



Water and Wastewater Treatment Capacity of Close to
9,000,000 m³/day



Operating and Financial Review

UTILITIES

Competitive Edge

- Global track record as an originator, owner or investor, operator and optimiser of thermal and renewable energy as well as water assets with strong operational, management and technical capabilities
- An integrated energy player with operations in 14 countries. Strong foothold in high-growth developing markets and experience in developed markets
- Proven deep integration expertise in the provision of energy, water and on-site logistics to multiple industrial site customers
- A balanced global portfolio of high-efficiency thermal and renewable power assets, with capabilities in gas, coal, wind, solar, biomass as well as energy-from-waste
- Solid track record in providing total water and wastewater treatment solutions for industries and water-stressed regions



Power Capacity
>11,000 MW
 including >2,000 MW renewable energy

Clockwise from left:
 Sembcorp's combined power and desalination plant in Fujairah, UAE
 Sembcorp's grid-tied rooftop solar energy system at ST Aerospace's facility in Changi, Singapore
 Sembcorp Green Infra's wind farm in Rajasthan, India
 Sembcorp's 815-megawatt cogeneration plant in the Sakra area on Jurong Island, Singapore

Utilities Review

Performance Scorecard

Financial Indicators (\$ million)

	2017	2016	Change (%)
Turnover	5,699.6	4,132.9	38
Earnings before interest, tax, depreciation and amortisation	1,000.2	916.8	9
Profit from operations	649.9	737.2	(12)
– Earnings before interest and tax	580.6	633.0	(8)
– Share of results: Associates & JVs, net of tax	69.3	104.2	(34)
Net profit	140.0	348.0	(60)
– Net profit before exceptional items	260.8	345.5	(25)
– Exceptional items ¹	(120.8)	2.5	NM
Return on equity (%)	3.3	9.3	(64)

¹ Exceptional items amounted to

2017: A total of S\$120.8 million, comprising S\$39.1 million in refinancing cost for the second thermal power plant in India, S\$56.3 million of impairment charges mainly relating to Singapore's assets and investments and S\$25.4 million of provision for potential fines and claims at an overseas water business

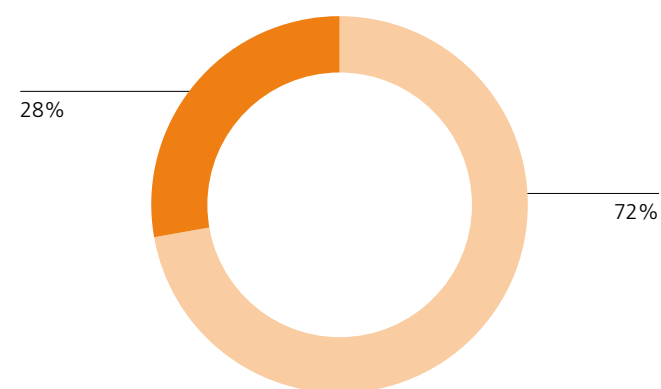
2016: A total of S\$2.5 million, comprising S\$33.5 million from the divestment gain on the sale of the municipal water operation in Yancheng, China, less S\$31.0 million total refinancing cost for the first thermal power plant in India

Operational Indicators

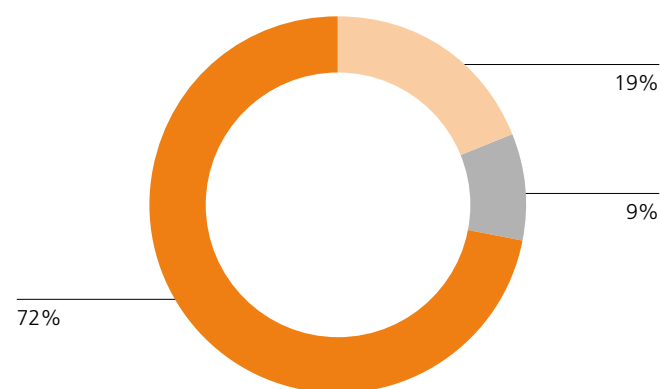
	2017	2016
Power capacity (megawatts)	11,689	10,916
Steam capacity (tonnes per hour)	3,844	4,532
Water & wastewater treatment capacity (cubic metres per day)	8,927,490	8,821,252

Note: Capacity refers to total gross installed capacity of facilities in operation and under development

PFO* by Geography



PFO* by Segment



■ Singapore ■ Overseas

■ Energy ■ Water ■ On-site logistics & solid waste management

* Excluding Corporate and exceptional items

Key Developments



Consolidated all thermal and renewable power operations in India under Sembcorp Energy India Limited, and initiated the process for an initial public offering for it with the filing of a draft red herring prospectus in February 2018. This will build a sustainable platform to grow our India energy business in the long term



Continued to focus on growth for our renewables business, with 500 megawatts won in two national wind tenders in India, and over 300 megawatts of new wind capacity coming onstream in China. In addition, we secured another 300 megawatts of wind power capacity in India's February 2018 tender



Entered into new agreements with ExxonMobil Asia Pacific, following its purchase of Banyan assets from Jurong Aromatics Corporation (former JAC complex) on Jurong Island. These included utilities service agreements for these assets and for the sale of certain utilities facilities serving them, as well as additional agreements for supply of power, natural gas and service corridor services



Strengthened our rooftop solar power business in Singapore, underscoring our commitment to green energy as Singapore moves towards an open electricity market. To-date, we have secured six rooftop photovoltaic projects with a combined capacity of close to 13 megawatts

Operating and Financial Review

Strengthening base, positioning for the future

The Utilities business delivered an improved underlying performance despite challenging markets, and remained the biggest contributor to the Group. In 2017, the business focused on executing initiatives to drive performance and reduce cost, strengthening its base as it transitions to a new strategic direction.

Turnover was S\$5.7 billion compared to S\$4.1 billion in 2016. Underlying profit from operations (PFO), before exceptional items of S\$117.7 million, grew 6% to S\$767.6 million on better operating performance from Singapore and India operations. 2017 profit from operations was S\$649.9 million and S\$737.2 million in 2016. Underlying net profit, before exceptional items of S\$120.8 million, was S\$260.8 million compared to S\$345.5 million last year. 2017 net profit was

S\$140.0 million and S\$348.0 million in 2016. The exceptional items in 2017 relate mainly to refinancing costs incurred for our second thermal power plant in India, non-cash impairment charges taken on the Singapore assets and investments, as well as a provision for potential fines and claims at an overseas water business.

Similar to last year's mix, overseas operations contributed almost three-quarters of the Utilities business' PFO before exceptional items and corporate costs or S\$563.1 million. Meanwhile, Singapore operations contributed 28% of the Utilities business' PFO, with S\$217.4 million.

Utilities Review

PFO (S\$ million)

	2017	2016	Change (%)
Singapore	217.4	198.3	10
China	91.0	140.1	(35)
India	329.4	239.5	38
Rest of Asia	47.8	16.7	186
Middle East & Africa	60.9	64.0	(5)
UK & the Americas	34.0	52.8	(36)
Corporate	(12.9)	12.3	NM
PFO before exceptional items	767.6	723.7	6
Exceptional items ¹	(117.7)	13.5	NM
Total PFO	649.9	737.2	(12)
Less: interest, tax and non-controlling interests	(509.9)	(389.2)	(31)
Net profit	140.0	348.0	(60)

¹ Exceptional items amounted to

2017: A total of S\$117.7 million, comprising S\$36.0 million in refinancing cost for the second thermal power plant in India, S\$56.3 million of impairment charges mainly relating to Singapore's assets and investments and S\$25.4 million of provision for potential fines and claims at an overseas water business

2016: A total of S\$13.5 million, comprising S\$34.7 million from the divestment gain on the sale of the municipal water operation in Yancheng, China, less S\$21.2 million total refinancing cost for our first thermal power plant in India

Singapore

Our Singapore operations performed well despite a tough power market, delivering a 10% growth in PFO to S\$217.4 million. This was driven by a solid performance by its centralised utilities and gas businesses, arising from higher customer offtake and higher high sulphur fuel oil prices.

During the year, we entered into new agreements with ExxonMobil Asia Pacific. This included the sale of certain utilities facilities in Banyan that are serving the assets sold by Jurong Aromatics Corporation to ExxonMobil. Total consideration for these facilities, comprising boilers, cooling tower and associated assets, is US\$113 million and completion of the transaction is expected to take place between the second half of 2019 and first half of 2020. In the interim, we entered into new utilities service agreements for the continued sale and supply of utilities, while additional agreements were signed for power and natural gas supply as well as for use of our service corridor.

In line with our commitment to sustainability and green energy as Singapore moves towards an open electricity market, we also made good headway in strengthening our track record in rooftop photovoltaic solutions that help customers reduce their carbon footprint. Marking our entry into the business with our first rooftop solar energy project in late-2016, today we have expanded to six projects with a combined capacity of close to 13 megawatts.

China

With the absence of contribution from the Yangcheng coal-fired power plant and Yancheng municipal water operations in 2017, PFO from China operations declined to S\$91.0 million from S\$140.1 million in 2016. In late January, the 1,320-megawatt Chongqing Songzao supercritical coal-fired power plant achieved full commercial operation, but high coal prices, lower demand for thermal generation and teething issues resulted in a weak performance. However, our renewable energy operations in the country delivered an improved performance over last year, primarily due to the additional capacity from the Laoshibeihe wind power project coming into operation. Construction is ongoing for the remaining capacity at Laoshibeihe as well as the 99-megawatt Huanghua Phase 3 and 200-megawatt Huanghua Huangnanpaigan wind power projects in Hebei, China, all of which are expected to complete around mid-2018.

Meanwhile, water operations in the country delivered a better performance in 2017. 2017 earnings included the maiden contribution from the Changzhi Total Water Management Plant, which commenced commercial operations at the end of September.

India

PFO from India operations grew 38% from S\$239.5 million to S\$329.4 million in 2017, however in net profit terms it posted a net loss of S\$57.8 million.

Sembcorp Green Infra (SGI), our India renewable energy arm, delivered an improved performance in 2017. The business was affected by lower wind speeds compared to 2016, but benefitted from an additional 155 megawatts of capacity coming into operation. In August, we entered into an agreement to acquire our partner IDFC Private Equity Fund III's remaining stake in SGI and this has been completed. From September, we have accounted for 100% of SGI's earnings in our financials.

Demonstrating its strong capabilities, SGI secured two new projects in 2017, adding another 500 megawatts to its pipeline of new projects via national wind power tenders. In a February 2018 tender, it secured another 300 megawatts. These projects make SGI the largest capacity winner in India's wind tenders to date. The first two projects will be developed in phases, with the first targeted to be fully commissioned in 2018, and the second by the first half of 2019. The entire power output of the projects will be sold under 25-year long-term power purchase agreements (PPAs) to PTC India and the Solar Energy Corporation of India (SECI) respectively.

On the thermal power front, our first 1,320-megawatt supercritical coal-fired power plant delivered its strongest operating and financial performance since commencing full commercial operations. The plant, which has 86% of its net capacity contracted under long-term PPAs, operated at an average plant load factor (PLF) of 84.8%.

Meanwhile, our second supercritical coal-fired power plant commenced full commercial operations in February. For the full year, it operated at an average PLF of 73.8%. However, without a long-term PPA, it was subject to fluctuations in short-term and spot prices. To lower its cost of borrowing and interest expense, the plant undertook a refinancing exercise for its project finance loans during the year.

Cost and reliability optimisation measures being undertaken at both our thermal power plants are delivering good results.

In 2017 and in early 2018, we took key strategic steps towards building a platform for the growth and sustainability of our India energy business. We consolidated our thermal and renewable power operations under Sembcorp Energy India Limited, resulting in a balanced portfolio of over 4,300 megawatts, including over 1,700 megawatts of renewable power capacity. In February 2018, we filed a draft red herring prospectus with the Securities and Exchange Board of India to initiate the process for an initial public offering (IPO). The proposed listing of the shares will be on BSE Limited and the National Stock Exchange of India, with the exact timing of the listing subject to regulatory approvals and market conditions. With this IPO, we aim to bring on board domestic and retail ownership of Sembcorp Energy India Limited shares to support our utilities business in the country, and to fund its further growth.

Rest of the World

PFO from the Rest of Asia, where operations comprise gas-fired power plants in Vietnam, Myanmar and Bangladesh as well as municipal water operations in Indonesia and the Philippines, increased 186% to S\$47.8 million. The higher PFO for the region is attributable to the service concession revenue recognised in accordance with the INT FRS 112 accounting guideline. At the end of 2017, the 230-megawatt Myingyan power project in Myanmar was 96% complete, with full commercial operations targeted for the second quarter of 2018. Meanwhile the 427-megawatt Sirajganj Unit 4 (S4) power project in Bangladesh was 65% complete, with open-cycle operations targeted in the second half 2018 and full commercial operations by the first half of 2019.



When fully operational, the 225-megawatt gas-fired Sembcorp Myingyan Power Plant will help to ease Myanmar's power deficit

Middle East & Africa operations posted a PFO of S\$60.9 million compared to last year's S\$64.0 million. Both our South Africa water operations and Fujairah 1 (F1) independent water and power plant in the UAE reported higher contributions compared to last year, with F1 achieving high power and water availability factors of 95.6% and 96.8% respectively. In December, F1's original power and water purchase agreement (PWPA) and additional water purchase agreement (WPA) were consolidated into a single amended and restated PWPA, with the term extended by another 6.5 years to 2035. In addition, F1 also successfully completed a US\$400 million senior secured bond issue with an annual coupon of 4.45%. The proceeds from the issuance were used to partially prepay existing bank loans and shareholder loans. The bond issuance extends the maturity of the F1 debt by another 6.5 years to correspond with the extension of F1's PWPA. The project bond was rated A- by Standard & Poor's Global Ratings and A2 by Moody's Investor Service.

Sembcorp Salalah's performance in 2017 was impacted by Oman's new tax law which increased the corporate tax rate from 12% to 15%. An unplanned outage and repair of one of its gas turbines also affected performance, resulting in its power reliability factor dipping slightly to 94.1%, while its water availability factor remained high at 99.8%.

In February 2018, we signed a conditional sales and purchase agreement for the sale of our South African municipal water operations in Nelspruit (Mbombela) and Ballito for ZAR 790 million (approximately S\$89 million). The transaction is subject to conditions precedent and completion is expected in the first half of 2018.

PFO from the UK & the Americas was S\$34.0 million compared to S\$52.8 million in 2016. PFO from the Americas posted a slight improvement, while the UK operations reported a lower PFO compared to 2016. This was mainly due to a higher PFO base in 2016 which included a reversal of fixed asset impairment as well as construction income for the still under-construction Wilton 11 energy-from-waste facility recognised in accordance with the INT FRS 112 accounting guideline. In addition, the Sembcorp Biomass Power Plant operated at a lower load factor as a result of a longer maintenance shutdown in 2017.

Outlook

2018 will see the implementation of a fully liberalised open electricity market in Singapore. In China, over 300 megawatts of new wind power capacity is targeted to come onstream during the year, while in India, our 250-megawatt project won in the nation's first wind tender is expected to be fully commissioned.

Our India energy business is expected to be listed on BSE Limited and the National Stock Exchange of India. The exact timing of the listing remains subject to regulatory approvals and market conditions. In addition, our Myingyan power project in Myanmar is expected to achieve full commercial operations in 2018, and our Sirajganj Unit 4 power project in Bangladesh is targeted to commence open-cycle operations.

The Utilities business is expected to deliver a better performance in 2018, underpinned by an expected turnaround to profitability for its India energy operations.

Looking ahead, the global energy transition continues as the industry adjusts to the impact of a changing fuel mix, increasing demand for renewables, the proliferation of distributed energy resources and declining power prices. The share of electricity as a proportion of total energy demand is also set to rise, in part due to the electrification of the heating and transport sectors.

The Utilities business is embarking on a new strategic direction in order to benefit from the global energy transition. It will focus its long-term growth in three business lines: Gas & Power, Renewables & Environment, and Merchant & Retail. It will also reposition itself as an integrated energy player, building multiple offerings or optionalities around anchor investments to create platforms for growth. As an originator, owner or investor, operator and optimiser, it will aim to build and scale up its growth platforms as well as develop a pipeline for active capital recycling.

With renewables expected to grow to around 35% of the global energy mix by 2040, the Utilities business will prepare itself for the future by targeting to double its renewable portfolio to approximately 4,000 megawatts by 2022. In addition, the business is targeting a reduction in its carbon emission intensity in line with the 2°C climate scenario and aims to reduce carbon emission intensity by close to 25% from its current 0.55 tonnes of carbon dioxide equivalent per megawatt hour (tCO₂e/MWh) to 0.42 tCO₂e/MWh by 2022, and to less than 0.40 tCO₂e/MWh by 2030.

Over the next two years, the Utilities business is targeting divestments of peripheral utilities assets to deliver cash proceeds of up to S\$0.5 billion.

With its new strategic direction that is aligned to trends and the future direction of its industry, as well as a focus on active and systematic capital recycling, we believe our Utilities business will be well-placed to benefit from the global energy transition, and to deliver long-term growth and value.



Operating and Financial Review

MARINE

Competitive Edge

- A global leader in integrated offshore and marine solutions with more than 50 years' proven track record
- Able to offer diversified, innovative solutions across the offshore and marine value chain, both within and beyond the oil and gas sector
- Established capabilities in rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding, and enhanced capabilities to serve the gas value chain
- Global network of strategic locations in Singapore, Indonesia, the UK and Brazil

Total Net Orderbook
S\$7.6 billion



Clockwise from left:

FPSO Pioneiro de Libra, Sembcorp Marine's first full engineering, procurement and construction FPSO conversion

The Sembcorp Marine Tuas Boulevard Yard in Singapore is equipped with berthing and docking facilities for mega-sized vessels, deep-draft rigs and one of the largest and most advanced steel fabrication facilities in the region

Good progress is being made on the construction of topsides for Maersk Oil, which are to be deployed for harsh-environment operations in the UK North Sea upon completion

Contracts Secured in 2017
S\$2.7 billion



Marine Review

Performance Scorecard

Financial Indicators (\$ million)

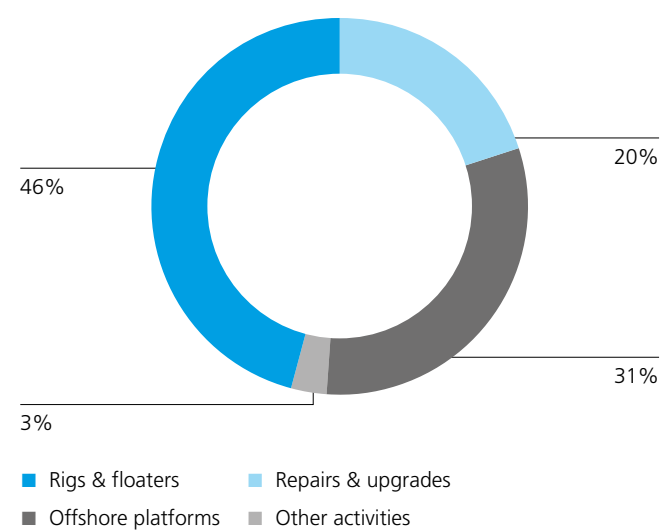
	2017	2016	Change (%)
Turnover	2,387.4	3,544.8	(33)
Earnings before interest, tax, depreciation and amortisation	267.6	384.5	(30)
Profit from operations	64.7	170.7	(62)
– Earnings before interest and tax	68.3	205.8	(67)
– Share of results: Associates & JVs, net of tax	(3.6)	(35.1)	90
Net profit	14.1	78.8	(82)
Return on equity (%)	0.6	3.1	(81)

Note: Figures taken at Sembcorp Marine level

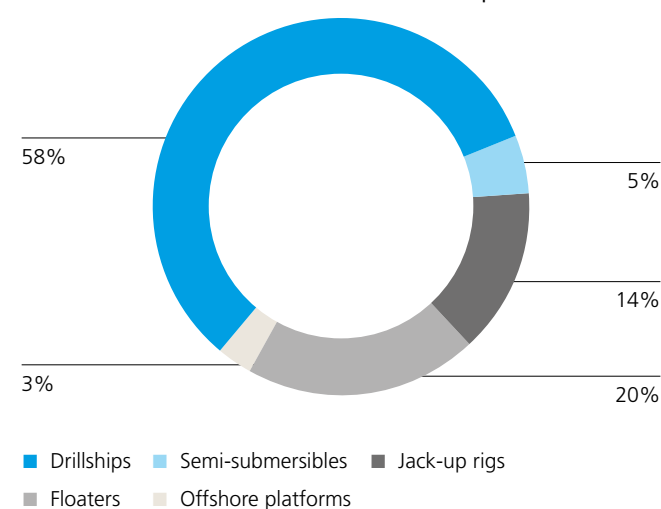
Operational Indicators (\$ billion)

	2017	2016
Total net orderbook	7.6	7.8

Turnover by Segment



Orderbook Composition



* As at December 31, 2017. Excluding the Sete Brasil drillship contracts, net orderbook is S\$4.4 billion

Key Developments



Secured S\$2.7 billion in new contracts in 2017, including a contract from Statoil Petroleum for the engineering, procurement and construction of the hull and living quarters for a newbuild FPSO



Signed letters of intent with US-based SeaOne Caribbean for the design and construction of compressed gas liquid carriers and with Shell Offshore for the hull and topside of the Vito FPSU



Successfully delivered four projects in 2017 including the FSO Randgrid to Teekay which has been chartered out to Statoil. The vessel is deployed at the Gina Krog Field in the Norwegian North Sea



In October 2017, Sembcorp Marine signed agreements for the sale of nine jack-up rigs to Borr Drilling for US\$1.3 billion. US\$500 million of upfront payment has been received and delivery is over a 14-month period

Operating and Financial Review

Remaining profitable amidst a tough operating environment

The Marine business continued to face a tough operating environment in 2017 but remained profitable for the year.

Turnover was S\$2.4 billion, compared to S\$3.5 billion in 2016. The decline in turnover was mainly due to lower revenue recognition for rig building and offshore platform projects, as well as reversal of revenue from the termination of five rig contracts. In contrast, the Repairs & Upgrades segment showed resilience and delivered an improved turnover compared to last year. Despite fewer ships repaired this year, our average revenue per vessel increased, due to an improved vessel mix and higher-value work undertaken.

Turnover (\$ million)

	2017	2016	Change (%)
Rigs & Floaters	1,098	1,887	(42)
Repairs & Upgrades	471	460	3
Offshore Platforms	732	1,116	(34)
Other Activities	86	82	5
Total	2,387	3,545	(33)

The business' profit from operations was S\$64.7 million, compared to S\$170.7 million in 2016 due to lower overall business volume and additional cost accruals for floater projects which are pending finalisation with customers. Net profit was S\$14.1 million compared to S\$78.8 million in 2016.

Marine Review

Sale of rigs improves liquidity position

During the year, our Marine business achieved a significant step forward in monetising its rig inventory that had arisen from prolonged customer delivery deferrals. These transactions, when completed, will significantly improve the business' liquidity position, putting it on a stronger footing to ride through the cycle.

In October, Sembcorp Marine entered into agreements for the sale of nine Pacific Class 400 jack-up rigs to Borr Drilling and its subsidiaries for approximately US\$1.3 billion (S\$1.77 billion). The consideration also included a market-based fee, calculated based on an uplift in the value of the rigs sold. Borr Drilling will take delivery of the rigs progressively over a 14-month period, from the fourth quarter of 2017 to the first quarter of 2019.

An upfront down payment of about US\$500 million has been paid, while the balance US\$800 million will be paid within five years from the respective delivery dates of the rigs. In addition, Borr Drilling will pay interest at market rates from the respective delivery dates of the rigs, until the full payment of the remaining balance.

The business followed this up with the signing of an agreement for the sale of the semi-submersible rig *West Rigel* to a secondary buyer for US\$500 million. *West Rigel* was originally constructed for North Atlantic Drilling, a subsidiary of Seadrill. A standstill agreement for the project was signed in December 2015, and extended several times until July 2018. Upon fulfilment of conditions precedent, the new buyer will take delivery of the rig, which will remain in Sembcorp Marine's yard for certain works to be undertaken for its reactivation.

The sale of these rigs is a testament to the quality of these high-specification drilling units and their ability to attract a buyer despite challenging market conditions.

Making Good Progress for Ongoing Projects



Measuring 220 metres by 102 metres, the 273,700-metric tonne semi-submersible crane vessel *Sleipnir*, currently under construction at our yard for Heerema Offshore Services, is the largest in the world



The FPSO *Ailsa* is Sembcorp Marine's first full turnkey FPSO newbuilding project. Built for MODEC and to be delivered in 2018, the FPSO is part of Sembcorp Marine's modern integrated solutions for the Culzean Field



One of three topsides under construction for Maersk Oil. On completion, the topsides, comprising a central processing facility plus two connecting bridges, a wellhead platform and utilities and living quarters platform, will be installed in the Culzean field in the UK North Sea

New orders and orderbook development

Following a letter of intent signed in November 2017, Sembcorp Marine was awarded a US\$490 million contract from Statoil Petroleum for turnkey engineering, procurement and construction (EPC) of the hull and living quarters of a newbuild floating production, storage and offloading vessel (FPSO) in December 2017. The FPSO, which will be deployed at the Johan Castberg field development in Norway's Barents Sea, will be self-contained for harsh-environment operations and will include living quarters for up to 140 personnel. Project completion is expected in the first quarter of 2020.

Also in December 2017, the Marine business signed a letter of intent with Shell Offshore for the construction of the hull and topside of the *Vito* floating production unit (FPU), as well as integration works for the vessel. The *Vito* FPU comprises a single topside module supported by a four-column semi-submersible floating hull, and is designed for a throughput capacity of 100,000 barrels of oil per day and 100 million standard cubic feet of gas per day. The finalisation of the contract is dependent on Shell and its partners sanctioning the project. If sanctioned, the *Vito* FPU will be a new facility in the Mississippi Canyon in the US Gulf of Mexico, and will operate at water depths of 4,050 feet.

A letter of intent was also signed with SeaOne Caribbean for the design and construction of at least two large compressed gas liquid (CGL) carriers. In Brazil, Estaleiro Jurong Aracruz (EJA) secured a contract worth US\$145 million from Tupi B.V., a Petrobras majority-owned consortium, to perform hull carry over works for the full integration of the FPSO *P-68*.

In another positive development, Transocean has requested Sembcorp Marine to resume work on its two high-specification ultra-deepwater drillship orders, and has also decided to proceed with enhancing the capabilities of the units. This has resulted in a corresponding increase in the value of the contracts, as well as an extension for the delivery of the units to the second and fourth quarters of 2020 respectively.

For the year, total orders secured amounted to S\$2.7 billion, including S\$1.77 billion from the sale of the nine jack-up rigs. Total net orderbook was S\$7.6 billion, with completions and deliveries stretching till 2020. Excluding the Sete Brasil drillships, our net orderbook stood at S\$4.4 billion. The majority of projects in the current net orderbook are based on progress payment terms.

Disciplined execution of orderbook

During the year, the Marine business successfully delivered two FPSO conversion projects. The FPSO *Pioneiro de Libra*, which sailed away in the first quarter of 2017 for deployment at the Libra field in Brazil's Santos Basin, was Sembcorp Marine's first full EPC FPSO conversion. Its successful completion demonstrates the business' ability to execute complex specialised offshore projects. In the second quarter, we also successfully completed the conversion of a shuttle tanker into the floating storage and offloading vessel (FSO) *Randgrid*. On delivery, the FSO was deployed at the Gina Krog field in the Norwegian North Sea.

Marine Review



The FPSO Pioneiro de Libra is Sembcorp Marine's first full engineering, procurement and construction FPSO conversion project. It was deployed to Brazil's Libra field and achieved first oil in November 2017

We also continued to make good progress on our ongoing construction projects. These included a semi-submersible crane vessel for Heerema, a newbuild FSO vessel for MODEC, harsh-environment topside modules bound for the Culzean field for Maersk Oil and the conversion of the FPSOs *Kaombo Norte* and *Kaombo Sul* for Saipem. Meanwhile, work on a power generation module for Maersk Oil, which is part of our EPC project with Maersk Oil, and the Tupi Project FPSO *P-68* are progressing well at our UK and Brazil yards respectively.

Prudent cost and balance sheet management and a focus on sustainable, innovative solutions to position the business for the future

Amidst the tough operating market, the Marine business is working hard to retool and build a more competitive business through the offering of innovative solutions, automation, as well as cost and quality improvement, to position the business for the future.

Following the strategic acquisitions of LMG Marin, Aragon and Gravifloat in 2016, the business' proprietary design and engineering capabilities have been enhanced. This has allowed Sembcorp Marine to successfully diversify its offerings and provide innovative solutions to players in the gas value chain. For example, the SeaOne CGL carriers will incorporate proprietary ship component ideas from LMG Marin. The business is also working towards securing orders for its proprietary Gravifloat near-shore gas infrastructure solutions and is in advanced discussions with prospective customers.

The next-generation Sembcorp Marine Tuas Boulevard Yard is also a cornerstone in the Marine business' sustainable growth strategy. With its second phase completed since early 2017, the yard is equipped for mega-sized vessels and deep-draft rigs and has one of the largest and most advanced steel fabrication facilities in the region. These features will enable Sembcorp Marine to venture into turnkey EPC of mega offshore projects, and pursue new opportunities across the offshore and marine and energy value chain. The business intends to maximise utilisation of its Tuas Boulevard Yard, while reviewing the schedule for the return of its other

Singapore yards and progressively returning these other yards on or before their respective lease expiry dates.

Meanwhile, Sembcorp Marine continues to maintain prudent cost and balance sheet management. This includes active management of manpower requirements in line with changing needs; wage cuts and wage freeze; rightsizing; skills training and upgrading and selective recruitment of specialist talent with niche skill sets. Going forward, the business' capital expenditure is expected to trend slightly upwards with further development of the Tuas Boulevard Yard in response to business needs. Capital expenditure will also be incurred for the execution of secured contracts, or to realise cost savings.

Outlook

Global exploration and production capex spending continues to show signs of improvement. However, recovery may take some time as the oversupply in most drilling segments has yet to rebalance.

The production segment remains encouraging. Sembcorp Marine continues to make progress in its efforts to develop and commercialise its Gravifloat technology.

Demand for repairs and upgrades, especially for LNG carriers and cruise ships, remains strong.

The immediate outlook remains challenging. It will take some time for capex spending to translate into new orders. Industry activities remain low and competition for orders remains intense. Against this background, Sembcorp Marine will continue to strengthen its balance sheet and pursue new orders.

A Focus on New Technologies and Solutions Diversifying product capabilities



Gravifloat: Modularised LNG and LPG terminals



SSP Offshore: Next-generation circular hull forms



LMG Marin: Advanced ship design and engineering



Operating and Financial Review

URBAN DEVELOPMENT



Total Net Orderbook
251 hectares

Competitive Edge

- Over 25 years' track record in undertaking master planning, land preparation and infrastructure development to transform raw land into urban developments
- Significant land bank of integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China, Indonesia and India
- A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

Clockwise from left:

The Habitat Binh Duong in Vietnam sold 99% of its first phase, with more apartment units to be launched in 2018

Vietnam's strong manufacturing sector benefited industrial land sales at the VSIP developments

The Jiangdao Technology Innovation Centre on Sino-Singapore Nanjing Eco Hi-tech Island, China, won the gold award for Best Innovative Green Building at the MIPIM Asia Awards 2017, which honours the top property projects in the Asia Pacific

Sino-Singapore Nanjing Eco Hi-tech Island, China, sold a 42.6-hectare mixed-use land plot, its single largest to date



Land available for sale
3,138 hectares

Urban Development Review

Performance Scorecard

Financial Indicators (\$ million)

	2017	2016	Change (%)
Turnover ¹	11.8	11.2	5
Profit from operations	89.4	38.4	133
– Earnings before interest and tax	(13.2)	(11.9)	(11)
– Share of results: Associates & JVs, net of tax	102.6	50.3	104
Net profit	83.2	33.3	150
Return on equity (%)	9.2	3.9	136

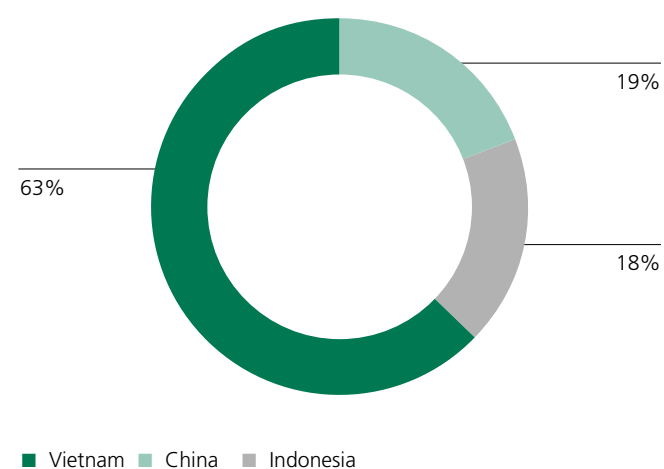
¹ Most of our Urban Development businesses are associates or joint ventures. Turnover reflected consists of payment for services provided to these associates or joint ventures

Operational Indicators (hectares)

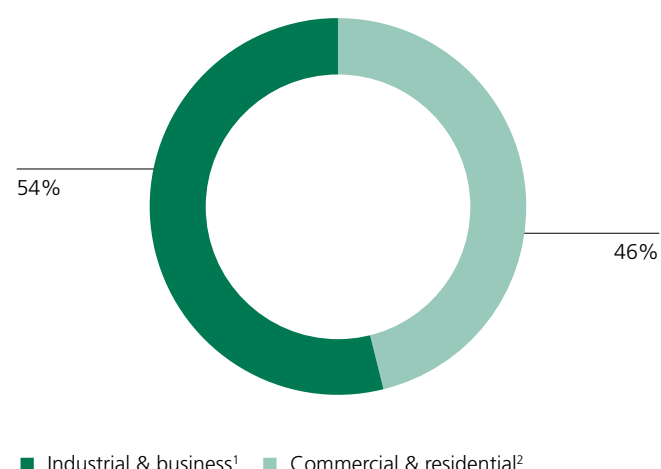
	2017	2016
Saleable land inventory	5,729	5,729
Land sold (cumulative)	2,340	2,061
Total net orderbook	251	240
Land available for sale	3,138	3,428

Note: Figures are based on current planned estimates and exclude projects under Gallant Venture

Remaining Saleable Land by Geography



Remaining Saleable Land by Segment



¹ Industrial & business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators

² Commercial & residential land includes space for food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

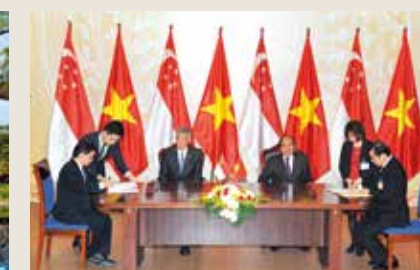
Key Developments



Entered the India market, securing master development rights for Andhra Pradesh's new capital city, Amaravati



Achieved record profits backed by strong land sales in Vietnam, China and Indonesia



Signed a MOU with the Da Nang City People's Committee to develop an innovation hub in Vietnam

Operating and Financial Review

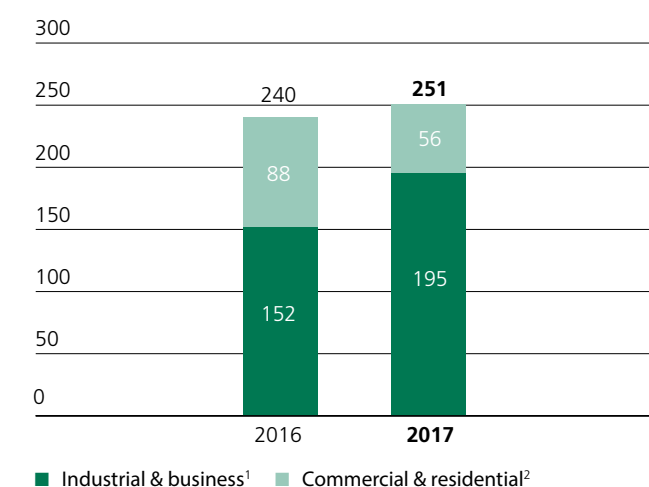
Record net profit with higher contributions from all operating markets

The Urban Development business achieved outstanding performance in 2017. Profit from operations grew from S\$38.4 million in 2016 to S\$89.4 million, while net profit grew from S\$33.3 million the previous year to S\$83.2 million. All operating markets, namely Vietnam, China and Indonesia, turned in a better performance and registered higher profit contribution.

In 2017, the business sold a total of 280 hectares of land compared to 201 hectares in 2016. Industrial land sales in Vietnam continued to be active throughout the year, driving our total land sales in the country up 13% to 184 hectares. Land sales in China more than doubled to 64 hectares, from 30 hectares sold in 2016. We also sold 31 hectares of land in Indonesia, more than three times the eight hectares sold the previous year.

Land commitments received from customers increased to 290 hectares, providing the business a healthy net orderbook of 251 hectares. In Vietnam, interest remains focused on industrial land, while in China and Indonesia, the orderbook is strong across both industrial and business, as well as commercial and residential segments.

Total Net Orderbook (hectares)



¹ Industrial & business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators

² Commercial & residential land includes space for food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

Urban Development Review

Vietnam

Our Vietnam business continued to thrive in 2017.

Vietnam attracted a 44% increase in registered foreign direct investment capital inflow during the year, compared to 2016. The country's manufacturing and processing sector remained a top-draw for foreign direct investment. This benefited our Vietnam Singapore Industrial Park (VSIP) projects, with industrial land sales accounting for 99% of total land sold in 2017. Commercial and residential land accounted for the remaining 1% of land sales.

VSIP projects in Binh Duong and Bac Ninh provinces performed exceptionally well, with strong demand for land in both projects' industrial zones. We are in the process of securing additional land bank for further growth. In addition, VSIP Bac Ninh will develop an additional 20 units of ready-built factories in phases, with the first phase of 32,000 square metres' lettable area targeted to be ready for lease in the third quarter of 2018.

During the year, we acquired additional equity shares in the Singapore consortium behind VSIP, increasing our interest from 92.9% to 96.6%. This translates to an effective shareholding of 49.3% in VSIP Joint Venture Co, the Vietnam-registered project company developing the VSIP integrated townships.

In March, we signed a memorandum of understanding (MOU) with the People's Committee of Da Nang City to express our interest in developing an innovation hub for the software development sector in Da Nang, central Vietnam. This is in line with the central government's push for higher value-added development in Vietnam's key cities. The MOU signing was witnessed by the Prime Ministers of Singapore and Vietnam, indicating strong government support for the project.

During the year, several prestigious awards were conferred on us in Vietnam. *The Habitat Binh Duong*, our first co-developed residential project in VSIP Binh Duong, won Best Mid-end Condo Development in its category at the 2017 PropertyGuru Vietnam Property Awards. As at end 2017, 265 units, or 99% of the development, have been sold. We plan to launch an additional 460 units in phases, starting from 2018. In addition, two of our most senior representatives in the VSIP projects, including Kelvin Teo, CEO of Sembcorp Development and Co-chairman of VSIP Group, were awarded Vietnam's *Friendship Medal*. The prestigious award is conferred by Vietnam's National Assembly in recognition of outstanding contributions by foreigners to the country's nation-building efforts over a sustained length of time.

Development Progress in Vietnam



VSIP industrial land sales sustained their upward momentum, led by strong performances at our projects in Binh Duong and Bac Ninh provinces



Our first real estate development in Vietnam won the PropertyGuru 2017 Vietnam Property Award for Best Mid-end Condo Development, HCMC

China

Our China businesses did very well on the back of robust commercial and residential land sales.

The Singapore-Sichuan Hi-tech Innovation Park (SSCIP) was a strong performer in 2017. The project continued to attract keen interest from high-technology companies and real estate developers, which invested RMB 4.8 billion in investment capital during the year.

Two community hubs will commence construction in 2018, providing creative space for the first batch of technology and media tenants moving into the park in the latter half of the year. In the next few years, six schools will also be completed within the SSCIP, increasing activity within the community and strengthening the attractiveness of the development to prospective residents. In the last two years, improvements to amenities and connectivity to the surrounding regions have increased the value of land within the development, reflected in rising residential land prices. The number of developers participating in auctions for residential land within the development has also driven prices higher.

The performance of our Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) project improved significantly over 2016. The project sold its single biggest land plot to date, a 42.6-hectare mixed-use land plot auctioned for RMB 7.8 billion. Apartments, offices, commercial units and a cultural tourist attraction will be developed on the site. Apart from land sales, we will be launching 48,000 square metres of lettable area within our *New One North* development when the business park is completed in 2018.

Sembcorp's wholly-owned and developed *International Water Hub* is poised to be the first commercial building specially designed for water-related industries on SNEI. The more than 34,000-square metre development marked its topping out in August 2017, with construction targeted for completion in the second half of 2018. The development achieved gold certification under the Leadership in Energy and Environmental Design (LEED) rating system, as well as a China Green Building 2-star rating. With international investment promotion activities undertaken throughout the year, we have now signed 10 MOUs with various institutes of higher learning and water associations that intend to locate in and collaborate with the water hub.

Development Progress in China



Singapore-Sichuan Hi-tech Innovation Park has been successful in attracting industry and real estate developers, due to conducive amenities within the park and good connectivity to surrounding regions



International Water Hub in China, a technology and business centre, as well as Riverside Grandeur, a residential development next door, celebrated their topping out in 2017. Both projects are on track to be completed in 2018

Over in Wuxi, our Wuxi-Singapore Industrial Park continued to generate healthy revenues from electricity and rental income. Average occupancy rates for ready-built and built-to-specifications factories remained at healthy levels of above 80%. An additional 30,000 square metres of standard factory space completed development in mid-2017, and has already reached 30% take-up. We also commenced the construction of ready-built factories spanning another 36,500 square metres, as well as the second phase of a built-to-specification factory for our long-term lease tenant, OSRAM. These additional projects are expected to contribute towards our recurring income in 2019.

Urban Development Review

Development Progress in Indonesia



Park by the Bay in Semarang, has attracted 35 tenants to its industrial park, drawn by the development's strong amenities and infrastructure



The 42 residential and commercial shophouse units in the Park by the Bay development are sold out

Indonesia

Our Kendal industrial park in Semarang, Indonesia, *Park by the Bay*, also performed better in 2017. During the year, our team there focused on the preparation and handover of land to customers secured over the course of 2016 and 2017.

The project registered strong industrial land sales, as prospective customers' confidence rose following visible progress in development and construction activity on the site. Since its official opening last year, the project has been well-received and has attracted 35 companies to locate on the site. The 42 shophouse units within the project, jointly developed with a real estate developer, have also all been sold out.

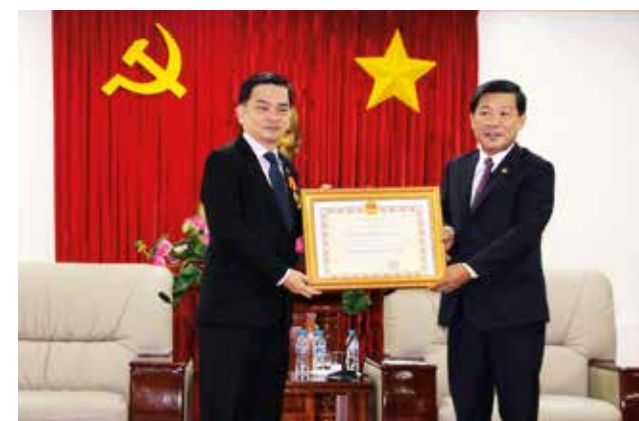
During the year, we completed the construction of 14 factory buildings for small and medium enterprises totalling 6,400 square metres. These are already 40% taken up. We plan to construct another 4,156 square metres of industrial space in tandem with growth in demand.

India

Amidst a busy year in our existing operating markets, the Urban Development business also expanded onto new shores in 2017. Following the close of a Swiss Challenge process in May, Sembcorp Development and its consortium partner, Ascendas-Singbridge, were jointly awarded the master development rights to the start-up area for Amaravati, the upcoming capital city for the newly-constituted state of Andhra Pradesh.

A greenfield site, Amaravati is envisioned to become a vibrant, diverse and modern smart city and the jewel of Andhra Pradesh, and a compelling destination to attract global investment and talent.

The 684-hectare start-up area will be located within the 20-square kilometre capital city of Amaravati, along the River Krishna waterfront. It is expected to create the first centres of activity, attracting investments and people into Amaravati with a mix of catalytic developments for business, commercial and residential use. A joint venture will be formed between the master developers and the government of Andhra Pradesh, which intend to work closely together on industry positioning and investment promotion to attract economic activity to the city.



Kelvin Teo (left), CEO of Sembcorp Development and Co-chairman of VSIP Group, is awarded Vietnam's Friendship Medal. The prestigious award was conferred by Vietnam's National Assembly in recognition of the contributions by foreigners to the country's nation-building efforts. Pictured with Mr Teo is Mr Tran Thanh Liem, Chairman of Binh Duong People's Committee

Outlook

In 2017, Vietnam's gross domestic product (GDP) grew by 6.8%, driven primarily by strong domestic demand and export-oriented manufacturing. While GDP growth is forecast to be slightly lower at 6.5% for 2018, our Vietnam business has built up a strong orderbook for 2018, almost double its orderbook at the start of 2017.

China's GDP grew 6.9% in 2017. In 2018, growth is expected to ease to 6.4%, as the country continues to rebalance its economy. However, technological development and innovation are expected to continue to feature prominently in China's development. This is reflected in strong take-up of space for high-tech manufacturing, research and development, as well as business and technology incubators at our projects in China. The Chinese government recently announced the establishment of the Sichuan Free Trade Zone, greatly benefiting SSCIP. On land sales, SSCIP has attracted a good orderbook. Profit from the sale of a number of plots of mixed-use land will be recognised in 2018.

Following reforms in 2017 by China's central government to its housing policy, impacting residential land and property prices in top-tier cities including Nanjing, we are taking a cautious outlook on residential land sales at SNEI for 2018. Nonetheless, the outlook for investments in technology and innovation remains buoyant and we look forward to several land auctions in 2018 at SNEI. We will also be completing the construction of our *International Water Hub* in the second half of 2018. The hub will offer Grade A office space, on-site laboratories catered to water companies, as well as conference facilities.

Meanwhile, Indonesia recorded GDP growth of 5.1% for 2017, with growth forecast at 5.3% for 2018. Major infrastructure upgrading works by the Indonesian government are set to improve options for the movement of cargo for tenants of *Park by the Bay*. These include improvements to the trans-Jakarta highway from Batang to Semarang, where our project is located, and the completion of a double-track railway line from Kendal to Jakarta and Surabaya.

The Urban Development business has a healthy net orderbook of 251 hectares of land that is expected to be converted to land sales over the next two years. This comprises 195 hectares of industrial and business land and 56 hectares of commercial and residential land. In addition to land sales, the business expects income contribution from the sale of its property developments upon the launch of these properties. These include *Riverside Grandeur* in Nanjing, China, as well as phase two of *The Habitat Binh Duong* and other residential projects at the VSIP developments.

The Urban Development business is expected to continue to perform well in 2018.