



SEMBCORP INDUSTRIES LTD
Registration Number: 199802418D

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

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UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2018

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

1. CONSOLIDATED INCOME STATEMENT

	Note	GROUP			GROUP		
		3Q18	3Q17	+ / (-)	9M18	9M17	+ / (-)
		\$'000	Restated \$'000	%	\$'000	Restated \$'000	%
Turnover	2a	3,021,533	2,217,593	36.3	9,123,057	6,620,704	37.8
Cost of sales	2a	(2,779,588)	(1,869,565)	48.7	(8,430,621)	(5,716,390)	47.5
Gross profit	2a	241,945	348,028	(30.5)	692,436	904,314	(23.4)
General & administrative expenses	2b	(132,762)	(88,985)	49.2	(313,103)	(285,225)	9.8
Other operating income / (expenses), net	2c	54,652	44,808	22.0	88,798	35,428	150.6
Non-operating income	2d	15,746	4,929	219.5	20,561	55,473	(62.9)
Non-operating expenses	2d	-	(31,961)	NM	(1,390)	(37,461)	(96.3)
Finance income	2e	23,019	13,098	75.7	58,221	34,855	67.0
Finance costs	2e	(120,043)	(126,903)	(5.4)	(355,834)	(400,780)	(11.2)
Share of results of associates and joint ventures, net of tax	2f	36,939	26,869	37.5	134,412	119,115	12.8
Profit before tax		119,496	189,883	(37.1)	324,101	425,719	(23.9)
Tax expense	2g	(39,413)	(47,970)	(17.8)	(100,919)	(94,181)	7.2
Profit for the period		80,083	141,913	(43.6)	223,182	331,538	(32.7)
Attributable to:							
Owners of the Company		82,333	93,141	(11.6)	240,898	265,252	(9.2)
Non-controlling interests		(2,250)	48,772	NM	(17,716)	66,286	NM
		80,083	141,913	(43.6)	223,182	331,538	(32.7)
Earnings per ordinary share (cents)							
	2h						
- basic		3.98	4.56		11.57	13.10	
- diluted		3.96	4.51		11.51	13.00	

NM – Not meaningful

The Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") framework and the new accounting standards that are effective on January 1, 2018. Please refer to Note 10 for the details on the financial impact from the adoption with respect to the restated third quarter and nine months ended September 30, 2017 financial statements.

For the income statement of Full Year 2017 (FY 2017), the main impact of adoption of SFRS(I) 15 would relate to the Marine business.

For the Marine business, the adoption of SFRS(I) 15 leads to differences in timing of revenue and related cost of sales recognition for certain contracts. There was a reversal of revenue and related cost of sales for these contracts pre-2018, now to be recognised upon the transfer of legal title to customers. In FY 2017, when some of these contracts were terminated and new contracts entered into, revenue and related cost of sales were recognised.

2. NOTES TO THE CONSOLIDATED INCOME STATEMENT

2a. Turnover, Cost of Sales

	GROUP			GROUP		
	3Q18	3Q17	+ / (-)	9M18	9M17	+ / (-)
		Restated			Restated	
Note	\$'000	\$'000	%	\$'000	\$'000	%
Turnover	3,021,533	2,217,593	36.3	9,123,057	6,620,704	37.8
Cost of sales	(2,779,588)	(1,869,565)	48.7	(8,430,621)	(5,716,390)	47.5
Gross profit	241,945	348,028	(30.5)	692,436	904,314	(23.4)
Included in Gross profit :-						
Depreciation and amortisation	(141,224)	(139,212)	1.4	(414,059)	(406,503)	1.9
Property, plant and equipment written off	(195)	(770)	(74.7)	(1,303)	(1,783)	(26.9)
Write-back / (allowance) for stocks obsolescence	1,337	(348)	NM	951	(549)	NM
(Allowance) / write-back for impairment loss, net – property, plant and equipment	(i) -	(25,777)	NM	87	(25,777)	NM
Contract costs written down, net	-	(12,722)	NM	-	(12,722)	NM

In 3Q18, the Group recorded a turnover of \$3.0 billion, an increase of 36.3% or \$803.9 million. Utilities' turnover grew 26.7% or \$375.3 million and Marine's grew 60.2% or \$438.4 million compared to 3Q17. Utilities' net increase in turnover was due to higher revenue in Singapore, which benefitted from higher High Sulphur Fuel Oil (HSFO) price; higher volume and prices for India; higher generation from Teesside and contribution from UK Power Reserve (UKPR) which was acquired in 2Q18; and contribution from Changzhi water treatment plant in China, which commenced commercial operation in September 2017. Marine's higher turnover was the result of delivery of 2 jack-up rigs and revenue recognition for newly secured projects. Excluding the effect of the delivery of these rigs in 3Q18 and the revenue adjustment in 3Q17 due to termination of 2 rig contracts with a customer, Marine's turnover would have been \$773 million, an increase of 27% compared to \$611 million in 3Q17.

Gross profit was lower in 3Q18 compared to restated gross profit for 3Q17. This was attributed to a gross loss from Marine recognising a loss upon the sale of a semi-submersible, continued low overall business volume which impacted the absorption of overhead costs, offset by margin from newly secured production floater projects. In 3Q17, Marine recorded the net positive effects of contract termination of 2 rigs, which arose from the entitlement to the down payments on termination of these rig contracts.

The impact of contracts which were terminated and new contracts entered into from Marine was included in the 3Q17 turnover and gross profit. The restated 3Q17 Turnover and Gross Profit were an increase of \$409.9 million and \$116.0 million respectively, from amount as previously reported (see Note 10A).

- (i) 3Q17 allowance made for impairment of property, plant and equipment mainly related to Utilities' impairment of certain Singapore assets as a result of optimizing of its steam production assets.

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

2b. General & administrative expenses

	Note	3Q18	GROUP 3Q17	+ / (-)	9M18	GROUP 9M17	+ / (-)
		\$'000	Restated \$'000	%	\$'000	Restated \$'000	%
General & administrative expenses		(132,762)	(88,985)	49.2	(313,103)	(285,225)	9.8
Included in general & administrative expenses :-							
Depreciation and amortisation		(4,972)	(6,926)	(28.2)	(16,730)	(19,041)	(12.1)
(Allowance for) / write-back of loss allowance and bad debt, net	(i)	(5,559)	11,715	NM	(6,158)	17,181	NM
Property, plant and equipment (written off) / write-back	(ii)	(194)	132	NM	(3,220)	(326)	NM
Provision for fines	(iii)	(25,000)	-	NM	(25,000)	-	NM

3Q18 general and administrative expenses of \$132.8 million was \$43.8 million higher than 3Q17. The increase was mainly due to higher personnel and related cost as the Group builds new capabilities to achieve digital transformation of its business; transaction and integration costs for UKPR in United Kingdom, as well as additional provision for fines of \$25.0 million and loss allowance, less reversal of provision for legal and professional fee.

- (i) 3Q18 net increase in loss allowance was mainly from Utilities China operations while 3Q17 net write-back was mainly from Utilities' Singapore operations.
- (ii) 9M18 amount was mainly from the construction business.
- (iii) In 3Q18, additional provision for fines was made relating to an alleged discharge of off-specification wastewater at an overseas water business. Together with the \$25.4 million provision made in 4Q17, the total provision made amounts to \$50.4 million as at 30 September 2018. The amount was estimated based on available information at the date of release of the Group's 3Q18 results.

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

2c. Other operating income / (expenses), net

	Note	GROUP			GROUP		
		3Q18	3Q17	+ / (-)	9M18	9M17	+ / (-)
		\$'000	Restated \$'000	%	\$'000	Restated \$'000	%
Other operating income / (expenses), net		54,652	44,808	22.0	88,798	35,428	150.6
Included in other operating income / (expenses), net : -							
Gain / (loss) on disposal of property, plant & equipment		1,645	231	NM	3,795	(834)	NM
Changes in fair value of financial instruments	(i)	5,994	6,683	(10.3)	20,999	698	NM
Foreign exchange gain / (loss), net	(ii)	1,270	20,664	(93.9)	(21,511)	(16,929)	27.1

In 3Q18, the other operating results registered a net income of \$54.7 million while 3Q17 registered a net income of \$44.8 million. 3Q18 net income included settlement with O&M contractors and a customer.

- (i) Changes in fair value of financial instrument were mainly from market-to-market adjustments of foreign currency forward contracts, cross currency swaps and commodity swaps.
- (ii) Net foreign exchange gain in 3Q18, arose mainly from Marine's revaluation of monetary assets and liabilities denominated in United States dollar (USD) to Singapore dollar offset by Utilities India's foreign exchange losses from revaluation of USD liabilities to Indian Rupee. Foreign exchange gain in 3Q17 arose mainly from Marine's revaluation of liabilities denominated in USD to Brazilian Real.

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

2d. Non-operating income and non-operating expense

	Note	GROUP			GROUP		
		3Q18	3Q17	+ / (-)	9M18	9M17	+ / (-)
		\$'000	Restated \$'000	%	\$'000	Restated \$'000	%
Non-operating income	(i)	15,746	4,929	219.5	20,561	55,473	(62.9)
Non-operating expense	(ii)	-	(31,961)	NM	(1,390)	(37,461)	(96.3)
Included in non-operating income / (expense) :-							
Gain on disposal and liquidation of subsidiaries		-	3,816	NM	113	4,682	(97.6)
Gain on disposal of joint ventures		-	-	NM	2,372	-	NM
Gain on disposal of business		14,785	-	NM	14,785	-	NM
Gain on disposal of investment held for sales	(iii)	-	-	NM	-	46,816	NM
Gain on disposal of other financial assets		913	647	41.1	2,901	3,477	(16.6)
Assumption of liabilities on behalf of a joint venture		-	-	NM	-	(5,500)	NM
Impairment of goodwill		-	(26,376)	NM	(1,390)	(26,376)	(94.7)
Impairment of investment in an associate		-	(4,163)	NM	-	(4,163)	NM
Changes in fair value of available-for-sale assets		-	(1,050)	NM	-	(1,050)	NM

- (i) Non-operating income in 3Q18 was \$15.7 million, mainly from the gain on disposal of the medical waste treatment business.
- (ii) Non-operating expense in 3Q17 related to impairment of goodwill for its Singapore power investment and impairment of its investment in an associate company.
- (iii) Gain on disposal of assets held for sale in 9M17 arose from Marine's divestment of its 30% equity interest in Cosco Shipyard Group Co. Ltd, which was completed in January 2017.

2e. Finance income and finance costs

	Note	GROUP			GROUP		
		3Q18	3Q17	+ / (-)	9M18	9M17	+ / (-)
		\$'000	Restated \$'000	%	\$'000	Restated \$'000	%
Finance income	(i)	23,019	13,098	75.7	58,221	34,855	67.0
Finance costs	(ii)	(120,043)	(126,903)	(5.4)	(355,834)	(400,780)	(11.2)

- (i) Higher finance income in 3Q18 was mainly due to interest income from a customer on deferred payment arrangement.
- (ii) 3Q18 finance cost was lower than 3Q17 despite the interest rate hikes. The reduction came mainly from India as it paid down its loan.

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

2f. Share of results of Associates and Joint Ventures, net of tax

3Q18 share of results of associates and joint ventures was \$36.9 million, an increase of 37.5% from \$26.9 million in 3Q17. The increase was attributed to the energy business in China, namely Shanghai Caojing Cogeneration and Chongqing Songzao.

2g. Tax expense

	Note	GROUP			GROUP		
		3Q18	3Q17	+ / (-)	9M18	9M17	+ / (-)
		\$'000	Restated \$'000	%	\$'000	Restated \$'000	%
Tax expenses		(39,413)	(47,970)	(17.8)	(100,919)	(94,181)	7.2
Included in tax expense :-							
- Net write-back of tax in respect of prior years		1,559	42	NM	2,209	6,286	(64.9)

The overall lower tax expense in 3Q18 included the recognition of unutilised tax losses from Marine.

The Group's effective tax rate was higher mainly because of India Utilities and Marine businesses. The deferred tax assets on unutilised tax losses were recognised only to the extent that it is probable that the related tax benefit will be realised.

2h. Earnings per ordinary share

	Note	GROUP			GROUP		
		3Q18	3Q17	+ / (-)	9M18	9M17	+ / (-)
		\$	\$	%	\$	\$	%
(i) Based on the weighted average number of shares (in cents)		3.98	4.56	(12.7)	11.57	13.10	(11.7)
- Weighted average number of shares (in million)		1,786.4	1,787.5	(0.1)	1,786.9	1,786.8	-
(ii) On a fully diluted basis (in cents)		3.96	4.51	(12.2)	11.51	13.00	(11.5)
- Adjusted weighted average number of shares (in million)		1,798.5	1,804.3	(0.3)	1,796.4	1,800.9	(0.2)

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP		GROUP	
		3Q18 \$'000	3Q17 Restated \$'000	9M18 \$'000	9M17 Restated \$'000
Profit for the period		80,083	141,913	223,182	331,538
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations	(i)	(94,754)	(70,685)	(152,086)	(139,936)
Exchange differences on monetary items forming part of net investment in foreign operation		(3,080)	(395)	(977)	(6,212)
Net change in fair value of cash flow hedges	(ii)	74,071	43,589	137,046	17,381
Net change in fair value of cash flow hedges reclassified to profit or loss		(38,092)	(1,833)	(79,873)	(12,556)
Net change in fair value of financial assets		-	(6,646)	-	6,227
Net change in fair value of financial assets reclassified to profit or loss		-	7	-	(474)
Realisation of reserve upon disposal/ liquidation of subsidiaries/ asset held for sale		(275)	(15,687)	(120)	(36,388)
Share of other comprehensive income of associates and joint ventures		11,957	8,985	37,805	24,640
		(50,173)	(42,665)	(58,205)	(147,318)
Items that may not be reclassified subsequently to profit or loss:					
Net change in fair value of financial assets at fair value through other comprehensive income (FVOCI)	(iii)	(87)	-	(6,003)	-
Defined benefit plan actuarial gain/(losses)		(68)	71	85	(99)
Other comprehensive income for the period, net of tax		(50,328)	(42,594)	(64,123)	(147,417)
Total comprehensive income for the period		29,755	99,319	159,059	184,121
Attributable to:					
Owners of the Company		21,974	67,029	188,720	146,567
Non-controlling interests		7,781	32,290	(29,661)	37,554
Total comprehensive income for the period		29,755	99,319	159,059	184,121

3a. Notes to Consolidated Statement of Comprehensive Income

- (i) The net foreign currency translation loss in 3Q18 and 9M18 arose mainly as a result of depreciation of China Renminbi and Indian Rupee against Singapore dollar offset by appreciation of United States dollar against Singapore dollar.
- (ii) Fair value changes in cash flow hedges in 3Q18 were mainly due to changes in fair value on fuel oil swaps, foreign currency forward contracts, cross currency swaps and interest rate swaps.
- (iii) 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	
	As at 30/09/2018 \$'000	As at 31/12/2017 Restated \$'000	As at 30/09/2018 \$'000	As at 31/12/2017 Restated \$'000
Non-current assets				
Property, plant and equipment	11,431,793	11,157,683	329,307	347,095
Investment properties	103,357	90,918	-	-
Investments in subsidiaries	-	-	2,645,690	2,648,929
Interests in associates and joint ventures	1,851,373	1,765,420	-	-
Other financial assets	303,742	175,380	-	-
Trade and other receivables	2,213,727	1,184,276	226,097	226,386
Contract costs	-	128,399	-	-
Tax recoverable	16,047	7,148	-	-
Assets held for sale	127,183	99,730	127,148	99,730
Intangible assets	784,889	580,787	23,984	24,566
Deferred tax assets	95,700	64,010	-	-
	16,927,811	15,253,751	3,352,226	3,346,706
Current assets				
Inventories	518,282	523,744	8,102	8,616
Trade and other receivables	2,191,603	2,093,944	134,041	141,432
Contract costs	526,181	2,362,992	-	-
Contract assets	1,122,759	661,156	3,056	-
Tax recoverable	19,282	21,305	-	-
Assets held for sale	86,143	-	-	-
Other financial assets	161,683	142,050	-	141
Cash and cash equivalents	1,343,258	2,686,658	633,517	720,138
	5,969,191	8,491,849	778,716	870,327
Total assets	22,897,002	23,745,600	4,130,942	4,217,033
Current liabilities				
Trade and other payables	3,056,774	3,339,982	164,967	136,886
Contract liabilities	343,010	1,156,523	1,184	-
Provisions	142,745	92,217	16,057	16,695
Liabilities held for sale	37,757	-	-	-
Other financial liabilities	15,262	13,105	-	-
Current tax payable	199,047	159,028	55,294	49,728
Interest-bearing borrowings	1,651,295	1,572,451	-	-
	5,445,890	6,333,306	237,502	203,309
Net current assets	523,301	2,158,543	541,214	667,018
Non-current liabilities				
Deferred tax liabilities	454,822	428,027	52,488	52,506
Contract liabilities	37,308	116,447	22,189	12,825
Provisions	122,658	105,071	15,771	16,018
Other financial liabilities	15,356	54,060	-	-
Retirement benefit obligations	4,260	3,810	-	-
Interest-bearing borrowings	8,533,882	8,275,153	-	-
Other long-term payables	273,693	255,813	272,240	274,536
	9,441,979	9,238,381	362,688	355,885
Total liabilities	14,887,869	15,571,687	600,190	559,194
Net assets	8,009,133	8,173,913	3,530,752	3,657,839
Equity attributable to owners of the Company :-				
Share capital	565,572	565,572	565,572	565,572
Other reserves	(116,064)	(85,699)	(7,661)	2,117
Revenue reserve	5,576,418	5,460,331	2,163,207	2,086,911
	6,025,926	5,940,204	2,721,118	2,654,600
Perpetual securities	809,634	1,003,239	809,634	1,003,239
	6,835,560	6,943,443	3,530,752	3,657,839
Non-controlling interests	1,173,573	1,230,470	-	-
Total equity	8,009,133	8,173,913	3,530,752	3,657,839

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

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

	As at 30/09/2018 \$'000	As at 31/12/2017 \$'000
Amount repayable:		
(i) <u>In one year or less, or on demand</u>		
Interest-bearing borrowings		
Secured	615,160	695,409
Unsecured	1,036,135	877,042
	<u>1,651,295</u>	<u>1,572,451</u>
(ii) <u>Between one to five years</u>		
Interest-bearing borrowings		
Secured	1,216,399	928,283
Unsecured	4,123,628	4,275,026
	<u>5,340,027</u>	<u>5,203,309</u>
(iii) <u>After five years</u>		
Interest-bearing borrowings		
Secured	2,215,516	2,092,634
Unsecured	978,339	979,210
	<u>3,193,855</u>	<u>3,071,844</u>
Total	<u>10,185,177</u>	<u>9,847,604</u>
(iv) The secured loans are collateralised by the following assets' net book value:-		
	As at 30/09/2018 \$'000	As at 31/12/2017 \$'000
Net assets and equity shares of subsidiaries, property, plant and equipment, and other assets	<u>7,488,609</u>	<u>7,200,862</u>

4b. **Net asset value**

	Group		Company	
	30/09/2018	31/12/2017 Restated	30/09/2018	31/12/2017 Restated
Net asset value per ordinary share based on issued share capital at the end of the financial period (in \$)	3.83	3.88	1.98	2.05

The reduction was mainly due to the redemption of \$200 million perpetual securities in August 2018.

Net asset value (excluding perpetual securities) for the Group per ordinary share based on issued share capital at September 30, 2018 was \$3.37 (December 31, 2017 restated: \$3.32), an increase mainly due to higher treasury shares held as at September 30, 2018.

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

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

(i) **Group**

Non-current assets

“Investment properties” increased mainly due to the on-going development of the Nanjing Riverside Quay project in China.

“Other financial assets” increased mainly due to the fair value adjustments on Utilities’ GBP and INR cross currency swap contracts reduced by Marine’s decrease in fair value adjustments on foreign currency forward contracts, disposal of equity investment 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 Marine’s billing to a customer upon delivery of rigs to the customers and the service concession receivables from Sirajganj Unit 4 power project.

“Intangible assets” increased mainly as a result of acquisition and consolidation of UK Power Reserve (UKPR), a subsidiary in United Kingdom, and Marine’s acquisition of intellectual property rights.

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

“Tax recoverable” increased mainly from Utilities’ India, relating largely to advance and withholding tax paid.

“Assets held for sale” increased as the Company entered into an agreement to sell additional utilities assets to the same customer. The transaction is planned to be completed between 2H19 and 1H20.

“Deferred tax assets” increased mainly due to Marine’s tax credit recognised on unutilised tax losses.

Current assets

“Trade and other receivables” increased mainly due to higher turnover from Utilities India.

“Contract costs” decreased mainly due to recognition of costs of sales upon the delivery of rig building projects.

“Contract assets” increased mainly due to timing of billing to customers for Marine and design & construction businesses.

“Assets held for sale” arose as the sale of its subsidiaries in South Africa became unconditional; and in September 2018 the Group has accepted an offer to divest its subsidiary in the design, engineering and manufacturing of self-developed pre-fabricated construction module.

“Other financial assets” increased mainly due to changes in fair value on fuel oil swaps.

“Cash and cash equivalents” decreased mainly due to redemption of perpetual securities, acquisitions, capital expenditures and repayment of borrowings.

Current liabilities

“Trade and other payables” decreased mainly due to payments made during the period which included the payment for non-controlling interests acquired in 2017.

“Contract liabilities” decreased mainly due to recognition of revenue upon the delivery of rig building projects.

“Provisions” increased mainly due to allowance made for warranty provision and provision for fines.

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

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

“Liabilities held for sale” arose as the sale of its subsidiaries in South Africa became unconditional; and in September 2018 the Group has accepted an offer to divest its subsidiary in the design, engineering and manufacturing of self-developed pre-fabricated construction module.

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

“Interest-bearing borrowings” increased mainly due to Marine’s reclassification from long-term borrowings, offset by repayment of short-term borrowings.

Non-current liabilities

“Deferred tax liabilities” increased mainly as a result of acquisition and consolidation of UKPR.

“Provisions” increased mainly due to allowance made for warranty provision

“Other financial liabilities” decreased mainly due to changes in fair value adjustments on cross currency swap contracts and interest rate swaps.

“Interest-bearing borrowings” increased mainly due to refinancing of the perpetual securities.

Equity

The deficit in “Other reserves” increased primarily due to depreciation of China Renminbi and Indian Rupee against Singapore dollar.

“Perpetual securities” - On August 21, 2018, the Company has redeemed and cancelled \$200 million, 5% subordinated perpetual securities.

“Non-controlling interests” decreased as a result of Utilities’ India re-organisation as announced on February 19, 2018.

(i) Company

Non-current assets

“Property, plant and equipment” decreased mainly because certain assets were transferred to assets held for sale offset by additions for the period.

“Assets held for sale” increased as the Company entered into an agreement to sell additional utilities assets to the same customer. The transaction is planned to be completed between 2H19 and 1H20.

Current assets

“Contract asset” arises from differences in the timing of billing to customers.

Current Liabilities

“Trade and other payables” increased mainly due to higher accrued expenditure.

“Contract liabilities” increased mainly due to new contracts with customers.

Equity

“Other reserves” deficit as at September 30 2018 was mainly due to the Company holding 1,709,630 of its own uncanceled shares as treasury shares.

“Perpetual securities” - On August 21, 2018, the Company has redeemed and cancelled \$200 million, 5% subordinated perpetual securities.

5. CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	GROUP		GROUP	
		3Q18 \$'000	3Q17 Restated \$'000	9M18 \$'000	9M17 Restated \$'000
Cash flows from Operating Activities					
Profit for the period		80,083	141,913	223,182	331,538
Adjustments for :					
Dividend		(20)	(115)	(57)	(147)
Finance income		(23,019)	(13,098)	(58,221)	(34,855)
Finance costs		120,043	126,903	355,834	400,780
Depreciation and amortisation		146,196	146,138	430,789	425,544
Share of results of associates and joint ventures, net of tax		(36,939)	(26,869)	(134,412)	(119,115)
Gain on disposal of property, plant and equipment and other financial assets		(17,343)	(878)	(21,481)	(2,643)
Loss on disposal of intangible assets		-	126	-	139
Gain on disposal of joint venture and investment held for sale		-	-	(2,372)	(46,816)
Gain on disposal and liquidation of investments in subsidiaries		-	(3,816)	(113)	(4,682)
Changes in fair value of financial instruments		(5,994)	(6,683)	(20,999)	(698)
Impairment of investment in an associate		-	4,163	-	4,163
Equity settled share-based compensation expenses		4,315	7,068	6,242	14,650
Impairment of goodwill		-	26,376	1,390	26,376
Allowance made for impairment loss in value of assets and assets written off (net)		528	27,794	4,481	29,197
Negative goodwill		-	(169)	-	(169)
Inventories written down and allowance for stock obsolescence, net		(1,337)	348	(951)	549
Contract costs written down, net		-	12,722	-	12,722
Assumption of liabilities on behalf of a joint venture		-	-	-	5,500
Allowance / (Write-back) of doubtful debts and bad debts (net)		5,559	(11,715)	6,158	(17,181)
Provision for fines		25,000	-	25,000	-
Tax expense		39,413	47,970	100,919	94,181
Operating profit before working capital changes		336,485	478,178	915,389	1,119,033
Changes in working capital:					
Inventories		18,746	(164,962)	(5,409)	113,333
Receivables		(222,783)	3,806	(1,129,856)	(327,617)
Payables		244,403	135,265	63,096	(312,478)
Contract costs		274,059	(17,547)	1,965,210	(107,234)
Contract assets		(265,222)	(133,609)	(461,603)	(393,559)
Contract liabilities		(216,074)	(171,698)	(892,652)	(121,213)
		169,614	129,433	454,175	(29,735)
Tax paid		(16,410)	(17,461)	(77,599)	(60,064)
Net cash from / (used in) operating activities		153,204	111,972	376,576	(89,799)
Cash flows from Investing Activities					
Dividend received		30,171	562	93,353	58,565
Interest received		21,388	8,308	54,632	24,549
Proceeds from divestment of investments/asset held for sale		-	205,690	-	205,690
Proceeds from disposal of joint venture		-	22,276	3,329	53,081
Proceeds from sale of other financial assets and business		100,627	24,893	253,352	93,972
Proceeds from sale of property, plant and equipment		6,256	86	8,721	8,267
Proceeds from disposal of interests in subsidiaries, net of cash disposed		-	-	4,543	-
Proceeds from sale of intangible assets		-	-	-	168
Loan repayments from related parties		10,354	250	20,465	4,702
Loan to related parties		-	(213)	-	(213)
Non-trade balances with related corporations, net of repayment		35,610	(9,868)	(27,992)	(14,437)
Acquisition of subsidiaries and intangible assets, net of cash acquired	5b	(59,601)	(3,287)	(424,453)	(3,287)
Acquisition of / additional investments in joint ventures and associates		-	-	(29,339)	(14,127)
Acquisition of other financial assets		(91,336)	(39,067)	(229,331)	(113,669)
Purchase of property, plant and equipment and investment properties		(396,491)	(133,280)	(777,738)	(489,380)
Purchase of software, carbon allowance and service concession agreement		(5,090)	(4,523)	(12,965)	(7,568)
Cash balances transferred to held for sale, net of advance received		(6,188)	-	(6,188)	-
Net cash (used in) / from investing activities		(354,300)	71,827	(1,069,611)	(193,687)

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

Note	GROUP		GROUP	
	3Q18 \$'000	3Q17 Restated \$'000	9M18 \$'000	9M17 Restated \$'000
Cash flows from Financing Activities				
Proceeds from share issued to non-controlling interests of subsidiaries	-	252	23,218	254
Proceeds from share options exercised with issue of treasury shares	-	-	384	-
Purchase of treasury shares	(3,911)	-	(13,219)	(4,057)
Purchase of treasury shares by subsidiary	(916)	-	(916)	(2,577)
Proceeds from issue of perpetual securities, net of transaction costs	-	-	-	199,467
Proceeds from borrowings	881,243	732,410	1,649,873	2,744,581
Repayment of borrowings	(547,148)	(611,016)	(1,333,184)	(1,836,896)
Payment on finance leases	(159)	(641)	(790)	(903)
Payment for non-controlling interests acquired in 2017	-	-	(291,550)	-
Unclaimed dividends	17	-	28	6
Dividends paid to owners of the Company	(35,738)	(53,625)	(71,482)	(125,117)
Dividends paid to non-controlling interests of subsidiaries	(7,536)	(13,586)	(24,010)	(32,138)
(Payment) / Receipts in restricted cash held as collateral	(2,819)	4,819	(6,031)	7,140
Redemption of perpetual securities and distribution paid	(204,958)	(4,959)	(227,822)	(24,133)
Interest paid	(123,981)	(126,417)	(343,433)	(373,522)
Net cash (used in) / from financing activities	(45,906)	(72,763)	(638,934)	552,105
Net (decrease) / increase in cash and cash equivalents	(247,002)	111,036	(1,331,969)	268,619
Cash and cash equivalents at beginning of the period	1,581,115	2,004,854	2,681,471	1,854,713
Effect of exchange rate changes on balances held in foreign currency	(2,393)	(16,210)	(17,782)	(23,652)
Cash and cash equivalents at end of the period	1,331,720	2,099,680	1,331,720	2,099,680

5a. Cash and cash equivalents

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

	Group	
	30/09/2018 \$'000	31/12/2017 \$'000
Fixed deposits with banks	359,526	672,172
Cash and bank balances	983,732	2,014,486
Cash and cash equivalents in the balance sheets	1,343,258	2,686,658
Bank overdrafts	(517)	(197)
Restricted bank balances held as collateral by banks	(11,021)	(4,990)
Cash and cash equivalents in the consolidated statement of cash flows	1,331,720	2,681,471

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

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

In 3Q18, the Group acquired 77.83% of Vellocet Clean Energy Pty Ltd and acquisition of interests and titles to all intellectual property rights of Sevan Marine ASA and of Hiload LNG AS.

9M18 also included the Group's acquisition of 100% equity interest in UK Power Reserve, 100% of MSOA Pte Ltd, and 51% additional shares of Changi Mega Solar (previously a joint venture with 49% equity interest).

	3Q18	9M18
	\$'000	\$'000
Effect on cash flows of the Group		
Cash paid ¹	59,626	460,287
Less: Cash and cash equivalents in subsidiaries acquired	(25)	(35,834)
Cash outflow on acquisition	<u>59,601</u>	<u>424,453</u>
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	30	412,398
Long-term receivables and prepayments	-	10,893
Intangible assets	51,625	204,109
Inventories	-	4,519
Trade and other receivables	5,094	71,632
Tax recoverable	-	2,109
Cash and cash equivalents	25	35,834
Total assets	<u>56,774</u>	<u>741,494</u>
Trade and other payables	343	66,758
Other financial liabilities	-	879
Borrowings	-	251,049
Deferred tax liabilities	-	47,576
Total liabilities	<u>343</u>	<u>366,262</u>
Net identifiable assets	56,431	375,232
Add: Goodwill	4,257	95,184
Less: Non-controlling interests	(1,062)	(1,062)
Less: Amount previously accounted for as joint venture	-	919
Less: Fair value gain on step up acquisition of joint venture	-	(163)
Consideration transferred for the business	59,626	470,110
Deferred consideration	-	(9,823)
Cash paid ¹	<u>59,626</u>	<u>460,287</u>

¹Out of the \$460,287,000 cash paid, \$208,919,000 is in the form of shareholder's loan.

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

(i) Third Quarter

Net cash from operating activities before changes in working capital and net cash from operating activities stood at \$336.5 million and S\$153.2 million respectively.

Net cash used in investing activities was \$354.3 million, mostly for purchase of property, plant & equipment for the quarter, partially mitigated by proceeds from sale of other financial assets and business.

Net cash used in financing activities was \$45.9 million, mainly for redemption and cancellation of subordinated perpetual securities, reduced by net proceeds from borrowings.

(ii) Nine Months

Net cash from operating activities before changes in working capital stood at \$915.4 million; while the net cash from operating activities was \$376.6 million. The change in working capital was mainly attributable to Marine's working capital changes. In 9M18, the change in working capital also included \$181.0 million increase in service concession receivables from Myingyan and Sirajganj Unit 4 power projects. The service concession receivables will be collected over the period of the concession contracts from the time the power plants commence operations.

Net cash used in investing activities was \$1,069.6 million mainly for acquisition of subsidiaries and property, plant and equipment.

Net cash used in financing activities was mainly for payment for non-controlling interests acquired in 2017, redemption of subordinated perpetual securities and interest paid, reduced by net proceeds from borrowings.

(iii) Significant non-cash transactions

There was no material non-cash transaction other than those disclosed in the cash flow statement.

6. STATEMENTS OF CHANGES IN EQUITY

6a. Statements of Changes in Equity of the Group

	Attributable to owners of the Company						Perpetual securities \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
	Share capital	Reserve for own shares	Currency translation reserve	Others	Revenue reserve	Total				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000				
1H18										
At December 31, 2017	565,572	(125)	(262,078)	179,527	5,483,190	5,966,086	1,003,239	6,969,325	1,246,429	8,215,754
Adoption of SFRS(I) 15	-	-	(3,023)	-	(22,859)	(25,882)	-	(25,882)	(15,959)	(41,841)
Restated balance at December 31, 2017	565,572	(125)	(265,101)	179,527	5,460,331	5,940,204	1,003,239	6,943,443	1,230,470	8,173,913
Adoption of SFRS(I) 9	-	-	-	118	(12,969)	(12,851)	-	(12,851)	(934)	(13,785)
Restated balance at January 1, 2018	565,572	(125)	(265,101)	179,645	5,447,362	5,927,353	1,003,239	6,930,592	1,229,536	8,160,128
Total comprehensive income										
Profit for the period	-	-	-	-	158,565	158,565	-	158,565	(15,466)	143,099
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(51,189)	-	-	(51,189)	-	(51,189)	(6,143)	(57,332)
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	2,103	-	-	2,103	-	2,103	-	2,103
Net change in fair value of cash flow hedges	-	-	-	71,117	-	71,117	-	71,117	(8,142)	62,975
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	(40,801)	-	(40,801)	-	(40,801)	(980)	(41,781)
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(1,497)	-	(1,497)	-	(1,497)	(4,419)	(5,916)
Defined benefit plan actuarial gains and losses	-	-	-	-	142	142	-	142	11	153
Reclassification of reserve upon liquidation of other financial asset	-	-	-	6,920	(6,920)	-	-	-	-	-
Realisation of reserve upon disposal of subsidiary	-	-	-	2,461	(3)	2,458	-	2,458	(2,303)	155
Share of other comprehensive income of associates and joint ventures	-	-	-	25,848	-	25,848	-	25,848	-	25,848
Total other comprehensive income	-	-	(49,086)	64,048	(6,781)	8,181	-	8,181	(21,976)	(13,795)
Total comprehensive income	-	-	(49,086)	64,048	151,784	166,746	-	166,746	(37,442)	129,304
Transactions with owners of the Company, recognised directly in equity										
Contributions from non-controlling interests	-	-	295	(5,846)	679	(4,872)	-	(4,872)	24,142	19,270
Share-based payments	-	-	-	1,033	-	1,033	-	1,033	894	1,927
Purchase of treasury shares	-	(9,308)	-	-	-	(9,308)	-	(9,308)	-	(9,308)
Treasury shares transferred to employees	-	8,826	-	(8,442)	-	384	-	384	-	384
Treasury shares of a subsidiary	-	-	-	314	-	314	-	314	200	514
Acquisition of non-controlling interests	-	-	996	27,705	-	28,701	-	28,701	(28,701)	-
Perpetual securities distribution paid	-	-	-	-	-	-	(22,864)	(22,864)	-	(22,864)
Accrued perpetual securities distribution	-	-	-	-	(23,025)	(23,025)	23,025	-	-	-
Dividend paid	-	-	-	-	(35,744)	(35,744)	-	(35,744)	(16,474)	(52,218)
Unclaimed dividends	-	-	-	-	11	11	-	11	-	11
Total transactions with owners	-	(482)	1,291	14,764	(58,079)	(42,506)	161	(42,345)	(19,939)	(62,284)
At June 30, 2018	565,572	(607)	(312,896)	258,457	5,541,067	6,051,593	1,003,400	7,054,993	1,172,155	8,227,148

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						Perpetual securities \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Reserve for own shares \$'000	Currency translation reserve \$'000	Others \$'000	Revenue reserve \$'000	Total \$'000				
3Q18										
Total comprehensive income										
Profit for the period	-	-	-	-	82,333	82,333	-	82,333	(2,250)	80,083
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(102,011)	-	-	(102,011)	-	(102,011)	7,257	(94,754)
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(3,080)	-	-	(3,080)	-	(3,080)	-	(3,080)
Net change in fair value of cash flow hedges	-	-	-	70,635	-	70,635	-	70,635	3,436	74,071
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	(36,978)	-	(36,978)	-	(36,978)	(1,114)	(38,092)
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(134)	-	(134)	-	(134)	47	(87)
Defined benefit plan actuarial gains and losses	-	-	-	-	(59)	(59)	-	(59)	(9)	(68)
Realisation of reserve upon disposal of subsidiary	-	-	-	(275)	-	(275)	-	(275)	-	(275)
Share of other comprehensive income of associates and joint ventures	-	-	-	11,470	73	11,543	-	11,543	414	11,957
Total other comprehensive income	-	-	(105,091)	44,718	14	(60,359)	-	(60,359)	10,031	(50,328)
Total comprehensive income	-	-	(105,091)	44,718	82,347	21,974	-	21,974	7,781	29,755
Transactions with owners of the Company, recognised directly in equity										
Share-based payments	-	-	-	3,857	-	3,857	-	3,857	458	4,315
Purchase of treasury shares	-	(3,911)	-	-	-	(3,911)	-	(3,911)	-	(3,911)
Purchase of treasury shares by a subsidiary	-	-	-	(559)	-	(559)	-	(559)	(357)	(916)
Treasury shares transferred to employees	-	(303)	-	303	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	(32)	(83)	(115)	-	(115)	1,072	957
Perpetual securities distribution paid	-	-	-	-	-	-	(204,958)	(204,958)	-	(204,958)
Accrued perpetual securities distribution	-	-	-	-	(11,192)	(11,192)	11,192	-	-	-
Dividend paid	-	-	-	-	(35,738)	(35,738)	-	(35,738)	(7,536)	(43,274)
Unclaimed dividends	-	-	-	-	17	17	-	17	-	17
Total transactions with owners	-	(4,214)	-	3,569	(46,996)	(47,641)	(193,766)	(241,407)	(6,363)	(247,770)
At September 30, 2018	565,572	(4,821)	(417,987)	306,744	5,576,418	6,025,926	809,634	6,835,560	1,173,573	8,009,133

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						Perpetual securities \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Reserve for own shares \$'000	Currency translation reserve \$'000	Others \$'000	Revenue reserve \$'000	Total \$'000				
1H17										
At January 1, 2017 as previously reported	565,572	(5,490)	(113,534)	66,877	5,384,897	5,898,322	803,096	6,701,418	1,461,296	8,162,714
Adoption of the SFRS(I) 15	-	-	(9,857)	-	(175,683)	(185,540)	-	(185,540)	(116,339)	(301,879)
Restated balance at 1 January, 2017	565,572	(5,490)	(123,391)	66,877	5,209,214	5,712,782	803,096	6,515,878	1,344,957	7,860,835
Total comprehensive income										
Profit for the period	-	-	-	-	172,111	172,111	-	172,111	17,514	189,625
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(61,770)	-	-	(61,770)	-	(61,770)	(7,481)	(69,251)
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(5,817)	-	-	(5,817)	-	(5,817)	-	(5,817)
Net change in fair value of cash flow hedges	-	-	-	(29,873)	-	(29,873)	-	(29,873)	3,665	(26,208)
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	(11,260)	-	(11,260)	-	(11,260)	537	(10,723)
Net change in fair value of available-for-sale financial assets	-	-	-	12,147	-	12,147	-	12,147	726	12,873
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	(376)	-	(376)	-	(376)	(105)	(481)
Defined benefit plan actuarial gains and losses	-	-	-	-	(141)	(141)	-	(141)	(29)	(170)
Realisation of reserve upon of assets held for sale	-	-	(12,493)	(14,958)	14,958	(12,493)	-	(12,493)	(7,991)	(20,484)
Realisation of reserve upon disposal of subsidiary	-	-	(38)	-	-	(38)	-	(38)	(179)	(217)
Share of other comprehensive income of associates and joint ventures	-	-	-	17,048	-	17,048	-	17,048	(1,393)	15,655
Total other comprehensive income	-	-	(80,118)	(27,272)	14,817	(92,573)	-	(92,573)	(12,250)	(104,823)
Total comprehensive income	-	-	(80,118)	(27,272)	186,928	79,538	-	79,538	5,264	84,802
Transactions with owners of the Company, recognised directly in equity										
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	2	2
Share-based payments	-	-	-	6,779	-	6,779	-	6,779	803	7,582
Purchase of treasury shares	-	(4,057)	-	-	-	(4,057)	-	(4,057)	-	(4,057)
Treasury shares transferred to employees	-	9,422	-	(9,422)	-	-	-	-	(1)	(1)
Treasury shares of a subsidiary	-	-	-	(1,152)	-	(1,152)	-	(1,152)	(737)	(1,889)
Acquisition of non-controlling interests	-	-	-	(637)	-	(637)	-	(637)	611	(26)
Put liability to acquire non-controlling interests	-	-	-	(10,561)	(38)	(10,599)	-	(10,599)	(37)	(10,636)
Perpetual securities distribution paid	-	-	-	-	-	-	(19,174)	(19,174)	-	(19,174)
Accrued perpetual securities distribution	-	-	-	-	(19,464)	(19,464)	19,464	-	-	-
Dividend paid	-	-	-	-	(71,492)	(71,492)	-	(71,492)	(18,552)	(90,044)
Issue of perpetual bond, net of transaction cost	-	-	-	-	-	-	199,467	199,467	-	199,467
Unclaimed dividends	-	-	-	-	6	6	-	6	-	6
Total transactions with owners	-	5,365	-	(14,993)	(90,988)	(100,616)	199,757	99,141	(17,911)	81,230
Restated balance at June 30, 2017	565,572	(125)	(203,509)	24,612	5,305,154	5,691,704	1,002,853	6,694,557	1,332,310	8,026,867

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						Perpetual securities \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Reserve for own shares \$'000	Currency translation reserve \$'000	Others \$'000	Revenue reserve \$'000	Total \$'000				
3Q17										
Total comprehensive income										
Profit for the period	-	-	-	-	93,141	93,141	-	93,141	48,772	141,913
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(57,625)	-	-	(57,625)	-	(57,625)	(13,060)	(70,685)
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(395)	-	-	(395)	-	(395)	-	(395)
Net change in fair value of cash flow hedges	-	-	-	33,941	-	33,941	-	33,941	9,648	43,589
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	(2,084)	-	(2,084)	-	(2,084)	251	(1,833)
Net change in fair value of available-for-sale financial assets	-	-	-	(6,189)	-	(6,189)	-	(6,189)	(457)	(6,646)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	(98)	-	(98)	-	(98)	105	7
Realisation of reserve upon liquidation of subsidiaries	-	-	(3,860)	-	3	(3,857)	-	(3,857)	(11,830)	(15,687)
Defined benefit plan actuarial gains and losses	-	-	-	-	60	60	-	60	11	71
Share of other comprehensive income of associates and joint ventures	-	-	-	10,135	-	10,135	-	10,135	(1,150)	8,985
Total other comprehensive income	-	-	(61,880)	35,705	63	(26,112)	-	(26,112)	(16,482)	(42,594)
Total comprehensive income	-	-	(61,880)	35,705	93,204	67,029	-	67,029	32,290	99,319
Transactions with owners of the Company, recognised directly in equity										
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	252	252
Share-based payments	-	-	-	5,709	-	5,709	-	5,709	1,359	7,068
Acquisition of non-controlling interests	-	-	-	(148,679)	39	(148,640)	-	(148,640)	(150,095)	(298,735)
Put liability to acquire non-controlling interests	-	-	-	226,442	-	226,442	-	226,442	-	226,442
Perpetual securities distribution paid	-	-	-	-	-	-	(4,959)	(4,959)	-	(4,959)
Accrued perpetual securities distribution	-	-	-	-	(11,720)	(11,720)	11,720	-	-	-
Dividend paid	-	-	-	-	(53,625)	(53,625)	-	(53,625)	(13,586)	(67,211)
Total transactions with owners	-	-	-	83,472	(65,306)	18,166	6,761	24,927	(162,070)	(137,143)
Restated balance at September 30, 2017	565,572	(125)	(265,389)	143,789	5,333,052	5,776,899	1,009,614	6,786,513	1,202,530	7,989,043

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

6b. Statements of Changes in Equity of the Company

	Attributable to owners of the Company					Perpetual securities \$'000	Total \$'000
	Share capital	Reserve for own shares	Others	Revenue reserve	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000		
1H18							
At December 31, 2017 as previously reported	565,572	(125)	2,242	2,087,875	2,655,564	1,003,239	3,658,803
Adoption of SFRS(I) 15	-	-	-	(964)	(964)	-	(964)
Restated balance at December 31, 2017	565,572	(125)	2,242	2,086,911	2,654,600	1,003,239	3,657,839
Adoption of SFRS(I) 9	-	-	-	-	-	-	-
Restated balance at January 1, 2018	565,572	(125)	2,242	2,086,911	2,654,600	1,003,239	3,657,839
Total comprehensive income							
Profit for the period as stated	-	-	-	156,819	156,819	-	156,819
Total comprehensive income	-	-	-	156,819	156,819	-	156,819
Transactions with owners of the Company, recognised directly in equity							
Share-based payments	-	-	130	-	130	-	130
Changes to share-based reserve upon disposal of subsidiary	-	-	536	-	536	-	536
Purchase of treasury shares	-	(9,308)	-	-	(9,308)	-	(9,308)
Treasury shares transferred to employees	-	8,826	(8,442)	-	384	-	384
Perpetual securities distribution paid	-	-	-	-	-	(22,864)	(22,864)
Accrued perpetual securities distribution	-	-	-	(23,025)	(23,025)	23,025	-
Dividend paid	-	-	-	(35,744)	(35,744)	-	(35,744)
Unclaimed dividends reissued	-	-	-	(2)	(2)	-	(2)
Total transactions with owners	-	(482)	(7,776)	(58,771)	(67,029)	161	(66,868)
At June 30, 2018	565,572	(607)	(5,534)	2,184,959	2,744,390	1,003,400	3,747,790

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

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

	Attributable to owners of the Company				Perpetual securities	Total	
	Share capital	Reserve for own shares	Others	Revenue reserve			Total
	\$'000	\$'000	\$'000				\$'000
3Q18							
Total comprehensive income							
Profit for the period	-	-	-	25,178	25,178	-	
Total comprehensive income	-	-	-	25,178	25,178	-	
Transactions with owners of the Company, recognised directly in equity							
Share-based payments	-	-	2,665	-	2,665	-	
Changes to share-based reserve upon disposal of subsidiary	-	-	(275)	-	(275)	-	
Purchase of treasury shares	-	(3,911)	-	-	(3,911)	-	
Treasury shares transferred to employees	-	(303)	304	-	1	-	
Perpetual securities distribution paid	-	-	-	-	-	(204,958)	
Accrued perpetual securities distribution	-	-	-	(11,192)	(11,192)	11,192	
Dividend paid	-	-	-	(35,738)	(35,738)	-	
Total transactions with owners	-	(4,214)	2,694	(46,930)	(48,450)	(193,766)	
At September 30, 2018	565,572	(4,821)	(2,840)	2,163,207	2,721,118	809,634	

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

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

	Attributable to owners of the Company				Perpetual securities \$'000	Total \$'000	
	Share capital	Reserve for own shares	Others	Revenue reserve			
	\$'000	\$'000	\$'000	\$'000			
1H17							
At January 1, 2017 as previously reported	565,572	(5,490)	(1,231)	1,826,675	2,385,526	803,096	3,188,622
Adoption of SFRS(I) 15	-	-	-	(1,057)	(1,057)	-	(1,057)
Restated balance at January 1, 2017	565,572	(5,490)	(1,231)	1,825,618	2,384,469	803,096	3,187,565
Total comprehensive income							
Profit for the period as stated	-	-	-	94,785	94,785	-	94,785
Other comprehensive income							
Net changes in fair value of cash flow hedges	-	-	280	-	280	-	280
Total other comprehensive income	-	-	280	-	280	-	280
Total comprehensive income	-	-	280	94,785	95,065	-	95,065
Transactions with owners of the Company, recognised directly in equity							
Issue of perpetual bond, net of transaction cost	-	-	-	-	-	199,467	199,467
Share-based payments	-	-	5,415	-	5,415	-	5,415
Purchase of treasury shares	-	(4,057)	-	-	(4,057)	-	(4,057)
Treasury shares transferred to employees	-	9,422	(9,422)	-	-	-	-
Perpetual securities distribution paid	-	-	-	-	-	(19,174)	(19,174)
Accrued perpetual securities distribution	-	-	-	(19,464)	(19,464)	19,464	-
Dividends paid	-	-	-	(71,492)	(71,492)	-	(71,492)
Total transactions with owners	-	5,365	(4,007)	(90,956)	(89,598)	199,757	110,159
Restated balance at June 30, 2017	565,572	(125)	(4,958)	1,829,447	2,389,936	1,002,853	3,392,789

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

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

	Attributable to owners of the Company				Perpetual securities \$'000	Total \$'000
	Share capital	Reserve for own shares	Others	Revenue reserve		
	\$'000	\$'000	\$'000			
3Q17						
Total comprehensive income						
Profit for the period as stated	-	-	-	20,976	20,976	-
Other comprehensive income						
Net changes in fair value of cash flow hedges	-	-	(73)	-	(73)	-
Total other comprehensive income	-	-	(73)	-	(73)	-
Total comprehensive income	-	-	(73)	20,976	20,903	-
Transactions with owners of the Company, recognised directly in equity						
Issue of perpetual bond, net of transaction cost	-	-	-	-	-	-
Share-based payments	-	-	3,507	-	3,507	-
Treasury shares transferred to employees	-	-	1	-	1	-
Perpetual securities distribution paid	-	-	-	-	-	(4,959)
Accrued perpetual securities distribution	-	-	-	(11,720)	(11,720)	11,720
Dividends paid	-	-	-	(53,625)	(53,625)	-
Total transactions with owners	-	-	3,508	(65,345)	(61,837)	6,761
Restated balance at September 30, 2017	565,572	(125)	(1,523)	1,785,078	2,349,002	1,009,614

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

6c. Changes in the Company's share capital

Issued share capital and treasury shares

	Number of shares	
	Issued Share Capital	Treasury Share
At January 1, 2018	1,787,547,732	42,827
Treasury shares purchased	-	3,000,000
Treasury shares transferred pursuant to restricted share plan	-	(2,704,042)
At June 30, 2018	1,787,547,732	338,785
Treasury shares purchased	-	1,400,000
Treasury shares transferred pursuant to restricted share plan	-	(29,155)
At September 30, 2018	<u>1,787,547,732</u>	<u>1,709,630</u>

Issued and paid up capital

As at September 30, 2018, the Company's issued and paid up capital excluding treasury shares comprised 1,785,838,102 (December 31, 2017: 1,787,504,905) ordinary shares.

Treasury shares

During 3Q18, the Company acquired 1,400,000 (3Q17: nil) ordinary shares in the Company by way of on-market purchases. 29,155 (3Q17: nil) treasury shares were re-issued pursuant to the Restricted Share Plan ("RSP").

As at September 30, 2018, 1,709,630 (September 30, 2017: 42,827) treasury shares were held that may be re-issued upon the vesting of performance shares and restricted shares under the Performance Share Plan ("PSP") and RSP respectively.

Performance Shares

	Number of shares
At January 1, 2018	2,403,303
Performance shares lapsed arising from targets not met	(743,750)
At June 30, 2018	1,659,553
Conditional performance shares awarded	1,982,000
At September 30, 2018	<u>3,641,553</u>

During 3Q18, 1,982,000 (3Q17: nil) performance shares were awarded under the Company's PSP, no performance shares were released and no performance shares lapsed in 3Q18 and 3Q17.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at September 30, 2018, was 3,641,553 (September 30, 2017: 2,403,303). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 5,462,329 (September 30, 2017: 3,604,954) performance shares.

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

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

Restricted shares

	Number of Shares
At January 1, 2018	9,727,916
Conditional restricted shares awarded	178,600
Conditional restricted shares released	(2,624,255)
Conditional restricted shares lapsed	(485,471)
Restricted shares lapsed arising from targets not met	(1,441,095)
At June 30, 2018	5,355,695
Conditional restricted shares released	(28,555)
Conditional restricted shares lapsed	(169,687)
At September 30, 2018	<u>5,157,453</u>

During 3Q18, 28,555 (3Q17: nil) restricted shares were released and 169,687 (3Q17: 66,357) restricted shares lapsed. All 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 end September 30, 2018 was 5,157,453 (September 30, 2017: 9,743,657). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 3,039,734 (September 30, 2017: 6,959,466). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 4,559,601 (September 30, 2017: 10,439,199) restricted shares.

7. AUDIT

The figures have not been audited or reviewed by the Company's auditors.

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 December 31, 2017.

10. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the new SFRS(I) framework in 2018 and concurrently applied the following SFRS(I)s, interpretations of SFRS(I) and requirements of SFRS(I) which are mandatorily effective from January 1, 2018.

SFRS(I) and IFRS:

- SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*
- 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*
- SFRS(I) 1-40 *Investment Property*
- SFRS(I) 1 *Amendments to IFRS 1*
- SFRS(I) 1-28 *Investments in Associates and Joint Ventures*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of the above standards do not have any significant impact on the financial statements except for SFRS(I) 15 and SFRS(I) 9.

10. CHANGES IN ACCOUNTING POLICIES (Cont'd)

Adopting SFRS(I) 15 impacted certain long-term contracts of the Group as follows:

- i) Timing of revenue and cost recognition: The 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.
- ii) Contract costs:
 - a. The costs incurred to fulfill the satisfied performance obligation are recognised in profit or loss as control of goods or services to the customer is transferred over time. There is no longer direct linkage between the costs being expensed and the output being measured.
 - b. Certain payments made to customers for purchase of goods are recognised as expense instead of offset against revenue previously.

The revenue of 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 and accordingly, the transaction price is adjusted for the time value of money of the contracts.

The Group does not restate the comparative information for the effect of adopting SFRS(I) 9 due to the exemption in SFRS(I) 1 but has instead recognised the effect in revenue reserves and other reserves as at January 1, 2018.

Adoption of SFRS(I) 9 impacted the Group as follows:

- i) The Group elects to present in other comprehensive income (OCI) the changes in fair value of the previously classified as 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.
- ii) Fair value reserve relating to the fair value changes of 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 other comprehensive income (FVOCI) (except for investments in equity instruments) is now based on the expected credit loss model instead of the "incurred loss" model used previously.

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

A. Consolidated Income Statement for quarter and nine-months ended September 30, 2017

	Quarter ended September 30, 2017			Nine months ended September 30, 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	1,807,651	409,942	2,217,593	6,222,469	398,235	6,620,704
Cost of sales	(1,575,596)	(293,969)	(1,869,565)	(5,424,261)	(292,129)	(5,716,390)
Gross profit	232,055	115,973	348,028	798,208	106,106	904,314
Finance income	9,287	3,811	13,098	26,567	8,288	34,855
Finance costs	(126,699)	(204)	(126,903)	(400,122)	(658)	(400,780)
Others	(44,340)	-	(44,340)	(112,670)	-	(112,670)
Profit before tax	70,303	119,580	189,883	311,983	113,736	425,719
Tax expense	(28,090)	(19,880)	(47,970)	(74,888)	(19,293)	(94,181)
Profit for the period	42,213	99,700	141,913	237,095	94,443	331,538
Attributable to:						
Owners of the Company	33,620	59,521	93,141	207,995	57,257	265,252
Non-controlling interests	8,593	40,179	48,772	29,100	37,186	66,286
Profit for the period	42,213	99,700	141,913	237,095	94,443	331,538
Earnings per ordinary share (cents)						
Basic	1.23	3.33	4.56	9.90	3.20	13.10
Diluted	1.21	3.30	4.51	9.81	3.19	13.00

10. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. Consolidated Statement of Comprehensive Income for quarter and nine months ended September 30, 2017

	Quarter ended September 30, 2017			Nine months ended September 30, 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	42,213	99,700	141,913	237,095	94,443	331,538
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation differences for foreign operations	(75,578)	4,893	(70,685)	(154,651)	14,715	(139,936)
Others	28,091	-	28,091	(7,481)	-	(7,481)
Other comprehensive income for the period, net of tax	(47,487)	4,893	(42,594)	(162,132)	14,715	(147,417)
Total comprehensive income for the period	(5,274)	104,593	99,319	74,963	109,158	184,121
Total comprehensive income attribute to :-						
Owners of the Company	4,519	62,510	67,029	80,331	66,236	146,567
Non-controlling interests	(9,793)	42,083	32,290	(5,368)	42,922	37,554
Total comprehensive income for the period	(5,274)	104,593	99,319	74,963	109,158	184,121

C. Balance Sheet as at December 31, 2017 and January 1, 2018

	December 31, 2017			January 1, 2018	
	As previously reported \$'000	Effects of SFRS(I) 15 \$'000	As restated \$'000	Effects of SFRS(I) 9 \$'000	As restated \$'000
Asset					
Deferred tax assets	55,972	8,038	64,010	316	64,326
Inventories and work-in-progress	3,214,296	(3,214,296)	-	-	-
Inventories	-	523,744	523,744	-	523,744
Trade and other receivables (current)	2,031,555	62,389	2,093,944	(4,234)	2,089,710
Trade and other receivables (non-current)	1,184,276	-	1,184,276	(8,245)	1,176,031
Contract costs	-	2,491,391	2,491,391	-	2,491,391
Contract assets	-	661,156	661,156	(3)	661,153
Interest in associates and joint ventures	1,765,420	-	1,765,420	(2,131)	1,763,289
Others	14,961,659	-	14,961,659	-	14,961,659
Total assets	23,213,178	532,422	23,745,600	(14,297)	23,731,303
Liabilities					
Trade and other payables	3,818,766	(478,784)	3,339,982	-	3,339,982
Excess of progress billings over work-in-progress	180,894	(180,894)	-	-	-
Contract liabilities	-	1,272,970	1,272,970	-	1,272,970
Current tax payable	159,046	(18)	159,028	-	159,028
Other long-term payables	294,511	(38,698)	255,813	-	255,813
Deferred tax liability	428,340	(313)	428,027	(512)	427,515
Others	10,115,867	-	10,115,867	-	10,115,867
Total liabilities	14,997,424	574,263	15,571,687	(512)	15,571,175
Equity					
Other reserves	(82,676)	(3,023)	(85,699)	118	(85,581)
Revenue reserve	5,483,190	(22,859) ¹	5,460,331	(12,969) ²	5,447,362
Non-controlling interest	1,246,429	(15,959)	1,230,470	(934) ²	1,229,536
Others	1,568,811	-	1,568,811	-	1,568,811
Total equity	8,215,754	(41,841)	8,173,913	(13,785)	8,160,128

¹ Amount relates mainly to the reversal of cumulative profits of certain contracts, where such revenue and related costs of sales are recognised only on delivery to customers under SFRS(I) 15.

² Amount relates mainly to increases in impairment loss for trade and other receivables (including service concession receivables) using the expected credit loss model under SFRS(I) 9.

10. CHANGES IN ACCOUNTING POLICIES (Cont'd)

D. Consolidated Statement of Cash Flows for quarter and nine months ended September 30, 2017

	Quarter ended September 30, 2017			Nine months ended September 30, 2017		
	As previously reported \$'000	Effects of SRFS(I) 15 \$'000	As restated \$'000	As previously reported \$'000	Effects of SRFS(I) 15 \$'000	As restated \$'000
Cash flows from operating activities:						
Profit for the period	42,213	99,700	141,913	237,095	94,443	331,538
Finance income	(9,287)	(3,811)	(13,098)	(26,567)	(8,288)	(34,855)
Finance costs	126,699	204	126,903	400,122	658	400,780
Inventories written down and allowance for stock obsolescence, net	13,070	(12,722)	348	13,271	(12,722)	549
Contract costs written down, net	-	12,722	12,722	-	12,722	12,722
Tax expense	28,090	19,880	47,970	74,888	19,293	94,181
Others	161,420	-	161,420	314,118	-	314,118
Operating profit before working capital changes	362,205	115,973	478,178	1,012,927	106,106	1,119,033
Inventories and work-in-progress	(316,118)	316,118	-	(387,460)	387,460	-
Inventories	-	(164,962)	(164,962)	-	113,333	113,333
Receivables	(5)	3,811	3,806	(335,905)	8,288	(327,617)
Payables	83,351	51,914	135,265	(319,297)	6,819	(312,478)
Contract cost	-	(17,547)	(17,547)	-	(107,234)	(107,234)
Contract assets	-	(133,609)	(133,609)	-	(393,559)	(393,559)
Contract liabilities	-	(171,698)	(171,698)	-	(121,213)	(121,213)
Tax paid	(17,461)	-	(17,461)	(60,064)	-	(60,064)
Net cash from operating activities	111,972	-	111,972	(89,799)	-	(89,799)

E. Company Balance Sheet as at December 31, 2017

	December 31, 2017		
	As previously reported \$'000	Effects of SRFS(I) 15 \$'000	As restated \$'000
Non-current assets	3,346,706	-	3,346,706
Current assets	870,327	-	870,327
Total assets	4,217,033	-	4,217,033
Liabilities			
Current tax payable	49,746	(18)	49,728
Deferred tax liabilities	52,686	(180)	52,506
Other payables	286,199	1,162	287,361
Others	169,599	-	169,599
Total liabilities	558,230	964	559,194
Equity			
Revenue reserve	2,087,875	(964)	2,086,911
Others	1,570,928	-	1,570,928
Total equity	3,658,803	(964)	3,657,839

11. REVIEW OF GROUP PERFORMANCE

Group Overview

3Q18

The Group reported a turnover of \$3.0 billion, 36.3% higher than 3Q17's turnover of \$2.2 billion. The increase was mainly from Marine and Utilities.

Utilities' turnover of \$1.8 billion was an increase of \$375.3 million, mainly from Singapore, China, India and United Kingdom operations. Singapore operations benefitted from higher HSFO prices, India from higher volume from good wind season and prices, United Kingdom from higher generation and contribution from new fleet of assets acquired in 2Q18, and China from Changzhi water treatment plant, which commenced commercial operation in September 2017. This increase was partially offset by lower service concession revenues for Myingyan and Sirajganj Unit 4, which are at the tail end of the projects' construction progress. Marine's turnover was \$438.4 million higher, attributable mainly to revenue recognition for the delivery of 2 jack-up rigs. Excluding the effect of the delivery and sale of these rigs and revenue adjustment in 3Q17 due to termination of 2 rig contracts with a customer, Marine's turnover would have been 27% higher than 3Q17.

Despite Utilities better performance, profit attributable to owners of the company (Net Profit) was a 11.6% reduction, from 3Q17 of \$93.1 million to \$82.3 million in 3Q18, mainly due to Marine. Utilities net profit for 3Q18 was 91.0 million, an increase of \$63.5 million from 3Q17. Utilities net profit before exceptional items (EI) for 3Q18 was \$101.2 million, 20.7% increase over 3Q17, with its India operation delivering a \$28.9 million profit and China's Changzhi water treatment plant and Chongqing Songzao both contributing positively to the Group. Urban Development continued to deliver a steady profit in 3Q18.

Utilities continues to be the key net profit contributor to the Group's net profit.

9M18

The Group achieved \$9.1 billion turnover in 9M18, 37.8% higher than 9M17's \$6.6 billion. The increase was mainly from Marine and Utilities.

Utilities' turnover of \$5.0 billion was an increase of \$657.6 million, mainly from key markets, Singapore, China, India and United Kingdom. Singapore operations benefitted from higher HSFO prices, India from higher volume and prices, United Kingdom from higher generation, and China from Changzhi, which commenced commercial operation in September 2017. This increase was partially offset by lower service concession revenues for Myingyan and Sirajganj Unit 4 in line with the project's construction progress. Marine's turnover was \$1.9 billion higher, attributable mainly to revenue recognition for the delivery of 7 jack-up rigs and sale of a semi-submersible rig and revenue recognition for newly secured projects. Excluding the effect of the delivery and sale of these rigs in 9M18 and revenue adjustment in 9M17 due to termination of 2 rig contracts with a customer, revenue would have been \$1.8 billion, a decrease of 9% compared with \$2.0 billion in 9M17.

Profit attributable to owners of the company (Net Profit) for 9M18 was \$240.9 million, 9.2% lower than 9M17 of \$265.3 million. The lower net profit is mainly due to the losses from Marine. Utilities net profit for 9M18 was \$246.3 million, a 95.9% increase from 9M17. Utilities net profit before EI was \$256.5 million, 16.0% increase over 9M17, as India operations contributed a \$52.7 million profit and new capacities added in China contributed positively. Urban Development continued to perform well, delivering \$53.1 million in 9M18, approximately the same level as 9M17.

Utilities continues to be the key net profit contributor to the Group's net profit.

12. SEGMENTAL REPORTING

9M18

(i) Operating segments

	Utilities	Marine	Urban Develop- ment	Others / Elimination Corporate	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Turnover						
External sales	4,955,156	3,974,692	2,509	190,700	-	9,123,057
Inter-segment sales	21,970	-	263	44,089	(66,322)	-
Total	4,977,126	3,974,692	2,772	234,789	(66,322)	9,123,057

Results

Segment results	566,002	(55,239)	(11,840)	(11,621)	-	487,302
Share of results of associates and joint ventures, net of tax	69,720	(630)	70,612	(5,290)	-	134,412
Profit from operations	635,722	(55,869)	58,772	(16,911)	-	621,714
Finance income	26,157	34,120	548	69,518	(72,122)	58,221
Finance costs	(294,273)	(74,602)	(3,734)	(55,347)	72,122	(355,834)
	367,606	(96,351)	55,586	(2,740)	-	324,101
Tax (expense) / credit	(103,491)	12,176	(213)	(9,391)	-	(100,919)
Non-controlling interests	(17,807)	34,315	(2,320)	3,528	-	17,716
Net profit for the period	246,308	(49,860)	53,053	(8,603)	-	240,898

Assets

Segment assets	12,560,576	8,429,980	366,622	3,193,815	(3,636,393)	20,914,600
Investment in associates and joint ventures	931,495	68,152	784,894	66,832	-	1,851,373
Tax assets	65,062	58,801	2,244	4,922	-	131,029
Total assets	13,557,133	8,556,933	1,153,760	3,265,569	(3,636,393)	22,897,002

Liabilities

Segment liabilities	8,883,400	6,078,394	312,373	2,596,226	(3,636,393)	14,234,000
Tax liabilities	543,562	89,588	399	20,320	-	653,869
Total liabilities	9,426,962	6,167,982	312,772	2,616,546	(3,636,393)	14,887,869

Capital expenditure

(includes intangible assets)	557,966	270,105	50	3,894	-	832,015
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Significant non-cash items

Depreciation and amortisation	280,530	139,389	832	10,038	-	430,789
Allowance for impairment in value of assets and assets written off (net)	2,889	(108)	-	1,700	-	4,481
Gain on disposal of property, plant and equipment	1,198	2,590	-	7	-	3,795
Impairment of goodwill	-	-	-	1,390	-	1,390
(Write-back of) / Allowance for doubtful debts and bad debts (net)	7,422	867	(1,982)	(149)	-	6,158
Provision for fines	25,000	-	-	-	-	25,000

(ii) Geographical segments

	Revenue		Non-current Assets		Total Assets		Capital Expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	3,353,340	37	5,538,723	33	9,576,370	42	290,844	35
China	159,627	2	1,538,585	9	1,911,796	8	10,679	1
India	1,407,448	15	5,077,405	30	6,194,665	27	372,035	45
Rest of Asia	529,447	6	1,599,638	9	1,802,090	8	4,923	1
Middle East & Africa	90,312	1	335,703	2	468,247	2	3,198	-
UK	514,134	5	803,765	5	685,759	3	75,297	9
Rest of Europe	1,827,278	20	342,906	2	411,019	2	70	-
Brazil	167,459	2	1,505,653	9	1,681,817	7	64,964	8
U.S.A.	972,990	11	5,696	-	6,934	-	13	-
Other Countries	101,022	1	179,737	1	158,305	1	9,992	1
Total	9,123,057	100	16,927,811	100	22,897,002	100	832,015	100

12. SEGMENTAL REPORTING (Cont'd)

9M17 (Restated)

(i) Operating segments

	Utilities	Marine	Urban Develop- ment	Others / Elimination Corporate		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover						
External sales	4,297,580	2,123,200	5,229	194,695		6,620,704
Inter-segment sales	22,139	-	3,166	42,387	(67,692)	-
Total	4,319,719	2,123,200	8,395	237,082	(67,692)	6,620,704

Results

Segment results	479,591	209,212	(10,677)	(5,597)	-	672,529
Share of results of associates and joint ventures, net of tax	50,626	(1,924)	70,422	(9)	-	119,115
Profit from operations	530,217	207,288	59,745	(5,606)	-	791,644
Finance income	19,150	16,144	146	50,106	(50,691)	34,855
Finance costs	(335,330)	(72,602)	(3,009)	(40,530)	50,691	(400,780)
	214,037	150,830	56,882	3,970	-	425,719
Tax (expense) / credit	(76,381)	(12,878)	(793)	(4,129)	-	(94,181)
Non-controlling interests	(11,911)	(51,985)	(2,172)	(218)	-	(66,286)
Net profit for the period	125,745	85,967	53,917	(377)	-	265,252

Assets

Segment assets	11,614,073	9,532,013	383,710	2,715,058	(2,884,086)	21,360,768
Investment in associates and joint ventures	914,905	69,383	701,274	97,878	-	1,783,440
Tax assets	58,419	54,935	1,098	1,283	-	115,735
Total assets	12,587,397	9,656,331	1,086,082	2,814,219	(2,884,086)	23,259,943

Liabilities

Segment liabilities	7,772,672	7,150,989	250,254	2,383,852	(2,884,086)	14,673,681
Tax liabilities	470,940	112,951	1,567	11,764	-	597,222
Total liabilities	8,243,612	7,263,940	251,821	2,395,616	(2,884,086)	15,270,903

Capital expenditure

	360,785	148,991	131	11,931	-	521,838
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Significant non-cash items

Depreciation and amortisation	268,144	147,058	2,207	8,135	-	425,544
Gain on disposal of assets held for sale	-	(46,816)	-	-	-	(46,816)
Allowance for impairment in value of assets and assets written off (net)	27,278	1,881	-	38	-	29,197
Impairment of goodwill and investment in associate	30,539	-	-	-	-	30,539
(Write-back of) / Allowance for doubtful debts and bad debts (net)	(17,240)	81	(4)	(18)	-	(17,181)
Assumption of liabilities on behalf of joint venture	-	5,500	-	-	-	5,500
Contract costs written down, net	-	12,722	-	-	-	12,722

(ii) Geographical segments

	Revenue		Non-current Assets		Total Assets		Capital Expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	2,618,033	40	4,316,993	29	10,503,995	45	113,718	22
China	94,821	1	1,466,293	10	1,832,826	8	20,711	4
India	1,263,099	19	5,261,626	35	6,341,741	27	285,909	54
Rest of Asia	567,590	9	1,368,031	9	1,604,885	7	2,632	1
Middle East & Africa	128,795	2	443,327	3	503,610	2	2,919	1
UK	854,543	13	128,642	1	252,321	1	4,752	1
Rest of Europe	727,611	11	385,379	2	430,585	2	35	-
Brazil	143,377	2	1,433,564	10	1,615,782	7	75,656	14
U.S.A.	130,330	2	4,938	-	6,608	-	4	-
Other Countries	92,505	1	178,693	1	167,590	1	15,502	3
Total	6,620,704	100	14,987,486	100	23,259,943	100	521,838	100

12. SEGMENTAL REPORTING (Cont'd)

Notes to Segmental Analysis

12a. Operating Segments

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- (i) The Utilities segment's principal activities are in the provision of energy and water to industrial, commercial and municipal customers. Key activities in the energy sector include power generation, process steam production, as well as natural gas importation. In the water sector, the business offers wastewater treatment as well as the production of reclaimed, desalinated and potable water and water for industrial use. In addition, the business also provides on-site logistics, solid waste management and specialised project management, engineering, and procurement services.
- (ii) The Marine segment focuses principally on providing integrated solutions for the offshore and marine industry. Key capabilities include rigs & floaters; repairs & upgrades; offshore platforms and specialised shipbuilding.
- (iii) The Urban Development segment owns, develops markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia.
- (iv) The Others / Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

12b. Geographical Segments

The Group's geographical segments are presented in ten principal geographical areas: Singapore, China, India, Rest of Asia, Middle East & Africa, UK, Rest of Europe, Brazil, U.S.A and Other Countries. 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.

12. SEGMENTAL REPORTING (Cont'd)

12c. Review of segment performance

Utilities

	3Q18	3Q17	Growth		9M18	9M17	Growth	
	\$'000	Restated \$'000	\$'000	%	\$'000	Restated \$'000	\$'000	%
Turnover	1,782,599	1,407,271	375,328	26.7	4,955,156	4,297,580	657,576	15.3
Net Profit <i>before EI</i>	101,173	83,801	17,372	20.7	256,508	221,120	35,388	16.0
<i>Exceptional items (EI)</i>	(10,200)	(56,316)	46,116	NM	(10,200)	(95,375)	85,175	NM
Net Profit	90,973	27,485	63,488	231.0	246,308	125,745	120,563	95.9

Turnover for 3Q18 and 9M18 increased mainly due to higher HSFO prices for its Singapore operations, higher generation for India and United Kingdom (UK); and contribution from new facilities in China and newly acquired assets in UK. These increases were however partially mitigated by lower service concession revenues progress for Myingyan and Sirajganj Unit 4.

3Q18 net profit before EI was \$101.2 million, \$17.4 million higher than 3Q17. India reported net profit of \$28.9 million (3Q17: loss of \$2.7 million). Its thermal power plant continued to contribute positively and improvement in 3Q18 came from its renewable power plant with good wind season. It also has the benefit of a one-off recovery from its vendors. 3Q18 net profit was however dampened by provisions made for delayed start-up of Myingyan up to October 2018 and consequential adjustment to the service concession revenue; and UKPR performance which is seasonal.

Singapore operation was the largest net profit contributor and India and China's new facilities continue to contribute positively to the Group's net profit in 3Q18.

9M18 net profit before EI was \$256.5 million, 16.0% increase over 9M17. India achieved a net profit of \$52.7 million in 9M18 compared to a loss of \$22.5 million in 9M17. China also grew 69.3% from \$41.1 million in 9M17 to \$69.6 million in 9M18, spurred by positive contributions from Changzhi water treatment plant and Songzao power plant.

Exceptional items (EI) :

3Q18 and 9M18 comprise gain on divestment of medical waste treatment business (\$14.8 million) and provision for fines (\$25.0 million). 3Q17 comprise impairment charges mainly relating to Singapore's assets (\$25.8 million) and investments (\$30.5 million). 9M17 exceptional items also include refinancing cost for the Indian power project (\$39.1million of which \$3.1 million was charged to finance cost) which was recognised in 1H17.

12. SEGMENTAL REPORTING (Cont'd)

12c. Review of segment performance (Cont'd)

Marine

	3Q18	3Q17	Growth		9M18	9M17	Growth	
	\$'000	Restated \$'000	\$'000	%	\$'000	Restated \$'000	\$'000	%
Turnover	1,167,175	728,765	438,410	60.2	3,974,692	2,123,200	1,851,492	87.2
Net Profit	(17,932)	60,405	(78,337)	NM	(49,860)	85,967	(135,827)	NM

Turnover for 3Q18 increased by 60.2% mainly due to higher revenue recognition for rigs & floaters upon the delivery of 2 jack-up rigs and revenue recognition for newly secured projects. Excluding the effects on the delivery of rigs in 3Q18 and revenue adjustment in 3Q17 due to termination of two rigs contracts with a customer, revenue would have been \$773 million, an increase of 27% compared with \$611 million in 3Q17.

Turnover for 9M18 increased by 87.2% mainly due to higher revenue recognition for rigs & floaters upon the delivery of 7 jack-up rigs, sale of a semi-submersible rig and revenue recognition for newly secured projects. Excluding the effects on the rigs delivered, and sale of the semi-submersible rig in 9M18; and revenue adjustment in 9M17 due to termination of two rigs contracts with a customer, revenue would have been \$1.8 billion, a decrease of 9% compared with \$2.0 billion in 9M17.

Net loss for 3Q18 and 9M18 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 effects of contracts termination which arose from the entitlement to the down payments on termination of two rig contracts in 3Q17 and a one-off gain on disposal of Cosco Shipyard Co., Ltd was recorded in 2017.

Urban Development

	3Q18	3Q17	Growth		9M18	9M17	Growth	
	\$'000	Restated \$'000	\$'000	%	\$'000	Restated \$'000	\$'000	%
Turnover*	1,059	1,244	(185)	(14.9)	2,509	5,229	(2,720)	(52.0)
Net Profit	8,064	8,179	(115)	(1.4)	53,053	53,917	(864)	(1.6)

*Urban Development businesses comprise mainly associates or joint ventures which are accounted for under the equity method. The turnover reflected was derived from providing services to these associates or joint ventures.

Net profit in 3Q18 and 9M18 continues to deliver good performance with steady contribution from Vietnam and China.

13. VARIANCE FROM PROSPECT STATEMENT

There is no material change from the previous prospect statement.

14. PROSPECTS

This release contains 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, availability and cost of fuel and materials, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy, directives and changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of the management on future events and impact on the Group.

Utilities

The Utilities business is on track to deliver a better performance in 2018. Its India energy business is expected to be profitable for 2018, despite a weaker upcoming fourth quarter.

The business continues to focus on lifting performance, investing in capabilities and strengthening governance and risk management as it repositions for the global energy transition.

Marine

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. Challenges in the offshore and marine sector persist, notwithstanding the improved industry outlook.

Overall business volume and activity for the Marine business is expected to remain relatively low for the immediate quarters. The trend of negative operating profit is expected to continue for the foreseeable quarter. Sembcorp Marine's cash resources remain sufficient. It will continue to prudently manage costs and cash flows to align with business volume and potential opportunities.

Urban Development

The Urban Development business has a healthy orderbook. It expects income contribution from the sale of its property developments in China and Vietnam. The business is expected to continue to perform well for the rest of the year.

Group

The market environment is expected to remain challenging for the rest of the year. While a broader-based global recovery is underway, downside risks to global growth have risen amidst rising trade and geopolitical challenges. The Group remains confident that it has the right strategies and capabilities for the future.

15. SUBSEQUENT EVENT

On October 31, 2018, Sembcorp Energy India Limited (SEIL) was informed that the Scheme of Amalgamation with Sembcorp Gayatri Power Limited (SGPL) was approved and the scheme shall be effective from April 1, 2017. With the above, the thermal energy business is consolidated into SEIL while Sembcorp Green Infra Limited, a wholly own subsidiary of SEIL, houses the renewable energy business.

16. DIVIDEND

The Group's practice is to consider declaring dividends on a biannual basis. Therefore, there was no interim dividend declared in 3Q18.

17. 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)

	3Q18	9M18
	\$'000	\$'000
Sale of Goods and Services		
Temasek Holdings (Private) Limited and its Associates		
- Mapletree Investments Pte Ltd and its Associates	-	440
- PSA International Pte Ltd and its Associates	1,287	3,861
- Singapore Power Limited and its Associates	566	3,160
- Singapore Technologies Telemedia Pte Ltd and its Associates	-	4,300
- Temasek Capital (Private) Limited and its Associates	404	1,178
	<hr/>	<hr/>
	2,257	12,939
Olam International Ltd and its Associates	430	430
SATS Ltd and its Associates	167	167
	<hr/>	<hr/>
	2,854	13,536
Purchase of Goods and Services		
Temasek Holdings (Private) Limited and its Associates		
- Singapore Power Limited and its Associates	1,391	4,142
- Temasek Capital (Private) Limited and its Associates ¹	147,098	397,572
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	148,489	401,714
Singapore Technologies Engineering Ltd and its Associates	4,549	5,321
	<hr/>	<hr/>
	153,038	407,035
Provision of Management and Support Services		
Temasek Holdings (Private) Limited and its Associates		
- Temasek Capital (Private) Limited and its Associates	-	2,926
	<hr/>	<hr/>
	155,892	423,497

Note:

1. This relates mainly to the purchase of gas by Sembcorp Cogen Pte Ltd from Sembcorp Gas Pte Ltd for the generation of electricity. Sembcorp Gas Pte Ltd is 30% owned by Seletar Investment Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

18. 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

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

We, Ang Kong Hua, and Neil McGregor, being two directors of Sembcorp Industries Ltd (the "Company"), do hereby confirm on behalf of the directors of the Company, that to the best of their knowledge, nothing has come to their attention which would render the third quarter and nine months ended September 30, 2018 unaudited financial results to be false or misleading.

The Board has noted that the board of directors of the Company's listed subsidiary, Sembcorp Marine Ltd, has also announced and confirmed the results for the third quarter and nine months ended September 30, 2018.

On behalf of the board of directors

Ang Kong Hua
Chairman

Neil McGregor
Director

BY ORDER OF THE BOARD

Kwong Sook May (Ms)
Company Secretary
November 2, 2018