



SEMBCORP MARINE LTD
Registration Number: 196300098Z

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE
2021 & RELATED ANNOUNCEMENT**

TABLE OF CONTENTS

A.	Condensed interim consolidated income statement	1
B.	Condensed interim consolidated statement of comprehensive income	2
C.	Condensed interim balance sheets	3
D.	Condensed interim statements of changes in equity	4
E.	Condensed interim consolidated statement of cash flows	6
F.	Notes to the condensed interim financial statements	7
G.	Other information required by Listing Rule Appendix 7.2	22

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021
A. CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

		Group		
	Note	1H 2021 \$'000	1H 2020 \$'000	+ / (-) %
Turnover	3	844,186	906,199	(6.8)
Cost of sales	4	(1,432,433)	(1,100,784)	30.1
Gross loss		(588,247)	(194,585)	n.m.
Other operating income	5	68,163	93,150	(26.8)
Other operating expenses	5	(143,950)	(24,511)	n.m.
General and administrative expenses	6	(44,898)	(46,827)	(4.1)
Operating loss		(708,932)	(172,773)	n.m.
Finance income	7	22,882	29,909	(23.5)
Finance costs	7	(42,133)	(79,000)	(46.7)
Non-operating income	8	-	501	n.m.
Share of results of associates and joint ventures, net of tax		663	550	20.5
Loss before tax		(727,520)	(220,813)	n.m.
Tax credit	10	78,013	26,476	n.m.
Loss for the period		(649,507)	(194,337)	n.m.
Loss attributable to:				
Owners of the Company		(647,242)	(192,146)	n.m.
Non-controlling interests		(2,265)	(2,191)	3.4
Loss for the period		(649,507)	(194,337)	n.m.
Earnings per ordinary share (cents)	12			
Basic		(5.16)	(8.83)	(41.6)
Diluted		(5.16)	(8.83)	(41.6)

n.m.: not meaningful

B. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	1H 2021	1H 2020	+ / (-)
	\$'000	\$'000	%
Loss for the period	(649,507)	(194,337)	n.m.
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations	(6,692)	30,778	n.m.
Net change in fair value of cash flow hedges	4,592	(32,254)	n.m.
Net change in fair value of cash flow hedges transferred to profit or loss	(1,429)	2,200	n.m.
Realisation of reserve upon disposal of subsidiaries	4	-	n.m.
Other comprehensive income for the period, net of tax	(3,525)	724	n.m.
Total comprehensive income for the period	(653,032)	(193,613)	n.m.
Total comprehensive income attributable to:			
Owners of the Company	(650,756)	(191,464)	n.m.
Non-controlling interests	(2,276)	(2,149)	5.9
Total comprehensive income for the period	(653,032)	(193,613)	n.m.

C. CONDENSED INTERIM BALANCE SHEETS

	Note	Group		Company	
		As at 30-Jun-2021 \$'000	As at 31-Dec-2020 \$'000	As at 30-Jun-2021 \$'000	As at 31-Dec-2020 \$'000
Non-current assets					
Property, plant and equipment	13	4,005,308	4,114,919	3,249	5,720
Right-of-use assets	14	247,436	251,016	2,036	2,543
Investment properties		-	-	42,670	47,182
Investments in subsidiaries	15	-	-	3,586,152	3,586,155
Interests in associates and joint ventures		16,142	15,423	-	-
Other financial assets		2,791	4,570	-	-
Trade and other receivables		1,123,955	1,105,551	324,700	127,700
Contract assets		431,812	-	-	-
Intangible assets		209,782	220,999	133	122
Deferred tax assets		205,004	117,283	28,490	16,559
		<u>6,242,230</u>	<u>5,829,761</u>	<u>3,987,430</u>	<u>3,785,981</u>
Current assets					
Inventories		94,852	94,361	-	-
Trade and other receivables		282,717	618,103	39,689	31,719
Contract costs		51,870	52,703	-	-
Contract assets		1,338,953	1,551,913	-	-
Tax recoverable		18,549	17,117	-	-
Other financial assets		13,611	33,840	-	-
Cash and cash equivalents		788,293	772,426	305,836	499,024
		<u>2,588,845</u>	<u>3,140,463</u>	<u>345,525</u>	<u>530,743</u>
Total assets		<u>8,831,075</u>	<u>8,970,224</u>	<u>4,332,955</u>	<u>4,316,724</u>
Current liabilities					
Trade and other payables		1,426,063	1,052,269	43,228	20,614
Contract liabilities		169,305	154,288	-	-
Provisions		37,493	38,005	-	-
Other financial liabilities		4,064	4,742	-	-
Current tax payable		10,654	7,056	1,694	12,227
Interest-bearing borrowings	17	1,614,037	2,121,394	50,000	50,000
Lease liabilities		21,714	22,100	9,232	9,073
		<u>3,283,330</u>	<u>3,399,854</u>	<u>104,154</u>	<u>91,914</u>
Net current (liabilities)/assets		<u>(694,485)</u>	<u>(259,391)</u>	<u>241,371</u>	<u>438,829</u>
Non-current liabilities					
Deferred tax liabilities		30,231	26,852	-	-
Provisions		229,565	142,800	152,077	85,498
Other financial liabilities		-	722	-	-
Interest-bearing borrowings	17	1,977,767	1,428,400	-	-
Lease liabilities		263,364	269,467	47,658	51,773
Other long-term payables		3,703	5,982	1,731	4,002
		<u>2,504,630</u>	<u>1,874,223</u>	<u>201,466</u>	<u>141,273</u>
Total liabilities		<u>5,787,960</u>	<u>5,274,077</u>	<u>305,620</u>	<u>233,187</u>
Net assets		<u>3,043,115</u>	<u>3,696,147</u>	<u>4,027,335</u>	<u>4,083,537</u>
Equity attributable to owners of the Company					
Share capital	18	2,575,374	2,575,374	2,575,374	2,575,374
Other reserves		(60,794)	(57,555)	(22,861)	(22,861)
Revenue reserve		502,060	1,149,577	1,474,822	1,531,024
		<u>3,016,640</u>	<u>3,667,396</u>	<u>4,027,335</u>	<u>4,083,537</u>
Non-controlling interests		26,475	28,751	-	-
Total equity		<u>3,043,115</u>	<u>3,696,147</u>	<u>4,027,335</u>	<u>4,083,537</u>

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

i. Statements of Changes in Equity of the Group

	Attributable to owners of the Company							Non-controlling interests \$'000	Total Equity \$'000
	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Currency translation reserve \$'000	Other reserves \$'000	Revenue reserve \$'000	Total \$'000		
1H 2021									
At 1 January 2021	2,575,374	(771)	(1,683)	(32,334)	(22,767)	1,149,577	3,667,396	28,751	3,696,147
Total comprehensive income									
Loss for the period	-	-	-	-	-	(647,242)	(647,242)	(2,265)	(649,507)
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	(6,681)	-	-	(6,681)	(11)	(6,692)
Net change in fair value of cash flow hedges	-	-	-	-	4,592	-	4,592	-	4,592
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(1,429)	-	(1,429)	-	(1,429)
Realisation of reserves upon disposal of subsidiaries	-	-	-	260	19	(275)	4	-	4
Total other comprehensive income	-	-	-	(6,421)	3,182	(275)	(3,514)	(11)	(3,525)
Total comprehensive income	-	-	-	(6,421)	3,182	(647,517)	(650,756)	(2,276)	(653,032)
Transactions with owners of the Company, recognised directly in equity									
Total transactions with owners	-	-	-	-	-	-	-	-	-
At 30 June 2021	2,575,374	(771)	(1,683)	(38,755)	(19,585)	502,060	3,016,640	26,475	3,043,115
1H 2020									
At 1 January 2020	486,217	(771)	(1,683)	(27,455)	(15,087)	1,732,087	2,173,308	33,470	2,206,778
Total comprehensive income									
Loss for the period	-	-	-	-	-	(192,146)	(192,146)	(2,191)	(194,337)
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	30,736	-	-	30,736	42	30,778
Net change in fair value of cash flow hedges	-	-	-	-	(32,254)	-	(32,254)	-	(32,254)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	2,200	-	2,200	-	2,200
Total other comprehensive income	-	-	-	30,736	(30,054)	-	682	42	724
Total comprehensive income	-	-	-	30,736	(30,054)	(192,146)	(191,464)	(2,149)	(193,613)
Transactions with owners of the Company, recognised directly in equity									
Issue of new shares	2,570	-	-	-	(2,104)	-	466	-	466
Share-based payments	-	-	-	-	733	-	733	-	733
Total transactions with owners	2,570	-	-	-	(1,371)	-	1,199	-	1,199
At 30 June 2020	488,787	(771)	(1,683)	3,281	(46,512)	1,539,941	1,983,043	31,321	2,014,364

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

ii. Statements of Changes in Equity of the Company

	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Other reserves \$'000	Revenue reserve \$'000	Total Equity \$'000
1H 2021						
At 1 January 2021	2,575,374	(771)	960	(23,050)	1,531,024	4,083,537
Total comprehensive income						
Loss for the period	-	-	-	-	(56,202)	(56,202)
Other comprehensive income						
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(56,202)	(56,202)
Transactions with owners of the Company, recognised directly in equity						
Total transactions with owners	-	-	-	-	-	-
At 30 June 2021	2,575,374	(771)	960	(23,050)	1,474,822	4,027,335
1H 2020						
At 1 January 2020	486,217	(771)	960	(22,412)	1,495,694	1,959,688
Total comprehensive income						
Profit for the period	-	-	-	-	1,164	1,164
Other comprehensive income						
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,164	1,164
Transactions with owners of the Company, recognised directly in equity						
Issue of new shares	2,570	-	-	(2,104)	-	466
Share-based payments	-	-	-	484	-	484
Cost of share-based payment issued to employees of subsidiaries	-	-	-	249	-	249
Total transactions with owners	2,570	-	-	(1,371)	-	1,199
At 30 June 2020	488,787	(771)	960	(23,783)	1,496,858	1,962,051

E. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	1H 2021 \$'000	1H 2020 \$'000
Cash flows from operating activities:		
Loss for the period	(649,507)	(194,337)
Adjustments for:		
Finance income	(22,882)	(29,909)
Finance costs	42,133	79,000
Depreciation of property, plant and equipment, and right-of-use assets	84,869	86,633
Amortisation of intangible assets	12,863	13,970
Share of results of associates and joint ventures, net of tax	(663)	(550)
(Gain)/loss on disposal of property, plant and equipment	(2,425)	119
Loss on termination of lease liabilities	-	14
Gain on disposal of asset held for sale	-	(501)
Changes in fair value of financial instruments	19,850	24,270
Impairment losses on property, plant and equipment	45,776	-
Impairment losses on right-of-use assets	66,477	-
Share-based payment expenses	-	733
Property, plant and equipment written off	5	-
Inventories written down, net	88	1
Allowance for doubtful debts and bad debts, net	2,039	214
Tax credit	(78,013)	(26,476)
Operating loss before working capital changes	(479,390)	(46,819)
Changes in working capital:		
Inventories	(579)	(19,056)
Contract costs	833	(5,394)
Contract assets	(218,852)	(188,568)
Contract liabilities	15,017	36,918
Trade and other receivables	330,340	158,688
Trade and other payables	300,085	16,260
Provisions	86,176	(3,985)
Cash generated from/(used in) operations	33,630	(51,956)
Interest income received	1,259	1,332
Interest paid	(31,907)	(70,490)
Tax paid	(4,937)	(858)
Net cash used in operating activities	(1,955)	(121,972)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(23,712)	(57,801)
Proceeds from sale of property, plant and equipment	2,727	103
Proceeds from disposal of asset held for sale	-	1,467
Purchase of intangible assets	(1,523)	(196)
Dividend received from joint venture	32	-
Net cash used in investing activities	(22,476)	(56,427)
Cash flows from financing activities:		
Proceeds from borrowings	1,052,887	2,018,582
Repayment of borrowings	(1,001,636)	(1,110,201)
Payment of lease liabilities	(10,384)	(9,352)
Payment on termination of lease liabilities	-	(49)
Net cash generated from financing activities	40,867	898,980
Net increase in cash and cash equivalents	16,436	720,581
Cash and cash equivalents at beginning of the period	772,426	389,250
Effect of exchange rate changes on balances held in foreign currencies	(569)	(2,800)
Cash and cash equivalents at end of the period	788,293	1,107,031

F. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Domicile and activities

Sembcorp Marine Ltd (the “Company”) is a company incorporated in the Republic of Singapore and has its registered office at 80 Tuas South Boulevard, Singapore 637051, and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and joint ventures.

The principal activities of the Company are the provision of management services and investment holding.

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

2. Basis of preparation

2.1. Going concern basis of accounting

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

The outbreak of the COVID-19 pandemic and the measures adopted by the Singapore Government to mitigate the pandemic’s spread have impacted the Group. The onset of the COVID-19 pandemic in 2020 delayed the industry recovery and created severe disruptions, including reductions in capital expenditure by oil majors and disruptions in global supply chains. These disruptions have extended into 2021 with the re-imposition of COVID-19 restrictions to combat new waves of localised infections, including tighter border controls which exacerbated the shortages of skilled manpower for the Group. As a result, disruptions to yard operations have impacted the execution and completion of projects, along with deferrals of deliveries and payments by customers. This has adversely affected the Group’s working capital position.

The Group’s \$2.1 billion rights issue completed in September 2020 had strengthened the Group’s financial position and allowed the Group to continue to pursue its strategic expansion towards the renewable and clean energy segments. The proceeds were used to reduce the Group’s leverage and debt servicing obligations by converting the \$1.5 billion Subordinated Loan owing to Sembcorp Industries Ltd into equity in Sembcorp Marine with the balance of approximately \$0.6 billion to fund ongoing operations. However, the prolonged disruptions from COVID-19 have created further near-term liquidity challenges for the Group.

On 24 June 2021, the Group announced a renounceable underwritten rights issue to raise proceeds of approximately \$1.5 billion to meet immediate funding needs, strengthen the Group’s balance sheet, replenish temporary working capital depletion amidst continuing COVID-19 disruptions, and enhance the Group’s liquidity position.

As at 30 June 2021, the Group recorded net current liabilities of \$694,485,000 and incurred a loss of \$649,507,000 and negative operating cash flows of \$1,955,000 for the six months ended 30 June 2021. The Group is in talks with lenders to refinance and re-profile current loans with longer term maturities. For certain loans due, proceeds from the rights issue announced in June 2021 will be utilised to repay them.

There is uncertainty over how the future development of the COVID-19 pandemic will impact the Group’s business including customers’ demand for its products. The appropriateness of the going concern basis of accounting is dependent on the continued availability of borrowings or alternative sources of capital or liquidity to meet its financial obligations as they fall due.

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

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

2.2. Statement of compliance

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

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting*. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

Except as disclosed in Note 2.3. below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period as the most recent audited financial statements for the year ended, and as at, 31 December 2020.

The condensed interim financial statements are presented in Singapore dollars which is the Company's functional currency.

2.3. New and amended standards

The Group has applied the following SFRS(I)s, interpretations of SFRS(I) and requirement of SFRS(I) which are mandatorily effective from 1 January 2021:

- *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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

2.4. Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements as at and for the year ended 31 December 2020.

3. Segment and revenue information

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

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

Other operations include bulk trading in marine engineering related products, collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

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.

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

3.1. Operating segments

(i) Business segments:

	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Elimination \$'000	Total \$'000
1H 2021					
Turnover					
Sales to external parties	832,926	9,267	1,993	-	844,186
Inter-segment sales	-	-	17,303	(17,303)	-
Total	832,926	9,267	19,296	(17,303)	844,186
Results					
Segment results	(660,172)	(47,838)	(922)	-	(708,932)
Finance income	27,501	-	26,777	(31,396)	22,882
Finance costs	(54,053)	(847)	(18,629)	31,396	(42,133)
Share of results of associates and joint ventures, net of tax	31	-	632	-	663
(Loss)/profit before tax	(686,693)	(48,685)	7,858	-	(727,520)
Tax credit/(expense)	79,300	(857)	(430)	-	78,013
(Loss)/profit for the period	(607,393)	(49,542)	7,428	-	(649,507)
Capital expenditure	19,369	3,785	56	-	23,210
Significant non-cash items					
Depreciation and amortisation	91,667	5,788	277	-	97,732
Changes in fair value of financial instruments	(2,319)	-	22,169	-	19,850
Inventories written down, net	88	-	-	-	88
Allowance for doubtful debts and bad debts, net	2,039	-	-	-	2,039
Impairment losses on property, plant and equipment	-	45,718	58	-	45,776
Impairment losses on right-of-use assets	66,477	-	-	-	66,477
Property, plant and equipment written off	5	-	-	-	5
As at 30-Jun-2021					
Assets					
Segment assets	9,221,822	185,405	2,415,843	(3,231,690)	8,591,380
Interests in associates and joint ventures	4,296	-	11,846	-	16,142
Deferred tax assets	204,312	692	-	-	205,004
Tax recoverable	18,549	-	-	-	18,549
Total assets	9,448,979	186,097	2,427,689	(3,231,690)	8,831,075
Liabilities					
Segment liabilities	6,398,420	49,361	2,099,172	(2,799,878)	5,747,075
Deferred tax liabilities	29,331	900	-	-	30,231
Current tax payable	5,736	1,453	3,465	-	10,654
Total liabilities	6,433,487	51,714	2,102,637	(2,799,878)	5,787,960

(ii) Geographical segments:

	1H 2021		1H 2021		As at 30-Jun-2021		As at 30-Jun-2021	
	Turnover from external customers	%	Capital expenditure	%	Non-current assets ⁽¹⁾	%	Total assets	%
	\$'000		\$'000		\$'000		\$'000	
Singapore	102,245	12	9,158	40	4,268,103	71	6,932,322	78
Rest of Asia, Australia & India	87,677	10	297	1	116,299	2	145,021	2
Qatar	113,215	13	-	-	-	-	-	-
Rest of Middle East & Africa	1,066	-	-	-	-	-	-	-
United Kingdom	117,621	14	13	-	2,209	-	3,973	-
Norway	81,687	10	-	-	37,493	1	49,956	1
The Netherlands	22,300	3	-	-	79,532	1	83,112	1
Rest of Europe	93,843	11	5	-	133	-	3,594	-
Brazil	40,076	5	13,737	59	1,530,416	25	1,612,657	18
U.S.A.	184,351	22	-	-	250	-	440	-
Other countries	105	-	-	-	-	-	-	-
Total	844,186	100	23,210	100	6,034,435	100	8,831,075	100

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

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

3.1. Operating segments (Cont'd)

(i) Business segments:

	Rigs & floaters, Repairs & upgrades, Offshore platforms, and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Elimination \$'000	Total \$'000
1H 2020					
Turnover					
Sales to external parties	893,110	11,863	1,226	-	906,199
Inter-segment sales	-	-	40,955	(40,955)	-
Total	893,110	11,863	42,181	(40,955)	906,199
Results					
Segment results	(161,674)	(7,536)	(3,563)	-	(172,773)
Finance income	45,488	-	52,460	(68,039)	29,909
Finance costs	(97,233)	(991)	(48,815)	68,039	(79,000)
Non-operating income	501	-	-	-	501
Share of results of associates and joint ventures, net of tax	300	-	250	-	550
(Loss)/profit before tax	(212,618)	(8,527)	332	-	(220,813)
Tax credit/(expense)	26,531	757	(812)	-	26,476
Loss for the period	(186,087)	(7,770)	(480)	-	(194,337)
Capital expenditure	52,978	-	-	-	52,978
Significant non-cash items					
Depreciation and amortisation	93,353	6,929	321	-	100,603
Gain on disposal of asset held for sale	(501)	-	-	-	(501)
Changes in fair value of financial instruments	(1,492)	-	25,762	-	24,270
Inventories written down, net	1	-	-	-	1
Allowance for doubtful debts and bad debts, net	214	-	-	-	214
As at 31-Dec-2020					
Assets					
Segment assets	9,493,478	240,673	2,134,105	(3,047,855)	8,820,401
Interests in associates and joint ventures	4,209	-	11,214	-	15,423
Deferred tax assets	116,578	705	-	-	117,283
Tax recoverable	17,117	-	-	-	17,117
Total assets	9,631,382	241,378	2,145,319	(3,047,855)	8,970,224
Liabilities					
Segment liabilities	6,212,052	53,514	2,022,458	(3,047,855)	5,240,169
Deferred tax liabilities	25,952	900	-	-	26,852
Current tax payable	3,448	609	2,999	-	7,056
Total liabilities	6,241,452	55,023	2,025,457	(3,047,855)	5,274,077

(ii) Geographical segments:

	1H 2020 Turnover from external customers		1H 2020 Capital expenditure		As at 31-Dec-2020 Non-current assets ⁽¹⁾		As at 31-Dec-2020 Total assets	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	112,417	12	33,412	63	3,874,972	68	6,959,615	78
Rest of Asia, Australia & India	131,734	15	456	1	122,299	2	157,200	2
Middle East & Africa	24,083	3	-	-	-	-	-	-
United Kingdom	48,162	5	5	-	2,315	-	4,345	-
Norway	102,580	11	13	-	46,050	1	55,848	1
France	74,349	8	37	-	127	-	2,268	-
The Netherlands	13,799	2	-	-	128,179	2	134,147	1
Rest of Europe	80,872	9	-	-	34	-	802	-
Brazil	87,530	10	19,055	36	1,533,461	27	1,654,327	18
U.S.A.	228,478	25	-	-	471	-	1,672	-
Other countries	2,195	-	-	-	-	-	-	-
Total	906,199	100	52,978	100	5,707,908	100	8,970,224	100

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

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

3.2. Disaggregation of revenue

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Elimination \$'000	Total \$'000
1H 2021					
Turnover					
Sales to external parties	832,926	9,267	1,993	-	844,186
Inter-segment sales	-	-	17,303	(17,303)	-
Total	832,926	9,267	19,296	(17,303)	844,186
Major product and service lines					
Ship and rig building or conversion	269,216	-	-	-	269,216
Repair, maintenance and related services	237,935	-	-	-	237,935
Offshore platforms	295,540	-	-	-	295,540
Specialised shipbuilding	13,944	-	-	-	13,944
Charter hire	-	9,267	-	-	9,267
Sale of goods	-	-	1,993	-	1,993
Others	16,291	-	-	-	16,291
Total	832,926	9,267	1,993	-	844,186
Timing of revenue recognition					
Control transferred over time	820,143	9,267	-	-	829,410
Control transferred at a point in time	12,783	-	1,993	-	14,776
Total	832,926	9,267	1,993	-	844,186
1H 2020					
Turnover					
Sales to external parties	893,110	11,863	1,226	-	906,199
Inter-segment sales	-	-	40,955	(40,955)	-
Total	893,110	11,863	42,181	(40,955)	906,199
Major product and service lines					
Ship and rig building or conversion	458,684	-	-	-	458,684
Repair, maintenance and related services	258,063	-	-	-	258,063
Offshore platforms	130,261	-	-	-	130,261
Specialised shipbuilding	35,421	-	-	-	35,421
Charter hire	-	11,863	-	-	11,863
Sale of goods	-	-	1,226	-	1,226
Others	10,681	-	-	-	10,681
Total	893,110	11,863	1,226	-	906,199
Timing of revenue recognition					
Control transferred over time	853,908	11,863	-	-	865,771
Control transferred at a point in time	39,202	-	1,226	-	40,428
Total	893,110	11,863	1,226	-	906,199

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

4. Cost of Sales

	Group	
	1H 2021	1H 2020
	\$'000	\$'000
Cost of sales	(1,432,433)	(1,100,784)
<i>Included in cost of sales:</i>		
Depreciation and amortisation	(93,298)	(95,856)
Inventories written down, net	(88)	(1)
Property, plant and equipment written off	(5)	-

5. Other operating income/(expenses)

	Note	Group	
		1H 2021	1H 2020
		\$'000	\$'000
Other operating income		68,163	93,150
Other operating expenses		(143,950)	(24,511)
		(75,787)	68,639
<i>Included in other operating income/(expenses):</i>			
Changes in fair value of financial instruments		(19,850)	(24,270)
Foreign exchange gain, net		23,354	36,962
Gain/(loss) on disposal of property, plant and equipment, net		2,425	(119)
Impairment losses on property, plant and equipment	13	(45,776)	-
Impairment losses on right-of-use assets	14	(66,477)	-
Restoration costs		(11,806)	-
Rental income		5,392	5,311
Grant income		22,851	42,191
Other income		14,141	8,686
Other expenses		(41)	(122)
		(75,787)	68,639

6. General and administrative expenses

	Group	
	1H 2021	1H 2020
	\$'000	\$'000
General and administrative expenses	(44,898)	(46,827)
<i>Included in general and administrative expenses:</i>		
Depreciation and amortisation	(4,434)	(4,747)
Allowance for doubtful debts and bad debts, net	(2,039)	(214)

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

7. Finance income and finance costs

	Group	
	1H 2021 \$'000	1H 2020 \$'000
Finance income	22,882	29,909
Finance costs	(42,133)	(79,000)
	(19,251)	(49,091)
<i>Included in finance income/(costs):</i>		
Interest income	22,882	29,909
Interest paid and payable to bank and others	(29,712)	(65,784)
Amortisation of capitalised transaction costs	(5,177)	(2,763)
Unwind of discount on restoration costs	(758)	(664)
Interest expense on lease liabilities	(6,486)	(9,789)
	(19,251)	(49,091)

8. Non-operating income

The non-operating income in 1H 2020 relates to a gain on disposal of a workshop in Malaysia.

9. Seasonality of operations

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

10. Tax

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

	Group	
	1H 2021 \$'000	1H 2020 \$'000
Current tax expense	(7,192)	(7,109)
Over/(under) provided in prior years	186	(42)
Deferred tax credit	85,235	33,499
(Under)/over provided in prior years	(216)	128
Tax credit	78,013	26,476

Sources of estimation uncertainty on current tax

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

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

10. Tax (Cont'd)

Sources of estimation uncertainty on deferred tax assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the Group's ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the Group's customers, which would then significantly affect the realisability of these deferred tax assets. Information about the assumptions and their risk factors relating to the profit forecasts are disclosed in Note 13.

11. Dividend

There is no dividend recommended for the period ended 30 June 2021 (30 June 2020: Nil).

12. Earnings per ordinary share

	Group	
	1H 2021	1H 2020*
(i) Based on the weighted average number of shares (cents)	(5.16)	(8.83)
- Weighted average number of shares ('000)	12,555,229	2,176,872
(ii) On a fully diluted basis (cents)	(5.16)	(8.83)
- Adjusted weighted average number of shares ('000)	12,555,229	2,176,872

* With the completion of the issuance of rights shares on 11 September 2020, prior period comparatives for earnings per share were restated per SFRS(I)1-33 through retrospective application of a bonus factor to the weighted average number of shares. The bonus factor is derived from the division of fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value.

13. Property, Plant and Equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with an aggregate cost of \$21,687,000 (30 June 2020: \$52,761,000).

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

Impairment assessment of the Group's accommodation vessel

Due to the increasingly challenging and competitive market environment, worsened by the impact from the COVID-19 pandemic, management assessed that there were indicators of impairment for the vessel in the current period.

As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection considered different outcomes that took into account the expected renewal rates based on prevailing and foreseeable market conditions. The renewal rates (taking into consideration prevailing rates) have been adjusted downwards, assuming a certain level of discount from the contractual rates under the last long term charter contract, but factored a 2% inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budget and adjusted for inflation at 2% per annum throughout the cash flow periods. The average utilisation rate is assumed at 85% (per assessment performed as at 31 December 2020); and the terminal value is based on expected scrap value at the end of the economic useful life of the vessel. These cash flows are then discounted using the pre-tax weighted average cost of capital determined to be at 8.14% (31 December 2020: 9.13%).

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

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

Impairment assessment of the Group's accommodation vessel (Cont'd)

Based on the Group's assessment of the recoverable amount of the marine vessel of \$79,919,000 (31 December 2020: \$129,716,000) using a range of probability-weighted possible outcomes at period end, an impairment loss of \$45,718,000 (1H 2020: \$nil) was recognised in the current period's profit or loss. An impairment loss of \$48,989,000 was recognised in the financial year ended 31 December 2020.

The above assumptions are inherently judgemental. The forecasted charter rates and utilisation assumed in the value in use is subject to estimation uncertainties. A further 5% decrease in charter rate and utilisation rate throughout the cash flow periods from the weighted outcomes would lead to additional impairment of \$15,959,000 and \$12,687,000 respectively.

Impairment assessment of the Group's shipyard assets

Owing to the continuing difficult market conditions impacting the offshore and marine sector, and the negative impact to the Group's financial performance and liquidity arising from the resurgence of COVID-19 infections and the re-introduction of COVID-19 measures adopted by the Singapore Government to mitigate the pandemic's spread, there were indications that the Group's shipyards (the "cash generating units") might be impaired. Under the Group's impairment assessment of the individual cash generating units in: (i) Singapore (yards in Singapore, together with their sub-contracting yards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual cash generating units were determined using the value in use calculations.

The value in use calculation for the Group's cash generating units used discounted cash flow projections which took into account management's assessment of the forecasted order book over a period of 5 years for Singapore and Brazil (the "projection periods"), with applicable growth rates for Singapore and Brazil beyond the projection periods (up to a maximum of 40 years). The value in use calculations are updated to reflect the most recent developments on the economic impacts of the COVID-19 pandemic on gross domestic product and inflation as at the review date. Due to the high level of uncertainty, it was very challenging to predict the full extent and duration of the COVID-19 pandemic's impact on the Group's operations. Key drivers supporting the recoverable amounts include: forecasted order book, project margins which are projected with reference to historical experience and taking into account planned recoveries, and long term growth rate of less than 5%.

The cash flows are projected based on the Group's historical experience, market observable data surrounding the state-owned and international oil majors' capital commitment and projected capital expenditures in oil and gas production and exploration activities, regulations relating to local content requirements in Brazil, market expectations and developments for contract order prices, and other external analysts' forecast reports in oil price movements and demands for drilling and production solutions. As the Group pivots to also support the energy transition to renewable energy, the cash flow projections included forecast orders in renewable solutions, of which projections are based on the Group's past experience in this area, market developments on financial support for renewable energy infrastructure, and other analysts' forecast reports on renewable energy demand and growth. These cash flows are then discounted using the applicable discount rates based on their pre-tax weighted average cost of capital of 6.18% (31 December 2020: 7.40%) and 8.97% (31 December 2020: 12.46%) for the Singapore cash generating unit and Brazil cash generating unit respectively.

Based on the Group's assessment, no impairment loss is required for these individual cash generating units as at 30 June 2021 and 31 December 2020 as the recoverable amounts assessed were in excess of the carrying amounts of the cash generating units.

The forecasted order book and the forecasted margins assumed in the value in use calculation are, however, subject to estimation uncertainties that may have a significant risk of resulting in material adjustments in any future periods affected.

The estimation uncertainties of the forecasted order book of the Singapore cash generating unit is, however, reduced by a certain level of order books already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining unsecured order book, and forecast project margins, that may result in significant adjustments in the future periods.

Certain phases of the Brazil cash generating unit are presently undergoing yard construction and the yard will gradually ramp up to its full operational capacity over the years. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil in their forecast. Changes in the recoverable amount are sensitive to impairment loss if the forecast order book and the forecasted margins beyond the near term were to deviate from the original forecast. The recoverable amount of the Brazil cash generating unit is further subject to political risk and will be reviewed at regular intervals.

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

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

Impairment assessment of the Group's shipyard assets (Cont'd)

Changes to the assumptions used in relation to the above key drivers, such as delays and/or decrease in order book, and reduction in project margins could lead to lower operating cash inflows and material impairment outcomes, which might in turn affect the financial position and performance of the Group.

For the Singapore cash generating unit, a 10% (31 December 2020: 10%) decrease in order book or 1% (31 December 2020: 1%) decrease in forecasted project margins throughout the cash flow periods would significantly reduce the recoverable amount but not likely to cause the recoverable amount to be below carrying amount.

For the Brazil cash generating unit, a 33.5% (31 December 2020: 9.2%) decrease in order book or 5.6% (31 December 2020: 0.9%) decrease in forecasted project margins throughout the cash flow periods would be required for the recoverable amount to equal the carrying amount.

14. **Right-of-use assets and leases**

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

During the six months ended 30 June 2021, the Group recognised right-of-use assets amounting to \$74,666,000 (30 June 2020: \$23,901,000), which included additional provision for restoration costs of \$74,655,000 (30 June 2020: \$nil).

As part of the Group's transformation and yard consolidation strategy, the Group is scheduled to restore the yard at Tanjong Kling Road ("Tanjong Kling Yard") and return the land to the Singapore Government by 2025. Accordingly, an impairment loss of \$66,477,000 (30 June 2020: \$nil) was recognised as the lease is determined to be onerous once the restoration works commence.

15. **Investments in subsidiaries**

Impairment assessment of the Company's investment in subsidiaries

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

Based on the Company's assessment, no impairment loss is required as at 30 June 2021 and 31 December 2020 as the recoverable amounts assessed were in excess of the carrying amounts of the cash generating unit.

16. **Net asset value**

	Group		Company	
	30-Jun-2021	31-Dec-2020	30-Jun-2021	31-Dec-2020
Net asset value per ordinary share based on issued share capital at the end of the financial period/year (cents)	24.03	29.21	32.08	32.52

17. **Group's borrowings and debt securities**

	As at 30-Jun-2021 \$'000	As at 31-Dec-2020 \$'000
Interest-bearing borrowings:		
(i) <u>Amount repayable in one year or less, or on demand</u> Unsecured	1,614,037	2,121,394
(ii) <u>Amount repayable after one year</u> Unsecured	1,977,767	1,428,400

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

18. Share capital

(i) Issued and Paid Up Capital

As at 30 June 2021, the Company's issued and paid up capital, excluding treasury shares, comprises 12,555,229,044 (31 December 2020: 12,555,229,044) ordinary shares.

(ii) Treasury Shares

	Number of shares	
	2021	2020
At 1 January and 30 June	416,840	416,840

As at 30 June 2021, 416,840 (30 June 2020: 416,840) 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 Restricted Share Plan ("RSP") respectively.

(iii) Performance Shares

	Number of shares	
	2021	2020
At 1 January	1,168,000	2,618,000
Performance shares lapsed arising from targets not met	(911,040)	(1,450,000)
At 30 June	256,960	1,168,000

During 1H 2021, there were 911,040 (1H 2020: 1,450,000) performance shares that lapsed due to the under achievement of performance targets.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 30 June 2021 was 256,960 (30 June 2020: 1,168,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 385,440 (30 June 2020: 1,752,000) performance shares.

(iv) Restricted Shares

	Number of shares	
	2021	2020
At 1 January	956,036	2,372,975
Conditional restricted shares awarded	-	757,800
Conditional restricted shares released	-	(2,050,445)
Conditional restricted shares lapsed	(47,123)	(99,625)
At 30 June	908,913	980,705

During 1H 2021, there were no (1H 2020: 757,800) restricted shares awarded under the RSP, no (1H 2020: 2,050,445) restricted shares released and 47,123 (1H 2020: 99,625) restricted shares that lapsed. The restricted shares released during 1H 2020 were settled by way of issuance of new shares.

The total number of restricted shares outstanding, including awards achieved but not released, as at 30 June 2021 was 908,913 (30 June 2020: 980,705).

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

19. Related parties

19a. Related party transactions

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

	Outstanding balances		Significant transactions	
	30-Jun-2021 \$'000	31-Dec-2020 \$'000	30-Jun-2021 \$'000	30-Jun-2020 \$'000
Related corporations				
Sales	29	71	-	39
Purchases	(1,356)	(2,035)	(15,525)	(14,552)
Finance income	-	-	-	377
Finance costs	-	-	-	(38,108)
Others	-	-	-	(3)
Associates and joint ventures				
Sales	224	194	3	-
Purchases	(876)	(1,037)	(2,898)	(3,461)
Rental income	-	-	4	-
Finance income	14	-	33	176
Others	(240)	(357)	25	20

19b. Compensation of key management personnel

There were no changes to the key management personnel in 1H 2021. There were no changes to the compensation scheme in 1H 2021.

20. Fair value measurements

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

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

Securities

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

Derivatives

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

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

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

20. Fair value measurements (Cont'd)

Non-derivative non-current financial assets and liabilities

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

Other financial assets and liabilities

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

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

Financial assets and liabilities carried at fair value

	Fair value measurement using:			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Group				
At 30 June 2021				
Financial assets at fair value through other comprehensive income				
- Unquoted equity shares	-	-	2,642	2,642
Derivative financial assets	-	13,760	-	13,760
Derivative financial liabilities	-	(4,064)	-	(4,064)
Total	-	9,696	2,642	12,338
At 31 December 2020				
Financial assets at fair value through other comprehensive income				
- Unquoted equity shares	-	-	2,642	2,642
Derivative financial assets	-	35,768	-	35,768
Derivative financial liabilities	-	(5,464)	-	(5,464)
Total	-	30,304	2,642	32,946

In 30 June 2021 and 31 December 2020, there were no transfers between the different levels of the fair value hierarchy.

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

	Fair value measurement using:			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Group				
At 30 June 2021				
Interest-bearing borrowings	-	(1,984,284)	-	(1,984,284)
At 31 December 2020				
Interest-bearing borrowings	-	(1,417,688)	-	(1,417,688)

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

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

20. Fair value measurements (Cont'd)

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

Group	Financial assets at amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
At 30 June 2021				
Cash and cash equivalents	788,293	-	788,293	788,293
Trade and other receivables*	1,346,301	-	1,346,301	1,346,301
	<u>2,134,594</u>	<u>-</u>	<u>2,134,594</u>	<u>2,134,594</u>
Trade and other payables**	-	1,414,293	1,414,293	1,414,293
Interest-bearing borrowings				
- Short-term borrowings	-	1,614,037	1,614,037	1,614,335
- Long-term borrowings	-	1,977,767	1,977,767	1,984,284
	<u>-</u>	<u>5,006,097</u>	<u>5,006,097</u>	<u>5,012,912</u>
Group				
At 31 December 2020				
Cash and cash equivalents	772,426	-	772,426	772,426
Trade and other receivables*	1,581,902	-	1,581,902	1,581,902
	<u>2,354,328</u>	<u>-</u>	<u>2,354,328</u>	<u>2,354,328</u>
Trade and other payables**	-	1,031,032	1,031,032	1,031,032
Interest-bearing borrowings				
- Short-term borrowings	-	2,121,394	2,121,394	2,121,394
- Long-term borrowings	-	1,428,400	1,428,400	1,417,688
	<u>-</u>	<u>4,580,826</u>	<u>4,580,826</u>	<u>4,570,114</u>
Company				
At 30 June 2021				
Cash and cash equivalents	305,836	-	305,836	305,836
Trade and other receivables*	361,763	-	361,763	361,763
	<u>667,599</u>	<u>-</u>	<u>667,599</u>	<u>667,599</u>
Trade and other payables**	-	42,568	42,568	42,568
Interest-bearing borrowings				
- Short-term borrowings	-	50,000	50,000	50,000
	<u>-</u>	<u>92,568</u>	<u>92,568</u>	<u>92,568</u>
Company				
At 31 December 2020				
Cash and cash equivalents	499,024	-	499,024	499,024
Trade and other receivables*	159,122	-	159,122	159,122
	<u>658,146</u>	<u>-</u>	<u>658,146</u>	<u>658,146</u>
Trade and other payables**	-	18,722	18,722	18,722
Interest-bearing borrowings				
- Short-term borrowings	-	50,000	50,000	50,000
	<u>-</u>	<u>68,722</u>	<u>68,722</u>	<u>68,722</u>

* Excludes Goods and Services Tax.

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

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

21. Electoral Suit in Brazil

The Brazilian Public Prosecutors filed a complaint before the Electoral Courts in Aracruz, Espírito Santo, against the Company's subsidiary in Brazil, Estaleiro Jurong Aracruz Ltda ("EJA") in 2015 alleging that political donations were made in 2014 (in total BRL 1.75 million or equivalent to approximately SGD 470,000 as at June 2021) which exceeded the threshold permitted by law.

The dispute arises from the interpretation of the Art. 81, paragraph 1, of the Brazilian Law n. 9,504/97 (effective as the time of the donation) that prescribed that the donation was subject to a limit of two percent of the Company's gross revenue in the year preceding the elections. As the definition of "gross revenue" is not clearly defined under the Electoral Code, there was disagreement as to whether a narrow definition of the "gross revenue" for tax purposes, or a broad definition of total revenue should apply as has already been decided by the Superior Electoral Tribunal (TSE) (the highest court in Brazilian electoral justice system) in similar cases.

In late June 2021, EJA was notified of a decision rendered by the local court of Aracruz where the judge took the narrow interpretation and applied a fine of an amount which corresponds to half of the Prosecutor's request. The fine was BRL 8.57 million, equivalent to SGD2.33 million as at June 2021.

EJA denies all allegations that it has breached the relevant laws and will appeal against the decision, which contradicts precedents from the Superior Electoral Tribunal (TSE).

G. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. **Review by KPMG LLP**

The condensed interim financial statements, comprising the condensed interim balance sheets of Sembcorp Marine Ltd (“the Company”) and its Subsidiaries (“the Group”) as at 30 June 2021, the condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes, as set out on pages 1 to 21 of this announcement, have been reviewed by KPMG LLP in Singapore in accordance with the Singapore Standard on Review Engagement 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

The comparative information for the condensed interim balance sheets are based on the audited financial statements as at 31 December 2020. The comparative information for the condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows and certain explanatory notes for the six-month period ended 30 June 2020 has not been audited or reviewed.

2. **Review of performance of the Group**

Condensed interim consolidated income statement

(a) **Turnover**

	1H 2021	1H 2020	+ / (-)	+ / (-)
	\$'m	\$'m	\$'m	%
Rigs & floaters	269.2	458.7	(189.5)	(41.3)
Repairs & upgrades	237.9	258.1	(20.2)	(7.8)
Offshore platforms	295.6	130.3	165.3	n.m.
Specialised shipbuilding	13.9	35.4	(21.5)	(60.7)
Other activities	27.6	23.7	3.9	16.5
	844.2	906.2	(62.0)	(6.8)

Turnover for 1H 2021 decreased mainly due to lower revenue recognition from Rigs & floaters, Repairs & upgrades and Specialised shipbuilding projects, mitigated by higher revenue recognition from Offshore platforms projects. The lower revenue recognition was mainly attributed to the ongoing COVID-19 disruptions that caused delays in the execution and completion of existing projects.

(b) **Gross loss**

Gross loss for 1H 2021 was higher mainly due to the significant impact of ongoing COVID-19 disruptions causing further delays and increase in manpower and other related costs to complete existing projects.

(c) **Other operating income/(expenses)**

- (i) Changes in fair value of financial instruments were due to mark-to-market adjustments of foreign currency forward contracts used for managing the Group's foreign currency exposures.
- (ii) Lower foreign exchange gain in 1H 2021 was mainly due to the revaluation of assets and liabilities denominated in United States dollar to Singapore dollar.
- (iii) Impairment losses on property, plant and equipment for 1H 2021 was mainly due to impairment of a marine vessel.
- (iv) Impairment losses on right-of-use assets for 1H 2021 mainly relates to right-of-use assets from the additional restoration costs of land and building at Tanjong Kling Yard.
- (v) Restoration costs for 1H 2021 mainly relates to additional restoration costs of land and building at Shipyard Road.
- (vi) Lower grant income in 1H 2021 was mainly due to lower government grants for COVID-19 pandemic.
- (vii) Higher other income in 1H 2021 was mainly due to higher sales of scrap.

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

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

Condensed interim consolidated income statement (Cont'd)

(d) General and administrative expenses

Higher allowance for doubtful and bad debts was mainly due to the expected credit loss for receivables.

(e) Finance income and finance costs

- (i) Lower finance income in 1H 2021 was mainly due to lower interest income from customers on deferred payment arrangement.
- (ii) Lower finance costs in 1H 2021 was mainly due to lower average borrowings and lower interest expense on lease liabilities compared to 1H 2020, offset by higher amortisation of capitalised transaction costs.

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

Net loss for 1H 2021 was higher mainly due to higher gross loss, increase in restoration cost and impairment loss on a marine vessel; offset by net foreign exchange gain, lower net finance costs and higher tax credit.

Condensed interim consolidated statement of comprehensive income

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

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

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

Condensed interim balance sheets

(a) Group

Non-current assets

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

‘Contract assets’ increased mainly due to reclassification from current contract assets arising from deferred delivery payment terms agreed with a customer.

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

Current assets

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

‘Contract assets’ decreased mainly due to reclassification to non-current assets arising from deferred delivery payment terms agreed with a customer, offset by 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.

Current liabilities

‘Trade and other payables’ increased mainly due to higher payables during the period.

‘Other financial liabilities’ decreased mainly due to fair value adjustments on interest rate swaps.

‘Current tax payable’ increased mainly due to provision made during the period, offset by tax paid.

‘Interest-bearing borrowings’ decreased mainly due to refinancing of current borrowings that fell due into longer term maturities.

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

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

Condensed interim balance sheets (Cont'd)

(a) Group (Cont'd)

Net current liabilities

As at 30 June 2021, the Group had net current liabilities totalling \$694 million arising mainly from term loans maturing in the next twelve months. The Group is in talks with lenders to refinance and re-profile current loans with longer term maturities. For certain loans due, proceeds from the rights issue announced in June 2021 will be utilised to repay them.

Non-current liabilities

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

'Provisions' increased mainly due to provision for additional restoration costs.

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

'Interest-bearing borrowings' increased mainly due to refinancing of current borrowings that fell due into longer term maturities.

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

(b) Company

Non-current assets

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

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

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

'Trade and other receivables' increased mainly due to non-current loan to a subsidiary.

'Deferred tax assets' increased mainly due to the movements in temporary differences.

Current assets

'Trade and other receivables' increased mainly due to higher receivables from subsidiaries.

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

Current liabilities

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

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

Non-current liabilities

'Provisions' increased mainly due to provision for additional restoration costs.

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

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

2. **Review of performance of the Group** (Cont'd)

Condensed interim consolidated statement of cash flows

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

	30-Jun-2021 \$'000	30-Jun-2020 \$'000
Fixed deposits	5,612	6,681
Cash and bank balances	782,681	1,100,350
Cash and cash equivalents	788,293	1,107,031

Half year

Cash flows used in operating activities before changes in working capital were \$479 million in 1H 2021. Net cash used in operating activities for 1H 2021 at \$2 million was mainly due to working capital for ongoing projects and net interest paid, offset by receipts from completed projects.

Net cash used in investing activities for 1H 2021 was \$22 million, mainly due to purchase of property, plant and equipment.

Net cash generated from financing activities for 1H 2021 was \$41 million. It relates mainly to net proceeds from borrowings, offset by payment on lease liabilities.

3. **Variance from prospect statement**

Please refer to paragraph 4.

4. **Prospects**

The Group still faces uncertainties arising from the COVID-19-led measures of border controls, as well as workforce supply and quarantine restraints. Continuing efforts to resolve the skilled manpower shortage on a timely basis is a key priority to address the risk of further project delays or terminations. The Group has also actively undertaken measures to improve project execution, replenish temporary working capital depletion and enhance the Group's liquidity position. However the Group expects to incur losses in 2H2021 because of insufficient revenues to cover overhead costs.

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.

5. **Dividend**

There is no dividend recommended for the period ended 30 June 2021.

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

6. Interested person transactions

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000)	
		1H 2021 \$'000	1H 2020 \$'000	1H 2021 \$'000	1H 2020 \$'000
<u>Transaction for the Purchase of Goods and Services</u> SembWaste Pte. Ltd.	Associate of Temasek Holdings (Private) Limited, the largest shareholder of the Company.	-	-	-	341
Total Interested Person Transactions		-	-	-	341

7. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

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

BY ORDER OF THE BOARD

**TAN YAH SZE / KEM HUEY LEE SHARON
JOINT COMPANY SECRETARIES**

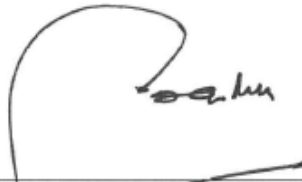
29 July 2021



Confirmation by the Board

On behalf of the Board of Directors of Sembcorp Marine Ltd ("the Company"), we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months ended 30 June 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors



A handwritten signature in black ink, appearing to read "Tan Sri Mohd Hassan Marican", written above a horizontal line.

Tan Sri Mohd Hassan Marican
Chairman



A handwritten signature in blue ink, appearing to read "Wong Weng Sun", written above a horizontal line.

Wong Weng Sun
Director

Singapore
29 July 2021



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet kpmg.com.sg

Report on review of Condensed Interim Financial Information

The Board of Directors
Sembcorp Marine Ltd

Introduction

We have reviewed the accompanying condensed interim balance sheets of Sembcorp Marine Ltd (“the Company”) and its Subsidiaries (“the Group”) as at 30 June 2021 and the related condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended and certain explanatory notes (the “Condensed Interim Financial Information”) as set out on pages 1 to 21. Management is responsible for the preparation and presentation of this Condensed Interim Financial Information in accordance with Singapore Financial Reporting Standard (International) (“SFRS(I)”) 1-34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this Condensed Interim Financial Information based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Information is not prepared, in all material respects, in accordance with SFRS(I) 1-34 *Interim Financial Reporting*.

Emphasis of Matter

We draw attention to Note 10, 13 and 15 of the Condensed Interim Financial Information. The Group's shipyard assets were subject to impairment test by management owing to the continued difficult market conditions impacting the offshore and marine sector. The ongoing and evolving COVID-19 pandemic, together with the adverse impacts on global economies and the shipyard business, have also heightened the estimation uncertainties around timing of recovery. The recent fast spreading Delta variant of COVID-19 is now the dominant strain and has been accompanied by a surge in infections worldwide. This has led to further delays in the recovery of the global economies. Consequently, the Group's operations continued to be impacted by the ongoing COVID-19 disruptions that resulted in skilled manpower shortage and supply chain constraints.

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

Management has assessed that there is no impairment loss on the shipyard assets, and the related cost of investments in its subsidiaries, on the basis of projected recovery in the foreseeable future and the long term growth prospects in the sectors that the Group is operating in.

The recognition of deferred tax assets is also assessed by management to be appropriate based on similar assumptions of the growth trajectory in the foreseeable future.

The evolution of the COVID-19 pandemic has resulted in operational disruptions, a delay in new contracts being put out for tender and consequently limited contract wins by the Group in the last 18 months. The determination of the timing and quantum of new orders at forecasted project margins therefore involves a high degree of judgement and is subject to significant estimation uncertainties.

Actual results are likely to be different from the forecasted financial information since anticipated events frequently do not occur as expected and the variation could be material. Unfavorable changes to any of management's assumptions could lead to lower operating cash flows and material impairment outcomes which might in turn adversely affect the financial position and performance of the Group. Our conclusion is not modified in respect of this matter.

Other matter

The comparative information for the condensed interim balance sheets are based on the audited financial statements as at 31 December 2020. The comparative information for the condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows and other explanatory notes, for the six-month period ended 30 June 2020 has not been audited or reviewed.

Restriction on use

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the Condensed Interim Financial Information for the purpose of assisting the Company to meet the requirements of paragraph 3 of Appendix 7.2 of the Singapore Exchange Limited Listing Manual and comply with the requirements of Rule 25 of the Singapore Code of Take-Overs and Mergers, and for no other purpose. Our report is included in the Company's announcement of its interim financial information for the information of its members. We do not assume responsibility to anyone other than the Company for our work, for our report, or for the conclusions we have reached in our report.


KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore
29 July 2021