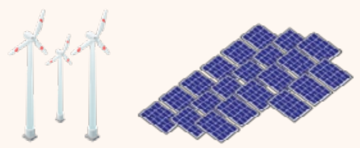
Energy

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

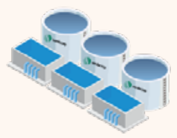
- Global track record as an originator, owner or investor, operator and optimiser of thermal and renewable energy as well as water assets with strong operational, management and technical capabilities
- An integrated energy player with a solid track record in providing energy, water and on-site logistics 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

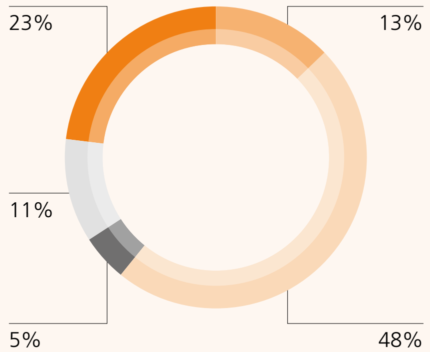
Financial Indicators *(S$ million)*

	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

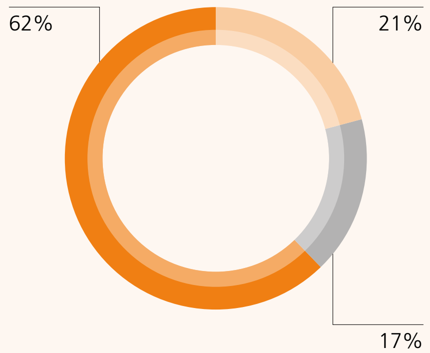
Profit from Operations* by Geography



- 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 *(m^3/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%.

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.

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

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.