Operating and Financial Review

Group Financial Review

Group Financial Highlights

	2019	2018	Change (%)
For the Year *(S$ million)*			
Turnover	**9,618**	11,689	(18)
EBITDA	**1,535**	1,279	20
Profit from operations	**749**	841	(11)
– Earnings before interest and tax	**565**	667	(15)
– Share of results: Associates & JVs, net of tax	**184**	174	6
Profit before tax	**295**	420	(30)
Net profit	**247**	347	(29)
Economic value added	**(498)**	(401)	(24)
Return on total assets *(%)*	**3.5**	3.6	(3)
Return on equity *(%)*	**3.5**	5.1	(31)
Capital Position *(S$ million)*			
Owners' funds	**6,070**	5,987	1
Total assets	**23,252**	23,321	*
Net debt	**9,033**	8,807	3
Operating cash flow	**977**	739	32
Free cash flow	**1,352**	656	106
Capital expenditure and equity investment	**1,187**	2,009	(41)
Total debt-to-capitalisation ratio	**0.58**	0.57	2
Total debt-to-capitalisation ratio (less cash and cash equivalents)	**0.48**	0.47	2
Interest cover *(times)*	**2.6**	2.5	4
Shareholder Returns			
Net assets per share *(S$)*	**3.85**	3.80	1
Earnings per share *(cents)*	**11.81**	16.98	(30)
Ordinary dividends per share *(cents)*	**5.0**	4.0	25
Payout ratio *(%)*	**42.3**	23.6	79
Last traded share price *(S$)*	**2.29**	2.54	(10)
Total shareholder returns *(%)*	**(8.4)**	(14.9)	44

* Less than 1%

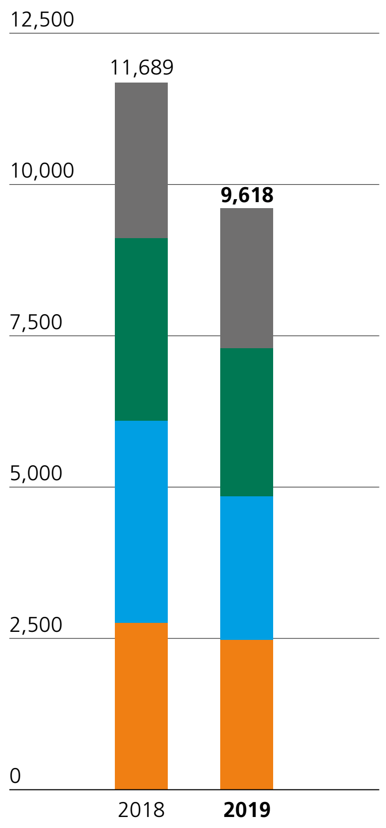
Notes

1. Our EBITDA definition excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs
2. Financial figures for the years 2017, 2018 and 2019 are presented in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)), while figures prior to 2017 were prepared in accordance with the Financial Reporting Standards in Singapore (FRS)

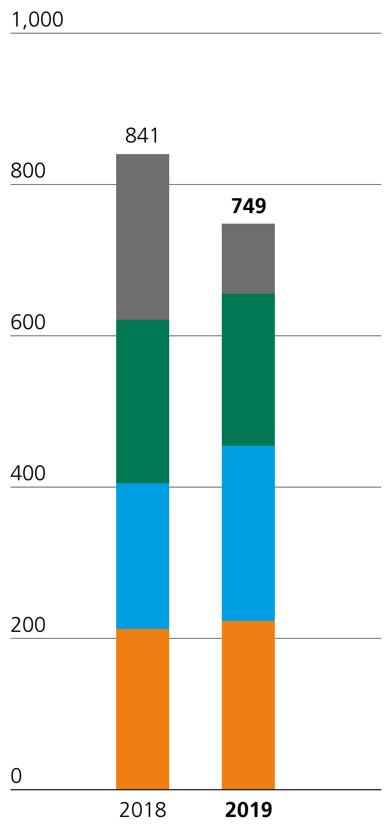
Group Quarterly Performance *(S$ million)*

	2019					2018				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Turnover	**2,480**	**2,371**	**2,450**	**2,317**	**9,618**	2,758	3,343	3,022	2,566	11,689
EBITDA	**349**	**356**	**340**	**490**	**1,535**	286	268	370	355	1,279
Profit from operations	**223**	**232**	**201**	**93**	**749**	213	192	217	219	841
– Earnings before interest and tax	**178**	**178**	**160**	**49**	**565**	171	137	180	179	667
– Share of results: Associates & JVs, net of tax	**45**	**54**	**41**	**44**	**184**	42	55	37	40	174
Profit / (Loss) before tax	**115**	**118**	**84**	**(22)**	**295**	116	89	119	96	420
Net profit / (loss)	**93**	**98**	**71**	**(15)**	**247**	77	82	82	106	347
Earnings per share *(cents)*	**4.69**	**4.99**	**3.47**	**(1.34)**	**11.81**	3.64	3.94	3.98	5.42	16.98

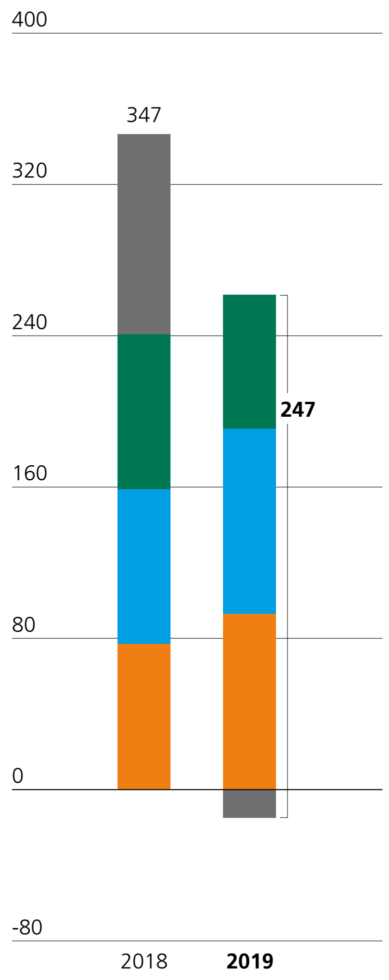
Turnover *(S$ million)*



Profit from Operations *(S$ million)*



Net Profit *(S$ million)*



First quarter   Second quarter   Third quarter   Fourth quarter

Group Financial Review

Five-year Financial Performance Profile

2019
Sembcorp posted a net profit of S$247 million and turnover of S$9,618 million in 2019, compared to S$347 million and S$11,689 million respectively in 2018. Excluding exceptional items, net profit grew 17% to S$395 million.

The Group recorded exceptional items totalling negative S$148 million in 2019. The Energy business accounted for negative S$165 million of the exceptional items. This was offset by a S$3 million goodwill adjustment from the Marine business and S$14 million of divestment gain from the Other Businesses segment. In 2018, Group exceptional items amounted to S$8 million, comprising divestment gains of S$17 million from the Urban business and Other Businesses segment, offset by negative S$9 million from the Energy business.

In 2019, the Energy business contributed a net profit of S$195 million to the Group, compared to S$312 million in 2018. Net profit, before exceptional items, was S$360 million, up 12% from S$321 million in 2018, with overseas markets performing better. China contributed a net profit of S$106 million, a 22% growth from the year before, due primarily to new renewable wind power capacity coming into operation and higher plant load factor at the Chongqing Songzao power plant. India posted a net profit of S$100 million in 2019, an increase from S$47 million in 2018. This was due to higher contribution from its thermal power plants, as well as improved operating performance by its renewable energy assets on better wind resources and new capacity addition. It also benefitted from one-off insurance and vendor settlements. The better performance in the UK was driven by the recognition of revenue from the capacity market, which resumed in 4Q2019.

Exceptional items recorded by the Energy business in 2019 amounted to a negative S$165 million. This comprised impairments of S$245 million and S$7 million of additional provision for potential fines and claims at Sembcorp Nanjing SUIWU in China, offset by net gains of S$86 million from the divestment of businesses and assets. There was also a S$1 million revision on purchase price allocation for a solar project in Singapore.

Amid challenging market conditions, the Marine business turned in a net loss of S$85 million to the Group in 2019, compared to a net loss of S$48 million in 2018. The loss recorded in 2019 was mainly due to accelerated depreciation for the Tanjong Kling yard and continued low overall business volume, partly offset by profits from the repairs and upgrade business, which saw a rise in profits on improved margins and better product mix.

The Urban business delivered another year of record profits in 2019. Net profit grew 36% to S$117 million in 2019 compared to S$86 million in 2018, driven by profit recognition from the successful completion and handover of *Riverside Grandeur*, a wholly-owned residential development in China.

Return on equity for the Group was 3.5% and earnings per share amounted to 11.81 cents.

2018
Sembcorp recorded net profit of S$347 million and turnover of S$11,689 million in 2018. Compared to 2017, turnover, in accordance with SFRS(I), was S$2,663 million or 30% higher, while net profit was S$36 million or 9% lower. 2017 net profit, in accordance with SFRS(I), was S$383 million compared to the previously reported net profit of S$231 million.

In 2018, the Energy business contributed net profit of S$312 million to the Group, compared to S$140 million in 2017. Net profit, before exceptional items, was S$321 million, up 23% compared to S$261 million in 2017, with Singapore, China and India being the main contributors. The India energy business posted a net profit of S$47 million in 2018 compared to a loss of S$58 million in 2017. China's operations benefitted from a higher plant load factor at Chongqing Songzao power plant and a full year's contribution from Changzhi Total Water Management Plant, which commenced operations in September 2017. However, the increase in 2018 net profit was partially offset by provisions made for the delayed start-up of the Sembcorp Myingyan Independent Power Plant in Myanmar and losses at UK Power Reserve (UKPR).

Exceptional losses recorded by the business in 2018 amounted to S$9 million, lower than the 2017 exceptional losses of S$121 million. 2018 exceptional items comprised S$23 million of divestment gains recognised from the sale of various businesses, S$25 million of additional provision for potential fines and claims at an overseas water business, and a non-cash S$7 million expensing of capitalised cost at UKPR upon refinancing in December.

The Marine business reported a loss of S$48 million in 2018, compared to a net profit in 2017 of S$157 million, in accordance with SFRS(I). 2017 previously reported net profit was S$7 million. The business' loss in 2018 was mainly due to loss from the sale of a semi-submersible rig and continued low overall business volume. This was partially offset by margin recognition from newly secured production floater projects and delivery of rigs. 2017 net profit was higher due to the net positive effects of contract terminations, which arose from entitlement to down payments on termination of five rig contracts and a one-off gain on disposal of its equity stake in Cosco Shipyard Group.

Meanwhile, the Urban business continued to deliver good performance with steady contributions from Vietnam and China. 2018 net profit was S$86 million, slightly higher than net profit of S$83 million in 2017.

Return on equity for the Group was 5.1% and earnings per share amounted to 16.98 cents.

2017
The 2017 review is based on reported financials prepared under FRS.

Sembcorp posted net profit of S$231 million and turnover of S$8,346 million in 2017, compared to S$395 million and S$7,907 million respectively in 2016.

In 2017, the Energy business contributed S$140 million in net profit to the Group, compared to S$348 million in 2016. Excluding exceptional items, the business delivered net profit of S$261 million. Singapore operations continued to perform well, mitigating the weak performance of our second thermal power plant in India, and the absence of contribution from the Yangcheng power project in China following the expiry of its cooperative joint venture agreement. Singapore operations were also the largest contributor to the Energy business' net profit before exceptional items.

Exceptional losses recorded by the business in 2017 amounted to S$121 million. These included a provision of S$25 million for potential fines and claims at an overseas water business, impairment charges of S$56 million mainly relating to assets and investments in Singapore, as well as S$39 million in refinancing cost incurred for our second thermal power plant in India.

The exceptional gain recorded by the business in 2016 amounted to S$3 million, comprising S$34 million from a gain on divestment of a municipal water operation in Yancheng, China, less S$31 million in refinancing cost for our first thermal power plant in India.

The Marine business' net profit contribution to the Group was S$7 million in 2017, compared to S$48 million in 2016. The business' lower net profit in 2017 was mainly due to lower overall business volume, especially in rigs & floaters and offshore platforms, which impacted the absorption of overhead costs, and additional cost accruals for floater projects which are pending finalisation with the customers, partially offset by divestment gains and a lower share of losses from associates and joint ventures.

Meanwhile, the Urban business reported a net profit of S$83 million, up from S$33 million in 2016. The business' strong performance was driven by higher contributions from all its operating markets and, in particular, higher sales in China.

Return on equity for the Group was 3.2% and earnings per share amounted to 10.51 cents.

2016
Sembcorp posted net profit of S$395 million and turnover of S$7,907 million in 2016, compared to S$549 million and S$9,545 million respectively in 2015.

In 2016, the Energy business contributed S$348 million in net profit to the Group. 63% of this net profit was generated by overseas operations. Excluding exceptional items, the business delivered profit growth of 4% over 2015, backed by record profit in China of S$125 million. Exceptional gain recorded by the business in 2016 amounted to S$3 million, comprising S$34 million from a divestment gain on the sale of a municipal water operation in Yancheng, China, less S$31 million total refinancing cost for our first thermal power plant in India. Exceptional gain recorded by the business in 2015 amounted to S$370 million, comprising divestment gains of S$426 million from the sale of a waste management joint venture in Australia and municipal water operations in Bournemouth, the UK and Zhumadian, China, less S$56 million comprising S$31 million from the exit of the chemical feedstock business and impairment of assets in Singapore (net of settlement amounts from customers) and S$24 million in net allowance for doubtful debts in China.

The Marine business' net profit contribution to the Group was S$48 million in 2016, compared to a net loss of S$176 million in 2015. The business' net loss in 2015 was mainly due to write-downs of inventory and work-in-progress and provisions for foreseeable losses for rig building projects. Meanwhile, the Urban business reported net profit of S$33 million, comparable to the previous year.

2015
Sembcorp posted net profit of S$549 million and turnover of S$9,545 million for 2015, compared to S$801 million and S$10,895 million in 2014 respectively.

In 2015, the Energy business delivered 72% growth in net profit to S$701 million compared to S$408 million in 2014. This increase was underpinned by growth from its overseas operations as well as gains from the sale of its Australian waste management joint venture and municipal water operations in Bournemouth, the UK and Zhumadian, China.

Meanwhile, at the Sembcorp Industries level, the Marine business incurred net loss of S$176 million in 2015 compared to net profit of S$340 million in 2014. The Urban business posted net profit of S$34 million compared to S$44 million in 2014.

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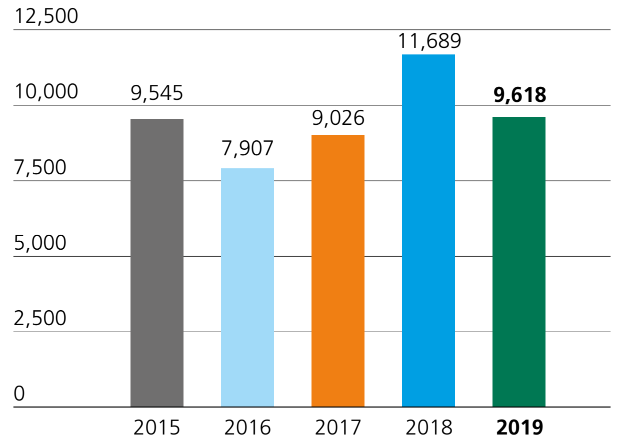
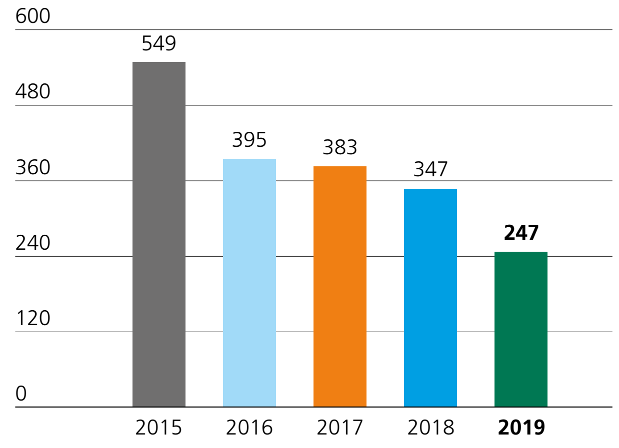
Five-year Financials

	2019	2018	2017	2016	2015
For the Year *(S$ million)*					
Turnover	**9,618**	11,689	9,026	7,907	9,545
EBITDA	**1,535**	1,279	1,523	1,315	1,720
Profit from operations	**749**	841	1,084	909	631
– Earnings before interest and tax	**565**	667	920	784	625
– Share of results: Associates & JVs, net of tax	**184**	174	164	125	6
Profit before tax	**295**	420	611	537	426
Net profit	**247**	347	383	395	549
At Year End *(S$ million)*					
Property, plant and equipment and investment properties	**11,867**	11,782	11,249	11,287	8,706
Right-of-use assets	**464**	–	–	–	–
Other non-current assets	**4,826**	5,215	4,004	3,379	3,602
Net current assets	**83**	748	2,159	1,609	1,661
Non-current liabilities	**(9,361)**	(9,807)	(9,238)	(8,112)	(5,926)
Net assets	**7,879**	7,938	8,174	8,163	8,043
Share capital and reserves (including perpetual securities)	**6,871**	6,788	6,944	6,702	6,433
Non-controlling interests	**1,008**	1,150	1,230	1,461	1,610
Total equity	**7,879**	7,938	8,174	8,163	8,043
Per Share					
Earnings *(cents)*	**11.81**	16.98	19.06	19.92	29.17
Net assets *(S$)*	**3.85**	3.80	3.88	3.75	3.60
Ordinary dividends *(cents)*	**5.0**	4.0	5.0	8.0	11.0
Financial Ratios					
Return on equity *(%)*	**3.5**	5.1	5.8	6.2	9.4
Return on total assets *(%)*	**3.5**	3.6	4.4	4.0	3.7
Interest cover *(times)*	**2.6**	2.5	2.9	3.3	7.2
Total debt-to-capitalisation ratio	**0.58**	0.57	0.55	0.53	0.46
Total debt-to-capitalisation ratio (less cash and cash equivalents)	**0.48**	0.47	0.40	0.42	0.35

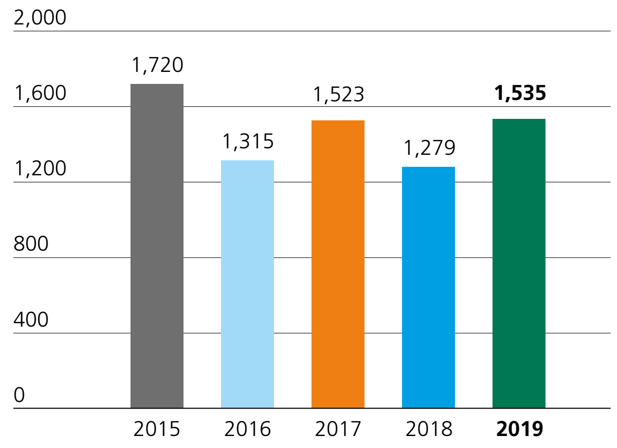
Turnover *(S$ million)*



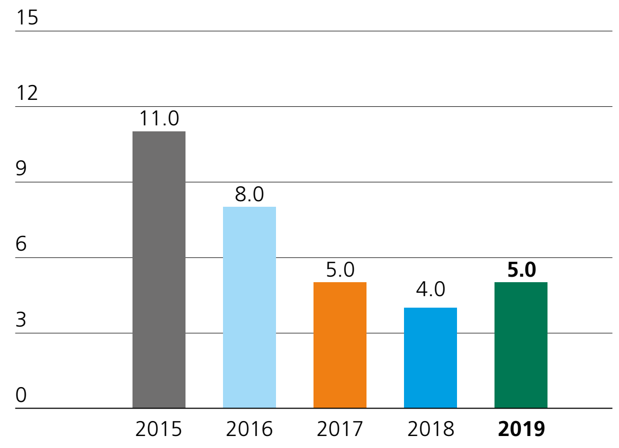
Net Profit *(S$ million)*



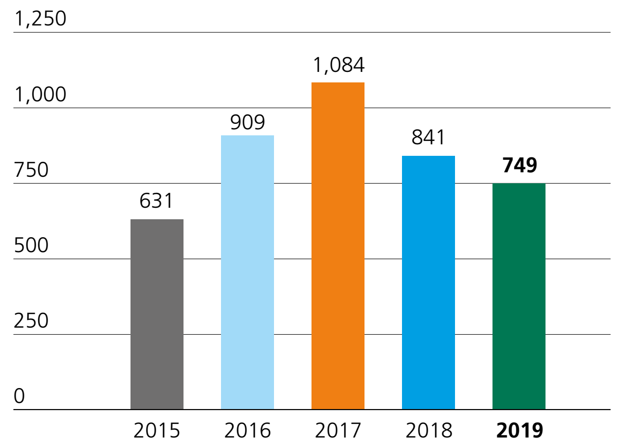
EBITDA *(S$ million)*



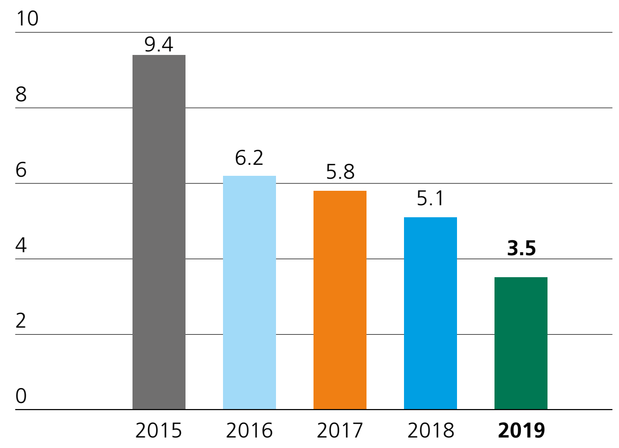
Ordinary Dividends Per Share *(cents)*



Profit from Operations *(S$ million)*



Return on Equity *(%)*



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Review by Business *(S$ million)*

	2019	%	2018	%	2017	%	2016	%	2015	%
Turnover										
Energy	**6,138**	64	6,536	56	5,697	63	4,111	52	4,227	44
Marine	**2,883**	30	4,888	42	3,035	34	3,544	45	4,968	52
Urban	**280**	3	5	*	8	*	7	*	8	*
Others / Corporate	**317**	3	260	2	286	3	245	3	342	4
	9,618	100	11,689	100	9,026	100	7,907	100	9,545	100
Profit from Operations										
Energy	**717**	96	820	98	650	60	737	81	948	150
Marine	**(143)**	(19)	(60)	(7)	350	32	171	19	(342)	(54)
Urban	**177**	23	94	11	90	9	38	4	38	6
Others / Corporate	**(2)**	*	(13)	(2)	(6)	(1)	(37)	(4)	(13)	(2)
	749	100	841	100	1,084	100	909	100	631	100
Net Profit										
Energy	**195**	79	312	90	140	36	348	88	701	128
Marine	**(85)**	(34)	(48)	(14)	157	41	48	12	(176)	(32)
Urban	**117**	47	86	25	83	22	33	9	34	6
Others / Corporate	**20**	8	(3)	(1)	3	1	(34)	(9)	(10)	(2)
	247	100	347	100	383	100	395	100	549	100

* Less than 1%

Overview

Sembcorp posted a net profit of S$247 million and turnover of S$9,618 million in 2019, compared to S$347 million and S$11,689 million in 2018, respectively. Net profit before exceptional items in 2019 was S$395 million, an improvement of 17% from S$339 million in 2018.

Turnover

The Group achieved turnover of S$9,618 million, with the Energy and Marine businesses contributing 94% of total turnover. The Urban business delivered a turnover of S$280 million, on recognition of the sale of *Riverside Grandeur* in Nanjing, China, a residential development wholly-owned by Sembcorp.

The Energy business recorded a turnover of S$6,138 million, 6% lower compared to 2018. The decline was due to lower gas sales, planned major maintenance for power generation assets, lower turnover from the solid waste management business in Singapore and shutdown of one thermal power unit in India during 1Q2019, partially offset by higher turnover from the UK. The absence of contribution from divested assets in Singapore and South Africa also accounted for the decline in turnover. The Marine business recorded a turnover of S$2,883 million in 2019 compared to S$4,888 million in 2018, due to lower revenue recognition from rigs and floaters and offshore platform projects mitigated by higher repair and upgrade revenue.

Net Profit

The Group recorded net profit of S$247 million in 2019 compared to S$347 million in 2018, while profit from operations (PFO) was S$749 million compared to S$841 million in 2018. Excluding exceptional items, net profit and PFO for 2019 improved to S$395 million and S$907 million respectively, compared to S$339 million and S$825 million in 2018.

In 2019, the Energy business contributed S$195 million in net profit to the Group, compared to S$312 million in 2018. Excluding exceptional items, the business delivered net profit of S$360 million, a 12% growth over S$321 million in 2018. The improvement was mainly due to our operations in India, which posted a net profit of S$100 million in 2019. This was more than double the net profit of S$47 million in 2018 due to higher contribution from its thermal power plants, as well as improved operating performance by its renewable energy assets arising from better wind resources and new capacity addition. It also benefitted from one-off insurance and vendor settlements. In Southeast Asia (excluding Singapore), the better performance was driven by contribution from the Myingyan power plant in Myanmar, which commenced operations in October 2018. Contribution from Myanmar in 2019 was also boosted by one-off income comprising mainly liquidated damages and vendor settlement income. The better performance in UK was driven by the recognition of revenue from the capacity market, which resumed in 4Q2019.

Exceptional items recorded by the Energy business in 2019 amounted to a negative S$165 million. This comprised impairments of S$245 million and S$7 million of additional provision for potential fines and claims at Sembcorp Nanjing Suiwu in China, offset by net gains of S$86 million from the divestment of businesses and assets. There was also a S$1 million revision on purchase price allocation for a solar project in Singapore.

Amid challenging market conditions, the Marine business turned in a net loss of S$85 million to the Group in 2019, compared to a net loss of S$48 million in 2018. The loss recorded in 2019 was mainly due to accelerated depreciation for the Tanjong Kling yard and continued low overall business volume, partly offset by profits from the repairs and upgrade business, which saw a rise in profits on improved margins and better product mix.

The Urban business delivered another year of record profit in 2019. Net profit grew 36% to S$117 million in 2019 compared to S$86 million the year before, driven by profit recognition from the successful completion and handover of *Riverside Grandeur*, a wholly-owned residential development in China.

Performance Scorecard

Financial Indicators *(S$ million)*

	2019	2018	Change *(%)*
Turnover	**9,618**	11,689	(18)
EBITDA	**1,535**	1,279	20
Profit from operations	**749**	841	(11)
– Earnings before interest and tax	**565**	667	(15)
– Share of results: Associates & JVs, net of tax	**184**	174	6
Profit before tax	**295**	420	(30)
Net profit	**247**	347	(29)
Earnings per share *(cents)*	**11.81**	16.98	(30)
Return on equity *(%)*	**3.5**	5.1	(31)

Cash Flow and Liquidity

As at December 31, 2019, the Group's cash and cash equivalents stood at S$1,740 million.

Net cash from operating activities before changes in working capital stood at S$1,455 million, while net cash from operating activities was S$977 million. The changes in working capital were mainly due to the sale of *Riverside Grandeur* residential development by the Urban business and Marine's working capital for ongoing projects, offset by receipts from completed projects.

Net cash used in investing activities was S$451 million, mainly for the purchase of property, plant and equipment, and net investments in other financial assets, partially offset by dividend and interest received.

Net cash used in financing activities was S$692 million, mainly for interest payment and acquisition of non-controlling interests of two businesses in the Energy business segment.

Financial Position

Group shareholders' funds increased to S$6,070 million as at December 31, 2019, from S$5,987 million as at December 31, 2018.

Property, plant and equipment and investment property – net of depreciation, impairment, reclassification to assets held for sale and deconsolidation of subsidiaries upon disposal, increased in 2019. This was mainly attributable to additions from the Marine and Energy businesses, namely new renewable energy assets in India and Singapore, as well as additions in the UK. The increase also included the ongoing construction of the Urban business' commercial property in Nanjing, China.

Right-of-use-assets arose from the recognition of land and building leases with the adoption of SFRS(I) 16 on leases.

Other non-current assets decreased in 2019. This was due mainly to the reclassification of trade and other receivables due within 12 months to current, impairment of intangible assets in the Energy business and divestment of an associate of the Marine business.

Net current assets reduced mainly because of the higher interest-bearing borrowings due within 12 months, offset by the net increase in assets due to revenue and cost recognition of the residential property, *Riverside Grandeur*, upon handover of the units in December 2019.

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Turnover *(S$ million)*

	2019	2018
Energy	**6,138**	6,536
Marine	**2,883**	4,888
Urban	**280**	5
Others / Corporate	**317**	260
	9,618	11,689

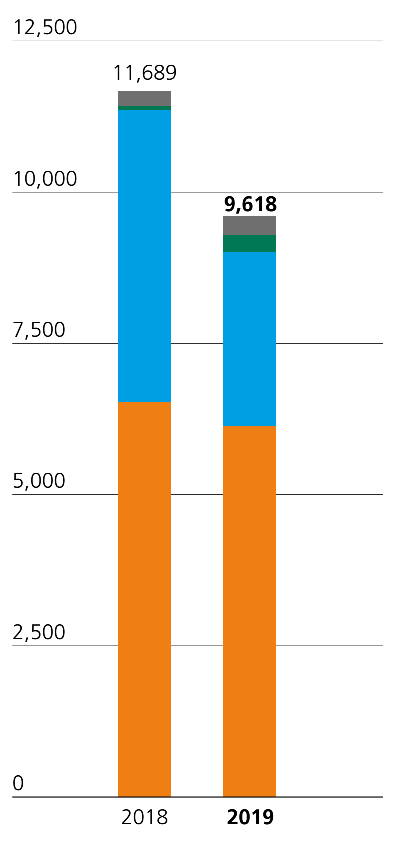
Profit from Operations *(S$ million)*

	2019	2018
Energy	**717**	820
Marine	**(143)**	(60)
Urban	**177**	94
Others / Corporate	**(2)**	(13)
	749	841

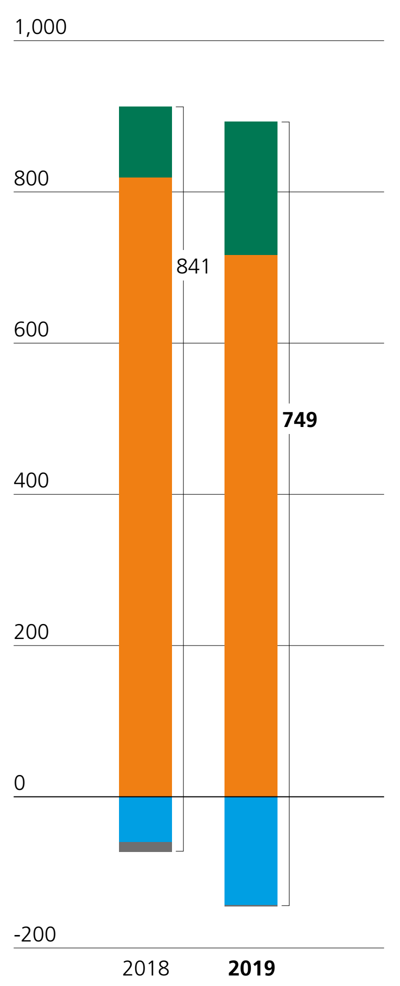
Net Profit *(S$ million)*

	2019	2018
Energy	**195**	312
Marine	**(85)**	(48)
Urban	**117**	86
Others / Corporate	**20**	(3)
	247	347

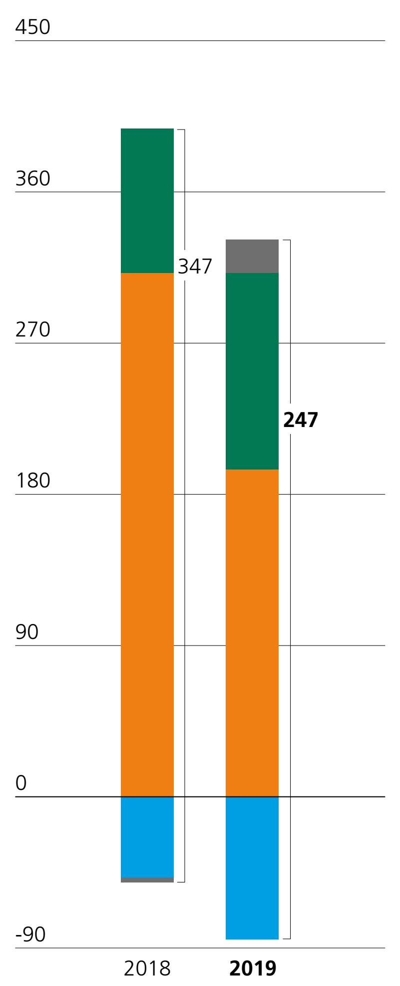
Turnover *(S$ million)*



Profit from Operations *(S$ million)*



Net Profit *(S$ million)*



Non-current liabilities decreased in 2019 mainly due to the reclassification of borrowing due within 12 months to current liabilities, offset by the recognition of lease liabilities with the adoption of SFRS(I) 16, and a reduction of deferred tax liabilities as the temporary tax difference reversed.

Shareholder Returns

In 2019, return on equity for the Group was 3.5% and earnings per share amounted to 11.81 cents. Subject to approval by shareholders at the next annual general meeting, a final dividend of 3.0 cents per ordinary share has been proposed for the financial year ending December 31, 2019. Together with an interim dividend of 2.0 cents per ordinary share paid in September 2019, this brings our total dividend for the year to 5.0 cents per ordinary share.

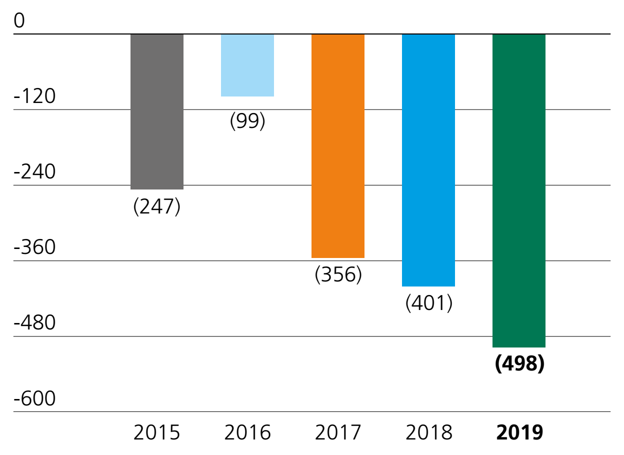
Economic Value Added

Economic value added (EVA) was negative in 2019. This was mainly due to continued low business volume in the Marine business, as well as new investments and capacities added in the last two years that have yet to achieve EVA breakeven.

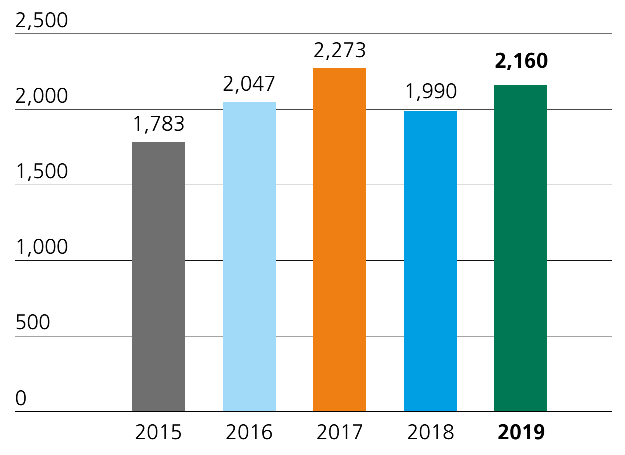
Value Added and Productivity Data

In 2019, the Group's total value added was S$2,723 million. This was absorbed by employees in wages, salaries and benefits of S$820 million, by governments in income and other taxes of S$233 million and by providers of capital in interest, dividends and distribution of S$693 million, leaving a balance of S$977 million reinvested in business.

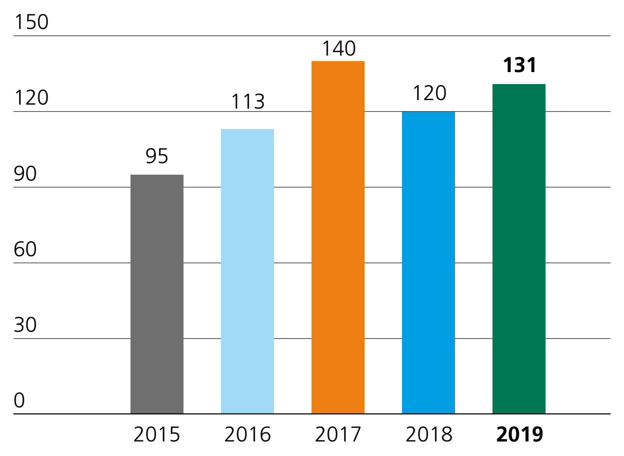
Economic Value Added *(S$ million)*



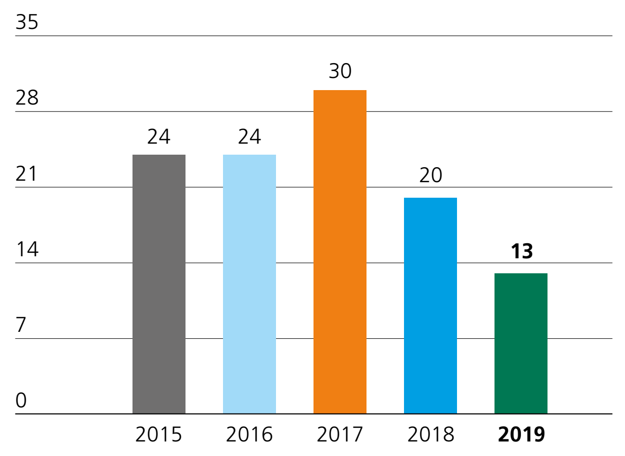
Gross Value Added *(S$ million)*



Value Added Per Employee *(S$ thousands)*



Profit After Tax Per Employee *(S$ thousands)*



Value Added Statement *(S$ million)*

	2019	2018	2017	2016	2015
Value Added from					
Turnover	**9,618**	11,689	9,026	7,907	9,545
Less: Bought in materials and services	**(7,458)**	(9,699)	(6,753)	(5,860)	(7,762)
Gross value added	**2,160**	1,990	2,273	2,047	1,783
Investment, interest and other income	**526**	328	421	536	985
Share of results of associates and joint ventures, net of tax	**184**	174	164	125	6
Other non-operating expenses	**(147)**	(93)	(229)	(491)	(631)
	2,723	2,399	2,629	2,217	2,143
Distribution					
To employees in wages, salaries and benefits	**820**	759	807	800	832
To governments in income and other taxes	**233**	149	104	119	137
To providers of capital in:					
Interest on borrowings	**586**	508	527	402	238
Dividends to owners	**71**	71	125	179	285
Profit attributable to perpetual securities holders	**36**	43	43	39	28
	1,746	1,530	1,606	1,539	1,520
Retained in Business					
Depreciation and amortisation	**682**	595	571	454	405
Deferred tax expense / (credit)	**(91)**	(7)	65	32	(106)
Retained profits	**140**	232	215	178	236
Non-controlling interests	**(30)**	(15)	110	42	(94)
	701	805	961	706	441
Other non-operating expenses / (income)	**276**	64	62	(28)	182
	977	869	1,023	678	623
Total Distribution	**2,723**	2,399	2,629	2,217	2,143

Productivity Data

	2019	2018	2017	2016	2015
Average staff strength	**16,482**	16,578	16,288	18,072	18,676
Employment costs *(S$ million)*	**820**	759	807	800	832
Profit after tax per employee *(S$'000)*	**13**	20	30	24	24
Value added *(S$ million)*	**2,160**	1,990	2,273	2,047	1,783
Value added per employee *(S$'000)*	**131**	120	140	113	95
Value added per dollar employment costs *(S$)*	**2.63**	2.62	2.82	2.56	2.14
Value added per dollar investment in property, plant and equipment *(S$)*	**0.13**	0.12	0.15	0.14	0.15
Value added per dollar sales *(S$)*	**0.22**	0.17	0.25	0.26	0.19

The figures above reflect data for core businesses only

Amendments to SFRS(I)

SFRS(I) 16	Leases
SFRS(I) INT 23	Uncertainty over Income Tax Treatments
Amendments to SFRS(I) 9	Prepayment Features with Negative Compensation
Amendments to SFRS(I) 1-28	Long-term Interests in Associates and Joint Ventures
Amendments to SFRS(I) 3	Business Combinations
Amendments to SFRS(I) 11	Joint Arrangements
Amendments to SFRS(I) 1-12	Income Taxes
Amendments to SFRS(I) 1-23	Borrowing Costs
Amendments to SFRS(I) 1-19	Plan Amendment, Curtailment or Settlement
Amendments to SFRS(I) 7 and SFRS(I) 9	Interest Rate Benchmark Reform

Critical Accounting Policies

Sembcorp's financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS).

With effect from January 1, 2019, the Group has applied the following SFRS(I)s, interpretations of SFRS(I) and requirements of SFRS(I), set out in the table above.

The adoption of the above standards does not have any significant impact on the financial statements except for SFRS(I) 16.

The Group had earlier adopted amendments to SFRS(I) 7 and SFRS(I) 9 on interest rate benchmark reform (IRBR). The amendments provide temporary relief from applying specific hedge accounting requirements to hedge relationships directly affected by IRBR and have the effect that IRBR should not generally cause hedge accounting to terminate.

Note: All references to SFRS(I) and IFRS are referred to as SFRS(I) unless otherwise specified

Financial Risk Management

The Group's activities expose us to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices, as well as credit risk.

For details on the management of these risks, please refer to page 81.

Treasury Management

Sembcorp Financial Services (SFS), the Group's wholly-owned treasury vehicle, manages the Group's financing activities and our treasury activities in Singapore. SFS also oversees financing and treasury activities outside of Singapore together with the respective business units. In addition, SFS on-lends funds borrowed by it to businesses within the Group, where appropriate.

SFS and its overseas treasury units actively manage cash within the Group by setting up cash pooling structures in various countries where appropriate, to receive surplus funds from businesses and lend to those with funding requirements. It also actively manages the Group's excess cash using a number of financial institutions, and closely tracks developments in the global banking sector. Such proactive cash management continues to be an efficient and cost-effective way of managing the Group's cash and meeting our funding requirements.

Facilities

As at December 31, 2019, the Group's total credit facilities, including our multi-currency debt issuance programme, amounted to S$20,458 million (2018#: S$19,531 million). This comprised borrowing facilities of S$17,011 million (2018#: S$15,815 million) and trade-related facilities of S$3,447 million (2018#: S$3,716 million), including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds.

Borrowings and Perpetual Securities

The Group aims to align the structure and maturity profile of our debt book with the commercial profile of our core assets, while continuing our focus on maintaining adequate liquidity for our businesses. We continue to build on our banking relationships to ensure that we are able to secure funding on competitive terms, as and when commercially viable and strategically attractive opportunities arise.

In 2019, SFS has refinanced the £200 million bridge facility for Sembcorp Energy UK (SEUK) with a £300 million five-year term loan. The Group also established S$600 million of revolving credit facility of four to five years in part to refinance the S$850 million revolving credit facilities maturing in 1Q2020.

In July 2019, the Group issued S$1,500 million of five-year unlisted bonds to partially fund a subordinated loan facility to Sembcorp Marine of S$2,000 million.

As at December 31, 2019, the Group's gross borrowings amounted to S$10,800 million (2018: S$10,732 million). Compared to 2018, the increase of S$68 million in gross borrowings was mainly due to the SEUK term loan, which was £100 million higher than the £200 million bridging loan facility, and netted off by the amortisation of other loans. The Group's interest cover increased from 2.5 times in 2018 to 2.6 times in 2019. The Group remains committed to ensuring a diversified funding base and optimising the cost of funding while working towards maintaining prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities.

Of the overall debt portfolio in 2019, 64% (2018: 54%) constituted fixed rate debt that was not exposed to interest rate fluctuations. We continue to actively monitor and manage the fixed and floating rate mix of our debt portfolio.

Restated due to reclassification of banking facilities

Financing and Treasury Highlights *(S$ million)*

	2019	2018[#]	2017
Source of Funding			
Cash and cash equivalents	**1,767**	1,925	2,687
Borrowing facilities (including multi-currency debt issuance programme)			
Committed borrowing facilities	**13,478**	12,195	11,807
Less: Amount drawn down	**(11,317)**	(10,449)	(9,821)
Unutilised committed borrowing facilities	**2,161**	1,746	1,986
Uncommitted borrowing facilities	**3,533**	3,620	5,359
Less: Amount drawn down	**(283)**	(1,083)	(1,027)
Unutilised uncommitted borrowing facilities	**3,250**	2,537	4,332
Total unutilised borrowing facilities	**5,411**	4,283	6,318
Trade-related facilities			
Facilities available	**3,447**	3,716	3,929
Less: Amount used	**(1,352)**	(1,604)	(2,206)
Unutilised trade-related facilities	**2,095**	2,112	1,723
Funding Profile			
Maturity profile			
Due within one year	**2,643**	1,862	1,572
Due between one to five years	**5,532**	5,803	5,204
Due after five years	**2,625**	3,067	3,072
	10,800	10,732	9,848
Debt mix			
Fixed rate debt	**6,914**	5,754	4,469
Floating rate debt	**3,886**	4,978	5,379
	10,800	10,732	9,848

[#] Restated due to reclassification of banking facilities

Financing and Treasury Highlights *(S$ million)*

	2019	2018	2017
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation	**1,535**	1,279	1,523
Interest on borrowings	**586**	508	527
Interest cover (times)	**2.6**	2.5	2.9

	2019	D/C ratio	2018[#]	D/C ratio	2017	D/C ratio
Debt / capitalisation (D/C) ratios						
Sembcorp Industries corporate debt	**4,263**	**0.23**	2,788	0.15	2,484	0.14
Sembcorp Industries project finance debt	**3,636**	**0.19**	3,714	0.20	3,264	0.18
Sembcorp Marine debt	**2,901**	**0.16**	4,230	0.23	4,100	0.23
Sembcorp Industries Group gross debt	**10,800**	**0.58**	10,732	0.57	9,848	0.55
Less: Cash and cash equivalents	**(1,767)**	**–**	(1,925)	–	(2,687)	–
Sembcorp Industries Group net debt	**9,033**	**0.48**	8,807	0.47	7,161	0.40

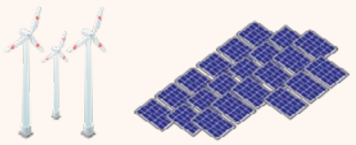
[#] Restated due to reclassification of banking facilities

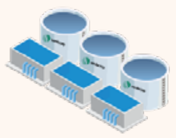
Energy

An integrated energy player poised to benefit from the global energy transition with a balanced energy portfolio of over 12,600MW of power and over 8.6 million m³/day of water and wastewater treatment capacity

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 a solid track record in providing energy, water and on-site logistics to multiple industrial site customers with compelling value propositions across the energy and utilities value chain
- Innovative renewable energy and environmental solutions with over 2,800MW of renewables, battery storage and energy-from-waste capacity in operation and under development globally
- Reliable and competitive solutions across the gas value chain including gas sourcing and importation, gas trading and regasification infrastructure





Power Capacity
>12,600MW
including 2,600MW renewable power

Water and Wastewater Treatment Capacity
>8,600,000m³/day

Performance Scorecard

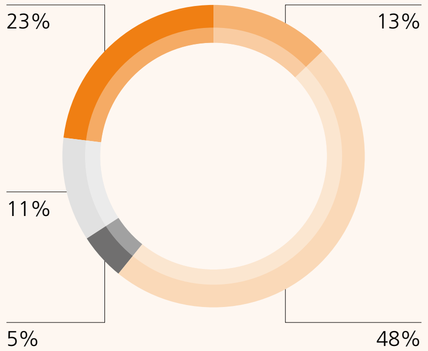
Financial Indicators *(S$ million)*

	2019	2018	Change (%)
Turnover	**6,170**	6,569	(6)
EBITDA	**1,309**	1,117	17
Profit from operations	**717**	820	(13)
– Earnings before interest and tax	**603**	728	(17)
– Share of results: Associates & JVs, net of tax	**114**	92	24
Net profit	**195**	312	(38)
– Net profit before exceptional items	**360**	321	12
– Exceptional items[1]	**(165)**	(9)	NM
Return on equity *(%)*	**5.3**	8.3	(36)

[1] 2019 exceptional items, totalling a negative S$165 million, comprise impairments of S$245 million and S$7 million of additional provision for potential claims at a joint venture wastewater treatment company in China offset by net divestment gains of S$86 million. The net divestment gain of S$86 million was from the sale of Vellocet Clean Energy in Australia, the Xinmin municipal water asset and Lianyungang industrial wastewater treatment asset in China, the utilities assets formerly serving Jurong Aromatics Corporation in Singapore and Wilton land lease in the UK. There was also a S$1 million revision on the purchase price allocation for a solar project in Singapore

2018 exceptional items, totalling a negative S$9 million, comprise a 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 a S$25 million provision for potential fines and claims at a joint venture wastewater treatment company in China and a non-cash S$7 million expensing of UK Power Reserve's capitalised cost upon refinancing

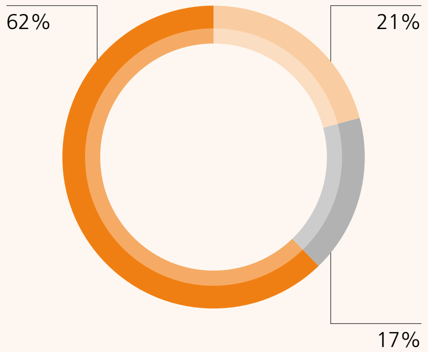
Profit from Operations* by Geography



- Singapore and rest of Southeast Asia
- China
- India
- UK
- Rest of the World

* Excluding Corporate and exceptional items

Profit from Operations* by Segment



- Gas & thermal power
- Renewable power
- Water & others

* Excluding Corporate and exceptional items

Key Developments

- Strengthened position as a provider of integrated energy solutions in Singapore with solar capacity increasing to 180MWp in 2019. Reinforced position as a major gas player with the acquisition of 30% interest in Sembcorp Gas
- Fully delivered the 250MW SECI 2 project and commissioned 227MW of SECI 3. 357MW was completed in 2019 and 120MW year-to-date in 2020, bringing total operating renewables capacity in India to 1,654MW
- Commenced operations for the first 60MW of a 120MW battery energy storage system in the UK

Looking Ahead

- **Singapore**: Rejuvenating power asset portfolio and extending customer reach for integrated energy and environmental solutions
- **Southeast Asia**: Driving growth in Vietnam and exploring renewable energy opportunities in other target markets
- **China**: Positioning for growth of the water business by leveraging proprietary technology and upgrading facilities to meet tightened environmental standards
- **India**: Continuing to focus on lifting performance, as well as maximising uptime and energy generation from renewable power assets. Remain committed to unlocking value in India – exploring IPO and other strategic options
- **UK**: Lifting performance and returns. Building capabilities to support the UK energy transition

Reshaping our energy portfolio
With growing emphasis on climate action, the pace of change in the energy sector has accelerated. In 2019, we made strides in reshaping our energy portfolio towards renewables and sustainable solutions and aligning our business focus to industry trends. 412MW of renewable power became operational in 2019, bringing total operating renewables capacity to over 2,300MW. The first 60MW of our battery energy storage system in the UK also started operations in October 2019. With 2,600MW of renewable power capacity in operation and under development globally, we are one of Singapore's largest home-grown renewable energy players.

Our operating thermal portfolio also grew with the completion and commencement of operations of the Sirajganj Unit 4 combined cycle gas turbine (CCGT) power plant in Bangladesh in April 2019. The Sembcorp Myingyan Independent Power Plant, the first competitively-tendered independent power plant in Myanmar, which commenced operations in October 2018 was also officially opened in March 2019.

The Energy business delivered turnover of S$6,170 million and profit from operations (PFO) of S$717 million in 2019, compared to S$6,569 million and S$820 million respectively in 2018. Net profit after exceptional items was S$195 million, compared to S$312 million in 2018. The exceptional items in 2019 comprised mainly S$245 million of impairments offset by S$86 million of net divestment gains. Excluding the exceptional items, underlying net profit grew 12% to S$360 million, compared to S$321 million in 2018. This was driven by better performance from overseas operations, mainly China and India, as well as the recognition of capacity market payments in the fourth quarter of 2019 in the United Kingdom (UK). Return on equity (ROE) for the business was 5.3%. ROE before exceptional items was 9.8%.

Operational Indicators*

	2019	2018
Power capacity *(MW)*	**12,631**	12,599
– thermal	**9,825**	9,825
– renewable & others[1]	**2,806**	2,774
Steam capacity *(tonnes per hour)*	**3,501**	4,044
Water and wastewater treatment capacity *(m³/day)*	**8,661,145**	8,787,665

* 2018 and 2019 capacity refers to total gross installed capacity of facilities in operation and under development. 2018 figure for renewables capacity was restated for conversion of capacity in Singapore from MWp to MW

1 Others include battery storage and energy-from-waste capacity

In 2019, we commissioned the first 60MW of our 120MW battery storage system in the UK, one of the largest fleets of its kind in Europe

In 2019, net divestment gains of S$86 million were recognised. The Xinmin municipal water asset and Lianyungang industrial wastewater treatment asset in China were divested resulting in a gain of S$9 million. We completed the sale of the utilities assets formerly serving Jurong Aromatics Corporation in October, registering a gain of S$65 million. There was also a S$16 million gain from the sale of leasehold land in Teesside in the UK. A cost of S$4 million was also incurred with the divestment of our entire stake in Sembcorp Energy Australia, formerly known as Vellocet Clean Energy, in Australia.

In line with the Group's capital recycling efforts and portfolio rebalancing strategy, we signed a conditional agreement to sell our water business in Chile to Sacyr Agua, a wholly-owned subsidiary of Spanish construction and engineering service group SACYR SA in February 2020. Realisable value for the assets has been impacted by escalating operational and regulatory costs as well as the deterioration of Chile's economic, social and regulatory environment since October 2019. The business is also facing increasing uncertainty and risks in the Chilean water sector including the potential reduction of regulated returns. In addition, the Chilean peso has depreciated by approximately 10% since October 2019. Arising from the transaction, the Group booked an impairment charge of S$64 million due to the difference between the sale value and the net asset value of the business. The water business in Chile was part of the portfolio of water and wastewater assets acquired from Cascal NV in 2010. Including this sale, the overall global Cascal portfolio has to date generated cash flows in excess of the original investment and delivered an annualised return of approximately 10%.

Sembcorp is one of Singapore's largest solar players with an additional 63MWp of solar capacity and 14 new commercial customers secured in 2019

An additional impairment of S$181 million was also made in the fourth quarter of 2019. S$158 million (net of tax) related to an impairment of UK Power Reserve (UKPR) assets. Current market conditions in the UK are challenging. The business has been impacted by a combination of economic and industry factors. The retirement of the UK's coal and older gas-fired power plants was slower than expected. In addition, there was a reduction in underlying demand. The increase in energy capacity and reduction in demand led to more competition causing lower prices and impacting the earnings of UKPR. Milder winters further moderated volatility and the absence of extreme weather and other system stress events also exacerbated the situation. While performance improved in 4Q2019 with the resumption of the capacity market, overall performance of the business remained below expectations. Flexible assets operate in the short-term markets and earnings will vary from year to year. However, considering the current challenges faced by the business including the factors outlined above, the business' future performance is now projected to be below the investment case. As part of the annual impairment testing exercise, we therefore prudently assessed the value-in-use of its assets and impaired the assets. S$23 million related to an impairment made in China for our wastewater treatment assets. New and more stringent effluent discharge standards will come into force in Jiangsu, China, with effect from January 2021. As a result, the existing facilities will not be able to meet the new standards and an impairment was taken for the relevant facilities.

Singapore
The Singapore energy operations contributed PFO of S$155 million, compared to S$224 million in 2018. The decline was mainly due to a weak power market, as well as the planned shutdown of our power generation assets in the fourth quarter of 2019 for a scheduled major maintenance. PFO was also lower due to the absence of income contribution from Tay Paper Recycling and the medical waste business, which were divested in June and September 2018, respectively, as well as the utilities facilities formerly serving Jurong Aromatics Corporation which were divested in October 2019.

With the complete nationwide roll-out of the Open Electricity Market in May 2019, Sembcorp Power has successfully entered the residential retail power segment. We continue to make headway in both residential and commercial retail power markets.

The Singapore operations further strengthened its renewable energy presence during the year, growing its total solar power portfolio to 180MWp from 117MWp at the end of 2018. In February 2020, we were also named the preferred bidder by national water agency PUB to build a 60MWp floating solar photovoltaic system on Tengeh Reservoir. We are now a key player in the Singapore solar market, providing green solutions to customers who are moving towards using clean energy to help them achieve their sustainability goals.

In addition to clean energy, we are providing our customers in Singapore with a suite of integrated solutions to support sustainable development. We are committed to supporting Singapore's move towards achieving a circular economy and becoming a zero waste nation. To boost local recycling rates as well as raise public awareness of recycling right, Sembcorp launched the '*ezi*' recycling app in November 2019. The mobile application facilitates a more convenient way of recycling through doorstep collection services.

Energy Review

Sembcorp Energy India Limited successfully commissioned 477MW of wind capacity from SECI 2 and 3 projects to date, demonstrating our leadership in project execution in India

It also offers a variety of features including educational content on recycling right.

In January 2020, we entered into a sale and purchase agreement with Veolia Environmental Services Asia to acquire a 100% equity interest in Veolia ES Singapore and the public cleaning business of Veolia ES Singapore Industrial. The businesses to be acquired hold contracts for public and commercial waste as well as recyclable collections comprising recovery and recycling, public and commercial cleaning services, and associated properties, which include a materials recovery facility. It enables us to join the dots along the entire waste management value chain from waste collection and public cleaning to materials recovery, recycling and turning waste into energy. The proposed acquisition, when completed, will help to strengthen Sembcorp's strategy of supporting sustainable development through its integrated solutions.

Rest of Southeast Asia

PFO from the Rest of Southeast Asia was S$63 million, an increase of 110% from S$30 million in 2018.

The Rest of Southeast Asia comprises power operations in Vietnam and Myanmar as well as municipal water operations in Indonesia and the Philippines. The higher PFO was driven by contribution from the Myingyan power plant in Myanmar, which commenced operations in October 2018. Contribution from Myanmar in 2019 was boosted by one-off income comprising mainly liquidated damages and vendor settlement income.

During the year, we entered the renewable energy market in Vietnam via a partnership with Becamex IDC Corporation and Vietnam Singapore Industrial Park JV Co (VSIP) to introduce a new generation of sustainable smart energy solutions to the country. The tripartite partnership aims to deliver a range of energy and utilities solutions such as renewable energy, waste-to-energy, wastewater treatment and water recycling to VSIP and Becamex facilities. The first completed project is a 51kWp rooftop solar farm atop the VSIP administrative building in Binh Duong province. Under the joint venture collaboration, Sembcorp will be developing rooftop solar facilities in other VSIP integrated townships and industrial parks as well as Becamex-owned properties in the country.

China

PFO from China grew 20%, from S$103 million in 2018 to S$124 million, driven mainly by higher contribution from our investment in wind assets. With the completion of Huanghua Huangnanpaigan and Huanghua Phase 3 wind power projects in the second half of 2018, our operational wind capacity of 725MW contributed to earnings for the full year of 2019. Operations from our thermal power plants remained stable. While earnings for Shanghai Caojing cogeneration plant was lower due to higher natural gas prices and lower tariffs, this was offset by better performance from the Chongqing Songzao supercritical coal-fired power plant which achieved higher generation and higher dark spreads. Contribution from our water operations remained steady.

India

Despite signs of a slowdown in economic growth in India, profitability for the India operations continued to improve. Net profit more than doubled to S$100 million in 2019, compared to S$47 million in 2018. PFO from India grew 18% to S$453 million.

The thermal power assets contributed PFO of S$284 million in 2019, an increase from S$228 million in 2018. The thermal assets turned in a profitable year, contributing S$47 million in net profit. Our first supercritical coal-fired power plant operated at an average plant load factor (PLF) of 80%. Unit 1 of the plant resumed operations in February 2019, after its shutdown from October 2018 to February 2019 due to a stator fault. The second supercritical coal-fired power plant operated at an average PLF of 77%. PFO improved on favourable coal costs and steady asset performance. Supply of power to Bangladesh under the 250MW long-term power purchase agreement commenced in February 2019.

The India renewables arm continued to perform well, with a PFO contribution of S$169 million and a net profit of S$53 million in 2019. Sembcorp Energy India Limited (SEIL) has demonstrated leadership in executing projects and now has the largest generating capacity amongst SECI wind project developers. In February 2020, SEIL was again the first to fully commission the SECI 2 wind power project and is slated to achieve full commissioning of the SECI 3 wind power project in 2020. We also strengthened our focus on maximising uptime and energy generation from our renewable assets, supported by our remote digital monitoring and analytics capabilities. We now have the highest renewables capacity under self-operations for an independent power provider in the country.

In June 2019, we injected new equity to support the growth of the renewable energy business. Under applicable Indian regulatory requirements, the change to the capital structure of SEIL, necessitated the withdrawal of the draft red herring prospectus earlier filed by SEIL with the Securities Exchange Board of India. In December 2019, we acquired the residual 6% stake in SEIL, making it our wholly-owned subsidiary. The acquisition allows Sembcorp to have the flexibility as sole owner to evaluate and pursue a full range of growth opportunities in the renewables segment. We remain committed to unlocking value in India and will continue to explore an IPO, as well as other strategic options.

UK

PFO from the UK was S$43 million, an improvement from S$26 million in 2018, driven by better contribution from UKPR. Contribution from Teesside operations declined due to lower generation from the Sembcorp Biomass Power Station as a result of planned maintenance in the second quarter of the year. UKPR turned in a PFO of S$18 million, compared to a loss of S$10 million in 2018. The Great Britain Capacity Market Scheme was approved by the European Commission in October 2019. We resumed the recognition of capacity market payments in the fourth quarter of 2019.

Market conditions and the regulatory environment in the UK are undergoing rapid change especially as the region moves to decarbonise. The country's coal and older power plants will inevitably be decommissioned over time, and with a growing renewables capacity, there will clearly be requirement for flexibility services. We continue to believe that there is value in UKPR's flexible assets. We are committed to turning the UKPR business around to deliver increased value. This may take some time, but we continue to believe in the long-term prospects of the business. Our strategy is to optimise the placement of capacity across markets to capture value. The UK electricity market is rapidly evolving to renewable energy generation with a legally binding target of net-zero emissions by 2050. With our portfolio of flexible assets, and the merchant and digital capabilities we are developing, we believe that we will be well-positioned to capture emerging opportunities.

Rest of the World

Operations in the Rest of the World segment include a gas-fired power plant in Bangladesh, independent water and power plants in Oman and the United Arab Emirates, as well as water assets in Chile and Panama. PFO from Rest of the World grew to S$102 million, from S$85 million in 2018. Despite the absence of contribution from our municipal water operations in South Africa which were divested in December 2018, PFO increased due to the contribution from our CCGT power plant in Bangladesh which commenced full operations in April 2019. The Sirajganj Unit 4 CCGT power plant is Bangladesh's first public-private partnership power plant backed by foreign investment. It was developed, and is owned and operated by Sembcorp North-West Power Company, a joint venture that is 71%-owned by Sembcorp Utilities and 29% by Bangladesh's state-owned North-West Power Generation Company. The plant supplies power to Bangladesh Power Development Board under a 22-year power purchase agreement. PFO from our Middle East and Americas businesses was S$50 million and S$9 million respectively in 2019.

Outlook

The world is undergoing an energy transition, from a reliance on fossil fuels to renewable energy. While these developments will offer us opportunities, changing our portfolio mix will take time as there is a need to balance the transition with the goals of energy security, environmental sustainability, affordability and accessibility. We believe that with our portfolio of assets focused on the Gas & Power, Renewables & Environment, and Merchant & Retail energy segments, we are well-placed to benefit from the energy transition.

The COVID-19 outbreak has significantly weakened near-term economic prospects. According to the International Monetary Fund, the epidemic is affecting confidence and steps to contain it are impacting economic activity. As such, global growth in 2020 is expected to dip below 2019 levels.

In 2020, underlying performance of the Energy business is expected to be lower than in 2019 due to the loss of contribution from divested assets, the absence of one-off income in Myanmar, and the potential impact arising from the COVID-19 outbreak.

The Energy business continues to focus on reshaping its portfolio towards renewables and sustainable solutions and executing its strategy to reposition accordingly.

Operating and Financial Review

Marine

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

Competitive Edge

- A global leader in integrated offshore, marine and energy solutions with a proven track record and more than 50 years of experience
- Able to offer diversified and innovative engineering solutions across the offshore, marine and energy value chain
- Established capabilities in rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding, and enhanced capabilities to serve the gas value chain
- Strategically located shipyards and facilities in Singapore, Indonesia, Norway, the United Kingdom and Brazil

Net Orderbook*

S$2.4 billion

New Contracts Secured

S$1.5 billion

Performance Scorecard

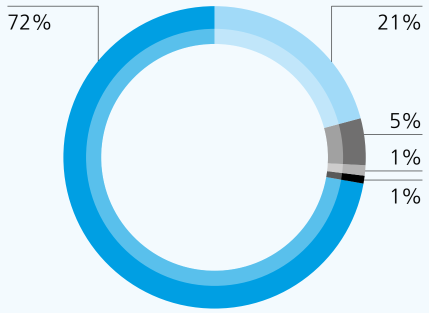
Financial Indicators *(S$ million)*

	2019	2018	Change *(%)*
Turnover	**2,883**	4,888	(41)
EBITDA	**108**	148	(27)
Profit / (Loss) from operations	**(140)**	(55)	(155)
– Earnings / (Loss) before interest and tax	**(138)**	(53)	(160)
– Share of results: Associates & JVs, net of tax	**(2)**	(2)	–
Net profit / (loss)	**(137)**	(74)	(85)
– Net profit / (loss) before exceptional items	**(142)**	(74)	(92)
– Exceptional items[1]	**5**	–	NM
Return on equity *(%)*	**(6.1)**	(3.1)	(97)

Note: Figures taken at Sembcorp Marine level

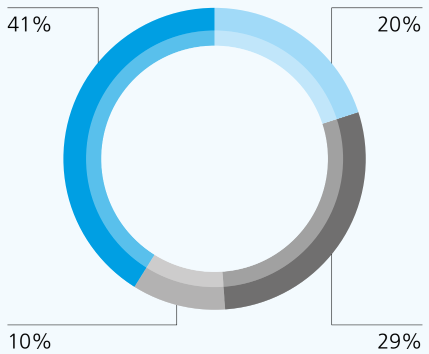
[1] 2019 exceptional item relates to negative goodwill from the fair value adjustment on the completion of valuation and final purchase price allocation for the acquisition of interests and titles to the intellectual property rights of Sevan Marine and HiLoad LNG

Turnover by Segment



- Rigs & floaters
- Repairs & upgrades
- Offshore platforms
- Specialised shipbuilding
- Other activities

Orderbook Composition*



- Floaters
- Drillships
- Offshore platforms
- Specialised shipbuilding / Refurbishment

* Excluding the Sete Brasil drillship contracts. As at December 31, 2019

Key Developments

- Secured S$1.5 billion of new contracts, of which S$530 million pertained to greener solutions
- Added new 30,000-tonne capacity gantry cranes at the Tuas Boulevard Yard which enhance the yard's value proposition as a one-stop production centre for large, heavy and complex projects
- Reached a full and final settlement on the claims under all seven drillship contracts with Sete Brasil Group

Looking Ahead

- Gearing up for the global economy's shift towards cleaner energy use, with long-term investments in innovation, technologies and expertise for developing new engineering solutions
- Growing order volume in offshore wind by raising brand awareness in market regions unfamiliar with the business' solutions and track record
- Developing new design solutions for the battery- and hydrogen fuel cell-powered ship segments

Marine Review

Challenges persist, competition remains intense
2019 was a challenging year for the Marine business with intense competition and continued low work volume.

Turnover was S$2,883 million compared to S$4,888 million in 2018. On a segmental basis, turnover for rigs & floaters was lower compared to 2018. The higher turnover in 2018 was due to revenue recognition from the delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease and the sale of a semi-submersible rig. Revenue in 2019 was mainly contributed by higher percentage recognition from ongoing drillship and floater projects. Turnover from offshore platforms was reduced due to lower revenue recognition of the Hornsea 2 wind farm substations and Tangguh gas module projects compared to that of the Culzean platform projects in 2018. Turnover for the repairs & upgrades segment grew 27% to S$605 million due to higher revenue per vessel on an improved vessel mix.

Operational Indicators *(S$ million)*

	2019	2018
Net orderbook*	**2,436**	3,088
New contracts secured	**1,487**	1,184

* Excluding the Sete Brasil drillship contracts

Excluding the effects of the delivery of one jack-up rig to Borr Drilling in 2019 and the delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease and the sale of a semi-submersible rig in 2018, revenue would have been S$2,670 million, an increase of 6% compared to S$2,530 million in 2018.

Turnover *(S$ million)*

	2019	2018	Change (%)
Rigs & floaters	**2,069**	4,148	(50)
Repairs & upgrades	**605**	476	27
Offshore platforms	**131**	184	(29)
Specialised shipbuilding	**35**	–	NM
Other activities	**43**	80	(46)
Total	**2,883**	4,888	(41)

The Marine business recorded a loss from operations of S$140 million compared to a loss from operations of S$55 million in 2018. The business posted a net loss of S$137 million compared to a net loss of S$74 million in 2018 mainly due to the accelerated depreciation of Tanjong Kling Yard and continued low overall business volume. It was partly offset by profits from the repairs & upgrades business, which rose on improved margins and a better product mix. Return on equity for the business was a negative 6.1%.

The construction of two high specification ultra-deepwater drillships for Transocean is based on Sembcorp Marine's proprietary Jurong Espadon 3T drillship design

Actively pursuing new orders in new and existing markets
In 2019, the business secured S$1.5 billion in new orders, despite difficult market conditions. This is an improvement over the total orders of S$1.2 billion received in 2018.

The new orders included the construction and integration of a topside and hull of a floating production unit (FPU) for Shell Offshore for the Whale field in the Gulf of Mexico. The business also secured two offshore platform projects from North Oil Company and Total E&P Danmark, valued at S$550 million for the fabrication and integration of two well-head platforms for North Oil Company and platforms and bridges for Total.

During the year, the Marine business successfully entered the highly competitive Taiwanese offshore wind sector with a project for first-time customer, Jan De Nul, to fabricate 15 jacket foundations for Formosa 2, the biggest offshore wind farm in Taiwan as well as various contracts with repeat and new customers. These included a floating production storage and offloading (FPSO) conversion with Shapoorji Pallonji and Bumi Armada, the conversion or upgrade of several floating storage and regasification unit (FSRU) or floating storage unit (FSU) projects as well as the makeover of *Asuka II* for NYK Cruises.

The business also entered into contracts worth about S$175 million for the design and construction of a liquefied natural gas (LNG) bunker vessel for Mitsui O.S.K. Lines as well as repair and modernisation works for 13 cruise ships. The LNG bunker vessel will have a capacity of 12,000m^3, making it the biggest of its kind to be constructed in Singapore.

Notable deliveries in 2019

Sleipnir, the world's largest and strongest semi-submersible crane vessel, delivered to Heerema Marine Contractors

Topside modules construction and integration for the FPSO *P-68* delivered to Petrobras, a testament to Estaleiro Jurong Aracruz's engineering, procurement, construction and commissioning capabilities

Q7000 well-intervention semi-submersible rig delivered to Helix Energy Solutions

Marine Review

At the end of 2019, net orderbook stood at S$2.4 billion, excluding the Sete Brasil drillship contracts.

The business continues to actively pursue new orders in both new and existing markets amid the challenging environment. Going into 2020, Sembcorp Marine is optimistic about its negotiations for several major projects, including the Siccar Point Cambo FPSO, for which it has concluded an exclusive front-end engineering design (FEED) using the proprietary Sevan design and will be moving into the next phase.

Settlement of all seven drillship contracts with Sete Brasil
In October 2019, Sembcorp Marine reached a full and final settlement with Sete Brasil Group on the claims under all seven drillship contracts, subject to certain conditions precedent which have since been fulfilled.

Under the settlement agreement, the titles to five of the seven drillships are retained by Sembcorp Marine, while the titles to the remaining two drillships in advanced construction stages are apportioned between the business and Sete Brasil according to the payments already received. Sembcorp Marine will terminate its arbitration proceedings against Sete Brasil Group and is in talks with a potential purchaser on the completion of two of the seven drillships.

Embracing new innovation and building future-ready capabilities
Amid the global economy's shift towards cleaner energy sources, the business recognises that the major oil and gas companies, which constitute its traditional customer base, are diversifying their product mix to include clean and renewable energy products such as offshore wind. Increasingly, Sembcorp Marine's customers are repositioning themselves as producers of energy, rather than oil or gas.

In response, the business has been gearing up for this shift with long-term investments in innovation, technologies and expertise for developing new engineering solutions. Out of the S$1.5 billion of new orders received in 2019, S$530 million of orders pertained to greener solutions such as scrubber and ballast water management system retrofits as well as gas and renewable energy projects.

Although offshore oil and gas remains Marine's key market, offshore wind is a growing sector that is opening up possibilities for the business. To grow order volume in this segment, the business will focus on enhancing its brand visibility, especially in market regions that are unfamiliar with its solutions and track record. In addition, new design solutions for the battery- and hydrogen fuel cell-powered ship segments are also being developed as the business works towards completing three zero-emission battery-powered RoPax ferries for Norled.

As the business embraces new innovation and develops future-ready capabilities, this may mean that certain functions like engineering are becoming fixed costs as the business responds to tenders and enquiries for various engineering solutions and participates in FEED and pre-FEED work requested by potential customers. As such, these investments are crucial to help boost the business' ability to cater to the increasingly complex field development needs of customers.

Good progress on ongoing construction project pipeline

Rigs & Floaters

- The construction of two high specification ultra-deepwater drillships for Transocean
- The construction of topside modules for FPSO *P-71* for Petrobras
- The construction and integration of the newbuild FPSO hull and living quarters for Equinor (formerly Statoil) for the Johan Castberg field development
- The construction and integration of the hull, topsides and living quarters for Shell's Vito FPU
- The engineering, procurement, construction and integration of vessel hull, living quarters and topside modules for TechnipFMC's newbuild Karish FPSO
- The FPSO conversion project with Shapoorji Pallonji and Bumi Armada
- The construction and integration of the hull and topside of Shell's Whale FPU

Offshore Platforms

- The construction of Tangguh LNG modules
- The engineering, procurement and construction, hook-up and commissioning works of two topsides for the Hornsea 2 offshore wind farm for Ørsted Wind Power
- The fabrication of 15 jacket foundations for Formosa 2 offshore wind farm for Jan De Nul
- The fabrication and integration of two well-head platforms for North Oil Company and platforms and bridges for Total E&P Danmark

Specialised Shipbuilding

- The design and construction of three identical battery-powered RoPax ferries for Norled
- The construction of an LNG bunker vessel for Mitsui O.S.K. Lines

Innovation at Sembcorp Marine Tuas Boulevard Yard
The Marine business continued to incorporate innovation and technologies in its shipyards. Operations at Tuas Boulevard Yard have been strengthened with state-of-the-art facilities. The yard's new 30,000-tonne capacity gantry cranes will support a number of projects in 2020, including the installation of the 9,200-tonne assembled topside onto the hull of the Shell Vito FPU. The cranes will greatly enhance Tuas Boulevard Yard's value proposition as a one-stop production centre for fabricating, assembling and installing larger, heavier and more complex projects. Mega-structures can be completely integrated on-site, instead of being transported in several smaller parts for further assembly, providing a more cost-effective solution for customers.

The Tuas Boulevard Yard enhances Sembcorp Marine's competitive edge by enabling the business to achieve greater productivity and efficiency in delivering innovative, value-added and cost-effective solutions to customers

Strengthening financial position
During the year, the Marine business obtained a S$2 billion five-year subordinated loan facility from Sembcorp Industries, of which S$1.5 billion has been drawn down to repay the business' existing borrowings. A further S$500 million is available for working capital and general corporate purposes. The facility has helped the Marine business to re-profile its debt longer-term and provided additional working capital that will help put the business in good stead to capture opportunities to anchor its future performance and growth.

The Marine business continues to focus on maintaining cost prudence, while balancing investments in innovation, capability retention and manpower development. These will enable the business to better position itself for higher-value projects in new and existing markets.

Outlook

Business activity levels remain low for all segments except for repairs and upgrades, which continues to improve, underpinned by International Maritime Organization regulations that require the installation of ballast water treatment systems and gas scrubbers.

Challenges remain, in particular supply chain disruptions due to the COVID-19 virus outbreak, which could affect the execution of Sembcorp Marine's projects. Competition remains intense for all segments of the business. Sembcorp Marine expects the trend of losses to continue into 2020.

Urban

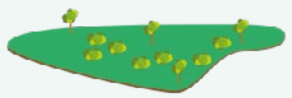
A leading Asian developer with a strong track record in transforming raw land into sustainable urban developments, delivering the economic engine to support growth

Competitive Edge

- Proven track record with 30 years of experience in master planning, land preparation and infrastructure development to transform raw land into urban developments
- 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 of integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- People-centric approach to urban planning, incorporating green solutions and smart technology to enhance the liveability and sustainability of the developments

Total Net Orderbook

423 hectares



Remaining Saleable Land

2,600 hectares

Performance Scorecard

Financial Indicators *(S$ million)*

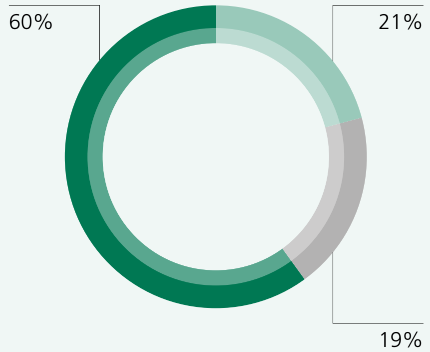
	2019	2018	Change *(%)*
Turnover[1]	**280**	5	NM
Profit from operations	**177**	94	88
– Earnings before interest and tax	**102**	*	NM
– Share of results: Associates & JVs, net of tax	**75**	94	(20)
Net profit	**117**	86	36
– Net profit before exceptional items	**117**	71	65
– Exceptional items[2]	**–**	15	(100)
Return on equity *(%)*	**11.4**	8.9	28

* Less than S$1 million

[1] Most of our Urban businesses are associates or joint ventures. Turnover reflects payment for services provided to these associates or joint ventures. For 2019, turnover included recognition from the sale of *Riverside Grandeur* in Nanjing, China, a residential development wholly-owned by Sembcorp

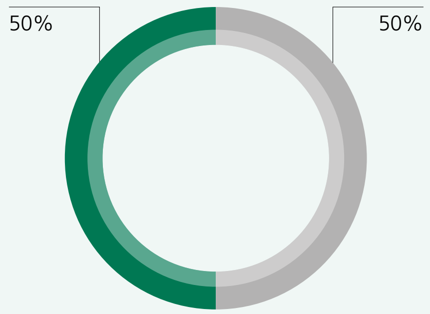
[2] 2018 exceptional item of S$15 million relates to the divestment gain from the sale of *Hongshan Mansion* held under Wuxi Singapore Property Investment

Remaining Saleable Land by Geography



- Vietnam
- China
- Indonesia

Remaining Saleable Land by Segment



- Industrial & business[1]
- Commercial & residential[2]

[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

- Completed and handed over wholly-owned *Riverside Grandeur* residential development in China, driving record profits for the year
- Secured investment certificates for an additional 900 hectares of saleable land from two new VSIP developments in Bac Ninh and Binh Duong
- Phase 2 of *The Habitat Binh Duong* residential development in VSIP Binh Duong launched and sold out in 2019, with profit recognition expected in 2020. Soft launched Phase 3A in October 2019

Looking Ahead

- Net orderbook of 423 hectares to be recognised as land sales over the next two to three years
- Continuing to develop new residential projects. Recognition of *The Habitat Binh Duong* Phase 2 and *Sun Casa* projects in Vietnam expected in 2020
- Replenishing land bank for future growth

Urban Review

Record financial performance from the Urban business, exceeding S$100 million in net profit
2019 was a stellar year for the Urban business, underpinned by residential sales. Profit from operations grew to S$177 million from S$94 million, while net profit increased to S$117 million from S$86 million the year before. This was driven by the recognition of profit from property development, with the successful completion and handover of *Riverside Grandeur* in Nanjing, China, as well as two residential projects at Vietnam Singapore Industrial Park (VSIP) developments in Vietnam. Return on equity for the business was 11.4%. The development properties were also recognised by the industry, receiving a record number of awards and accolades for their concept and design.

Urban's land sales activities were supported by stronger performance at our VSIP developments in Vietnam. However, there were lower land sales from our China and Indonesia projects. Land sales totalled 268 hectares compared to 307 hectares in 2018 while net orderbook remained stable at 423 hectares, comparable to 425 hectares in 2018.

Operational Indicators *(hectares)*

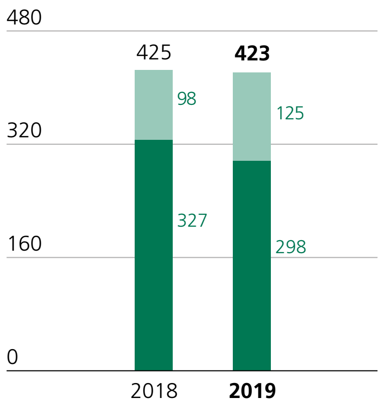
	2019	2018
Saleable land inventory	**5,938***	5,742
Land sold (cumulative)	**2,915**	2,647
Total net orderbook	**423**	425
Remaining saleable land	**2,600**	2,670

* New saleable land added from VSIP Bac Ninh expansion
Note: Figures are based on current planned estimates

Vietnam
The VSIP integrated townships and industrial parks continued to perform well. Manufacturing activity in the country remained robust and with depleting industrial land supply in VSIP projects in the southern and northern economic corridors, manufacturers' demand for industrial land in other VSIP projects increased. Industrial land sales in the provinces of Quang Ngai and Nghe An in central Vietnam, as well as Hai Duong in northern Vietnam increased 62% over the previous year. In 2019, we secured investment certificates to develop two new VSIP projects in Binh Duong and Bac Ninh provinces which will add an additional 900 hectares of saleable industrial land to our saleable land inventory over the next two years. Prepared land from these two projects is expected to be ready for handover to customers in late 2020.

Our VSIP joint venture also launched a series of mass market homes which saw strong take-up by local buyers.

Total Net Orderbook *(hectares)*



■ Industrial & business[1]
■ Commercial & residential[2]

[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

Construction of factories in VSIP Nghe An, northern central Vietnam

BelHomes, developed by VSIP Bac Ninh in Vietnam, sold out on the same day as its launch

Sun Casa in VSIP Binh Duong and *BelHomes* in VSIP Bac Ninh collectively sold 661 terraced houses and shophouses, with sales profit recognised during the year. Both residential developments and VSIP Bac Ninh received seven awards at the Vietnam Property Awards 2019, in recognition for best developments, concept and design. For the ninth year running, VSIP was voted Best Industrial / Warehouse Developer in Vietnam in the United Kingdom's Euromoney Real Estate Survey.

During the year, phase two of *The Habitat Binh Duong*, a 460-unit residential development within VSIP Binh Duong was sold out. Profit from this phase will be recognised in 2020. With the strong interest shown by homebuyers as well as investors, we have soft launched phase 3A with 247 out of 390 apartment units already taken up. The units will be handed over to buyers between 2021 and 2022.

China
Our Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) project achieved another development milestone during the year. SNEI is the largest collaboration between Singapore and Nanjing. In May 2019, the joint venture celebrated its 10th anniversary and unveiled a two-pronged industry focus to drive the island's economic development.

The first focus is on artificial intelligence (AI). The joint venture will develop a China-Singapore Smart City Demonstration Zone to attract high-tech companies to undertake AI research, development and design for smart city applications that can be tested on the island before market launch. *Jiangdao Intelligent Cube*, a 106,218-square metre business park within SNEI was completed and launched to house

Sino-Singapore Nanjing Eco Hi-tech Island in China celebrated its 10th anniversary in 2019. *Jiangdao Intelligent Cube* is pictured on the right in the foreground

Fostering a pipeline of innovation at the *International Water Hub*

IWH provides laboratory space for clinical testing of new solutions

Fully equipped meeting rooms are available for networking and product launches

Designed by award-winning architecture firm Aedas, *International Water Hub* (*IWH*) is located on Sino-Singapore Nanjing Eco Hi-tech Island and overlooks Nanjing City's new Hexi central business district. The building was completed in December 2019. *IWH* was named Best Office Building in Nanjing by Yangtze Evening Post.

It will house technology companies looking to test new water and environmental technologies for the Chinese and global markets. As a business centre, *IWH* is designed to be a collaborative workspace for research scientists, technologists and academics to conduct knowledge-driven exchanges and form partnerships. This supports the commercialisation of R&D projects from the pilot phase to market readiness.

Our first wholly-owned residential development, *Riverside Grandeur*

Riverside Grandeur is a 332-unit residential complex comprising 11 apartment blocks designed by award-winning architecture firm Aedas, with interiors by Steve Leung Design Group from Hong Kong. *Riverside Grandeur* offers a luxurious waterfront living experience, overlooking the Hexi central business district on Nanjing mainland across the Yangtze River. It is Sembcorp's first wholly-owned residential development in China.

This high-end residential development leverages Sino-Singapore Nanjing Eco Hi-tech Island's unique modern eco-setting as well as its verdant landscaping. The island's landscape designer received the Outstanding Design Award for Wildlife, Biodiversity, Habitat & Enhancement by the International Federation of Landscape Architects (IFLA AAPME Awards).

Strong turnout for the official launch of *Riverside Grandeur*

Artist's impression of a unit in *Riverside Grandeur*

these companies, and has attracted companies including Tencent and iFlytek. Its second focus is on water science research and development (R&D). Sembcorp will lead the development of this industry sector with a new business centre, *International Water Hub* (*IWH*), to help international companies undertake R&D for new water solutions to tackle the global challenge of water pollution as well as attain higher standards for effluent discharge. Through a comprehensive ecosystem involving scientists, technologists, academics and investors, *IWH* will support companies by accelerating the commercialisation of new solutions for the global market. *IWH* will launch 33,800 square metres of office and retail space for lease in 2020. The development's total allocated laboratory space of 2,500 square metres has been fully taken up.

On the residential front, we completed a major development wholly-owned by Sembcorp. *Riverside Grandeur* is a 332-unit residential complex, offering panoramic city views of Nanjing's Hexi central business district on Nanjing mainland across the Yangtze River. All units were sold, with 326 units handed over to buyers, driving Urban's record net profit for the year.

Indonesia

Kendal Industrial Park (KIP) in Semarang, Central Java, saw a pick up in manufacturing interest in the second half of 2019 as the central government signalled its support for KIP to be designated the first special economic zone for industrial development on Java Island. In December 2019, KIP which is also known as *Park by the Bay*, was gazetted a special economic zone with accompanying investment incentives for manufacturing tenants. Since the gazette, we have achieved a healthy net orderbook for industrial land which will be converted to land sales over the next couple of years.

Separately, we divested our entire 10.27% equity interest in Gallant Venture for a consideration of S$62 million. Disposing of Sembcorp Development's entire holding in Gallant Venture is in line with the Group's strategy to recycle capital.

India

Following a change in scenario for the development of Amaravati Capital City, our joint development company Amaravati Development Partners (ADP) and the State Government of Andhra Pradesh mutually agreed to terminate the master development of Amaravati Capital City Start-up Area. We intend to complete the dissolution of ADP in 2020.

Outlook

In Vietnam, foreign direct investment rose 6.7% in 2019 with the manufacturing and processing industry set to receive the largest amount of investments, comprising 65% of total investment pledges. While gross domestic product expanded 7.0% for the whole year, the economy slowed in the fourth quarter of 2019 due to a contraction in exports. The statistics reflect Vietnam's susceptibility to any slowdown in the global economy as US-China trade relations continue to pose uncertainty for manufacturers. Dampened growth in advanced economies such as the US, Europe and Japan which are traditional recipients of exports from Vietnam, may impact demand for industrial land in VSIPs.

In China, growth decelerated to 6.1% in 2019 on the back of higher trade tariffs to the US as well as flagging consumer confidence. The impact on manufacturing of low value-added products has been significant, with Chinese manufacturers seeking alternative production facilities in Asia. However, we expect demand in our Wuxi-Singapore Industrial Park to remain resilient, as tenants are in the higher value-added semiconductor sector. On the commercial and residential (C&R) front, we sold two plots of C&R land in SNEI which were recognised in 2019. However, land sales are expected to remain slow as the government has upheld property cooling measures and continues to regulate the release of C&R land for development.

In 2019, the Urban business recognised significant contribution from the sale of a residential development in China. Excluding this contribution, the Urban business is expected to provide steady profitability underpinned by its net orderbook. Operations in Vietnam and China may see challenges in the near term arising from US-China trade tensions but this is expected to be partially offset by better performance in Indonesia. The COVID-19 outbreak and its disruptions on manufacturing supply chains could further impact land sales as well as industrial and commercial leasing activities.