

WHY?

Realities of the Global Energy Transition

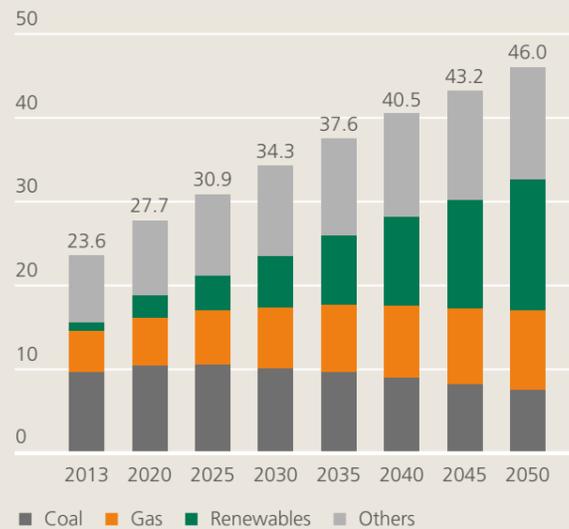
There is a fundamental shift in the global energy landscape. Decarbonisation, decentralisation, digitalisation and demand disruptions are transforming the future of the energy sector.



1 Decarbonisation

The world is transitioning to a low-carbon economy. The global energy mix is seeing significant shifts towards cleaner sources of energy.

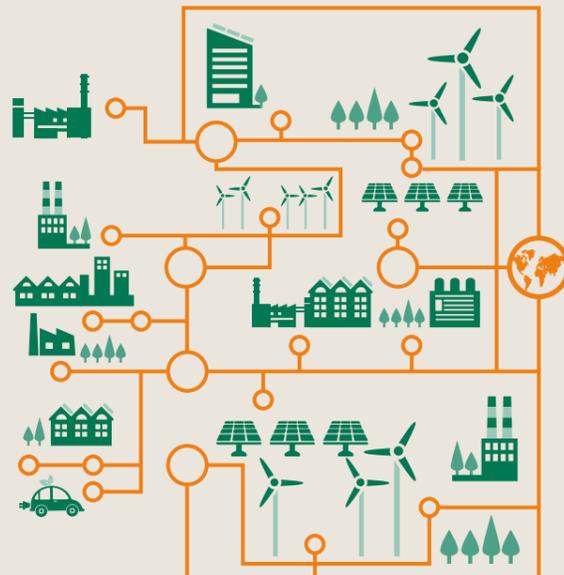
Power Generation Fuel Mix (thousand terawatt hours)



Source: McKinsey Energy Insights

2 Decentralisation

The shift to distributed energy systems is opening up opportunities for merchant and retail power, flexible generation and technology-enabled business models.



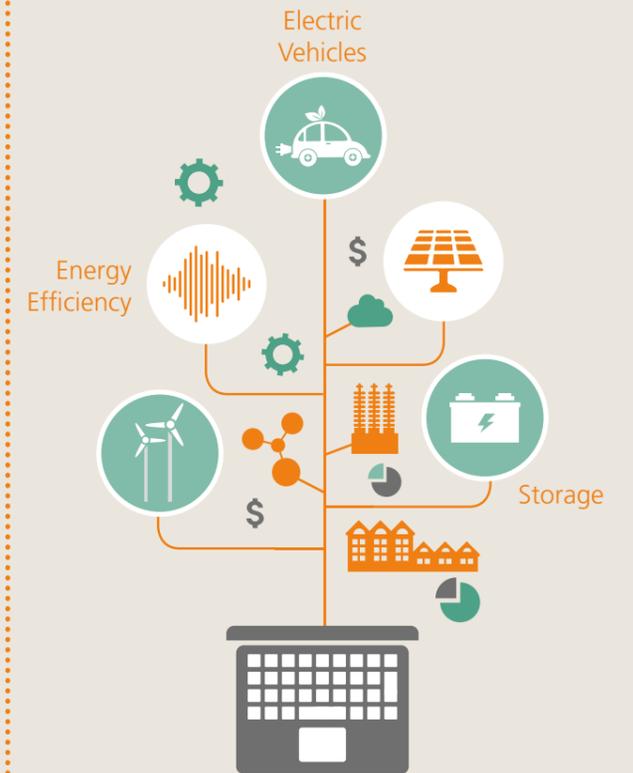
3 Digitalisation

The digital revolution is coming to the power industry. From generation to customer relationship management, it is transforming every facet of the industry's value chain.



4 Demand Disruptions

From energy efficiency, distributed generation to the electrification of vehicles, the energy sector is seeing demand disruption.



WHAT?

A Global Integrated Energy Platform

Sembcorp aims to be an integrated energy player, strategically positioned to benefit from the global energy transition. With our proven track record and capabilities, our distinctive business models deliver value and sustainable growth.

The Sembcorp O⁴ Model

We are an originator, owner or investor, operator and optimiser of energy and utilities assets. We focus on maximising value and enhancing return through asset optimisation, leveraging integration and innovation opportunities, as well as through systematic capital recycling. Our new model is platform-based and allows for organic and inorganic growth.

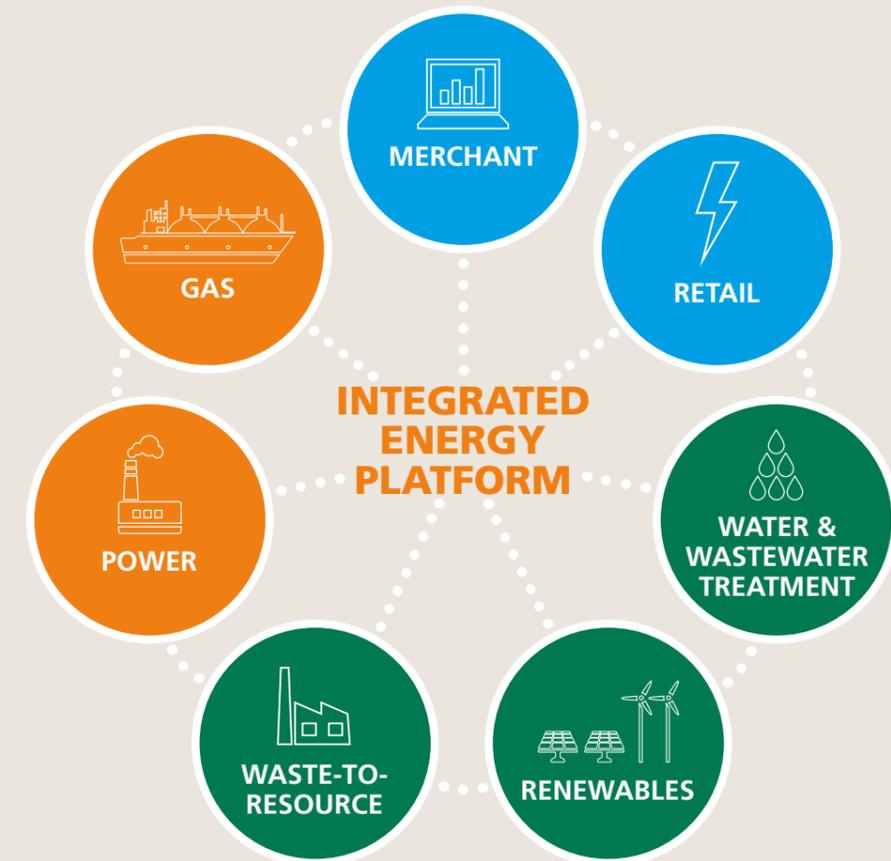


Underpinned by Competitive Advantages

- Strong track record in developing and operating thermal and renewable energy and water assets
- Deep integration expertise
- Strong foothold in high-growth developing markets and experience in developed markets

Integrated Energy Platforms

Leveraging Sembcorp's global track record and integration expertise, we offer a differentiated *Integrated Energy Platform* business model. By integrating multiple energy offerings around anchor assets, we provide our customers compelling value propositions across the energy and utilities value chain.



Why Integrated Energy Platforms?

- **Returns Uplift**
Additional offerings enhance services and products while providing upside to earnings
- **Deepens Relationship with Customers**
Insights into customer requirements provide scope for additional tailored solutions with minimal investment
- **Provides Growth while Lowering Development Risk**
Leverages knowledge of stakeholders and markets to gain further access and scale up

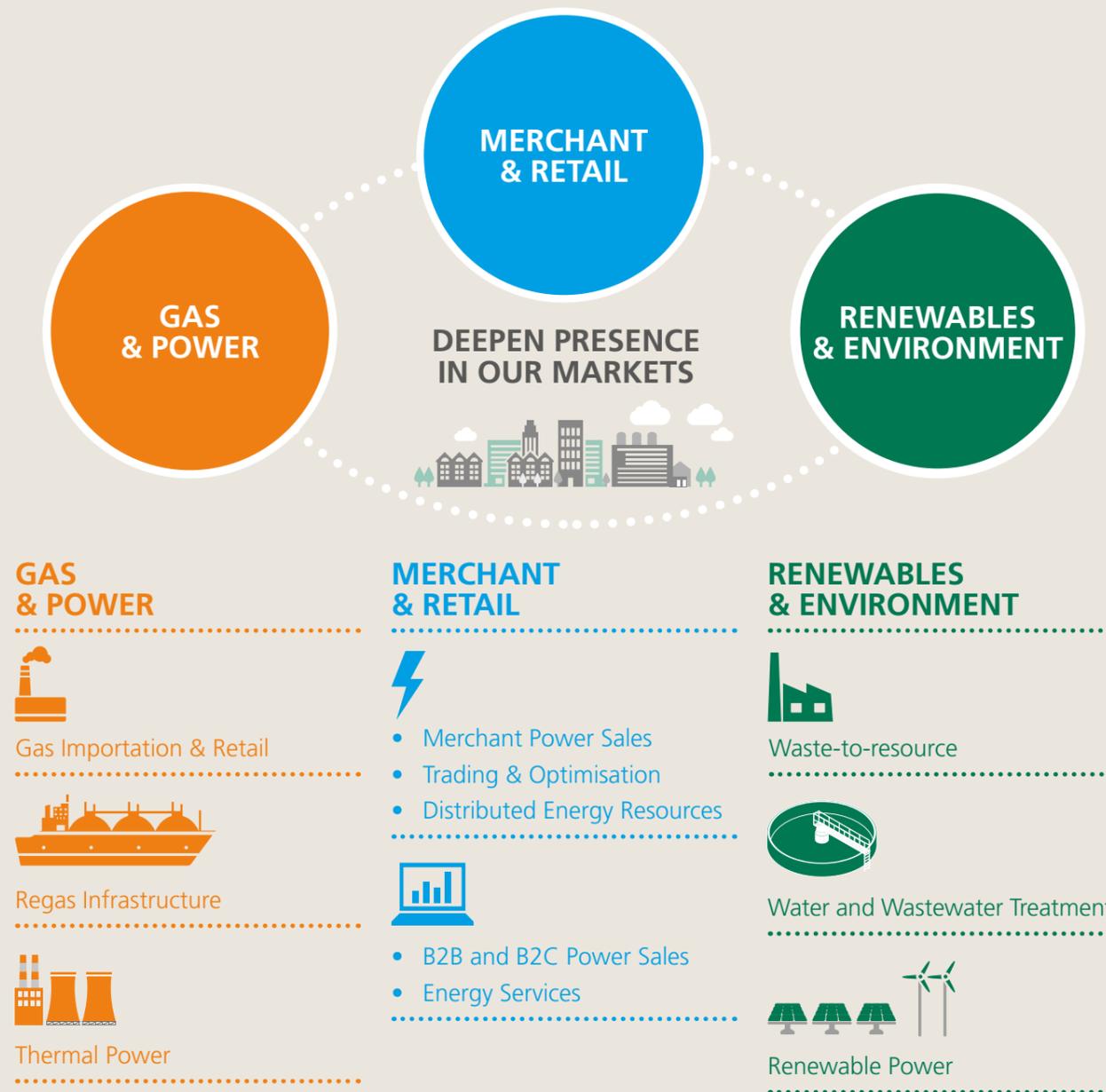
HOW?

Reshaping the Organisation

Having a dynamic organisation to support our strategy is key. Supported by a scalable operating model, we drive innovation and growth through our business lines and markets.

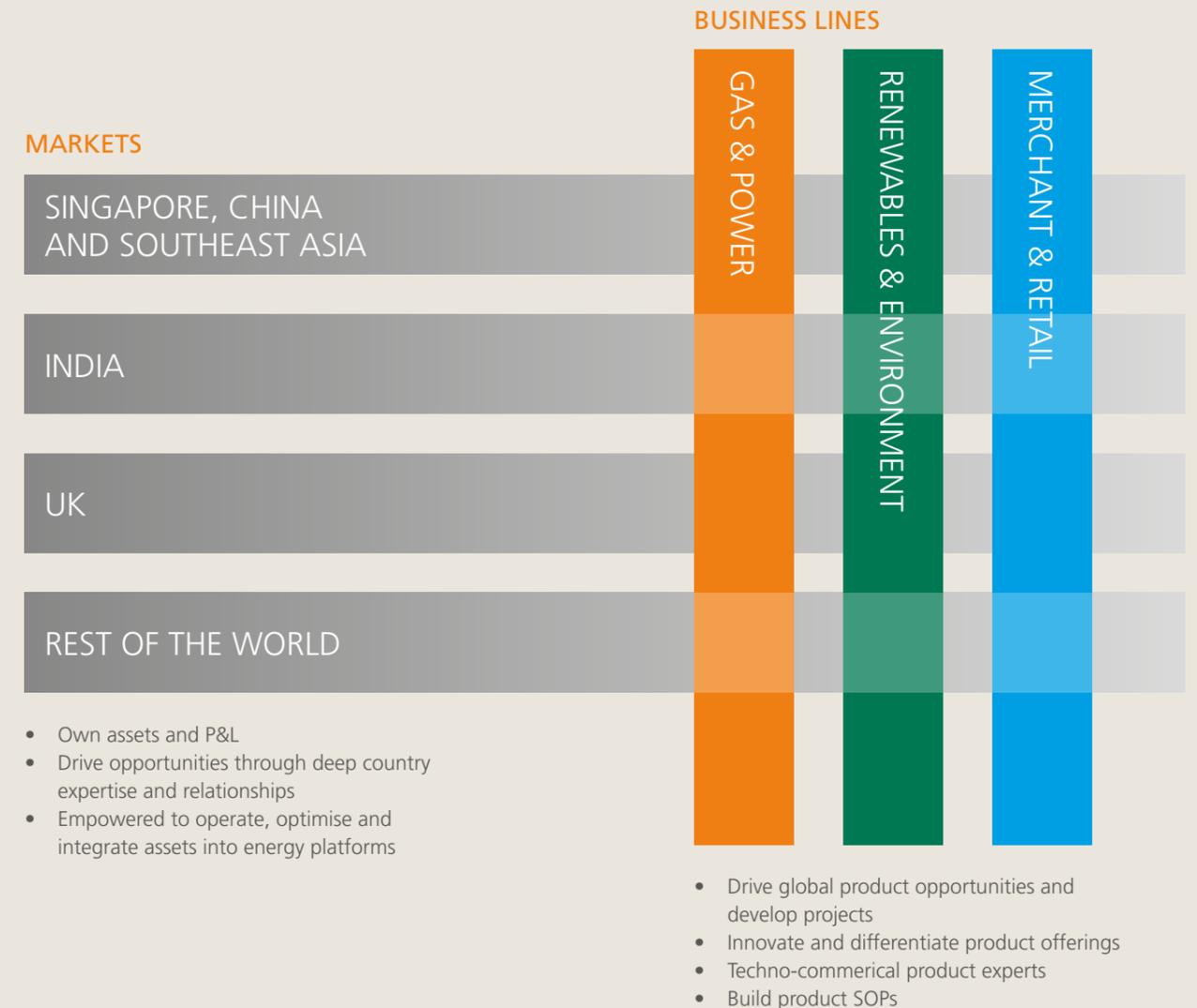
Three Business Lines

Sembcorp will focus on growth along three business lines to build and scale up integrated energy platforms and develop a pipeline for systematic capital recycling.



A Scalable Global Operating Model

Our matrix organisation allows us to leverage resources and achieve value-focused growth across markets and business lines globally.



CEO Interview

Neil McGregor
Group President & CEO



As Sembcorp's CEO what are your key priorities for the Group?

Improving our performance is my first priority. Disciplined capital allocation will be key. We need to build a sound, high-performing portfolio that is attuned to economic trends. In particular, we are reshaping our Utilities business for long-term success in a changing market. We will focus on active and systematic capital recycling, to help unlock value to support our growth. We will also reposition our presence across certain developing and developed markets.

Secondly, Sembcorp will step up its commitment to sustainability, to manage risks better and prepare itself for the future. This will also put us in a better position to capture opportunities amid the rise of the low-carbon and circular economies.

Thirdly, we will build a dynamic organisation that better supports our growth underpinned by strong governance. We have restructured our organisation to create a flexible and scalable operating model, and are actively building new capabilities for the future. With the technological disruptions in our marketplace, we are looking to harness digitalisation to transform ourselves ahead of the curve.

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How has the energy sector changed in the last few years? What do you see as some of the challenges and opportunities these changes have brought about?

Dramatic changes are taking place in the energy sector, particularly in the power industry. Increasing concern about greenhouse gases and rising global temperatures has created increased momentum for policy change, not only in developed markets but also in developing ones. Lower-carbon or non-emitting energy sources, such as gas and renewables, have increased in relevance and account for much of the growth in new capacity worldwide.

In addition, deregulation and decentralisation are reducing barriers to entry and leading to greater competition. The merchant and retail market has come into greater prominence. Efficiency and flexibility have become more critical than ever.

Technological innovation is disrupting every stage of the value chain, from generation and asset management, to retail, transmission and delivery. At the same time, technology and digitalisation has also brought about significant opportunities to improve performance, through lowering costs, enhancing operations, growing in new niches, and enabling cost-competitive and high-quality delivery to market.

How are you repositioning your Utilities business to succeed in this new environment?

We plan to reshape our Utilities business into a leading global integrated energy player, a progressive business poised to benefit from the global energy transition.

To do this, we will realign our business focus to industry trends, refine our business model while capitalising on strengths, and rebalance our portfolio and geographical spread.

We will look to grow through three business lines: *Gas & Power*; *Renewables & Environment*; and *Merchant & Retail*. These business lines will better position our Utilities business to innovate and meet the challenges of a changing global energy landscape, with increasing decarbonisation, decentralisation, digitalisation and demand disruption.

We will also refine our business model, growing our business lines through *integrated energy platforms*. Starting from an anchor asset, we will provide multiple offerings and integrated solutions across the energy and utilities value chain. This strategy allows Sembcorp to leverage our proven integration expertise and track record as the global pioneer in centralised utilities for industrial sites. It will also allow us to capitalise on market positions we already have – both our strong foothold in high-growth developing markets, as well as our experience in developed markets.

Finally, we will look to reposition our portfolio across certain developing and developed markets. Developing markets offer a steeper growth trajectory, while markets in the Organisation for Economic Co-operation and Development (OECD) offer quality assets and cashflows. Building a balanced portfolio of strong businesses across both will allow us to generate stronger profits, which we can then reinvest for growth.

Can you tell us more about how you plan to maximise value and ensure that growth is sustainable?

We will maximise value and sustain our growth through what we call the *Sembcorp O⁴ Model*, where we act as asset and solution originators, owners and operators, and also as optimisers of both assets and capital.

Under this model, we originate and develop new projects and product offerings. We provide strength as a disciplined investor backed by strong governance, and through our operating expertise. Finally, we look to enhance returns, not only through asset optimisation – leveraging integration and innovation opportunities – but also through systematic capital recycling.

The proposed initial public offering of our India energy assets which we have recently announced is a perfect illustration of creating sustainable value this way. In addition, we are targeting divestments with estimated cash proceeds of up to S\$0.5 billion over the next two years.

Against the background of your upcoming IPO for your energy business in India, what is your view on the India market? How will it feature in your plans for the future?

India is, and will continue to be a key market for us. Since we entered India's power market in 2010, we have built up a balanced portfolio of both thermal and renewable assets in the country, with a combined capacity of over 4,300 megawatts. This comprises a thermal power complex with 2,640 megawatts of supercritical coal-fired capacity in Andhra Pradesh, as well as a renewable energy business with over 1,700 megawatts of solar and wind power capacity across seven states, as at February 2018.

In February 2018, we brought together all our thermal and renewable energy assets under a single entity, creating an independent energy company representing one of the largest foreign investments in India's power sector today. This company, Sembcorp Energy India Limited, will be well-positioned to help meet the country's growing need for sustainable, reliable power.

With the proposed initial public offering of Sembcorp Energy India Limited, the aim is to create a sustainable growth platform for our India utilities business, and bring on local and retail investors to support its future growth.

In recent years, India has seen a power surplus leading to lower spot prices and short-term tariffs. However, according to a recent market study published by CRISIL in February 2018, power demand in India is expected to increase and the country is projected to move into a 5% power deficit by the Indian fiscal year 2022. Similarly, the country's current peak power surplus is expected to reverse by the Indian fiscal year 2020. Against this background, we believe that our public offering is timely, and that Sembcorp Energy India Limited will be poised to ride favourable industry conditions for growth.

Tell us about your outlook on Sembcorp Marine given that its industry has been through a downcycle for the last few years.

The offshore and marine industry is cyclical by nature; upswings and downswings are to be expected. However, the current industry downcycle has been a protracted one, and it has undoubtedly been a challenging time for Sembcorp Marine as well as other players in the market.

Nonetheless, there have been some encouraging developments. Oil prices have firmed. Although recovery of rig orders may take some time, we are starting to see more stabilisation in day rates and utilisation levels for rigs, as well as more activity in secondary rig sales.

With over 50 years in the business, Sembcorp Marine is a leader in its field. It has successfully weathered many cycles. The business has faced the last few difficult years with fortitude and has continued to be profitable in 2017. It has gotten back to basics, focusing on tightly managing its cost and balance sheet. For instance, in 2017, it strengthened its cashflow with the sale of nine jack-ups and a semi-submersible to secondary buyers for a total of around US\$1.8 billion.

But beyond that, our Marine business has also kept the long game in mind, taking steps to strengthen its business for the future. The business has retooled and enhanced its capabilities for productivity and long-term competitiveness. It has also made a concerted effort to broaden its portfolio of non-drilling products and services, developing additional sustainable and innovative solutions to serve new customer segments.

As parent company, we will continue to support the Marine business through the cycle. We are confident that it has what it takes to ride out the downturn, and emerge stronger and more resilient. With Sembcorp Marine's investments in enhanced capabilities and productivity, we believe it will be in a good position to benefit from the market's recovery.

By 2040, renewables are expected to make up around 35% of the global energy mix. With the growing emphasis on the low-carbon and circular economies and rising demand for sustainable solutions, we are looking to grow our green business lines through innovation.

Your Urban Development business has turned in an impressive contribution in 2017. How do you see the business growing in the future?

The Urban Development business has had a stellar year, with record profits from strong land sales. Aside from India, where it just entered the market in 2017, its performance in all markets – Vietnam, China and Indonesia – has risen.

Over the years, Sembcorp Development has built up a strong franchise in Asia and one of the best brand names in its business. With its strong track record of transforming raw land into modern, vibrant developments, and attracting industries and investment, it is well sought after for its ability to help catalyse economic development, create jobs and create conducive spaces to live, work and play.

Globally, urbanisation and the growth of cities is on the rise. According to the World Bank, by 2045, the world's urban population will increase by 1.5 times to six billion. Governments must move quickly to plan for growth and put in place the services, infrastructure, and housing their expanding urban populations need. Our Urban Development business would be a trusted partner in such an endeavour. With its proven track record, we believe this business has a bright future.

Sustainability features prominently in your new strategy. You've also just set aggressive targets to reduce carbon emission intensity and grow your renewables portfolio. Talk us through why this is a focus area.

Sembcorp has a long-standing commitment to sustainability. Our vision is to be a global company with sustainable businesses that support development, improve the quality of life and deliver long-term value and growth.

Our world is moving towards a low-carbon economy. By 2040, renewables are expected to make up around 35% of the global energy mix. To prepare our businesses for the future, we are targeting to double our current renewable capacity to approximately 4,000 MW by 2022. At the same time, we target to cut our carbon emission intensity by close to 25% by 2022, in line with the 2°C scenario.

With the growing emphasis on the low-carbon and circular economies and rising demand for sustainable solutions, we are also looking to grow our green business lines through innovation. Our new Renewables & Environment business line will look to grow our renewable energy, water and wastewater, as well as waste-to-resource businesses. In addition, we will also invest in research & development to be at the forefront of providing new cutting-edge energy solutions.

As a responsible corporate, we at Sembcorp acknowledge the role we need to play as agents of change for a more sustainable world. It is our hope that the concrete steps we are taking for a greener business will help us to make our contribution to mankind's shared future, in a more strategic, targeted and effective manner.