35,024)	116,306	n.m.	(95,343)	153,034	n.m.
Tax credit/(expense)	2h	4,119	(16,650)	n.m.	12,176	(13,081)	n.m.
(Loss)/profit for the period		(30,905)	99,656	n.m.	(83,167)	139,953	n.m.
(Loss)/profit attributable to:							
Owners of the Company		(29,756)	100,716	n.m.	(80,061)	142,876	n.m.
Non-controlling interests		(1,149)	(1,060)	8.4	(3,106)	(2,923)	6.3
(Loss)/profit for the period		(30,905)	99,656	n.m.	(83,167)	139,953	n.m.
Earnings per ordinary share (cents)							
Basic	2i	(1.42)	4.82	n.m.	(3.83)	6.84	n.m.
Diluted		(1.42)	4.82	n.m.	(3.83)	6.84	n.m.

n.m.: not meaningful

The Group has adopted Singapore Financial Reporting Standards (International) (SFRS(I)) on 1 January 2018. Please refer to paragraph 10 for the details on the financial impact from the adoption with respect to the restated third quarter and nine months ended 30 September 2017 financial statements.

2. NOTES TO CONSOLIDATED INCOME STATEMENT

2a. Turnover, Cost of Sales

		Group			Group		
		3Q 2018	3Q 2017	+ / (-)	9M 2018	9M 2017	+ / (-)
		\$'000	(Restated) \$'000	%	\$'000	(Restated) \$'000	%
Turnover	(i)	1,167,175	728,765	60.2	3,974,692	2,123,200	87.2
Cost of sales		(1,179,978)	(602,071)	96.0	(3,991,452)	(1,908,343)	n.m.
Gross (loss)/profit	(ii)	(12,803)	126,694	n.m.	(16,760)	214,857	n.m.
<i>Included in gross (loss)/profit:</i>							
Depreciation and amortisation		(42,913)	(48,134)	(10.8)	(136,337)	(141,393)	(3.6)
Inventories written back/(written down), net		25	(18)	n.m.	52	110	(52.7)
Contract costs written down, net		-	(12,722)	n.m.	-	(12,722)	n.m.

- (i) Turnover for 3Q 2018 increased by 60% mainly due to higher revenue recognition for rigs & floaters upon the delivery of 2 jack-up rigs to Borr Drilling and revenue recognition for newly secured projects. Excluding the effects of the delivery to Borr Drilling in 3Q 2018 and revenue adjustment in 3Q 2017 due to termination of two rig contracts with a customer, revenue would have been \$773 million, an increase of 27% compared with \$611 million in 3Q 2017.

Turnover for 9M 2018 increased by 87% mainly due to higher revenue recognition for rigs & floaters upon the delivery of 6 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL, sale of a semi-submersible rig and revenue recognition for newly secured projects. Excluding the effects of the delivery to Borr Drilling and BOTL, and sale of the semi-submersible rig in 9M 2018; and revenue adjustment in 9M 2017 due to termination of two rig contracts with a customer, revenue would have been \$1.8 billion, a decrease of 9% compared with \$2.0 billion in 9M 2017.

- (ii) Gross loss for 3Q 2018 and 9M 2018 was mainly due to loss upon the sale of a semi-submersible, continued low overall business volume which impacted the absorption of overhead costs, offset by margin recognition from newly secured production floater projects and delivery of rigs. The net positive effect of contracts termination of two rigs was recorded in 3Q 2017, which mainly arose from the entitlement to the down payments on termination of these rig contracts.

2b. Other operating income/(expenses)

		Group			Group		
		3Q 2018	3Q 2017	+ / (-)	9M 2018	9M 2017	+ / (-)
		\$'000	(Restated) \$'000	%	\$'000	(Restated) \$'000	%
Other operating income		16,448	8,813	86.6	36,683	33,696	8.9
Other operating expenses		1,211	28,493	(95.7)	(2,310)	(3,871)	(40.3)
		17,659	37,306	(52.7)	34,373	29,825	15.2
<i>Included in other operating income/(expenses):</i>							
Foreign exchange gain, net	(i)	6,926	31,259	(77.8)	4,960	789	n.m.
Fair value adjustment on hedging instruments	(ii)	(715)	-	n.m.	(1,794)	-	n.m.
Fair value adjustment on firm commitments under fair value hedge		143	(1,775)	n.m.	(228)	(3,433)	(93.4)
Gain on disposal of property, plant and equipment, net		1,605	6	n.m.	2,590	30	n.m.
Rental income		3,410	2,445	39.5	10,320	12,213	(15.5)
Other income	(iii)	6,473	5,573	16.1	18,813	20,664	(9.0)
Other expenses		(183)	(202)	(9.4)	(288)	(438)	(34.2)
		17,659	37,306	(52.7)	34,373	29,825	15.2

- (i) Foreign exchange gain in 3Q 2018 and 9M 2018 mainly arose from the revaluation of assets and liabilities denominated in United States dollar to Singapore dollar. Foreign exchange gain in 3Q 2017 and 9M 2017 mainly arose from the revaluation of liabilities denominated in United States dollar to Brazilian Real and the revaluation of assets and liabilities denominated in United States dollar to Singapore dollar.

- (ii) Fair value adjustment on hedging instruments was due to mark-to-market adjustments of foreign currency forward contracts.

- (iii) Higher other income in 3Q 2018 was mainly due to higher sales of scrap.

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

2c. General and administrative expenses

	Group			Group		
	3Q 2018	3Q 2017	+ / (-)	9M 2018	9M 2017	+ / (-)
	\$'000	(Restated) \$'000	%	\$'000	(Restated) \$'000	%
General and administrative expenses (i)	(26,192)	(27,726)	(5.5)	(71,985)	(74,398)	(3.2)
<i>Included in general and administrative expenses:</i>						
Depreciation and amortisation	(617)	(1,506)	(59.0)	(2,044)	(3,461)	(40.9)
Allowance for doubtful debts and bad debts	(336)	(55)	n.m.	(805)	(81)	n.m.

(i) Lower general and administrative expenses in 3Q 2018 and 9M 2018 was mainly due to lower depreciation charge.

2d. Finance income

Higher finance income in 3Q 2018 and 9M 2018 was mainly due to interest income from a customer for deferred payments granted.

2e. Finance costs

	Group			Group		
	3Q 2018	3Q 2017	+ / (-)	9M 2018	9M 2017	+ / (-)
	\$'000	(Restated) \$'000	%	\$'000	(Restated) \$'000	%
Finance costs	(27,000)	(23,693)	14.0	(74,602)	(72,602)	2.8
<i>Included in finance costs:</i>						
Interest expense (i)	(26,032)	(23,088)	12.8	(72,104)	(70,649)	2.1
Commitment and facility fees	(968)	(605)	60.0	(2,498)	(1,953)	27.9
	(27,000)	(23,693)	14.0	(74,602)	(72,602)	2.8

(i) Higher interest expense in 3Q 2018 and 9M 2018 was mainly due to higher average interest rate arising from external rate hikes compared to the corresponding periods in 2017.

2f. Non-operating income/(expenses)

	Group			Group		
	3Q 2018	3Q 2017	+ / (-)	9M 2018	9M 2017	+ / (-)
	\$'000	(Restated) \$'000	%	\$'000	(Restated) \$'000	%
Non-operating income	55	-	n.m.	141	47,682	(99.7)
Non-operating expenses	-	(1,050)	n.m.	-	(6,550)	n.m.
	55	(1,050)	n.m.	141	41,132	(99.7)
<i>Included in non-operating income/(expenses):</i>						
Gain on disposal of assets held for sale (i)	-	-	-	-	46,816	n.m.
Gain on disposal of a subsidiary	-	-	-	-	866	n.m.
Gain on disposal of other financial assets	27	-	n.m.	27	-	n.m.
Net change in fair value of financial assets measured through profit or loss	28	-	n.m.	114	-	n.m.
Impairment losses on available-for-sale financial assets	-	(1,050)	n.m.	-	(1,050)	n.m.
Assumption of liabilities on behalf of a joint venture	-	-	-	-	(5,500)	n.m.
	55	(1,050)	n.m.	141	41,132	(99.7)

(i) The gain on disposal of assets held for sale in 9M 2017 arose from the Group's divestment of its 30% equity interest in Cosco Shipyard Group Co., Ltd, which was completed in January 2017.

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

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

The share of results of associates and joint ventures in 3Q 2018 and 9M 2018 was mainly due to share of losses from associates and joint ventures.

2h. Tax credit/(expense)

		Group			Group		
		3Q 2018	3Q 2017	+ / (-)	9M 2018	9M 2017	+ / (-)
		\$'000	(Restated) \$'000	%	\$'000	(Restated) \$'000	%
Tax credit/(expense)	(i)	4,119	(16,650)	n.m.	12,176	(13,081)	n.m.
<i>Included in tax credit/(expense):</i>							
Write-back/(under provision) of tax in respect of prior years, net	(ii)	(37)	(1,940)	(98.1)	419	6,047	(93.1)

(i) The tax credit in 3Q 2018 and 9M 2018 was mainly due to recognition of unutilised tax losses. The deferred tax assets are recognised only to the extent that it is probable that the related tax benefit will be realised.

(ii) The write-back of tax in 9M 2017 was mainly attributable to recognition of tax incentives.

2i. Earnings per ordinary share

Earnings per ordinary share of the Group based on net (loss)/profit attributable to owners of the Company:		Group			Group		
		3Q 2018	3Q 2017	+ / (-)	9M 2018	9M 2017	+ / (-)
			(Restated)	%		(Restated)	%
(i) Based on the weighted average number of shares (cents)		(1.42)	4.82	n.m.	(3.83)	6.84	n.m.
- Weighted average number of shares ('000)		2,088,868	2,089,700	-	2,088,360	2,089,497	(0.1)
(ii) On a fully diluted basis (cents)		(1.42)	4.82	n.m.	(3.83)	6.84	n.m.
- Adjusted weighted average number of shares ('000)		2,088,868	2,089,700	-	2,088,360	2,089,497	(0.1)

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group			Group		
		3Q 2018 \$'000	3Q 2017 (Restated) \$'000	+ / (-) %	9M 2018 \$'000	9M 2017 (Restated) \$'000	+ / (-) %
(Loss)/profit for the period		(30,905)	99,656	n.m.	(83,167)	139,953	n.m.
Other comprehensive income							
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Foreign currency translation differences for foreign operations	3a(i)	35,210	(25,748)	n.m.	32,177	(52,243)	n.m.
Net change in fair value of cash flow hedges	3a(ii)	(12,226)	25,154	n.m.	(35,340)	35,374	n.m.
Net change in fair value of cash flow hedges transferred to profit or loss	3a(iii)	11,326	-	n.m.	11,326	-	n.m.
Net change in fair value of available-for-sale financial assets	3a(iv)	-	(1,081)	n.m.	-	690	n.m.
Realisation of reserve upon disposal of assets held for sale		-	-	-	-	(20,484)	n.m.
Realisation of reserve upon disposal of a subsidiary		-	-	-	-	(217)	n.m.
		<u>34,310</u>	<u>(1,675)</u>	<u>n.m.</u>	<u>8,163</u>	<u>(36,880)</u>	<u>n.m.</u>
<i>Item that may not be reclassified subsequently to profit or loss:</i>							
Net change in fair value of equity investments at FVOCI	3a(v)	-	-	-	(11,339)	-	n.m.
Other comprehensive income for the period, net of tax		<u>34,310</u>	<u>(1,675)</u>	<u>n.m.</u>	<u>(3,176)</u>	<u>(36,880)</u>	<u>(91.4)</u>
Total comprehensive income for the period		<u>3,405</u>	<u>97,981</u>	<u>(96.5)</u>	<u>(86,343)</u>	<u>103,073</u>	<u>n.m.</u>
Total comprehensive income attributable to:							
Owners of the Company		4,532	98,988	(95.4)	(83,133)	106,091	n.m.
Non-controlling interests		(1,127)	(1,007)	11.9	(3,210)	(3,018)	6.4
Total comprehensive income for the period		<u>3,405</u>	<u>97,981</u>	<u>(96.5)</u>	<u>(86,343)</u>	<u>103,073</u>	<u>n.m.</u>

3a. Explanatory notes to Consolidated Statement of Comprehensive Income

- (i) The movement in foreign currency translation reserves in 3Q 2018 and 9M 2018 arose primarily due to the appreciation of United States dollar against Singapore dollar relative to the rates as at end of previous quarter and previous year respectively.
- (ii) Fair value changes were due to the mark-to-market adjustments of foreign currency forward contracts and interest rate swaps.
- (iii) It relates to reclassification to profit or loss upon realisation of cash flow hedges.
- (iv) Fair value changes were mainly attributable to the mark-to-market adjustments of available-for-sale financial assets.
- (v) Fair value changes were mainly attributable to the mark-to-market adjustments of quoted prices of equity investments at fair value through other comprehensive income (FVOCI).

4. BALANCE SHEETS

	Group		Company	
	30-Sep-2018	31-Dec-2017 (Restated)	30-Sep-2018	31-Dec-2017
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	4,120,599	3,995,019	69,547	79,418
Investment properties	-	-	15,830	17,190
Investments in subsidiaries	-	-	1,490,242	1,483,520
Interests in associates and joint ventures	68,152	67,965	-	-
Other financial assets	2,746	46,150	-	18,894
Trade and other receivables	1,019,947	168,740	31,719	31,725
Contract costs	-	128,399	-	-
Intangible assets	216,644	179,201	184	184
Deferred tax assets	48,271	13,919	-	-
	<u>5,476,359</u>	<u>4,599,393</u>	<u>1,607,522</u>	<u>1,630,931</u>
Current assets				
Inventories	86,132	95,773	-	-
Trade and other receivables	648,565	640,481	222,732	117,283
Contract costs	525,761	2,358,054	-	-
Contract assets	1,095,212	652,361	-	-
Tax recoverable	10,530	11,192	846	846
Other financial assets	19,973	33,571	-	-
Cash and cash equivalents	683,095	1,301,000	29,398	55,126
	<u>3,069,268</u>	<u>5,092,432</u>	<u>252,976</u>	<u>173,255</u>
Total assets	<u>8,545,627</u>	<u>9,691,825</u>	<u>1,860,498</u>	<u>1,804,186</u>
Current liabilities				
Trade and other payables	1,557,645	1,604,218	19,555	26,433
Contract liabilities	289,677	1,135,661	-	-
Provisions	41,268	27,755	6,771	6,771
Other financial liabilities	9,358	1,449	-	-
Current tax payable	33,699	24,868	-	-
Interest-bearing borrowings	958,655	852,737	465	474
	<u>2,890,302</u>	<u>3,646,688</u>	<u>26,791</u>	<u>33,678</u>
Net current assets	<u>178,966</u>	<u>1,445,744</u>	<u>226,185</u>	<u>139,577</u>
Non-current liabilities				
Deferred tax liabilities	54,060	61,545	12,050	11,070
Provisions	90,589	70,014	18,036	18,036
Contract liabilities	-	75,497	-	-
Other financial liabilities	7,509	5,713	-	-
Interest-bearing borrowings	2,985,376	3,247,386	952	1,394
Other long-term payables	142,952	104,807	3,666	6,779
	<u>3,280,486</u>	<u>3,564,962</u>	<u>34,704</u>	<u>37,279</u>
Total liabilities	<u>6,170,788</u>	<u>7,211,650</u>	<u>61,495</u>	<u>70,957</u>
Net assets	<u>2,374,839</u>	<u>2,480,175</u>	<u>1,799,003</u>	<u>1,733,229</u>
Equity attributable to owners of the Company				
Share capital	484,288	484,288	484,288	484,288
Other reserves	(19,853)	(30,704)	(25,247)	(27,831)
Revenue reserve	1,872,493	1,985,392	1,339,962	1,276,772
	<u>2,336,928</u>	<u>2,438,976</u>	<u>1,799,003</u>	<u>1,733,229</u>
Non-controlling interests	37,911	41,199	-	-
Total equity	<u>2,374,839</u>	<u>2,480,175</u>	<u>1,799,003</u>	<u>1,733,229</u>

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

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

Interest-bearing borrowings:	As at 30-Sep-2018	As at 31-Dec-2017
	\$'000	\$'000
(i) <u>Amount repayable in one year or less, or on demand</u> Unsecured	958,655	852,737
(ii) <u>Amount repayable after one year</u> Unsecured	2,985,376	3,247,386

4b. **Net asset value**

	Group		Company	
	30-Sep-2018	31-Dec-2017 (Restated)	30-Sep-2018	31-Dec-2017
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (cents)	111.89	116.81	86.14	83.01

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

(i) **Group**

Non-current assets

'Other financial assets' decreased mainly due to fair value adjustments on foreign currency forward contracts, disposal of equity investments at fair value through other comprehensive income (FVOCI) and disposal of investments at fair value through profit or loss.

'Trade and other receivables' increased mainly due to billing to customers upon completion and sale of rigs.

'Contract costs' decreased mainly due to reclassification from non-current to current contract costs.

'Intangible assets' increased mainly due to acquisition of intellectual property rights.

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

Current assets

'Inventories' decreased mainly due to utilisation for projects.

'Contract costs' decreased mainly due to recognition of costs of sales upon the delivery and sale of rigs.

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

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

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

Current liabilities

'Contract liabilities' decreased mainly due to recognition of revenue upon the delivery and sale of rigs.

'Provisions' increased mainly due to allowance made for warranty provision.

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

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

'Interest-bearing borrowings' increased mainly due to reclassification from long term borrowings, offset by repayment of short term borrowings.

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

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

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

Non-current liabilities

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

'Provisions' increased mainly due to allowance made for warranty provision.

'Contract liabilities' decreased mainly due to reclassification from non-current to current contract liabilities.

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

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

'Other long-term payables' increased mainly due to provision made during the period.

Equity

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

(ii) **Company**

Non-current assets

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

'Other financial assets' decreased mainly due to disposal of equity investments at fair value through other comprehensive income (FVOCI) and disposal of investments at fair value through profit or loss.

Current assets

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

'Cash and cash equivalents' decreased mainly due to dividends paid.

Current liabilities

'Trade and other payables' decreased mainly due to lower payables due to subsidiaries.

Non-current liabilities

'Interest-bearing borrowings' decreased mainly due to payment of finance lease obligations.

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

Equity

'Other reserves' deficit decreased mainly due to issuance of treasury shares.

5. CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		Group	
	3Q 2018	3Q 2017 (Restated)	9M 2018	9M 2017 (Restated)
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
(Loss)/profit for the period	(30,905)	99,656	(83,167)	139,953
Adjustments for:				
Finance income	(14,854)	(5,473)	(34,120)	(16,144)
Finance costs	27,000	23,693	74,602	72,602
Depreciation of property, plant and equipment	37,814	43,923	121,219	127,703
Amortisation of intangible assets	5,716	5,717	17,162	17,151
Share of results of associates and joint ventures, net of tax	1,597	698	630	1,924
Gain on disposal of property, plant and equipment	(1,605)	(6)	(2,590)	(30)
Loss on disposal of intangible assets	-	-	-	13
Gain on disposal of a subsidiary	-	-	-	(866)
Gain on disposal of assets held for sale	-	-	-	(46,816)
Gain on disposal of other financial assets	(27)	-	(27)	-
Assumption of liabilities on behalf of a joint venture	-	-	-	5,500
Fair value adjustment on hedging instruments	572	-	2,022	-
Fair value adjustment on firm commitments under fair value hedge	-	1,775	-	3,433
Net change in fair value of financial assets measured through profit or loss	(28)	-	(114)	-
Impairment losses on available-for-sale financial assets	-	1,050	-	1,050
Share-based payment expenses	1,658	5,288	4,787	8,843
Property, plant and equipment written off	-	351	6	831
Inventories (written back)/written down, net	(25)	18	(52)	(110)
Contract costs written down, net	-	12,722	-	12,722
Allowance for doubtful debts and bad debts, net	336	55	805	81
Tax (credit)/expense	(4,119)	16,650	(12,176)	13,081
Operating profit before working capital changes	23,130	206,117	88,987	340,921
Changes in working capital:				
Inventories	1,532	(1,817)	9,693	(7,425)
Contract costs	274,103	(58,017)	1,960,692	(145,519)
Contract assets	(261,948)	(146,138)	(442,851)	(385,989)
Contract liabilities	(206,210)	(184,472)	(921,481)	(117,929)
Trade and other receivables	(213,824)	110,146	(861,220)	122,262
Trade and other payables	320,507	(43,148)	65,519	(218,427)
Cash used in operations	(62,710)	(117,329)	(100,661)	(412,106)
Interest income received	14,876	1,600	34,161	7,762
Interest paid	(26,032)	(33,094)	(72,104)	(77,874)
Tax paid	(4,586)	(6,332)	(15,374)	(7,138)
Net cash used in operating activities	(78,452)	(155,155)	(153,978)	(489,356)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(107,648)	(36,895)	(221,063)	(135,449)
Proceeds from sale of property, plant and equipment	1,643	6	2,633	32
Proceeds from sale of intangible assets	-	-	-	42
Acquisition of subsidiary and intangible assets, net of cash acquired (Note 5b)	(54,594)	-	(54,594)	-
Proceeds from disposal of equity investments at FVOCI	-	-	6,861	-
Proceeds from disposal of other financial assets	835	-	835	-
Proceeds from divestment of assets held for sale	-	205,690	-	205,690
Net cash (used in)/generated from investing activities	(159,764)	168,801	(265,328)	70,315
Cash flows from financing activities:				
Proceeds from borrowings	321,146	50,617	552,187	368,369
Repayment of borrowings	(251,210)	(3,728)	(730,709)	(58,448)
Repayment of finance lease	-	(512)	(512)	(512)
Purchase of treasury shares	(916)	-	(916)	(2,577)
Dividends paid to owners of the Company	-	(20,897)	(20,888)	(41,794)
Dividends paid to non-controlling interests of subsidiaries	(78)	(279)	(78)	(279)
Unclaimed dividends	17	-	30	6
Net cash generated from/(used in) financing activities	68,959	25,201	(200,886)	264,765
Net (decrease)/increase in cash and cash equivalents	(169,257)	38,847	(620,192)	(154,276)
Cash and cash equivalents at beginning of the period	847,968	1,014,062	1,301,000	1,216,971
Effect of exchange rate changes on balances held in foreign currencies	3,867	3,419	1,770	(6,367)
Cash and cash equivalents at end of the period	682,578	1,056,328	682,578	1,056,328

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

5a. Cash and cash equivalents

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

	30-Sep-2018 \$'000	30-Sep-2017 (Restated) \$'000
Fixed deposits	3,038	305
Cash and bank balances	680,057	1,057,272
Cash and cash equivalents in balance sheets	683,095	1,057,577
Bank overdrafts	(517)	(1,249)
Cash and cash equivalents in consolidated statement of cash flows	682,578	1,056,328

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

	3Q 2018 ¹ \$'000	3Q 2017 \$'000	9M 2018 ¹ \$'000	9M 2017 \$'000
(i) Effect on cash flows of the Group				
Cash paid	54,619	-	54,619	-
Less: Cash and cash equivalents in subsidiary acquired	(25)	-	(25)	-
Cash outflow on acquisition	<u>54,594</u>	<u>-</u>	<u>54,594</u>	<u>-</u>
(ii) Identifiable assets acquired and liabilities assumed				
Intangible assets	51,625	-	51,625	-
Trade and other receivables	5	-	5	-
Cash and cash equivalents	25	-	25	-
Total assets	<u>51,655</u>	<u>-</u>	<u>51,655</u>	<u>-</u>
Trade and other payables	15	-	15	-
Total liabilities	<u>15</u>	<u>-</u>	<u>15</u>	<u>-</u>
Net identifiable assets	51,640	-	51,640	-
Add: Goodwill	2,979	-	2,979	-
Consideration transferred for the business	<u>54,619</u>	<u>-</u>	<u>54,619</u>	<u>-</u>

¹ Acquisition of interests and titles to all intellectual property rights of Sevan Marine ASA and HiLoad LNG AS in 3Q 2018.

Note: The above are inclusive of fair value adjustments, determined on a provisional basis.

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

5c. Explanatory notes to Consolidated Statement of Cash Flows

Third quarter

Cash flows generated from operating activities before changes in working capital were \$23.1 million in 3Q 2018. Net cash used in operating activities for 3Q 2018 at \$78.5 million was mainly due to working capital for ongoing projects.

Net cash used in investing activities for 3Q 2018 was \$159.8 million, mainly due to purchase of property, plant and equipment for Sembcorp Marine Tuas Boulevard yard, acquisition of a subsidiary and purchase of intangible assets.

Net cash generated from financing activities for 3Q 2018 was \$69.0 million. It relates mainly to net proceeds from borrowings.

Nine months

Cash flows generated from operating activities before changes in working capital were \$89.0 million in 9M 2018. Net cash used in operating activities for 9M 2018 at \$154.0 million was mainly due to working capital for ongoing projects, offset by receipts from ongoing and completed projects.

Net cash used in investing activities for 9M 2018 was \$265.3 million, mainly due to purchase of property, plant and equipment for Sembcorp Marine Tuas Boulevard yard, acquisition of a subsidiary and purchase of intangible assets, offset by proceeds from disposal of equity investments at FVOCI.

Net cash used in financing activities for 9M 2018 was \$200.9 million. It relates mainly to net repayment of borrowings and dividends paid.

6. STATEMENTS OF CHANGES IN EQUITY

6a. 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	Other reserves	Revenue reserve	Total	Non-controlling interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1H 2018									
At 31 December 2017									
As previously stated	484,288	(3,451)	(13,011)	(17,732)	8,470	2,019,609	2,478,173	41,199	2,519,372
Adoption of SFRS(I) 15	-	-	-	(4,980)	-	(34,217)	(39,197)	-	(39,197)
As restated at 31 December 2017	484,288	(3,451)	(13,011)	(22,712)	8,470	1,985,392	2,438,976	41,199	2,480,175
Adoption of SFRS(I) 9	-	-	-	-	(447)	(641)	(1,088)	-	(1,088)
As restated at 1 January 2018	484,288	(3,451)	(13,011)	(22,712)	8,023	1,984,751	2,437,888	41,199	2,479,087
Total comprehensive income									
Loss for the period	-	-	-	-	-	(50,305)	(50,305)	(1,957)	(52,262)
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	(2,907)	-	-	(2,907)	(126)	(3,033)
Net change in fair value of cash flow hedges	-	-	-	-	(23,114)	-	(23,114)	-	(23,114)
Net change in fair value of equity investments at FVOCI	-	-	-	-	(11,339)	-	(11,339)	-	(11,339)
Reclassification of reserve on disposal of equity investments at FVOCI	-	-	-	-	11,339	(11,339)	-	-	-
Total other comprehensive income	-	-	-	(2,907)	(23,114)	(11,339)	(37,360)	(126)	(37,486)
Total comprehensive income	-	-	-	(2,907)	(23,114)	(61,644)	(87,665)	(2,083)	(89,748)
Transactions with owners of the Company, recognised directly in equity									
Issue of treasury shares	-	2,192	-	-	(1,678)	-	514	-	514
Dividends paid	-	-	-	-	-	(20,888)	(20,888)	-	(20,888)
Unclaimed dividends	-	-	-	-	-	13	13	-	13
Share-based payments	-	-	-	-	2,308	-	2,308	-	2,308
Total transactions with owners	-	2,192	-	-	630	(20,875)	(18,053)	-	(18,053)
At 30 June 2018	484,288	(1,259)	(13,011)	(25,619)	(14,461)	1,902,232	2,332,170	39,116	2,371,286
3Q 2018									
Total comprehensive income									
Loss for the period	-	-	-	-	-	(29,756)	(29,756)	(1,149)	(30,905)
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	35,188	-	-	35,188	22	35,210
Net change in fair value of cash flow hedges	-	-	-	-	(12,226)	-	(12,226)	-	(12,226)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	11,326	-	11,326	-	11,326
Total other comprehensive income	-	-	-	35,188	(900)	-	34,288	22	34,310
Total comprehensive income	-	-	-	35,188	(900)	(29,756)	4,532	(1,127)	3,405
Transactions with owners of the Company, recognised directly in equity									
Purchase of treasury shares	-	(916)	-	-	-	-	(916)	-	(916)
Dividends paid	-	-	-	-	-	-	-	(78)	(78)
Unclaimed dividends	-	-	-	-	-	17	17	-	17
Share-based payments	-	-	-	-	1,125	-	1,125	-	1,125
Total transactions with owners	-	(916)	-	-	1,125	17	226	(78)	148
At 30 September 2018	484,288	(2,175)	(13,011)	9,569	(14,236)	1,872,493	2,336,928	37,911	2,374,839

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

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

	Attributable to owners of the Company								
	Share capital	Reserve for own shares	Capital reserves	Currency translation reserve	Other reserves	Revenue reserve	Total	Non-controlling interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1H 2017 (Restated)									
At 1 January 2017									
As previously stated	484,288	(566)	11,514	65,394	(21,437)	2,022,796	2,561,989	45,632	2,607,621
Adoption of SFRS(I) 15	-	-	-	(16,141)	-	(280,324)	(296,465)	-	(296,465)
As restated	484,288	(566)	11,514	49,253	(21,437)	1,742,472	2,265,524	45,632	2,311,156
Total comprehensive income									
Profit for the period	-	-	-	-	-	42,160	42,160	(1,863)	40,297
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	(26,501)	-	-	(26,501)	6	(26,495)
Net change in fair value of cash flow hedges	-	-	-	-	10,220	-	10,220	-	10,220
Net change in fair value of available-for-sale financial assets	-	-	-	-	1,771	-	1,771	-	1,771
Realisation of reserve upon disposal of assets held for sale	-	-	-	(20,484)	-	-	(20,484)	-	(20,484)
Realisation of reserve upon disposal of a subsidiary	-	-	-	(63)	-	-	(63)	(154)	(217)
Total other comprehensive income	-	-	-	(47,048)	11,991	-	(35,057)	(148)	(35,205)
Total comprehensive income	-	-	-	(47,048)	11,991	42,160	7,103	(2,011)	5,092
Transactions with owners of the Company, recognised directly in equity									
Purchase of treasury shares	-	(2,577)	-	-	-	-	(2,577)	-	(2,577)
Issue of treasury shares	-	3,032	-	-	(2,345)	-	687	-	687
Dividends paid	-	-	-	-	-	(20,897)	(20,897)	-	(20,897)
Unclaimed dividends	-	-	-	-	-	6	6	-	6
Share-based payments	-	-	-	-	2,059	-	2,059	-	2,059
Transfer of reserves	-	-	(24,525)	-	-	24,525	-	-	-
Total transactions with owners	-	455	(24,525)	-	(286)	3,634	(20,722)	-	(20,722)
At 30 June 2017	484,288	(111)	(13,011)	2,205	(9,732)	1,788,266	2,251,905	43,621	2,295,526
3Q 2017 (Restated)									
At 30 June 2017									
As previously stated	484,288	(111)	(13,011)	8,543	(9,732)	2,071,570	2,541,547	43,621	2,585,168
Adoption of SFRS(I) 15	-	-	-	(6,338)	-	(283,304)	(289,642)	-	(289,642)
As restated	484,288	(111)	(13,011)	2,205	(9,732)	1,788,266	2,251,905	43,621	2,295,526
Total comprehensive income									
Profit for the period	-	-	-	-	-	100,716	100,716	(1,060)	99,656
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	(25,801)	-	-	(25,801)	53	(25,748)
Net change in fair value of cash flow hedges	-	-	-	-	25,154	-	25,154	-	25,154
Net change in fair value of available-for-sale financial assets	-	-	-	-	(1,081)	-	(1,081)	-	(1,081)
Total other comprehensive income	-	-	-	(25,801)	24,073	-	(1,728)	53	(1,675)
Total comprehensive income	-	-	-	(25,801)	24,073	100,716	98,988	(1,007)	97,981
Transactions with owners of the Company, recognised directly in equity									
Issue of treasury shares	-	25	-	-	(25)	-	-	-	-
Dividends paid	-	-	-	-	-	(20,897)	(20,897)	(279)	(21,176)
Share-based payments	-	-	-	-	3,484	-	3,484	-	3,484
Total transactions with owners	-	25	-	-	3,459	(20,897)	(17,413)	(279)	(17,692)
At 30 September 2017	484,288	(86)	(13,011)	(23,596)	17,800	1,868,085	2,333,480	42,335	2,375,815

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

6b. Statements of Changes in Equity of the Company

	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Other reserves \$'000	Revenue reserve \$'000	Total Equity \$'000
1H 2018						
At 1 January 2018						
As previously stated	484,288	(3,451)	960	(25,340)	1,276,772	1,733,229
Adoption of SFRS(I) 9	-	-	-	(447)	447	-
As restated	484,288	(3,451)	960	(25,787)	1,277,219	1,733,229
Total comprehensive income						
Profit for the period	-	-	-	-	91,702	91,702
Other comprehensive income						
Net change in fair value of equity investments at FVOCI	-	-	-	(11,339)	-	(11,339)
Reclassification of reserve on disposal of equity investments at FVOCI	-	-	-	11,339	(11,339)	-
Total other comprehensive income	-	-	-	-	(11,339)	(11,339)
Total comprehensive income	-	-	-	-	80,363	80,363
Transactions with owners of the Company, recognised directly in equity						
Issue of treasury shares	-	2,192	-	(1,678)	-	514
Dividends paid	-	-	-	-	(20,888)	(20,888)
Unclaimed dividends	-	-	-	-	13	13
Share-based payments	-	-	-	1,141	-	1,141
Cost of share-based payment issued to employees of subsidiaries	-	-	-	1,167	-	1,167
Total transactions with owners	-	2,192	-	630	(20,875)	(18,053)
At 30 June 2018	484,288	(1,259)	960	(25,157)	1,336,707	1,795,539
3Q 2018						
Total comprehensive income						
Profit for the period	-	-	-	-	3,238	3,238
Other comprehensive income						
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	3,238	3,238
Transactions with owners of the Company, recognised directly in equity						
Purchase of treasury shares	-	(916)	-	-	-	(916)
Unclaimed dividends	-	-	-	-	17	17
Share-based payments	-	-	-	570	-	570
Cost of share-based payment issued to employees of subsidiaries	-	-	-	555	-	555
Total transactions with owners	-	(916)	-	1,125	17	226
At 30 September 2018	484,288	(2,175)	960	(24,032)	1,339,962	1,799,003

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

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

	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Other reserves \$'000	Revenue reserve \$'000	Total Equity \$'000
1H 2017						
At 1 January 2017	484,288	(566)	960	(21,853)	819,463	1,282,292
Total comprehensive income						
Profit for the period	-	-	-	-	142,444	142,444
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	-	1,978	-	1,978
Total other comprehensive income	-	-	-	1,978	-	1,978
Total comprehensive income	-	-	-	1,978	142,444	144,422
Transactions with owners of the Company, recognised directly in equity						
Purchase of treasury shares	-	(2,577)	-	-	-	(2,577)
Issue of treasury shares	-	3,032	-	(2,345)	-	687
Dividends paid	-	-	-	-	(20,897)	(20,897)
Unclaimed dividends	-	-	-	-	6	6
Share-based payments	-	-	-	780	-	780
Cost of share-based payment issued to employees of subsidiaries	-	-	-	1,282	-	1,282
Total transactions with owners	-	455	-	(283)	(20,891)	(20,719)
At 30 June 2017	484,288	(111)	960	(20,158)	941,016	1,405,995
3Q 2017						
Total comprehensive income						
Profit for the period	-	-	-	-	12,131	12,131
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	-	-	-	(1,495)	-	(1,495)
Total other comprehensive income	-	-	-	(1,495)	-	(1,495)
Total comprehensive income	-	-	-	(1,495)	12,131	10,636
Transactions with owners of the Company, recognised directly in equity						
Issue of treasury shares	-	25	-	(25)	-	-
Dividends paid	-	-	-	-	(20,897)	(20,897)
Share-based payments	-	-	-	1,418	-	1,418
Cost of share-based payment issued to employees of subsidiaries	-	-	-	2,063	-	2,063
Total transactions with owners	-	25	-	3,456	(20,897)	(17,416)
At 30 September 2017	484,288	(86)	960	(18,197)	932,250	1,399,215

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

6c. Changes in the Company's share capital

(i) Issued and Paid Up Capital

As at 30 September 2018, the Company's issued and paid up capital, excluding treasury shares, comprises 2,088,585,128 (31 December 2017: 2,087,909,920) ordinary shares.

(ii) Treasury Shares

	Number of shares	
	2018	2017
At 1 January	1,850,187	437,029
Treasury shares purchased	-	1,400,100
Treasury shares issued pursuant to RSP	(1,175,208)	(1,772,768)
At 30 June	674,979	64,361
Treasury shares purchased	500,000	-
Treasury shares issued pursuant to RSP	-	(14,174)
At 30 September	1,174,979	50,187

During 3Q 2018, the Company acquired 500,000 (3Q 2017: nil) ordinary shares in the Company by way of on-market purchases.

In 3Q 2018, there were no (3Q 2017: 14,174) treasury shares issued pursuant to the Company's Restricted Share Plan ("RSP").

As at 30 September 2018, 1,174,979 (30 September 2017: 50,187) treasury shares were held that may be issued upon the vesting of performance shares and restricted shares under the Company's Performance Share Plan ("PSP") and RSP respectively.

(iii) Share Options

All options have expired in October 2016.

(iv) Performance Shares

	Number of shares	
	2018	2017
At 1 January	4,733,000	4,513,000
Conditional performance shares awarded	-	1,600,000
Conditional performance shares lapsed	(278,000)	-
Performance shares lapsed arising from targets not met	(1,215,000)	(1,380,000)
At 30 June	3,240,000	4,733,000
Conditional performance shares awarded	1,168,000	-
Conditional performance shares lapsed	(320,000)	-
At 30 September	4,088,000	4,733,000

During 3Q 2018, 1,168,000 (3Q 2017: nil) performance shares were awarded under the PSP and 320,000 (3Q 2017: nil) performance shares that lapsed.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 30 September 2018 was 4,088,000 (30 September 2017: 4,733,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,132,000 (30 September 2017: 7,099,500) performance shares.

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

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

(v) Restricted Shares

	Number of shares	
	2018	2017
At 1 January	15,383,413	13,716,142
Conditional restricted shares awarded	275,800	8,176,450
Conditional restricted shares released	(1,175,208)	(1,772,768)
Conditional restricted shares lapsed	(286,231)	(229,903)
Restricted shares lapsed arising from targets not met	(6,078,150)	(3,923,317)
At 30 June	8,119,624	15,966,604
Conditional restricted shares awarded	7,848,188	-
Conditional restricted shares released	-	(14,174)
Conditional restricted shares lapsed	(220,073)	(252,633)
At 30 September	15,747,739	15,699,797

During 3Q 2018, there were 7,848,188 (3Q 2017: nil) restricted shares awarded under the RSP, no (3Q 2017: 14,174) restricted shares released and 220,073 (3Q 2017: 252,633) restricted shares that lapsed. The restricted shares released were settled by way of issuance of treasury shares.

The total number of restricted shares outstanding, including awards achieved but not released, as at 30 September 2018 was 15,747,739 (30 September 2017: 15,699,797). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 30 September 2018 was 14,930,938 (30 September 2017: 14,980,100). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 22,396,407 (30 September 2017: 22,470,150) restricted shares.

7. AUDIT

The figures have not been audited or reviewed by the Company's auditors. However, our auditors have performed certain procedures under the requirements of Singapore Standard on Related Services (SSRS) 4400 – Engagements to Perform Agreed-upon Procedures Regarding Financial Information. These procedures do not constitute either an audit or a review made in accordance with Singapore Standards on Auditing or Singapore Standards on Review Engagements.

8. AUDITORS' REPORT

Not applicable.

9. ACCOUNTING POLICIES

Except as disclosed in paragraph 10 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2017.

10. CHANGES IN ACCOUNTING POLICIES

The Group has adopted Singapore Financial Reporting Standards (International) (SFRS(I)) on 1 January 2018. In adopting SFRS(I), the Group has applied the specific transition requirements in SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)* in preparing the financial information included in this announcement.

The Group has also concurrently applied the following SFRS(I)s, interpretations of SFRS(I) and requirements of SFRS(I)s (collectively “new accounting standards”) which are mandatorily effective from 1 January 2018.

SFRS(I):

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016
- SFRS(I) 9 *Financial Instruments* which includes the amendments to IFRS 4 *Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* issued by the IASB in September 2016

Requirements in following SFRS(I)s arising from amendments to corresponding IFRSs issued by the IASB in 2016:

- SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The adoption of the new accounting standards does not have any significant impact on the financial information except for SFRS(I) 15 and SFRS(I) 9.

SFRS(I) 15 adoption has the following key changes to the accounting of contracts of the Group:

Long Term Contracts

- i) **Timing of revenue recognition:** Revenue and related costs of sales of contracts with non-enforceability of right to payment for performance completed to-date are recognised only when the constructed assets are delivered to customers at a point in time, instead of using the percentage of completion method.
- ii) **Contract costs:** For long term contracts where the stage of completion is determined by reference to surveys of work done, contract costs are recognised as an expense in profit or loss using the percentage of completion method prior to the adoption of SFRS(I) 15.

On adoption of SFRS(I) 15, the costs incurred to fulfil the satisfied performance obligation are recognised in profit or loss as control of goods or services to the customer is transferred over time. Where the control of goods and services to the customer is transferred at a future point in time, the costs incurred to fulfil the future performance obligation are capitalised as they are recoverable, and presented as “Contract Costs” within the balance sheet. The costs capitalised are recognised in profit or loss when the performance obligation is satisfied.

- iii) **Consideration payable to customers:** Certain payments made to customers for purchase of goods which were previously offset against revenue are now recognised as expenses.
- iv) **Significant financing component:** The revenue of certain contracts, where the period between the transfer of promised goods or services to customer and payment by customer exceeds one year, is deemed to contain a financing component. Where the financing component is determined to be significant, the transaction price is adjusted for the time value of money of the contracts.

SFRS(I) 9 adoption has impacted the Group’s balance sheet as at 1 January 2018 as follow:

- i) The Group elects to present in other comprehensive income (“OCI”) the changes in fair value of the available-for-sale (“AFS”) equity securities that are held by the Group and the Company because these investments are not held for trading. The changes in fair value recognised in OCI will not be reclassified to profit or loss upon disposal of the AFS equity.

10. CHANGES IN ACCOUNTING POLICIES (Cont'd)

- ii) Fair value reserve relating to the fair value changes of investments in unit trusts and funds will be reclassified to revenue reserves as these investments are classified as fair value through profit and loss.
- iii) Impairment of financial assets measured at amortised cost or fair value through OCI (except for investments in equity instruments) is now based on the expected credit loss model which replaces the "incurred loss" model.

The following reconciliations summarise the impacts on initial application of SFRS(I) 15 and SFRS(I) 9 on the Group's financial statements.

Consolidated Income Statement

	3Q 2017			9M 2017		
	As previously reported \$'000	Effects of SFRS(I) 15 \$'000	As restated \$'000	As previously reported \$'000	Effects of SFRS(I) 15 \$'000	As restated \$'000
Turnover	316,876	411,889	728,765	1,732,401	390,799	2,123,200
Cost of sales	(304,443)	(297,628)	(602,071)	(1,623,738)	(284,605)	(1,908,343)
Finance income	1,662	3,811	5,473	7,856	8,288	16,144
Tax credit/(expense)	3,422	(20,072)	(16,650)	6,381	(19,462)	(13,081)
Others	(15,861)	-	(15,861)	(77,967)	-	(77,967)
Profit for the period	1,656	98,000	99,656	44,933	95,020	139,953
Profit attributable to:						
Owners of the Company	2,716	98,000	100,716	47,856	95,020	142,876
Non-controlling interests	(1,060)	-	(1,060)	(2,923)	-	(2,923)
Profit for the period	1,656	98,000	99,656	44,933	95,020	139,953
Earnings per ordinary share (cents)						
Basic and diluted	0.13	4.69	4.82	2.29	4.55	6.84

Consolidated Statement of Comprehensive Income

	3Q 2017			9M 2017		
	As previously reported \$'000	Effects of SFRS(I) 15 \$'000	As restated \$'000	As previously reported \$'000	Effects of SFRS(I) 15 \$'000	As restated \$'000
Profit for the period	1,656	98,000	99,656	44,933	95,020	139,953
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation differences for foreign operations	(30,620)	4,872	(25,748)	(66,918)	14,675	(52,243)
Others	24,073	-	24,073	15,363	-	15,363
Other comprehensive income for the period, net of tax	(6,547)	4,872	(1,675)	(51,555)	14,675	(36,880)
Total comprehensive income for the period	(4,891)	102,872	97,981	(6,622)	109,695	103,073
Total comprehensive income attributable to:						
Owners of the Company	(3,884)	102,872	98,988	(3,604)	109,695	106,091
Non-controlling interests	(1,007)	-	(1,007)	(3,018)	-	(3,018)
Total comprehensive income for the period	(4,891)	102,872	97,981	(6,622)	109,695	103,073

10. **CHANGES IN ACCOUNTING POLICIES** (Cont'd)

Balance Sheet as at 31 December 2017 and 1 January 2018

	31 December 2017			1 January 2018	
	As previously reported \$'000	Effects of SFRS(I) 15 \$'000	As restated \$'000	Effects of SFRS(I) 9 \$'000	As restated \$'000
Assets					
Deferred tax assets	5,889	8,030	13,919	-	13,919
Inventories and work-in-progress	2,775,847	(2,680,074)	95,773	-	95,773
Trade and other receivables (current)	566,874	73,607	640,481	(1,310)	639,171
Contract costs	-	2,486,453	2,486,453	-	2,486,453
Contract assets	-	652,361	652,361	-	652,361
Others	5,802,838	-	5,802,838	-	5,802,838
Total assets	9,151,448	540,377	9,691,825	(1,310)	9,690,515
Liabilities					
Trade and other payables	2,061,446	(457,228)	1,604,218	-	1,604,218
Excess of progress billings over work-in-progress	174,356	(174,356)	-	-	-
Contract liabilities	-	1,211,158	1,211,158	-	1,211,158
Current tax payable	24,868	-	24,868	-	24,868
Deferred tax liabilities	61,545	-	61,545	(222)	61,323
Others	4,309,861	-	4,309,861	-	4,309,861
Total liabilities	6,632,076	579,574	7,211,650	(222)	7,211,428
Equity					
Currency translation reserve	(17,732)	(4,980)	(22,712)	-	(22,712)
Fair value reserve	447	-	447	(447)	-
Revenue reserve	2,019,609	(34,217)	1,985,392	(641)	1,984,751
Others	517,048	-	517,048	-	517,048
Total equity	2,519,372	(39,197)	2,480,175	(1,088)	2,479,087

10. CHANGES IN ACCOUNTING POLICIES (Cont'd)

Consolidated Statement of Cash Flows

	3Q 2017			9M 2017		
	As previously reported \$'000	Effects of SFRS(I) 15 \$'000	As restated \$'000	As previously reported \$'000	Effects of SFRS(I) 15 \$'000	As restated \$'000
Cash flows from operating activities:						
Profit for the period	1,656	98,000	99,656	44,933	95,020	139,953
Adjustments for:						
Finance income	(1,662)	(3,811)	(5,473)	(7,856)	(8,288)	(16,144)
Inventories written down/ (written back), net	12,740	(12,722)	18	12,612	(12,722)	(110)
Contract costs written down, net	-	12,722	12,722	-	12,722	12,722
Tax (credit)/expense	(3,422)	20,072	16,650	(6,381)	19,462	13,081
Others	82,544	-	82,544	191,419	-	191,419
Operating profit before working capital changes	91,856	114,261	206,117	234,727	106,194	340,921
Changes in working capital:						
Inventories and work-in- progress	(289,034)	287,217	(1,817)	(353,245)	345,820	(7,425)
Contract costs	-	(58,017)	(58,017)	-	(145,519)	(145,519)
Contract assets	-	(146,138)	(146,138)	-	(385,989)	(385,989)
Contract liabilities	-	(184,472)	(184,472)	-	(117,929)	(117,929)
Trade and other receivables	67,475	42,671	110,146	107,751	14,511	122,262
Trade and other payables	12,374	(55,522)	(43,148)	(401,339)	182,912	(218,427)
Cash used in operations	(117,329)	-	(117,329)	(412,106)	-	(412,106)
Others	(37,826)	-	(37,826)	(77,250)	-	(77,250)
Net cash used in operating activities	(155,155)	-	(155,155)	(489,356)	-	(489,356)
Net cash generated from investing activities	168,801	-	168,801	70,315	-	70,315
Net cash generated from financing activities	25,201	-	25,201	264,765	-	264,765
Net increase/(decrease) in cash and cash equivalents	38,847	-	38,847	(154,276)	-	(154,276)
Cash and cash equivalents at beginning of the period	1,014,062	-	1,014,062	1,216,971	-	1,216,971
Effect of exchange rate changes on balances held in foreign currencies	3,419	-	3,419	(6,367)	-	(6,367)
Cash and cash equivalents at end of the period	1,056,328	-	1,056,328	1,056,328	-	1,056,328

11. REVIEW OF GROUP PERFORMANCE

(i) Turnover

	3Q 2018	3Q 2017	+/ (-)	+/ (-)	9M 2018	9M 2017	+/ (-)	+/ (-)
	\$'m	(Restated) \$'m	\$'m	%	\$'m	(Restated) \$'m	\$'m	%
Rigs & Floaters	989.0	434.7	554.3	n.m.	3,401.9	1,077.6	2,324.3	n.m.
Repairs & Upgrades	131.4	123.4	8.0	6.5	335.9	354.8	(18.9)	(5.3)
Offshore Platforms	25.1	149.1	(124.0)	(83.2)	172.4	622.5	(450.1)	(72.3)
Other Activities	21.7	21.6	0.1	0.5	64.5	68.3	(3.8)	(5.6)
	1,167.2	728.8	438.4	60.2	3,974.7	2,123.2	1,851.5	87.2

Turnover for 3Q 2018 increased by 60% mainly due to higher revenue recognition for rigs & floaters upon the delivery of 2 jack-up rigs to Borr Drilling and revenue recognition for newly secured projects. Excluding the effects of the delivery to Borr Drilling in 3Q 2018 and revenue adjustment in 3Q 2017 due to termination of two rig contracts with a customer, revenue would have been \$773 million, an increase of 27% compared with \$611 million in 3Q 2017

Turnover for 9M 2018 increased by 87% mainly due to higher revenue recognition for rigs & floaters upon the delivery of 6 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL, sale of a semi-submersible rig and revenue recognition for newly secured projects. Excluding the effects of the delivery to Borr Drilling and BOTL, and sale of the semi-submersible rig in 9M 2018; and revenue adjustment in 9M 2017 due to termination of two rig contracts with a customer, revenue would have been \$1.8 billion, a decrease of 9% compared with \$2.0 billion in 9M 2017.

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

Net loss for 3Q 2018 and 9M 2018 was mainly due to loss upon the sale of a semi-submersible, continued low overall business volume which impacted the absorption of overhead costs, offset by margin recognition from newly secured production floater projects and delivery of rigs. The net positive effect of contracts termination which arose mainly from the entitlement to the down payments on termination of two rig contracts in 3Q 2017; and a one-off gain on disposal of Cosco Shipyard Group Co., Ltd was recorded in 2017.

12. VARIANCE FROM PROSPECT STATEMENT

There is no material change from the previous prospect statement.

13. PROSPECTS

Capex spend on global exploration and production (E&P) is expected to continue to improve with firmer oil prices seen in the nine months of 2018.

While offshore drilling activities have shown initial signs of improvement, offshore rig orders will take some time to recover as the market remains over-supplied.

The majority of recent new offshore oil and gas orders were for production projects. This trend is expected to continue and Sembcorp Marine is responding to an encouraging pipeline of enquiries and tenders for innovative engineering solutions.

Competition in the repairs and upgrades segment remains intense. The segment will be underpinned by regulations that require ballast water treatment systems and gas scrubbers to be installed over the next two to five years.

Challenges in the offshore and marine sector persist, notwithstanding the improved industry outlook. It will take some time before we see a sustained recovery in new orders, while competition remains intense and margins compressed.

Overall business volume and activity for the Group is expected to remain relatively low for the immediate quarters. The trend of negative operating profit is expected to continue for the foreseeable quarter. Our cash resources remain sufficient and we will continue to prudently manage our costs and cash flows to align them with business volume and potential opportunities.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, exchange rate movement, cost of capital and capital availability, competition from other companies and venues for the sale and distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

14. DIVIDEND

There is no dividend recommended for the period ended 30 September 2018.

15. SEGMENTAL REPORTING

9M 2018

(i) Business Segments:

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

(ii) Geographical Segments:

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

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

15. SEGMENTAL REPORTING (Cont'd)

9M 2017 (restated)

(i) Business Segments:

	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Turnover					
Sales to external parties	2,069,394	45,782	8,024	-	2,123,200
Inter-segment sales	-	-	62,187	(62,187)	-
Total	2,069,394	45,782	70,211	(62,187)	2,123,200
Results					
Segment results	158,377	12,739	(832)	-	170,284
Finance income	16,044	-	100	-	16,144
Finance costs	(57,076)	(15,526)	-	-	(72,602)
Non-operating income	-	-	47,682	-	47,682
Non-operating expenses	-	-	(6,550)	-	(6,550)
Share of results of associates and joint ventures, net of tax	(746)	(1,836)	658	-	(1,924)
Profit/(loss) before tax	116,599	(4,623)	41,058	-	153,034
Tax (expense)/credit	(13,209)	-	128	-	(13,081)
Profit/(loss) for the period	103,390	(4,623)	41,186	-	139,953
Assets					
Segment assets	9,185,421	243,733	89,089	-	9,518,243
Investments in associates and joint ventures	5,415	54,577	9,391	-	69,383
Deferred tax assets	45,720	-	-	-	45,720
Tax recoverable	8,871	-	344	-	9,215
Total assets	9,245,427	298,310	98,824	-	9,642,561
Liabilities					
Segment liabilities	7,035,301	92,589	27,734	-	7,155,624
Deferred tax liabilities	73,686	-	235	-	73,921
Current tax payable	36,487	-	714	-	37,201
Total liabilities	7,145,474	92,589	28,683	-	7,266,746
Capital expenditure					
	148,839	-	152	-	148,991
Significant non-cash items					
Depreciation and amortisation	136,788	7,260	806	-	144,854
Gain on disposal of assets held for sale	-	-	(46,816)	-	(46,816)
Gain on disposal of a subsidiary	-	-	(866)	-	(866)
Assumption of liabilities on behalf of a joint venture	-	-	5,500	-	5,500
Fair value adjustment on firm commitments under fair value hedge	3,433	-	-	-	3,433
Property, plant and equipment written off	801	-	30	-	831
Inventories written back, net	(110)	-	-	-	(110)
Contract costs written down, net	12,722	-	-	-	12,722
Allowance for doubtful debts and bad debts, net	62	-	19	-	81

(ii) Geographical Segments:

	Turnover from external customers		Non-current assets ⁽¹⁾		Total assets		Capital expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	205,707	10	2,336,943	54	7,344,257	76	70,983	48
Rest of Asia, Australia & India	180,840	8	155,293	4	222,855	2	1,650	1
Middle East & Africa	56,654	3	-	-	-	-	-	-
United Kingdom	631,511	30	5,303	-	34,976	-	663	-
Norway	38,922	2	152,178	4	158,350	2	-	-
The Netherlands	468,648	22	228,886	5	265,440	3	-	-
Rest of Europe	219,986	10	98	-	2,632	-	35	-
Brazil	143,377	7	1,434,316	33	1,608,376	17	75,656	51
U.S.A.	130,064	6	4,005	-	5,675	-	4	-
Other countries	47,491	2	-	-	-	-	-	-
Total	2,123,200	100	4,317,022	100	9,642,561	100	148,991	100

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

15. **SEGMENTAL REPORTING** (Cont'd)

15a. **Explanatory notes to Segmental Reporting**

(i) Business segments

The Group has two reportable segments, which are the Group's strategic business units. The strategic business units are managed separately because of their different business activities. The two reportable segments are (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding (ii) ship chartering.

Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

(ii) Geographical segments

The Group operates principally in the Republic of Singapore. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets.

(iii) Review of segment performance

Please refer to paragraph 11.

16. INTERESTED PERSON TRANSACTIONS

Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000)

	9M 2018 \$'000	9M 2017 \$'000
Transaction for the Sales of Goods and Services		
PSA International Pte Ltd and its associates	-	2,148
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	-	106
Management and Support Services		
Sembcorp Industries Limited	188	188
Total Interested Person Transactions	<u>188</u>	<u>2,442</u>

17. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

18. CONFIRMATION PURSUANT TO THE RULE 705(5) OF THE LISTING MANUAL

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the third quarter and nine months ended 30 September 2018 unaudited financial results to be false or misleading.

BY ORDER OF THE BOARD

**TAN YAH SZE/CHAY SUET YEE
JOINT COMPANY SECRETARIES**

25 October 2018