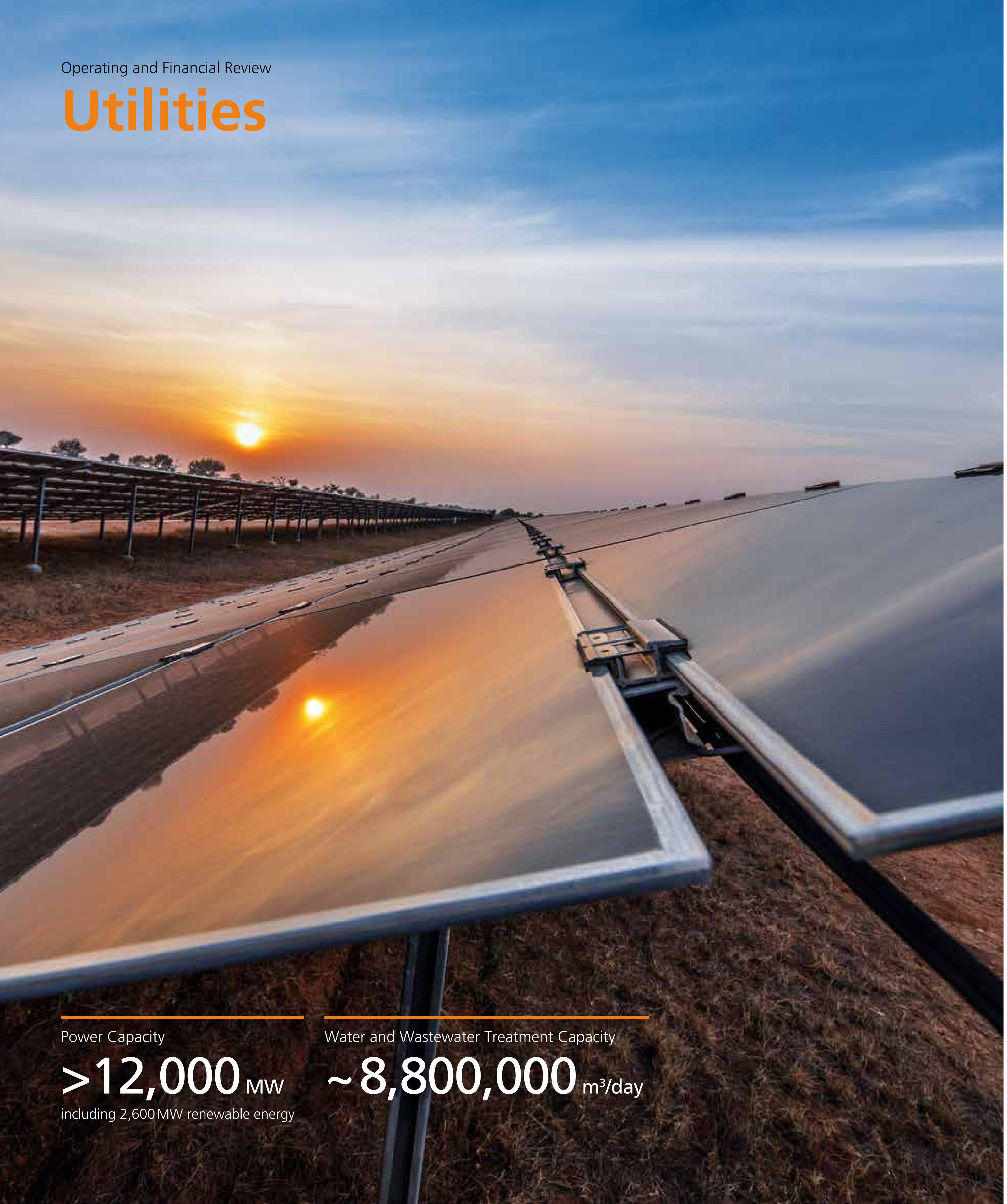
Utilities



Power Capacity

>12,000 MW

including 2,600 MW renewable energy

Water and Wastewater Treatment Capacity

~8,800,000 m³/day

An integrated energy player poised to benefit from the global energy transition with a balanced energy portfolio of over 12,000 megawatts of power and around 8.8 million cubic metres of water and wastewater treatment capacity per day

Far left to right:
Sembcorp Energy India Limited is a leading renewable energy player in India with over 1,700 megawatts of wind and solar power capacity in operation and under development

Our renewable power business enables us to contribute to the push for clean energy in India

UK Power Reserve's fleet of rapid response gas engines can help bridge supply gaps between intermittent renewables generation and conventional centralised thermal generation

Competitive Edge

Creating Value through the Sembcorp O_4 Model

Global track record as an originator, owner or investor, operator and optimiser (O_4) of thermal and renewable energy as well as water assets with strong operational, management and technical capabilities

Integrated Energy Player

Well-positioned across developing and developed markets and focused on three business lines: Gas & Power, Renewables & Environment and Merchant & Retail

Proven Integration Expertise

Track record in providing energy, water and on-site logistics to multiple industrial site customers

Total Water Solutions

Solid track record in providing total water and wastewater treatment solutions for industries and water-stressed regions

Utilities Review

Performance Scorecard

Financial Indicators *(S$ million)*

	2018	2017#	Change (%)
Turnover	**6,569**	5,726	15
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**1,117**	1,001	12
Profit from operations	**820**	650	26
– Earnings before interest and tax	**728**	581	25
– Share of results: Associates & JVs, net of tax	**92**	69	33
Net profit	**312**	140	123
– Net profit before exceptional items	**321**	261	23
– Exceptional items[2]	**(9)**	(121)	(93)
Return on equity *(%)*	**8.3**	3.3	152

In accordance with SFRS(I). Please see page 28 for details

1 EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

2 Exceptional items amounted to

2018: A total of S$9 million, comprising S$23 million gain from the divestment of waste paper recycling and medical waste operations in Singapore and municipal water operations in South Africa, offset by S$25 million of additional provision for potential fines and claims at an overseas water business and a non-cash S$7 million incurred relating to UKPR's capitalised cost upon refinancing

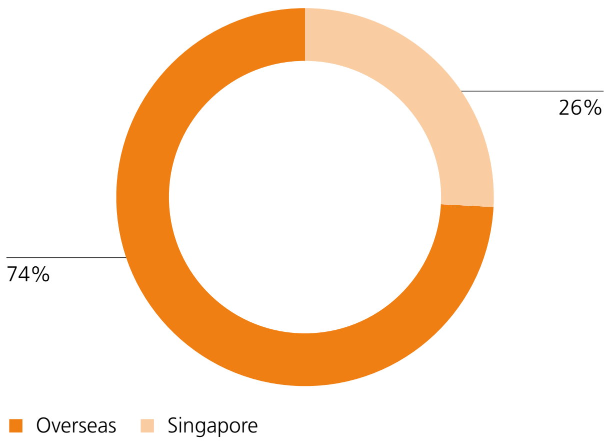
2017: A total of S$121 million, comprising S$39 million in refinancing cost for our second thermal power plant in India, S$57 million of impairment charges mainly relating to Singapore assets and investments and S$25 million of provision for potential fines and claims at an overseas water business

Operational Indicators*

	2018	2017
Power capacity *(megawatts)*	**12,486**	11,386
– Thermal	**9,812**	9,119
– Renewable & energy-from-waste	**2,674**	2,267
Steam capacity *(tonnes per hour)*	**4,044**	4,044
Water & wastewater treatment capacity *(cubic metres per day)*	**8,787,665**	8,927,490

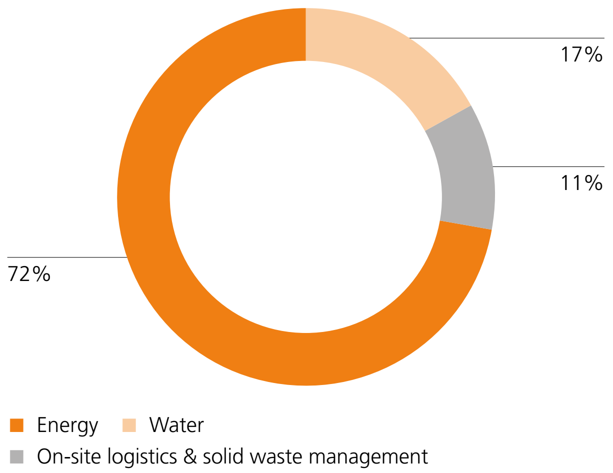
* Capacity refers to total gross installed capacity of facilities in operation and under development.

Profit from Operations* by Geography



* Excluding Corporate and exceptional items

Profit from Operations* by Segment



* Excluding Corporate and exceptional items

Key Developments

Deepened presence in the UK with the acquisition of UK Power Reserve (UKPR), the country's largest flexible distributed energy generator

Commenced commercial operations of the 250-megawatt SECI 1 wind power project, the first to be delivered under India's nationwide wind power tenders

Secured additional 115 megawatt peak of solar power capacity since the end of 2017, becoming one of the leading solar energy players in Singapore

Commenced full commercial operations of Sembcorp Myingyan Independent Power Plant, a 230-megawatt combined cycle gas-fired power plant in Mandalay, Myanmar

Operating and Financial Review

Lifting performance and returns

The Utilities business delivered a strong set of results despite a challenging market environment. Most notably, our India operations turned around to profitability, underpinned by better performance from our thermal business.

Positioning for the global energy transition, deepening presence in key markets

To better position our Utilities business to navigate the challenges and opportunities of a changing global energy landscape, we focused on building and strengthening our business with a focus on our three business lines: Gas & Power, Renewables & Environment and Merchant & Retail. In 2018, we achieved several notable milestones.

In Singapore, we extended our gas business to include liquefied natural gas importation under the government's newly introduced Spot Import Policy, reinforcing our position as a leading gas player in the country. This complements our piped natural gas operations, diversifies our gas portfolio and provides us greater flexibility, optionality and opportunities to extend supply to new customers. With our 230-megawatt gas-fired power plant in Mandalay, Myanmar commencing operations in October 2018, we now have 9,345 megawatts of thermal capacity in operation globally and a further 467 megawatts of thermal capacity in construction and under development.

In the UK, we acquired UK Power Reserve (UKPR), the country's largest flexible distributed energy generator. UKPR is a leading provider of secure, flexible low-carbon electricity and services to the UK power market. Its portfolio comprises small-scale, fast-ramping power generation assets and rapid response batteries connected at the distribution level. As of February 2019, 653 megawatts are in operation and a further 160 megawatts in construction and under development, including an upcoming 120-megawatt battery storage portfolio. When completed, Sembcorp will be one of the largest battery-based energy storage players in Europe. In today's market, flexible distributed energy generation and energy storage are growing in importance, given their role in bridging supply gaps

Utilities Review

Profit from Operations *(S$ million)*

	2018	2017#	Change (%)
Singapore	**224**	218	3
China	**103**	91	13
India	**385**	329	17
Rest of Asia	**39**	48	(19)
Middle East & Africa	**62**	61	2
UK & the Americas	**33**	34	(3)
Corporate	**(24)**	(13)	85
Profit from operations before exceptional items[1]	**822**	768	7
Exceptional items[1]	**(2)**	(118)	(98)
Total Profit from operations	**820**	650	26
Less: interest, tax and non-controlling interests	**(508)**	(510)	–
Net profit	**312**	140	123

In accordance with SFRS(I). Please see page 28 for details

1 Exceptional items amounted to

2018: A total of S$2 million, comprising S$23 million gain from the divestment of waste paper recycling and medical waste operations in Singapore and municipal water operations in South Africa, offset by S$25 million of additional provision for potential fines and claims at an overseas water business

2017: A total of S$118 million, comprising S$36 million in refinancing cost for our second thermal power plant in India, S$57 million of impairment charges mainly relating to Singapore assets and investments and S$25 million of provision for potential fines and claims at an overseas water business

between intermittent renewables generation and conventional centralised thermal generation. The addition of responsive merchant energy solutions gives Sembcorp a firm foothold in flexible distributed energy, a new growth niche. In addition, UKPR brings a strong complement to our centralised utilities assets on Teesside, broadening Sembcorp's service offerings. It plays an important role in the transformation of our UK business into an integrated energy business, providing a full spectrum of solutions across the energy market to customers, and differentiating us from competitors.

We also grew our renewables portfolio, and are on track towards our target of increasing our renewables capacity to around 4,000 megawatts by 2022. Since the end of 2017, we have added 415 megawatts of renewables capacity in India and Singapore, bringing gross renewables capacity to 2,600 megawatts globally. Meanwhile, we established a beachhead in the Australia renewables market with the acquisition of a 77.8% stake in Vellocet Clean Energy. The company offers clean energy solutions to corporations and specialises in developing behind-the-meter embedded generation and microgrids for large energy consumers as well as mid-size front-of-meter power supply and generation.

This ongoing transformation of our business model will allow us to provide a full spectrum of energy solutions with the right mix of capabilities and technologies to capitalise on the global energy transition for growth.

With these investments, we have made strides in balancing our portfolio across certain developing and developed markets and deepening our presence in key markets.

123% profit growth in 2018

2018 turnover was S$6,569 million compared to S$5,726 million in 2017. Underlying profit from operations (PFO), before exceptional items of S$2 million, was S$822 million, 7% higher compared to S$768 million in 2017. Net profit was S$312 million, more than double the S$140 million in 2017. Underlying net profit, before exceptional items, was up 23% to S$321 million compared to S$261 million in 2017, with Singapore, China and India being the main profit contributors.

Singapore

Singapore operations registered PFO of S$224 million in 2018, up 3% compared to S$218 million the previous year. The centralised utilities and gas businesses performed well while the power business continued to face intense competition, which led to lower blended spark spreads.

Since the end of 2017, we have grown our solar power capacity by more than ten-fold to over 120 megawatt peak currently. We increased our stake in Changi Mega Solar to 100% from 49%, acquired a 40 megawatt peak grid-tied solar power project that was under construction, clinched the SolarNova 3 project and also signed agreements with multiple customers to install, own and operate rooftop solar panels.

Sembcorp will build, own, operate and maintain grid-tied rooftop solar systems with a total capacity of 90 megawatt peak under the SolarNova programme

The SolarNova programme is a Singapore government initiative led by the Housing & Development Board and the Singapore Economic Development Board to accelerate the deployment of photovoltaic systems in the country. As a leading solar power player in the market with over 120 megawatt peak of assets across more than 1,500 sites currently, we are actively supporting Singapore in its goal of achieving 350 megawatt peak of solar power capacity by 2020. In addition, we signed a 20-year solar energy contract with Facebook to support its new data centre and other operations in the country.

We are also moving from being a largely business-to-business player to take our energy solutions closer to residential and small business customers. In Singapore, the phased roll-out of the full power contestability and the Open Electricity Market started in November 2018, following an initial pilot phase launched in Jurong in April 2018. We entered the market as a trusted brand and generator-retailer (gentailer), offering competitively priced, value-added plans with renewable energy attributes blended in.

China

PFO from China increased to S$103 million from S$91 million in 2017. The 1,320-megawatt Chongqing Songzao supercritical coal-fired power plant achieved higher plant load factor (PLF) on increased demand for thermal generation. Our water operations also delivered a better performance with the Changzhi Total Water Management Plant, which commenced commercial operations at the end of September 2017, turning in a full year's contribution in 2018.

India

PFO from India operations grew 17% to S$385 million in 2018 from S$329 million. India operations turned around to profitability in 2018, with a net profit of S$47 million in 2018 compared to a net loss of S$58 million in 2017. The improvement was driven by better PLFs and tariffs. India's 2018 earnings also included settlement with its vendors and lower taxes.

Our India renewable energy arm delivered an improved performance as it benefitted from higher wind speeds. Renewable energy earnings also included recognition of other income as a result of settlements with operations and maintenance contractors and a customer. In October, we achieved commercial operations of the 250-megawatt SECI 1 wind power project in Tamil Nadu. This was the first project to be successfully delivered under India's nationwide wind power tenders. In February 2018, we secured another 300 megawatts via the national wind power tender. We now have 1,177 megawatts of wind capacity in operation and a further 550 megawatts under development.

On the thermal power front, losses narrowed significantly, driven by higher PLF, improved margins and the benefit of a one-off recovery from a customer. Our first 1,320-megawatt supercritical coal-fired power plant operated at an average PLF of 79%, lower than 2017 due to one unit of the plant being shut down in the last quarter of 2018 due to a stator fault.

Our second supercritical coal-fired power plant operated at an average PLF of 84%. In August, the plant won a competitive tender conducted by the Bangladesh Power Development Board to supply 250 megawatts of power to Bangladesh over a total period of 15 years. Supply of power commenced in February 2019.

During the year, we successfully consolidated our thermal and renewable power operations under Sembcorp Energy India Limited, building a platform for the growth and sustainability of our India energy business. We initiated the process for an initial public offering of Sembcorp Energy India Limited on BSE (formerly the Bombay Stock Exchange) and the National Stock Exchange of India with the filing of a draft red herring prospectus (DRHP) and will continue to monitor market developments closely.

Rest of the World

PFO from the Rest of Asia, where operations include gas-fired power plants in Vietnam, Myanmar and Bangladesh, municipal water operations in Indonesia and the Philippines as well as our newly acquired business in Australia, was S$39 million compared to S$48 million in 2017. The higher PFO in 2017 was attributed to the service concession revenue recognised for Myanmar and Bangladesh, in accordance with the SFRS(I) accounting guideline. In October 2018, the 230-megawatt Sembcorp Myingyan Independent Power Plant (IPP) commenced full commercial operations. Completed with funding support from international financial organisations including Asian Development Bank, Asian Infrastructure Investment Bank, Clifford Capital, DBS Bank, DZ Bank, International Finance Corporation and Oversea-Chinese Banking Corporation, the facility will generate around 1,500 gigawatt hours of power for supply to Myanmar's Electric Power Generation Enterprise, helping to meet the power needs of around 5.3 million people. With this project, we have established a beachhead in Myanmar, giving us a foothold to potentially develop other businesses in the country.

We also achieved first-phase simple cycle operations for the 427-megawatt Sirajganj Unit 4 power project in Bangladesh in 2018. Full combined cycle operations are targeted by mid-2019.

Middle East & Africa operations posted PFO of S$62 million, compared to S$61 million in 2017. Sembcorp Salalah performed better in 2018 as earnings in 2017 were negatively impacted by a one-off deferred tax charge in 2017, arising from the change in corporate tax to 15% from 12%. Our Fujairah 1 independent water and power plant in the UAE reported lower contributions compared to 2017 due to lower water tariffs following the extension of its power and water purchase agreement from 2029 to 2035.

In December 2018, we completed the sale of our South African municipal water operations in Nelspruit (Mbombela) and Ballito for ZAR839 million (approximately S$82 million).

PFO from the UK & the Americas was S$33 million, comparable to 2017. UK operations registered PFO of S$19 million versus S$25 million in 2017 due to the acquisition of UKPR. The acquisition took place in June 2018, after the first quarter of the year, which is typically the main profit generating quarter for UKPR. UKPR's business is seasonal in nature, capturing value during periods of high grid volatility in winter months through the provision of high-value rapid response ancillary services to keep the national electricity system balanced and resilient. To lower the business' cost of borrowing, we successfully undertook a refinancing of its existing loans in December. However, there was a non-cash S$7 million incurred relating to UKPR's capitalised cost on refinancing.

Sembcorp Myingyan Independent Power Plant will help to ease Myanmar's power deficit

UKPR's 120-megawatt battery portfolio represents one of Europe's largest battery-based energy storage projects

Outlook

Major transformation in the global energy sector has created challenges and opportunities. Changes to utilities business models and regulatory policies are emerging, with increasing demand for renewables and proliferation of distributed energy resources. Electricity markets are also undergoing a unique transformation, with higher demand brought on by a more digital economy, electric vehicles and other technological advancements.

The Utilities business is consolidating and expected to deliver a steady performance in 2019. We will prudently seek new opportunities while continuing to maintain a focus on the operational excellence of our existing assets.

In Singapore, the Open Electricity Market will be extended nationwide in 2019. We expect the operating environment in Singapore's power market to remain challenging, with intense competition.

Our India utilities business is expected to improve. The long-term outlook for the India power market remains positive, with the current situation of peak surplus to reverse by the 2020 fiscal year, according to CRISIL, an independent research house that is a part of the S&P Global group.

We will see the first full-year of operation and contribution from UKPR in 2019.

In 2019, over 1,000 megawatts of new power capacity within our portfolio will become operational. This includes 427 megawatts at our Sirajganj Unit 4 power project in Bangladesh, 100 megawatts of gas and battery capacity in the UK, 550 megawatts of wind power capacity in India and 56 megawatt peak of solar power capacity in Singapore.

The focus for the business continues to be on lifting performance and investing in capabilities in line with the strategy to reposition for success amid the global energy transition.

Disclaimer:
Sembcorp Energy India Limited is proposing, subject to applicable statutory and regulatory requirements, receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed the DRHP with the Securities and Exchange Board of India (SEBI). The DRHP is available on the websites www.sebi.gov.in, www.bseindia.com, www.nseindia.com, www.credit-suisse.com, www.clsa.com and www.sbicaps.com, and on the website of the Book Running Lead Manager at www.indusind.com. All potential investors should note that any investment in equity shares involves a high degree of risk and for details relating to the same, please refer to the DRHP including the section titled "Risk Factors" on page 16 of the DRHP and any investment decision shall be made on the basis of the Red Herring Prospectus whenever applicable. Potential investors should not rely on the DRHP filed with SEBI for making any investment decision.

Marine

Total Net Orderbook

S$6.2 billion

Contracts Secured in 2018

S$1.2 billion

A leading industry player providing innovative engineering solutions to the global offshore, marine and energy industries, drawing on more than 50 years of track record

Far left to right:
Kaombo Sul, the second of two FPSO conversion projects delivered to Saipem for the Kaombo project in offshore Angola

With 10 projects delivered, Sembcorp Marine was Asia's top cruise ship repair and upgrade solutions provider in 2018

Sembcorp Marine Admiralty Yard in Singapore has a proven track record in the sectors of tankers, bulk carriers as well as container and cargo vessels

Competitive Edge

50 Years of Proven Track Record

A global leader in integrated offshore, marine and energy solutions with more than 50 years of experience

Diversified and Innovative Solutions

Able to offer diversified and innovative engineering solutions across the offshore, marine and energy value chain

Enhanced Capabilities

Established capabilities in rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding, and enhanced capabilities to serve the gas value chain

Global Network

Strategically located shipyards and facilities in Singapore, Indonesia, Norway, the UK, the US and Brazil

Marine Review

Performance Scorecard

Financial Indicators *(S$ million)*

	2018	2017#	Change (%)
Turnover	**4,888**	3,035	61
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**148**	522	(72)
Profit / (Loss) from operations	**(55)**	354	NM
– Earnings / (Loss) before interest and tax	**(53)**	358	NM
– Share of results: Associates & JVs, net of tax	**(2)**	(4)	(50)
Net profit / (loss)	**(74)**	260	NM
Return on equity *(%)*	**(3.1)**	11.1	NM

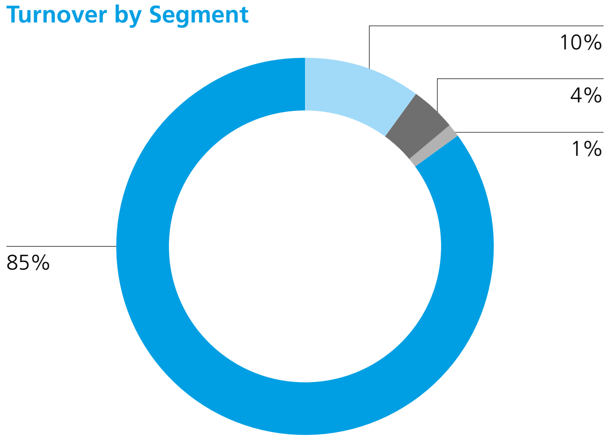
Note: Figures taken at Sembcorp Marine level

[1] EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

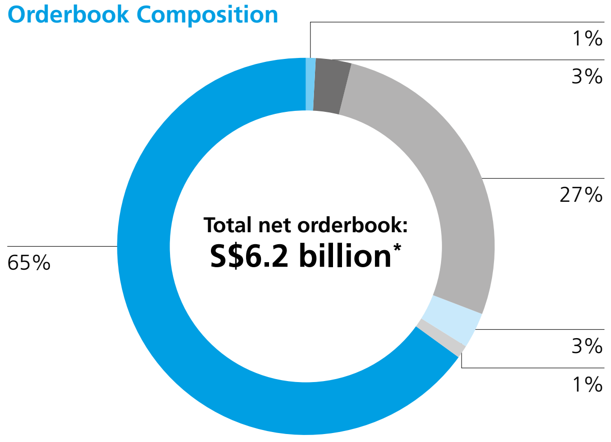
Operational Indicators *(S$ billion)*

	2018	2017#
Total net orderbook	**6.2**	8.4

Turnover by Segment



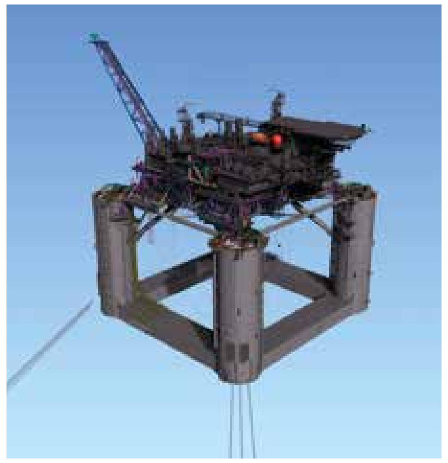
Orderbook Composition



* As at December 31, 2018. Excluding the Sete Brasil drillship contracts, net orderbook was S$3.1 billion

In accordance with SFRS(I). Please see page 28 for details

Key Developments



Secured an order for the construction and integration of hull, topsides and living quarters for Shell's *Vito* semi-submersible FPU

Secured a contract for the EPC of newbuild hull, living quarters and topside modules for TechnipFMC's FPSO

Signed an agreement with Varg for EPC works related to the modification, repair and life extension of the *Petrojarl Varg* FPSO

Successfully moved into renewable energy engineering solutions with two project wins from Ørsted Wind Power and Norled

Operating and Financial Review

Challenging operating environment

2018 was a challenging year for the Marine business. Despite the moderate uptrend in offshore rig utilisation and increased day rates for most segments, competition remained intense and work volume was significantly below peak levels.

Turnover was S$4,888 million, 61% higher than the S$3,035 million in 2017. On a segmental basis, turnover for Rigs & Floaters was higher due to revenue recognition on delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease (BOTL), the sale of a semi-submersible rig and revenue recognition for newly secured projects. Offshore Platforms revenue was lower due to fewer contracts and completion of existing contracts. Turnover for the Repairs & Upgrades segment was lower as fewer ships were repaired. Despite fewer ships serviced during the year, the average revenue per vessel increased due to an improved vessel mix of higher-value works.

Excluding the effects of the delivery to Borr Drilling and BOTL and the sale of the semi-submersible rig, turnover in 2018 would have been S$2,530 million compared to S$2,550 million in 2017.

Turnover *(S$ million)*

	2018	2017#	Change (%)
Rigs & Floaters	**4,148**	1,717	142
Repairs & Upgrades	**476**	499	(5)
Offshore Platforms	**184**	732	(75)
Other Activities	**80**	87	(8)
Total	**4,888**	3,035	61

In accordance with SFRS(I). Please see page 28 for details

Marine Review

The Marine business recorded a loss from operations of S$55 million compared to profit from operations of S$354 million in 2017. The business posted a net loss of S$74 million compared to net profit of S$260 million in 2017 mainly due to continued low overall business volume and loss from the sale of a semi-submersible rig, partially offset by margin recognition from new projects and delivery of rigs.

Entire inventory of 10 rigs fully monetised
In addition to the sale of nine Pacific Class 400 jack-up rigs to Borr Drilling in 2017, the Marine business completed the sale of the *West Rigel* semi-submersible rig (renamed *Transocean Norge*) for US$500 million in 2018. With this, the entire inventory of 10 rigs has been fully monetised.

The Marine business has delivered all nine rigs to Borr Drilling. One rig was delivered in November 2017, seven in 2018 and the final one in January 2019. Borr Drilling had made a down payment of about US$500 million upon signing the sale agreement, while the balance will be paid within five years from the respective delivery dates of the rigs. The liquidity of the business will further improve over the next five years as the business collects the remaining proceeds of approximately S$1.2 billion from the sale of these 10 rigs.

Placing priority on effective and timely project execution and securing orderbook
While the overall industry outlook continues to improve, significant time and effort for project co-development with potential customers are required before new orders are secured, and competition remains intense.

At the end of 2018, the Marine business' net orderbook stood at S$6.2 billion, with completions and deliveries stretching to 2021. Excluding the Sete Brasil drillships, net orderbook stood at S$3.1 billion. The majority of projects in the current net orderbook are based on progress payment terms.

A total of S$1.2 billion in new contracts was secured during the year. These included the engineering, procurement and construction (EPC) of newbuild hull, living quarters and topside modules for TechnipFMC's newbuild floating production storage and offloading (FPSO) and a contract from Shell Offshore for the construction and integration of the hull, topsides and living quarters for the *Vito* semi-submersible floating production unit (FPU). Sembcorp Marine also secured two projects for renewable energy engineering solutions worth over S$200 million from Ørsted Wind Power and Norled. These projects are for the EPC, hook-up and commissioning works of two topsides for the Hornsea 2 Offshore Wind Farm, one of the world's biggest wind farms when operational in 2022, as well as the design and construction of three identical battery-powered RoPax ferries which will be built based on Sembcorp Marine's proprietary design by its subsidiary LMG Marin.

In addition to the S$1.2 billion in new orders above, the Repairs & Upgrades segment also secured S$160 million of orders for the retrofitting of ballast water treatment systems and / or gas scrubbers for 58 vessels in 2018.

Making good progress on ongoing projects
The business continued to make good progress on its ongoing construction projects. These include the engineering and construction of *Sleipnir*, the world's largest semi-submersible crane vessel for Heerema, and the construction of two high specification ultra-deepwater drillships for Transocean. Engineering and initial works also commenced for the construction and integration of the newbuild FPSO hull and living quarters for Equinor (formerly Statoil) for the Johan Castberg field development, the hull, topsides and living quarters for Shell's *Vito* FPU and the turnkey newbuild FPSO project for TechnipFMC. Meanwhile, hull carry-over works as well as topside modules construction and integration for the FPSO *P-68* and topside modules construction for FPSO *P-71* for the Tupi project are underway at the Brazil yard.

Notable Deliveries in 2018

Delivered to MODEC, the newbuild FSO *Ailsa* is the world's first with a 40-year hull lifespan

The converted *Kaombo Norte* (pictured) and *Kaombo Sul* FPSOs were successfully delivered to Saipem

Delivered to TOTAL, this project involved the construction of wellhead, utilities and living quarters as well as central processing facility (pictured), for deployment in the Culzean field in the UK North Sea

Eight jack-up rigs were delivered to Borr Drilling and BOT Lease in 2018

Enhancing intellectual assets and competencies
To enhance the business' capabilities in green technology solutions, Sembcorp Marine increased its shareholdings in Semb-Eco in January 2019 and will acquire five groups of core patents in ballast water treatment, exhaust gas cleaning, bio-fouling control and corrosion control.

In September 2018, the business further expanded its capabilities with the acquisition of Sevan Marine's intellectual property rights, particularly in cylindrical platform solutions for floating production and drilling. The strategic acquisition of Sevan Marine, together with prior investments in Sembmarine SSP, LMG Marin, Gravifloat and Aragon, will further enhance Sembcorp Marine's intellectual assets and knowledge base, as well as design and engineering capabilities to provide innovative products and leading-edge solutions for the offshore, marine and energy industries.

Yard capacity management
As part of Sembcorp Marine's transformation and yard consolidation strategy, the business will continue to consolidate and maximise the utilisation of its integrated Tuas Boulevard Yard, while reviewing the schedule for the return of older yards in Singapore on or before their lease expiry dates. To date, Sembcorp Marine has returned the Pulau Samulun Yard to the Singapore government, with two other yards in the process of being returned. Sembcorp Marine is scheduled to move out completely from the Tanjong Kling Yard by the end of 2019, four years ahead of schedule. This will result in an accelerated depreciation of the lease and certain fixed assets over 15 months starting from the fourth quarter of 2018 but will lead to cost savings from 2020.

The Tuas Boulevard Yard strengthens Sembcorp Marine's value proposition as a one-stop solutions provider offering optimal production efficiency, cost-effective execution and shorter project delivery times

Diversifying Product Capabilities
Moving up the value chain

Sevan SSP: Innovative circular hull as a cost-effective alternative to traditional ship-shaped, turret moored designs

LMG Marin: Advanced ship design and engineering

Gravifloat: Modularised liquefied natural gas and liquefied petroleum gas terminals

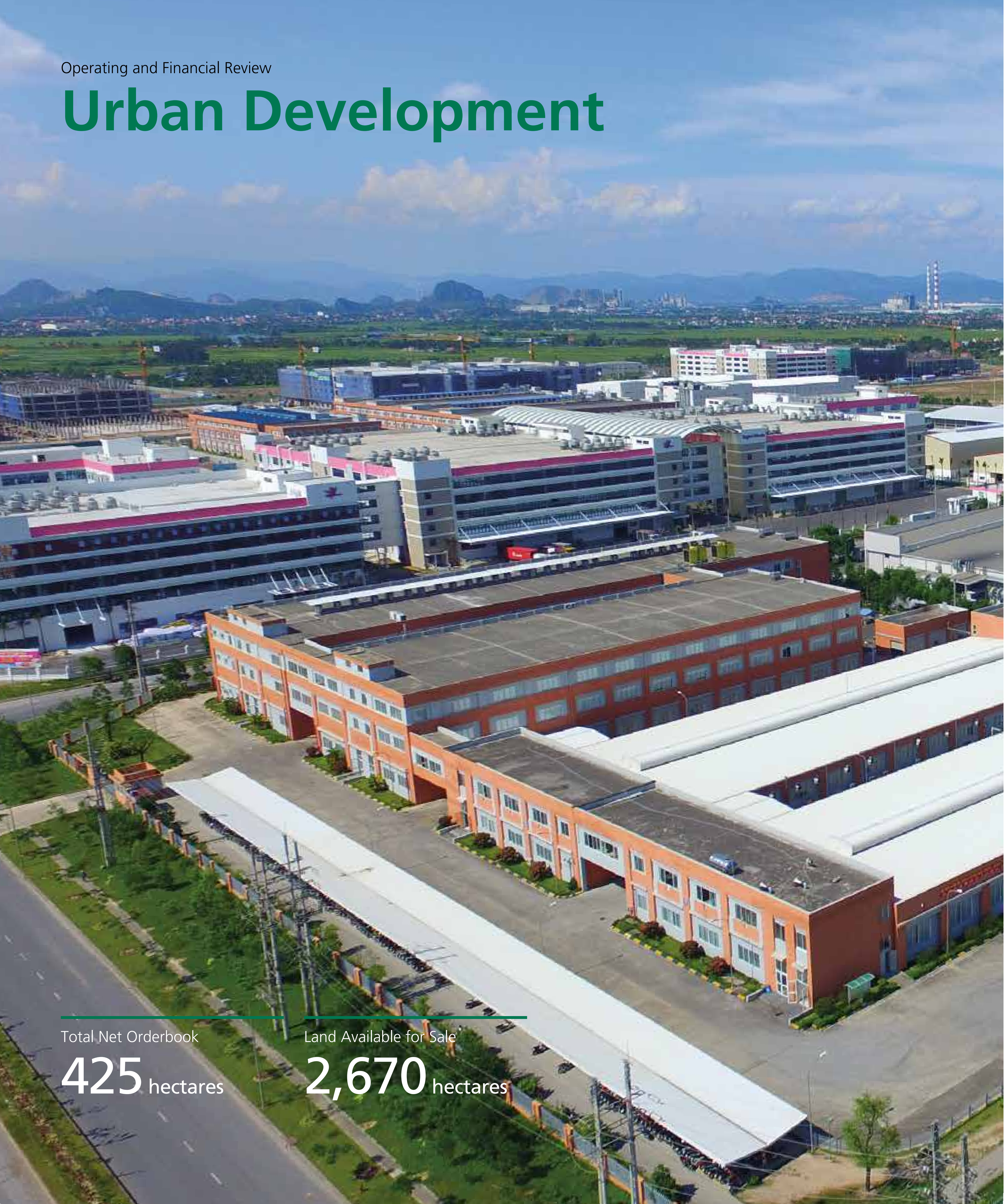
Continuing disciplined financial management
Financial prudence and discipline continue to remain key considerations for the business in the face of a prolonged cyclical downturn. While the majority of ongoing contracts and new orders secured are on progress payment terms, future new orders may have increased working capital needs as the industry continues to adapt to changing business models and constrained capital availability.

Capital expenditure is expected to be moderate in the future and will primarily be for the execution of secured contracts, realisation of cost savings or enhancement of project execution capabilities. Non-essential capital expenditure will be deferred.

Outlook
Overall business volume and activity for the Marine business, while stabilising, is expected to remain relatively low. While offshore drilling activities have increased, offshore rig orders will take some time to recover as the market remains over-supplied. However, offshore production units are expected to dominate potential orders and Sembcorp Marine is responding to increasing enquiries and tenders for innovative engineering solutions.

Sembcorp Marine will continue to take steps to manage costs, cash flows and gearing to address the balance sheet and to capitalise on new business opportunities.

Urban Development



Total Net Orderbook

425 hectares

Land Available for Sale

2,670 hectares

A leading Asian developer with a strong track record in transforming raw land into sustainable urban developments, delivering the economic engine to support growth

Far left to right:

Vietnam Singapore Industrial Park (VSIP) in Hai Phong City, Vietnam

A new park and playground at VSIP Hai Phong, Vietnam, serves residents of Thuy Nguyen district and surrounding communities

The *International Water Hub* in Nanjing will open its doors by the end of 2019 to technology companies looking to test-bed new water and environmental technologies for the China market

Competitive Edge

Strong Track Record

Over 25 years of track record in undertaking master planning, land preparation and infrastructure development to transform raw land into urban developments

Supporting Industrialisation and Urbanisation

A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

Significant Land Bank

Integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China, Indonesia and India

Building Better Cities

People-centric approach to urban planning, incorporating green solutions and smart technology to enhance the liveability and sustainability of the developments

Urban Development Review

Performance Scorecard

Financial Indicators *(S$ million)*

	2018	2017#	Change (%)
Turnover[1]	**5**	12	(58)
Profit from operations	**94**	90	4
– Earnings before interest and tax	*****	(13)	NM
– Share of results: Associates & JVs, net of tax	**94**	103	(8)
Net profit	**86**	83	4
Return on equity *(%)*	**8.9**	9.2	(3)

In accordance with SFRS(I). Please see page 28 for details

* Less than S$1 million

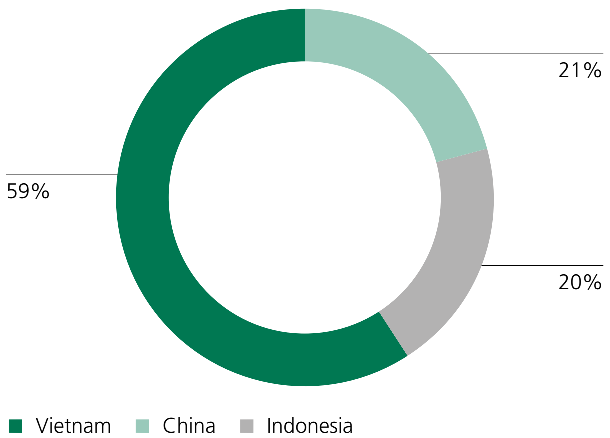
1 Most of our Urban Development businesses are associates or joint ventures. Turnover reflected consists of payment for services provided to these associates or joint ventures

Operational Indicators *(hectares)*

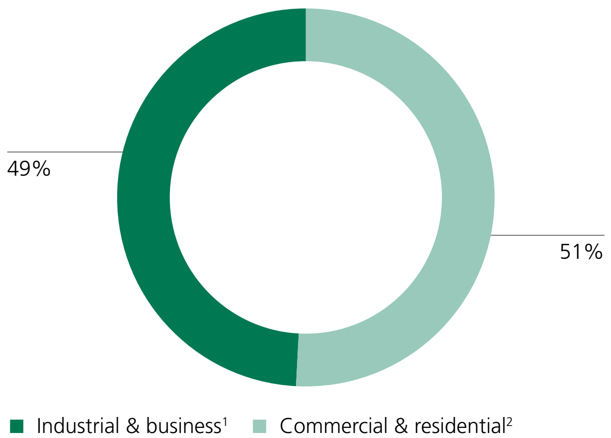
	2018	2017
Saleable land inventory	**5,742**	5,729
Land sold (cumulative)	**2,647**	2,340
Total net orderbook	**425**	251
Land available for sale	**2,670**	3,138

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

Achieved good growth in land sales and new commitments at the VSIP projects, taking net orderbook to an all-time high

Sold 99% of apartment units at *Riverside Grandeur* in Nanjing, the business' first residential development in China

Launched the *Singapore Innovation Centre* at the Singapore-Sichuan Hi-tech Innovation Park in China

Operating and Financial Review

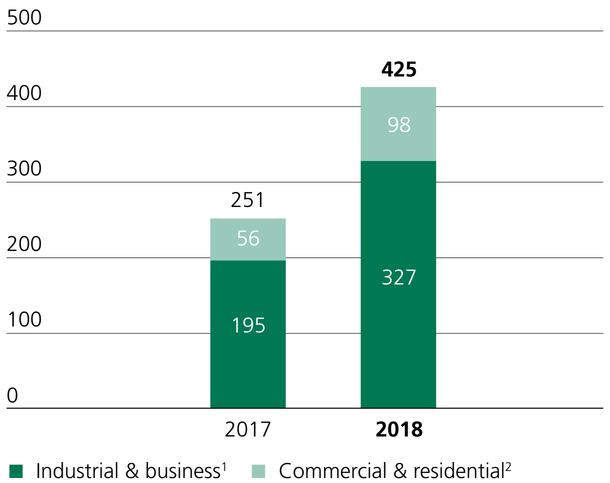
Land sales momentum continued

In 2018, the Urban Development business achieved record profits. Profit from operations grew to S$94 million from S$90 million, while net profit increased to S$86 million from S$83 million, with steady contributions from Vietnam and China.

During the year, the business maintained strong growth in land sales, selling a total of 307 hectares of land compared to 280 hectares in 2017. Land sales in Vietnam increased 40% to 258 hectares from 184 hectares in 2017, driven by robust demand for industrial land at the Vietnam Singapore Industrial Park (VSIP) projects. Land sales in China and Indonesia amounted to 28 hectares and 21 hectares respectively.

Land commitments received from customers increased to 481 hectares. As such, the net orderbook increased 69% to a record 425 hectares, driven by the VSIP projects.

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

VSIP Quang Ngai in central Vietnam attracted companies seeking to diversify their manufacturing bases

Vietnam
Our VSIP integrated townships continued to perform well in 2018.

Demand for industrial land grew, with sales and new commitments increasing in 2018 as our VSIP projects in Vietnam benefitted from a trend of companies looking to diversify their manufacturing bases. These companies are attracted to the country's competitive labour market, tax incentives and improved access to other markets given Vietnam's multiple trade agreements.

In 2018, we completed the handover of all 267 apartment units in the first phase of *The Habitat Binh Duong* to residents. *The Habitat Binh Duong*, our first residential development within VSIP Binh Duong, won industry recognition as the Best Mid-end Condo Development in its category at the 2017 PropertyGuru Vietnam Property Awards. Encouraged by the good response to the launch of the first phase of the development, we then launched phase two comprising 460 apartment units with a total gross floor area (GFA) of 48,460 square metres. At the end of 2018, the take-up rate for phase two was 93%. These units will be progressively handed over to residents in 2020.

A residential development undertaken by our joint venture (JV) VSIP Bac Ninh was launched in May. *BelHomes*, comprising 262 terraced houses and 103 shophouses with a total GFA of 58,539 square metres, was sold out within a day. The units will be handed over to customers in 2019. *BelHomes* was named Best Sustainable Residential Development Southeast Asia at the Dot Property Southeast Asia Awards 2018.

93% of phase two of *The Habitat Binh Duong* residential development was taken up

In addition, during the year we entered into a JV with Japan's CRE Asia to develop our warehousing business. CRE Asia, a subsidiary of Tokyo Stock Exchange-listed CRE Inc, took a 30% stake in Sembcorp Infra Services, our warehousing subsidiary based in VSIP Hai Phong, with Sembcorp Development holding the remaining 70% stake. The new investment from CRE Asia and bank borrowings will fund the development of an additional 30,000 square metres of warehouse space, doubling our warehouse space to 60,000 square metres. CRE Asia's strengths in logistics tenant leasing and the management and development of logistics properties will complement our capabilities in industrial and warehousing property development.

China
In 2018, the Singapore-Sichuan Hi-tech Innovation Park (SSCIP) project in Chengdu increased its commercial and residential land sales compared to 2017, and also improved its profit. During the year, the *Singapore Innovation Centre* was launched at the SSCIP as a platform for Singapore enterprises looking to gain market access to West China. The centre will provide office and co-working spaces for start-ups, as well as innovation ecosystem players such as incubators and accelerators. The first batch of tenants at the *Singapore Innovation Centre* is expected to commence operations in the second half of 2019.

Operations at our Wuxi-Singapore Industrial Park (WSIP) project continued to be stable and plans are underway to develop more ready-built factories in the park. In December, we completed the sale of our 49% indirectly held stake in Wuxi Singapore Property Investment Co, which owned the *Hongshan Mansion* residential development, for RMB323 million (approximately S$65 million). This sale resulted in the Urban Development business recognising a net gain of S$16 million.

Meanwhile, it was a challenging year for our Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) project. No residential land sales were recognised as the Nanjing government did not release any residential land for public auction in Jiangxinzhou,

38% of net lettable area in *International Water Hub* in Nanjing has now been leased out

where SNEI is located. However, we achieved a significant milestone on the residential development front with the successful launch of the *Riverside Grandeur* project in October. 99% of the units in the development were sold, comprising 329 apartment units measuring 40,660 square metres in total GFA. Profit from these sales will be recognised progressively over 2019.

Located at the Singapore-Sichuan Hi-tech Innovation Park, the *Singapore Innovation Centre* is the latest platform for Singapore start-up companies that wish to establish a presence in West China

Urban Development Review

Park by the Bay, Kendal Industrial Park, in Indonesia has attracted 48 companies

Amaravati Development Partners was formed to develop Amaravati Capital City Start-up Area in India

Indonesia

Park by the Bay, our Kendal Industrial Park development in Semarang, Central Java, sold 21 hectares of land in 2018. Three ready-built factories were also sold. The business was however impacted by the depreciation of the Rupiah against the Singapore and US currencies. Potential customers deferred land purchases, while existing customers delayed commencing factory operations because of higher material costs from imports.

India

Together with our business partners, we formalised our collaboration with the State Government of Andhra Pradesh to jointly master develop the Amaravati Capital City Start-up Area with the signing of a shareholders' agreement to form Amaravati Development Partners (ADP). Sembcorp's effective share in ADP is 29%. ADP also signed a Concessions and Development Agreement with the state government relating to development rights, licences and required authorisations and concessions for the Start-up Area, and to undertake catalytic development works subject to the fulfillment of conditions precedent.

Outlook

According to World Bank forecasts, global economic growth is projected to soften to 2.9% in 2019 from 3.1% in 2018, as international trade and manufacturing activity soften and trade tensions persist. This could impact more export-dependent markets such as South Korea, Taiwan and Singapore, where many of our customers in the VSIP projects are from. We maintain a cautiously optimistic outlook for our projects in Vietnam, although a potential reduction in export demand and tightening global liquidity could reduce capital inflows and foreign investment and negatively impact our developments.

Although headwinds to China's economic growth have increased, technology spending is likely to grow as the country continues its innovation-driven growth strategy. Our key projects in China, including SSCIP, SNEI and *International Water Hub (IWH)*, are focused on providing innovative, knowledge-based development platforms and remain well-positioned. SNEI is the designated artificial intelligence application showcase for Nanjing, while *IWH* is positioned as a test bed for water and environmental technologies. *IWH*, which is wholly developed by Sembcorp, is slated for completion in late 2019 and has achieved 38% take-up rate of its facilities and laboratories to date.

Earnings growth for the Urban Development business is expected to continue in 2019, underpinned by a strong orderbook in Vietnam and the recognition of income from the sale of a residential development in China.