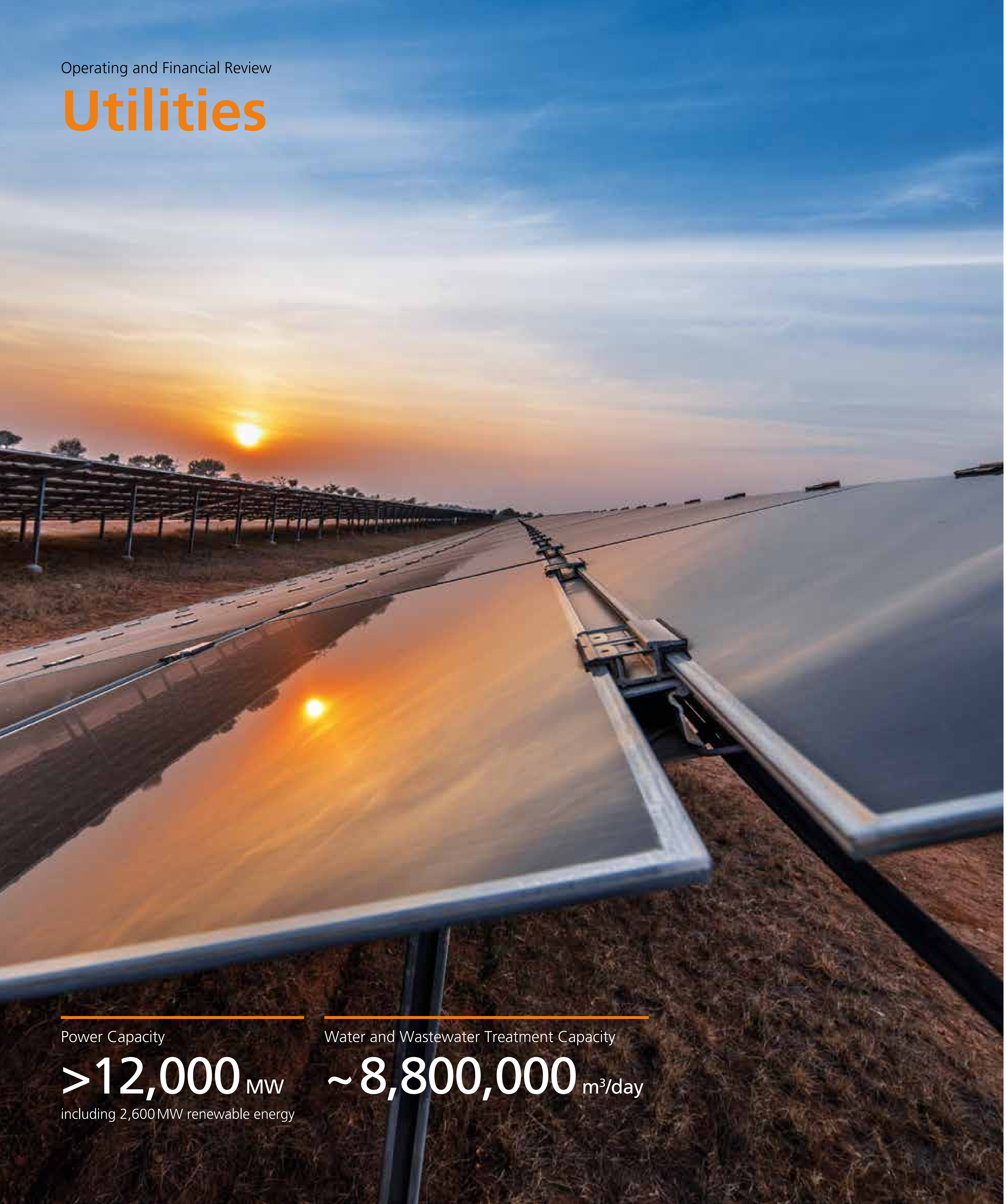
Operating and Financial Review

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

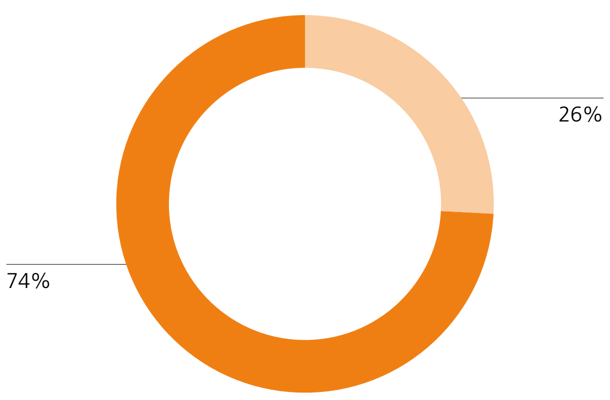
2017: A total of S$121 million, comprising S$39 million in refinancing cost for our second thermal power plant in India, S$57 million of impairment charges mainly relating to Singapore assets and investments and S$25 million of provision for potential fines and claims at an overseas water business

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

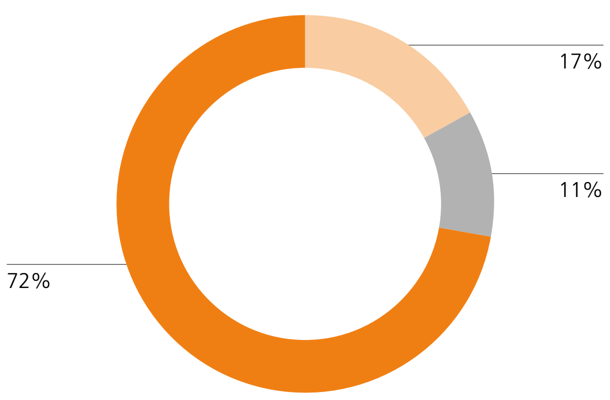
* Capacity refers to total gross installed capacity of facilities in operation and under development.

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

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.