Group Financial Review

Financial Highlights

Following the completion of the distribution *in specie* of ordinary shares in the capital of Sembcorp Marine Limited to Sembcorp Industries shareholders, the performance of the Marine business for the period from January 1, 2020 to September 11, 2020 is reported under discontinued operation. The profit and loss figures are after the elimination of inter-segment finance income of S$38 million in 2020 and S$27 million in 2019. The 2019 comparative figures have been re-presented accordingly.

	2020	2019	Change (%)
For the Year *(S$ million)*			
Continuing Operations			
Turnover	**5,447**	6,735	(19)
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**1,184**	1,427	(17)
Earnings before interest and tax	**442**	706	(37)
Share of results: Associates & JVs , net of tax	**233**	186	25
Profit before tax	**211**	448	(53)
Net profit before exceptional items	**301**	456	(34)
Net profit from continuing operations	**157**	305	(49)
Discontinued Operation			
Loss from discontinued operation, net of tax	**(184)**	(58)	(217)
Loss on the Distribution	**(970)**	–	NM
Loss from discontinued operation	**(1,154)**	(58)	NM
Group net (loss) / profit	**(997)**	247	NM
Capital Position *(S$ million)*			
Owners' funds	**3,339**	6,070	(45)
Total assets	**13,562**	23,252	(42)
Net debt	**6,696**	9,033	(26)
Operating cash flow	**491**	977	(50)
Free cash flow	**719**	1,352	(47)
Capital expenditure and equity investment	**315**	812	(61)
Shareholder Returns			
Net assets per share *(S$)*	**1.87**	3.85	(51)
Earnings per share *(cents)*	**(56.81)**	11.81	NM
Earnings per share – continuing operations *(cents)*	**7.84**	15.06	(48)
Dividends per share *(cents)*	**4.0**	5.0	(20)
Distribution per share	**4.911 SCM Shares for each SCI Share held[2]**	–	NM
Last traded share price *(S$)*	**1.70**	2.29	(26)
Total shareholder returns *(%)*	**51**	(8)	NM

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

[2] On September 11, 2020, Sembcorp Industries (SCI) distributed 4.911 Sembcorp Marine (SCM) shares for each SCI share held by entitled SCI shareholders at the record date

Overview

On September 11, 2020, Sembcorp Industries completed the distribution *in specie* of ordinary shares in the capital of Sembcorp Marine Limited to its shareholders (the Distribution). Consequent to the Distribution, the performance of the Marine segment for the period from January 1, 2020 to September 11, 2020 is reported as a discontinued operation.

Turnover

The Group achieved a turnover of S$5,447 million from continuing operations, compared to S$6,735 million in 2019. The Energy business recorded a turnover of S$5,266 million, 14% lower compared to 2019. The decline was due to a fall in oil prices, lower energy demand and absence of contribution from divested businesses. The Urban business recorded S$9 million in turnover, compared to S$280 million in 2019. Turnover in 2019 included recognition of the sale of *Riverside Grandeur* in Nanjing, China, a residential development wholly-owned by Sembcorp.

Net Profit

The Group recorded a net loss of S$997 million in 2020 compared to a net profit of S$247 million in 2019. This was mainly due to a non-cash, non-recurring fair value loss of S$970 million recorded following the completion of the Distribution in September 2020. Net loss for the Marine business attributable to the Group, for the period prior to the Distribution, was S$184 million. The Group also recorded exceptional items of negative S$144 million for the year.

Excluding exceptional items and the discontinued Marine business, net profit was S$301 million compared to S$456 million in 2019.

In 2020, the Energy business contributed S$160 million in net profit to the Group, compared to S$195 million in 2019. Excluding exceptional items, the business delivered a net profit of S$297 million, compared to S$360 million in the previous year. The Energy business' activities and financial performance in 2020 remained resilient amid a challenging global market environment. The year-on-year decline was mainly due to the absence of contribution from divested businesses and lower triad income from the UK in line with the reduction announced by the regulator. Net profit from the Rest of the World grew as the Sirajganj Unit 4 gas-fired power plant in Bangladesh contributed to earnings for the full year.

Exceptional items recorded by the Energy business in 2020 amounted to a negative S$137 million. This mainly comprised impairments of assets amounting to S$208 million, offset mainly by income recognition due to Change in Law events in India.

A listing of the exceptional items can be found in the Energy Review section of this report on page 19.

The Urban business turned in a creditable performance in 2020, driven by higher contributions from its China and Indonesia projects, despite the impact of COVID-19. Net profit was S$92 million compared to S$117 million the year before. Net profit in 2020 included exceptional items of S$32 million while net profit in 2019 included a significant contribution from the sale of residential units in the *Riverside Grandeur* development in China.

Cash Flow and Liquidity

As at December 31, 2020, the Group's cash and cash equivalents in the cash flow statement stood at S$1,009 million. Net cash from operating activities before changes in working capital stood at S$1,047 million, while net cash from operating activities was S$491 million. The build-up of working capital was mainly due to the India energy operations.

Net cash used in investing activities was S$1,281 million, mainly from net cash outflow on the Distribution arising from the deconsolidation of Sembcorp Marine's cash amounting to S$1,309 million. Net cash from financing activities was S$55 million. Proceeds from borrowings were offset by the repayment of borrowings and the redemption of perpetual securities during the year.

Financial Position

Group shareholders' funds declined to S$3,339 million as at December 31, 2020, from S$6,070 million as at December 31, 2019. As a result of the Distribution, Sembcorp Marine is no longer a subsidiary of the Group and its financials have been deconsolidated. This accounted for the significant reduction in balances of assets, liabilities and non-controlling interests.

Property, plant and equipment net decrease of S$4,999 million was mainly due to the Distribution as well as depreciation charged for the year, net of additions from new renewable power assets in Singapore, India and the UK.

Non-current trade and other receivables declined S$1,175 million due to the deconsolidation of the Marine business.

Net current assets increased due to a decrease in interest-bearing borrowings due within 12 months as a result of the deconsolidation of the Marine business and a decrease in trade and other payables.

Non-current liabilities decreased in 2020 mainly due to interest-bearing borrowings. Interest-bearing borrowings decreased with the deconsolidation of the Marine business, but included new borrowings to refinance the Energy business' funding requirement upon redemption of perpetual securities.

Shareholder Returns

In 2020, return on equity of the Group's continuing operations was 3.0% and earnings per share amounted to 7.84 cents. Including discontinued operation, loss per share was 56.81 cents. Subject to approval by shareholders at the next annual general meeting, a total and final dividend of 4.0 cents per ordinary share has been proposed for the financial year ending December 31, 2020.

Group Financial Review

Five-year Financial Performance

	2020[1]	2019	2018	2017	2016
For the Year *(S$ million)*					
Turnover	**5,447**	9,618	11,689	9,026	7,907
– Energy	**5,266**	6,138	6,536	5,697	4,111
– Marine	**–[1]**	2,883	4,888	3,035	3,544
– Urban	**9**	280	5	8	7
– Other Businesses	**172**	317	260	286	245
Earnings before interest, tax, depreciation and amortisation (EBITDA)[2]	**1,184**	1,535	1,279	1,523	1,315
Earnings before interest and tax	**442**	565	667	920	784
Share of results: Associates & JVs, net of tax	**233**	184	174	164	125
Profit before tax	**211**	295	420	611	537
Net profit from continuing operations	**157**	247	347	383	395
– Energy	**160**	195	312	140	348
– Marine	**–[1]**	(85)	(48)	157	48
– Urban	**92**	117	86	83	33
– Others / Corporate	**(95)**	20	(3)	3	(34)
Return on equity *(%)*	**3.0**	3.5	5.1	5.8	6.2
Return on total assets *(%)*	**3.7**	3.5	3.6	4.4	4.0
Discontinued operation[1] (including loss on the Distribution)	**(1,154)**	–	–	–	–
Net profit	**(997)**	247	347	383	395
At Year End *(S$ million)*					
Property, plant and equipment, right-of-use assets and investment properties	**7,339**	12,331	11,782	11,249	11,287
Other non-current assets	**3,219**	4,826	5,215	4,004	3,379
Net current assets	**877**	83	748	2,159	1,609
Non-current liabilities	**(7,959)**	(9,361)	(9,807)	(9,238)	(8,112)
Net assets	**3,476**	7,879	7,938	8,174	8,163
Share capital and reserves (including perpetual securities)	**3,339**	6,871	6,788	6,944	6,702
Non-controlling interests	**137**	1,008	1,150	1,230	1,461
Total equity	**3,476**	7,879	7,938	8,174	8,163
Per Share					
Earnings *(cents)*	**(56.81)**	11.81	16.98	19.06	19.92
Net assets *(S$)*	**1.87**	3.85	3.80	3.88	3.75
Dividends *(cents)*	**4.0**	5.0	4.0	5.0	8.0

[1] Following the completion of the distribution *in specie* of ordinary shares in the capital of Sembcorp Marine Limited to Sembcorp Industries shareholders, the performance of the Marine business for the period from January 1, 2020 to September 11, 2020 is reported under discontinued operation

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

Figures prior to 2017 are presented in accordance with the Financial Reporting Standards in Singapore (FRS)

2020
Sembcorp posted a net profit of S$157 million and turnover of S$5,447 million from continuing operations. In 2020, before exceptional items and the discontinued Marine business, net profit was S$301 million compared to S$456 million in 2019. Including the Marine business and exceptional items, the Group recorded a net loss of S$997 million for 2020, compared to a net profit of S$247 million in 2019.

The net loss of S$997 million was mainly due to a non-cash, non-recurring fair value loss on distribution and a net loss of S$184 million from the Marine business prior to the Distribution. The Group's carrying value for all of its Sembcorp Marine's (SCM) shares at the date of the Distribution was S$2,561 million. The Distribution, measured at fair value, using the closing price of SCM shares of S$0.182 prior to the Distribution, amounted to S$1,597 million. Distribution at fair value less transaction costs of S$6 million resulted in S$970 million loss on Distribution for the Group.

The Group's exceptional items, totalled negative S$144 million in 2020. The Energy and Other Businesses segments accounted for negative S$137 million and S$39 million of the exceptional items respectively. This was offset by S$32 million positive exceptional items from the Urban business.

In 2020, the Energy business contributed a net profit of S$160 million to the Group, compared to S$195 million in 2019. Net profit, before exceptional items, was S$297 million, down 18% from S$360 million in 2019. Energy's net profit before exceptional items in 2019 also benefitted from one-off insurance and vendor settlements.

The Urban business contributed a net profit before exceptional items of S$60 million, compared to S$117 million in 2019. Urban's net profit in 2019 included the recognition of S$71 million from the sale of residential units in *Riverside Grandeur* in Nanjing, China. Growth in 2020 was driven by strong land sales achieved at Nanjing Eco Hi-tech Island and Kendal Industrial Park.

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.

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 recorded a 22% growth in net profit while India doubled its net profit from 2018. 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 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.

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.

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.

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

The Energy business contributed a 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. 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. This comprised mainly of S$23 million of divestment gains, S$25 million of additional provision for potential fines and claims at an overseas water business, as well as a non-cash S$7 million expensing of capitalised cost at UKPR on refinancing.

The Marine business reported a loss of S$48 million in 2018, compared to a net profit of S$157 million in 2017, in accordance with SFRS(I). The business' loss in 2018 was mainly due to loss from the sale of a semi-submersible rig and continued low overall business volume. 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 the net profit of S$83 million in 2017.

Group Financial Review

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

Sembcorp posted a 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.

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 a 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 and S$39 million in refinancing cost incurred for our second 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. 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.

2016
Sembcorp posted a 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.

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% in 2015, backed by record profits in China of S$125 million. Exceptional gains recorded by the business 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. 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.

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, 2020, the Group has applied the following SFRS(I)s, interpretations of SFRS(I) and requirements of SFRS(I):

- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*
- Amendments to SFRS(I) 3 *Definition of a business*
- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Amendments to SFRS(I) 16 *COVID-19-Related Rent Concessions*

The adoption of the standards does not have any significant impact on the financial statements.

Value Added and Productivity Data

In 2020, the Group's total value added was S$1,745 million. This was absorbed by employees in wages, salaries and benefits of S$396 million, by governments in income and other taxes of S$37 million and by providers of capital in interest, dividends and distribution of S$3,093 million, resulting in a negative balance of S$1,781 million. The negative balance was mainly due to the completion of the distribution *in specie* of ordinary shares in the capital of Sembcorp Marine Limited to Sembcorp Industries shareholders in September 2020.

Value Added Statement *(S$ million)*

	2020[1] *Continuing Operations*	2019	2018	2017	2016
Value Added from					
Turnover	**5,447**	9,618	11,689	9,026	7,907
Less: Bought in materials and services	**(4,075)**	(7,458)	(9,699)	(6,753)	(5,860)
Gross value added	**1,372**	2,160	1,990	2,273	2,047
Investment, interest and other income	**228**	526	328	421	536
Share of results of associates and joint ventures, net of tax	**233**	184	174	164	125
Other non-operating expenses	**(88)**	(147)	(93)	(229)	(491)
	1,745	2,723	2,399	2,629	2,217
Distribution					
To employees in wages, salaries and benefits	**396**	820	759	807	800
To governments in income and other taxes	**37**	233	149	104	119
To providers of capital in:					
Interest on borrowings	**461**	586	508	527	402
Dividends to owners[2]	**2,615**	71	71	125	179
Profit attributable to perpetual securities holders	**17**	36	43	43	39
	3,526	1,746	1,530	1,606	1,539
Retained in Business					
Depreciation and amortisation	**444**	682	595	571	454
Deferred tax (credit) / expense	**(25)**	(91)	(7)	65	32
Retained profits	**(2,443)**	140	232	215	178
Non-controlling interests	**22**	(30)	(15)	110	42
	(2,002)	701	805	961	706
Other non-operating expenses / (income)	**221**	276	64	62	(28)
	(1,781)	977	869	1,023	678
Total Distribution	**1,745**	2,723	2,399	2,629	2,217

Productivity Data[#]

	2020[1] *Continuing Operations*	2019	2018	2017	2016
Average staff strength	**5,426**	16,575	16,578	16,288	18,072
Employment costs *(S$ million)*	**396**	820	759	807	800
Profit after tax per employee *(S$'000)*	**33**	13	20	30	24
Value added *(S$ million)*	**1,372**	2,160	1,990	2,273	2,047
Value added per employee *(S$'000)*	**253**	130	120	140	113
Value added per dollar employment costs *(S$)*	**3.46**	2.63	2.62	2.82	2.56
Value added per dollar investment in property, plant and equipment *(S$)*	**0.13**	0.13	0.12	0.15	0.14
Value added per dollar sales *(S$)*	**0.25**	0.22	0.17	0.25	0.26

[#] The figures above reflect data for core businesses only

[1] Excludes the results of the Marine business. Following the completion of the distribution *in specie* of ordinary shares in the capital of Sembcorp Marine Limited to Sembcorp Industries shareholders, the performance of the Marine business for the period from January 1, 2020 to September 11, 2020 is reported under discontinued operation

[2] Includes the Distribution. The Group's carrying value of the Sembcorp Marine Limited shares at the date of the Distribution was S$2,561 million. As the Distribution was measured at fair value, a distribution of S$1,597 million and a loss on distribution of S$970 million were recognised

Treasury Management

Sembcorp Financial Services (SFS), the Group's wholly-owned treasury vehicle, manages the Group's financing and treasury activities in Singapore and oversees such activities in other markets together with the respective business units. In addition, funds borrowed by SFS are on-lent to businesses within the Group, where appropriate.

SFS and its overseas treasury units undertake active cash management by setting up cash pooling structures in various countries, utilising surplus funds from businesses and lending 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. We believe such proactive cash management continues to be an efficient, cost-effective way of managing the Group's cash and meeting our funding requirements.

Facilities

As at December 31, 2020, the Group's total credit facilities, including our multi-currency debt issuance programme, amounted to S$14,303 million (2019: S$20,458 million). This comprised borrowing facilities of S$12,719 million (2019: S$17,011 million) and trade-related facilities of S$1,584 million (2019: S$3,447 million), including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds.

Borrowings and Perpetual Securities

The Group aims to closely align the structure and maturity profile of our debt book with the commercial profile of our core assets, while focusing 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 2020, the Group established S$1,575 million of revolving credit facilities and term loans with tenors ranging from three to five years. The new facilities together with a mix of other existing revolving credit facilities and cash were used to refinance the redemption of S$300 million fixed rate notes in April 2020 and S$800 million of subordinated perpetual securities in May and June 2020. Following the demerger of Sembcorp Marine in September 2020, the Group also redeemed the S$1,500 million guaranteed bond in November 2020, which was previously issued in July 2019 to finance a subordinated loan to Sembcorp Marine. The refinancing resulted in an increase in the Group's floating rate debt.

As at December 31, 2020, the Group's gross borrowings amounted to S$7,728 million (2019: S$10,800 million). The year-on-year decrease of S$3,072 million in gross borrowings was mainly due to the deconsolidation of Sembcorp Marine's debt following the demerger. The Group's interest cover decreased from 2.6 times in 2019 to 2.4 times in 2020. The Group remains committed to ensuring a diversified funding base and to optimising the cost of funding while working towards achieving prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities.

The overall debt portfolio in 2020 comprised 37% (2019: 64%) of fixed rate debt and 63% (2019: 36%) of floating rate debt. We continue to actively monitor and manage the fixed and floating rate mix of our debt portfolio.

Financing and Treasury Highlights *(S$ million)*

	2020	2019	2018
Source of Funding			
Cash and cash equivalents	**1,032**	1,767	1,925
Borrowing facilities (including multi-currency debt issuance programme)			
Committed borrowing facilities	**8,298**	13,478	12,195
Less: Amount drawn down	**(7,451)**	(11,317)	(10,449)
Unutilised committed borrowing facilities	**847**	2,161	1,746
Uncommitted borrowing facilities	**4,421**	3,533	3,620
Less: Amount drawn down	**(277)**	(283)	(1,083)
Unutilised uncommitted borrowing facilities	**4,144**	3,250	2,537
Total unutilised borrowing facilities	**4,991**	5,411	4,283
Trade-related facilities			
Facilities available	**1,584**	3,447	3,716
Less: Amount used	**(894)**	(1,352)	(1,604)
Unutilised trade-related facilities	**690**	2,095	2,112
Funding Profile			
Maturity profile			
Due within one year	**593**	2,643	1,862
Due between one to five years	**5,037**	5,532	5,803
Due after five years	**2,098**	2,625	3,067
	7,728	10,800	10,732
Debt mix			
Fixed rate debt	**2,833**	6,914	5,754
Floating rate debt	**4,895**	3,886	4,978
	7,728	10,800	10,732

Financing and Treasury Highlights *(S$ million)*

	2020	2019	2018
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,184**	1,535	1,279
Interest on borrowings	**499**	586	508
Interest cover *(times)*	**2.4**	2.6	2.5

	2020	D/C ratio	2019	D/C ratio	2018	D/C ratio
Debt / capitalisation (D/C) ratios						
Sembcorp Industries corporate debt	**4,721**	**0.42**	4,263	0.23	2,788	0.15
Sembcorp Industries project finance debt	**3,007**	**0.27**	3,636	0.19	3,714	0.20
Sembcorp Marine debt	**–**	**–**	2,901	0.16	4,230	0.23
Sembcorp Industries Group gross debt	**7,728**	**0.69**	10,800	0.58	10,732	0.57
Less: Cash and cash equivalents	**(1,032)**	**–**	(1,767)	–	(1,925)	–
Sembcorp Industries Group net debt / (cash)	**6,696**	**0.60**	9,033	0.48	8,807	0.47

Energy Review

An energy player with a balanced portfolio of over 12,700MW of power, with more than 3,200MW of renewable energy capacity comprising wind, solar and energy storage

Competitive Edge

- Global track record as an originator, owner or investor, operator and optimiser of energy assets with strong operational, management and technical capabilities
- Provider of innovative renewable energy solutions with over 3,200MW of renewable energy capacity comprising wind, solar and energy storage installed and under development globally
- 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
- Reliable and competitive solutions across the gas value chain including gas sourcing, importation and trading

Wind
2,419MW

Solar
679MW

Energy Storage
120MW

Above: Sembcorp secured a contract from National Water Agency PUB to design, build, own and operate a 60MWp floating solar photovoltaic (PV) system on Tengeh Reservoir in Singapore, which will be one of the world's largest inland floating solar PV systems when completed

Performance Scorecard

Financial Indicators *(S$ million)*

	2020	2019	Change (%)
Turnover[1]	**5,278**	6,170	(14)
Earnings before interest, tax, depreciation and amortisation (EBITDA)[2]	**1,223**	1,308	(6)
Earnings before interest and tax	**527**	603	(13)
Share of results: Associates & JVs, net of tax	**122**	114	7
Net profit	**160**	195	(18)
– Net profit before exceptional items	**297**	360	(18)
– Exceptional items[3]	**(137)**	(165)	17
Return on equity *(%)*	**4.6**	5.3	(13)

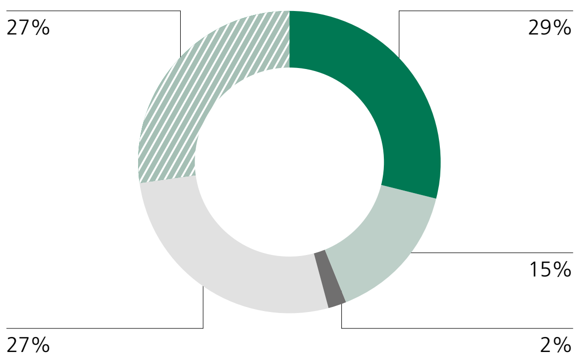
[1] Turnover figures are stated before intercompany eliminations

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

[3] 2020 exceptional items amounted to a negative S$137 million. The breakdown of 2020 exceptional items can be found in Table 1 on page 19

2019 exceptional items totalling a negative S$165 million, comprised 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 gain of S$86 million and a S$1 million revision on purchase price allocation for a solar project in Singapore. The net divestment gain of S$86 million was from the sale of Vellocet Clean Energy in Australia, 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

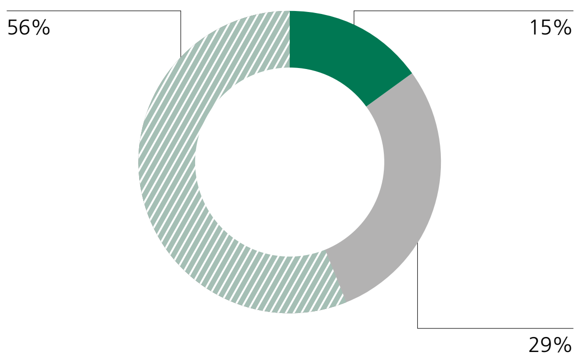
Net Profit* by Geography



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

* Excluding Corporate and exceptional items

Net Profit* by Segment



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

* Excluding Corporate and exceptional items

Energy Review

Focusing on execution amidst challenges
The activities and financial performance in 2020 were affected by the unprecedented impact of COVID-19 on global economic conditions and low energy prices. Lockdowns in multiple markets led to reduced energy demand ranging from 2% to 7%, impacting our operations in Singapore, India and the UK.

Amid the pandemic, our Energy business continued to deliver essential energy and environmental services globally with no disruption. The health and safety of our people remains our top priority. We focused on executing our existing businesses well and maintained our momentum in strengthening our renewables portfolio, while navigating the challenges of COVID-19. Most notably, we secured a contract to design, build and operate one of the world's largest, inland floating solar photovoltaic (PV) systems on Tengeh Reservoir, Singapore. The team managed to start construction within the year. In India, we continue to actively support India's renewable energy ambitions and became the first independent power producer to deliver on its projects and commission full capacity from the first three wind tenders held by Solar Energy Corporation of India (SECI). We also secured a 400MW solar power project in an auction conducted by SECI. With this win, the Group now has a renewables portfolio of over 3,200MW installed and under development across China, India, Singapore, the UK and Vietnam.

In line with the Group's capital recycling efforts and portfolio rebalancing strategy, we completed divestments in Chile, China and Panama.

Financial Results
Turnover for the Energy business was S$5.3 billion, compared to S$6.2 billion in 2019. Net profit after exceptional items was S$160 million, compared to S$195 million the previous year.

Operational Indicators*

	2020	2019
Gross power capacity *(MW)*	**12,782**	12,631
– Thermal	**9,481**	9,825
– Renewable (including energy storage)	**3,218**	2,721
– Energy-from-waste	**83**	85
Steam capacity *(tonnes per hour)*	**3,503**	3,501
Water and wastewater treatment capacity *(m³/day)*	**8,263,781**	8,661,145

* 2019 and 2020 capacity refers to total gross capacity of facilities installed and under development

Net Profit *(S$ million)*

	2020	2019	Change *(%)*
Singapore	**76**	102	(25)
Rest of Southeast Asia	**18**	42	(57)
China	**100**	106	(6)
India	**50**	100	(50)
UK	**7**	22	(68)
Rest of the World[1]	**94**	69	36
Corporate	**(48)**	(81)	41
Net Profit before Exceptional Items	**297**	360	(18)
Exceptional Items[2]	**(137)**	(165)	17
Total Net Profit	**160**	195	(18)

[1] Rest of the World includes the Americas, Australia, Bangladesh and Middle East. The subsidiary in Australia was divested in September 2019

[2] 2020 exceptional items amounted to a negative S$137 million. The breakdown of 2020 exceptional items can be found in Table 1 on page 19

2019 exceptional items totalling a negative S$165 million, comprised 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 gain of S$86 million and a S$1 million revision on purchase price allocation for a solar project in Singapore. The net divestment gain of S$86 million was from the sale of Vellocet Clean Energy in Australia, 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

Exceptional items totalled a negative S$137 million. This was mainly due to the unprecedented impact of COVID-19 on global economic conditions and low energy prices impacting the assessment of the recoverable amount of certain investments and assets. The breakdown of the exceptional items is found in Table 1. Excluding exceptional items, underlying net profit declined 18% to S$297 million.

Singapore
Net profit of the Singapore operations was S$76 million, compared to S$102 million in 2019. 2020 performance was negatively impacted by the decline in the prices of oil and high sulphur fuel oil and lower energy demand as a result of the reduced economic activity amid the pandemic. Earnings were also impacted by the absence of contribution from utilities assets formerly serving Jurong Aromatics Corporation, which were divested in October 2019.

We continued to strengthen our renewables portfolio in Singapore, securing 100MWp of new projects in 2020. Notably, we signed a 25-year long-term power purchase agreement with PUB, Singapore's National Water Agency, to design, build, own and operate a 60MWp floating solar PV system on Tengeh Reservoir. When fully operational in 2021, this project will be one of the world's largest inland floating solar PV systems. We also launched Singapore's first Renewable Energy Certificate (REC) aggregator platform that manages RECs from multiple sources. Backed by our own growing renewables capacity, the digital platform offers liquidity and flexibility, and enables customers to transact RE100-recognised RECs to meet their green energy requirements.

We signed a memorandum of understanding with CapitaLand and SP Group in November 2020, to jointly study the use of integrated energy solutions to power data centres. The integrated energy solutions will potentially include a combination of solar PV, green hydrogen and energy storage amongst others.

We completed the acquisition of 100% equity interest in Veolia ES Singapore and the public cleaning business of Veolia ES Singapore Industrial for S$19 million in June 2020. The acquired businesses hold contracts for public and commercial waste and recyclable

Table 1: 2020 Exceptional Items *(S$ million)*

Net Profit Impact	
Singapore	
Write-down of inventory of gasoil reserves to net realisable value	(38)
Write-off of inventory due to uncertainty on the recoverability of the gasoil inventory stored at Hin Leong Trading	(44)
Impairment of utilities assets on Jurong Island	(21)
Negative goodwill recognised upon the completion of the acquisition of Veolia	17
China	
Impairment of a dedicated wastewater treatment plant in Nanjing	(8)
India	
Income recognition of claims for compensation due to Change in Law events	98
UK	
Impairment of UK Power Reserve assets, including goodwill	(60)
Bangladesh	
Additional recognition of Sirajganj Unit 4 construction margin	14
Chile	
Net loss from divestment of municipal water business	(34)
Oman	
Impairment of investment in Sembcorp Salalah Power and Water Company	(81)
Panama	
Gain on divestment of municipal water business	20
Total	**(137)**

Sembcorp continued to deliver essential services with no disruption amid the COVID-19 pandemic

Energy Review

collections covering recovery and recycling, public and commercial cleaning services, as well as associated properties. The acquisition further strengthens Sembcorp's business in the provision of environmental services and our position as the nation's premier integrated environmental services provider.

Rest of Southeast Asia
The Rest of Southeast Asia comprises power operations in Myanmar and Vietnam as well as municipal water operations in Indonesia and the Philippines. Net profit from the Rest of Southeast Asia was S$18 million, compared to S$42 million in 2019. In 2019, contribution in Myanmar was boosted by one-off income mainly comprising liquidated damages and vendor settlement income. Excluding the one-off income in 2019, performance in 2020 improved due to better availability of the Sembcorp Myingyan Power Plant. In Indonesia, the 25-year concession to supply potable water to residential and non-residential customers in Batam expired in November 2020.

China
China operations contributed S$100 million in net profit, compared to S$106 million in 2019. Performance from our thermal assets, Shanghai Caojing cogeneration plant and Chongqing Songzao supercritical coal-fired power plant improved. However, contribution from wind assets was lower due to lower wind resource in Huanghua. Net profit from our water assets was steady, as lower production volumes by customers were mitigated by operational cost savings initiatives.

India
Power demand in India declined 3% on a year-on-year basis and Indian Energy Exchange (IEX) spot prices were 21% lower in 2020 compared to 2019. Net profit from our India operations was S$50 million, compared to S$100 million in 2019. Net profit from the first supercritical coal-fired power plant declined from 2019. This was due to lower availability as one unit underwent capital overhaul in the second half of the year. Average plant load factor (PLF) for the year was 78%. Performance from the second supercritical coal-fired power plant was impacted by lower IEX tariff and lower demand. Its average PLF was 75%.

Contribution from our India renewables arm was also lower due to poor wind resource. During the year, we fully commissioned our SECI 2 and SECI 3 wind projects, bringing our installed renewable energy capacity in India to 1,729MW. With the full commissioning of the 300MW SECI 3 wind project, Sembcorp became the first independent power producer to deliver on all its projects awarded in the first three wind tenders held by SECI. This is also the largest operational wind capacity from SECI tenders for any developer to date. The successful completion of our SECI wind power projects is testament to the solid execution track record and expertise we have on the ground to deliver large-scale renewable energy assets.

We secured a 400MW solar project in the Solar Energy Corporation of India (SECI) auction and fully commissioned our SECI 2 and SECI 3 wind projects – becoming the first independent power producer to complete projects awarded in the SECI 1, 2 and 3 tenders in India

India is a key market and we are committed to providing sustainable solutions that contribute to the nation's clean energy ambitions. A 400MW solar power project was also secured in an auction conducted by SECI. The entire output of the project in Rajasthan will be sold to SECI under a 25-year long-term power purchase agreement. Commissioning of the project is expected mid-2022.

UK
Net profit from the UK was S$7 million, a decline from S$22 million in 2019. Electricity demand in the UK declined 7% in 2020 due to the significant impact of COVID-19, particularly in the second quarter of 2020 when the country was in full lockdown.

Contribution from operations on Teesside was lower. Flexible generation assets were also called on less frequently to balance the system. In addition, there was lower triad income in line with reductions announced by the regulator. However, we believe that as coal, older gas and nuclear plant retirements continue, market volatility may increase and our flexible generation assets would be well-positioned to meet the demand.

Rest of the World
Operations in the Rest of the World include a gas-fired power plant in Bangladesh and independent water and power plants in Oman and the UAE. Water assets in Chile and Panama included in this segment have been divested as of July and November 2020 respectively. Net profit from the Rest of the World grew 36% to S$94 million, up from S$69 million the previous year. Net profit from the Sirajganj Unit 4 combined cycle gas turbine power plant in Bangladesh was higher as it contributed to earnings for the full year. The plant commenced full operations in April 2019. Net profit from our Middle East operations also increased with better availability from the Fujairah 1 independent water and power plant in the UAE, and the Salalah independent water and power plant in Oman.

A further 60MW of our 120MW battery storage system in the UK will commence operations in 2021

Outlook
According to the International Energy Agency, with the recovery of the world economy in 2021, demand for electricity is expected to rebound in 2021, following a decline in 2020 due to the measures taken against COVID-19. However, significant challenges remain for economies around the world. Uncertainties continue to persist with regard to the strength of recovery from the COVID-19 pandemic.

The performance of the Energy business will also be impacted by changes in customer profile in the UK and Singapore, as well as the loss of income from divested assets in Chile and Panama.

The business will continue to focus on providing sustainable solutions that support the global energy transition. In 2021, approximately 200MW of renewable energy capacity is expected to come onstream.

Urban Review

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

- Over 30 years of track record in undertaking 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 our developments

Above: Sino-Singapore Nanjing Eco Hi-tech Island is part of the new Jiangsu Free Trade Zone pilot scheme to promote integrated development of the Yangtze River region and to improve overseas investment cooperation in China

Total Net Orderbook

277 hectares

Remaining Saleable Land

2,473 hectares

Performance Scorecard

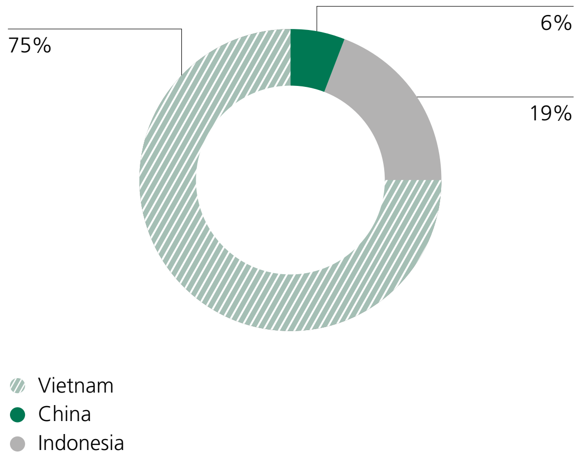
Financial Indicators *(S$ million)*

	2020	2019	Change (%)
Turnover[1]	**9**	280	(97)
Earnings before interest and tax	**(14)**	102	NM
Share of results: Associates & JVs, net of tax	**109**	75	45
Net profit	**92**	117	(21)
– Net profit before exceptional items	**60**	117	(49)
– Exceptional items[2]	**32**	–	NM
Return on equity *(%)*	**8.3**	11.4	(27)

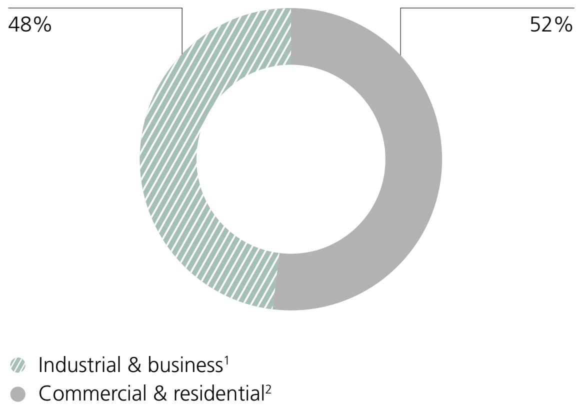
[1] Most of our Urban businesses are associates or joint ventures. Turnover reflects payment for services provided to these associates or joint ventures. For 2019, turnover included recognition from the sale of *Riverside Grandeur* in Nanjing, China, a residential development wholly-owned by Sembcorp

[2] 2020 exceptional items relate to the Singapore-Sichuan Hi-tech Innovation Park project comprising the recognition of S$23 million additional income from finalisation of the project and a S$9 million gain from share of equity reduction in Sino-Singapore (Chengdu) Innovation Park Development Co

Remaining Saleable Land by Geography



Remaining Saleable Land by Segment



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

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

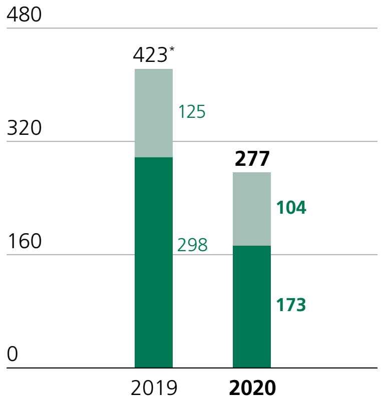
Urban Review

Creditable performance despite the COVID-19 pandemic

The Urban business turned in a creditable performance in 2020, driven by higher contributions from our China and Indonesia projects, despite the impact of COVID-19. Net profit was S$92 million compared to S$117 million the year before. 2020 net profit included the recognition of S$23 million in additional income from the finalisation of the Singapore-Sichuan Hi-tech Innovation Park project and a S$9 million gain from our share of equity reduction in Sino-Singapore (Chengdu) Innovation Park Development Co (SSCIP). Net profit in 2019 included significant contribution from the sale of residential units in the *Riverside Grandeur* development in China. Return on equity for the business was 8.3% in 2020.

Land sales in 2020 amounted to 172 hectares, compared to 268 hectares the year before. The uncertain economic outlook due to the COVID-19 pandemic led to lower take-up and demand at our Vietnam Singapore Industrial Park (VSIP) developments in Vietnam. Strong land sales at the Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) project in China as well as record land sales at the Kendal Industrial Park project in Indonesia mitigated the decline in VSIP land sales. In 2020, the net orderbook was 277 hectares, compared to 423 hectares in 2019. Additionally, 2019 included the net orderbook of SSCIP, totalling 19 hectares, which ceased to be accounted as a joint venture in July 2020.

Total Net Orderbook *(hectares)*



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

* 2019 included the net orderbook of Sino-Singapore (Chengdu) Innovation Park Development Co, which ceased to be accounted as a joint venture in July 2020

[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 residences, food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

Operational Indicators *(hectares)*

	2020	2019#
Saleable land inventory	**5,718**	5,938
Land sold (cumulative)	**2,968**	2,915
Total net orderbook	**277**	423
Remaining saleable land	**2,473**	2,600

2019 included figures relating to Sino-Singapore (Chengdu) Innovation Park Development Co, which ceased to be accounted as a joint venture in July 2020

Note: Figures are based on current planned estimates

Strong attendance at the launch of *BelHomes* in VSIP Hai Phong, Vietnam

Vietnam

Performance at the VSIP integrated townships and industrial parks was negatively impacted by a combination of the COVID-19 pandemic and severe wet weather conditions. According to Markit Economics which monitors the Purchasing Manager's Index (PMI) for economic trends in the manufacturing and service sectors, the Vietnam PMI contracted below 50 in February 2020 following the COVID-19 outbreak. Manufacturing activity was weak as a result of supply shortages, issues with importing materials, increases in input costs and weak global demand for goods. Vietnam's foreign direct investment (FDI) inflows decreased 2% from a year earlier and FDI pledges, which indicate the size of future FDI disbursement, decreased 25% in 2020.

Factories that were under construction experienced construction delays owing to movement restrictions. Prospective customers delayed investment decisions as physical site inspections and meetings with government agencies could not be conducted. While these factors contributed to the slowdown in land sales, no tenants shut down operations or withdrew land orders. We also do not see a structural shift away from manufacturing investments in Vietnam.

The Habitat Binh Duong phase three – a residential development in Vietnam jointly developed by Sembcorp Properties and VSIP

Vietnam's housing market proved resilient during the year. Demand in the mid-tier housing segment was high as residents maintained their confidence in the real estate sector. We recognised profits from the sale of 351 out of 383 units at the *Sun Casa (Hoa Loi)* residential development in 2019 and 2020. Profits from the sale of the remaining units will be recognised in 2021. During the soft launch of a sister development named *Sun Casa Central (Vinh Tan)* in December 2020, down payments were made for 150 units of terraced houses and shophouses.

VSIP in Bac Ninh Province, Vietnam

VSIP also launched a second *BelHomes* development in Hai Phong in 2020, with down payments made for all 519 landed houses and shophouses. Profits from these sales will be recognised upon handover to residents from 2021. Phase two of *The Habitat Binh Duong* in VSIP Binh Duong that launched in 2019, was fully sold with the profits from 383 apartment units recognised upon handover to residents in 2020. The remaining 77 units will be handed over to residents in 2021. The development's third phase was launched in 2019 and 2020, with 356 out of 793 units taken up to date. These will be handed over to residents from 2022.

Urban Review

China
Our China market contributed significantly to the business' performance in 2020. The Chinese government boosted domestic consumption to keep economic activity going, and kept the broad policy environment supportive by ensuring ample liquidity and reducing lending rates for companies. Our SNEI project sold several land plots during the year, following a concerted effort together with the government to attract companies in the artificial intelligence and environmental industries, in keeping with the island's industry positioning. *Jiangdao Intelligent Cube*, our 106,218-square metre gross floor area business park within SNEI that was completed in 2019, achieved 89% occupancy for its rental units and has sold 82% of its office space.

Sembcorp's wholly-owned business hub, the *International Water Hub* (IWH), commenced operations during the year.

Operations at Wuxi-Singapore Industrial Park in China remained stable during the year

IWH's facilities comprising office, laboratory, retail spaces and conference amenities are leased to companies involved in the R&D and commercialisation of new water solutions. At the end of December 2020, 39% of the building's office and laboratory spaces had been taken up.

We also recognised profits from the sale of the last six remaining apartments of the 332-unit *Riverside Grandeur* residential development.

In Chengdu, our 50%-owned Singapore joint venture company, Singapore-Sichuan Investment Holdings (SSIH), sold a 30% equity interest it held in the 1,000-hectare Singapore-Sichuan Hi-tech Innovation Park to Chengdu Hi-tech Investment Group. The sale was completed in July, with SSIH holding the remaining 20% stake in the project. The Urban business recorded a gain of S$9 million from the sale and continues to maintain a 10% effective equity interest in SSCIP.

International Water Hub within SNEI in China, commenced operations during the year

Contribution from our Wuxi-Singapore Industrial Park project remained healthy and was higher than in 2019. With strong support from the local government, tenants' factory operations were unaffected throughout the pandemic with no closures or withdrawals of tenancy contracts.

Indonesia
The Indonesian economy entered into a recession in the third quarter of 2020, its first since the 1998 Asian Financial Crisis. According to the Indonesian Investment Coordinating Board, COVID-19 impacted exports and imports, causing contractions across multiple sectors including mining, manufacturing, construction, trade and more, with the exception of a slight expansion in the communications sector. Following declines in FDI in the first half of the year, FDI increased 1% in the third quarter of 2020 year-on-year due to investments from Singapore, China and Japan.

Despite the impact of COVID-19, Kendal Industrial Park achieved record land sales, more than triple the total in 2019. While the pandemic disrupted operations in the region, the business was able to convert the orderbook for land reserved in earlier years, recognising profit from these sales upon handover to customers.

Outlook

In 2020, pandemic-related disruptions to government services contributed to delays. We were unable to commence construction at two new VSIP developments, VSIP Binh Duong Park III and VSIP Bac Ninh Park II, despite investment licences being

Manufacturers proceeded with factory construction at the Kendal Industrial Park in Indonesia

issued. In August, we announced that the Myanmar Investment Commission had issued a permit approving the development of the Myanmar Singapore Industrial Park in Hlegu Township. However, the agreement to lease the land has yet to be concluded with the authorities. The resultant delays of these three projects will lead to stretched development timelines and a reduction in inventory for land sales in 2021.

The Urban business' remaining effective share in SSCIP is 10% after a reduction of equity interest in 2020. Under accounting standards, SSCIP has been reclassified as a Financial Asset in our financial accounts. As such, Sembcorp will not share in any future gain or loss from the sale of SSCIP's balance land bank.

Looking ahead, the emergence of new COVID-19 variants and potential new waves of outbreaks pose potential risks of protracted economic recovery. Nevertheless, our focus remains on expediting land development for delivery to customers. Underpinned by our orderbook, the underlying performance for the Urban business is expected to improve.