

Operating and Financial Review

Group Financial Review

Group Financial Highlights

	2018	2017*	Change (%)
For the Year (\$ million)			
Turnover	11,689	9,026	30
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	1,279	1,523	(16)
Profit from operations	841	1,084	(22)
– Earnings before interest and tax	667	920	(28)
– Share of results: Associates & JVs, net of tax	174	164	6
Profit before tax	420	611	(31)
Net profit	347	383	(9)
Economic value added ²	(401)	(356)	13
Return on total assets (%)	3.6	4.4	(18)
Return on equity (%)	5.1	5.8	(12)

Capital Position (\$ million)

	2018	2017*	Change (%)
Owners' funds	5,987	5,941	1
Total assets	23,321	23,745	(2)
Net debt	8,807	7,160	23
Operating cash flow	739	651	14
Free cash flow	948	1,124	(16)
Capital expenditure and equity investment	2,009	704	185
Total debt-to-capitalisation ratio	0.57	0.55	4
Total debt-to-capitalisation ratio (less cash and cash equivalents)	0.47	0.40	18
Interest cover (times)	2.5	2.9	(13)

Shareholder Returns

	2018	2017*	Change (%)
Net assets per share (\$)	3.80	3.88	(2)
Earnings per share (cents)	16.98	19.06	(11)
Ordinary dividend per share (cents)	4.0	5.0	(20)
Payout ratio (%)	23.6	26.2	(10)
Last traded share price (\$) as at December 31	2.54	3.03	(16)
Total shareholder returns (%)	(14.9)	8.8	NM

* In accordance with SFRS(I)

For the financial year 2018, Sembcorp Industries has adopted the Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS) frameworks, as well as the new accounting standards that are effective on January 1, 2018.

SFRS(I) and IFRS are issued by the Accounting Standards Council and the International Accounting Standards Board respectively. SFRS(I) comprises standards and interpretations that are equivalent to IFRS. In our report, all references to SFRS(I) and IFRS are referred to as SFRS(I) unless otherwise specified. In addition, 2017 financial figures presented in accordance with SFRS(I) have been stated for comparison against 2018 financial figures, and are marked 2017* in the tables and charts in this section of the report.

The application of SFRS(I) 15 accounting standard to our 2017 financial figures mainly impacted the Marine business. For the Marine business, this has resulted in differences in the timing of revenue and cost of sales recognition for certain contracts. In 2017, when these contracts were terminated and new contracts were entered into, the revenue and related cost of sales were recognised. However, with SFRS(I) 15, the previously recognised revenue and related cost of sales were reversed, and will now be recognised upon the transfer of legal title to customers.

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

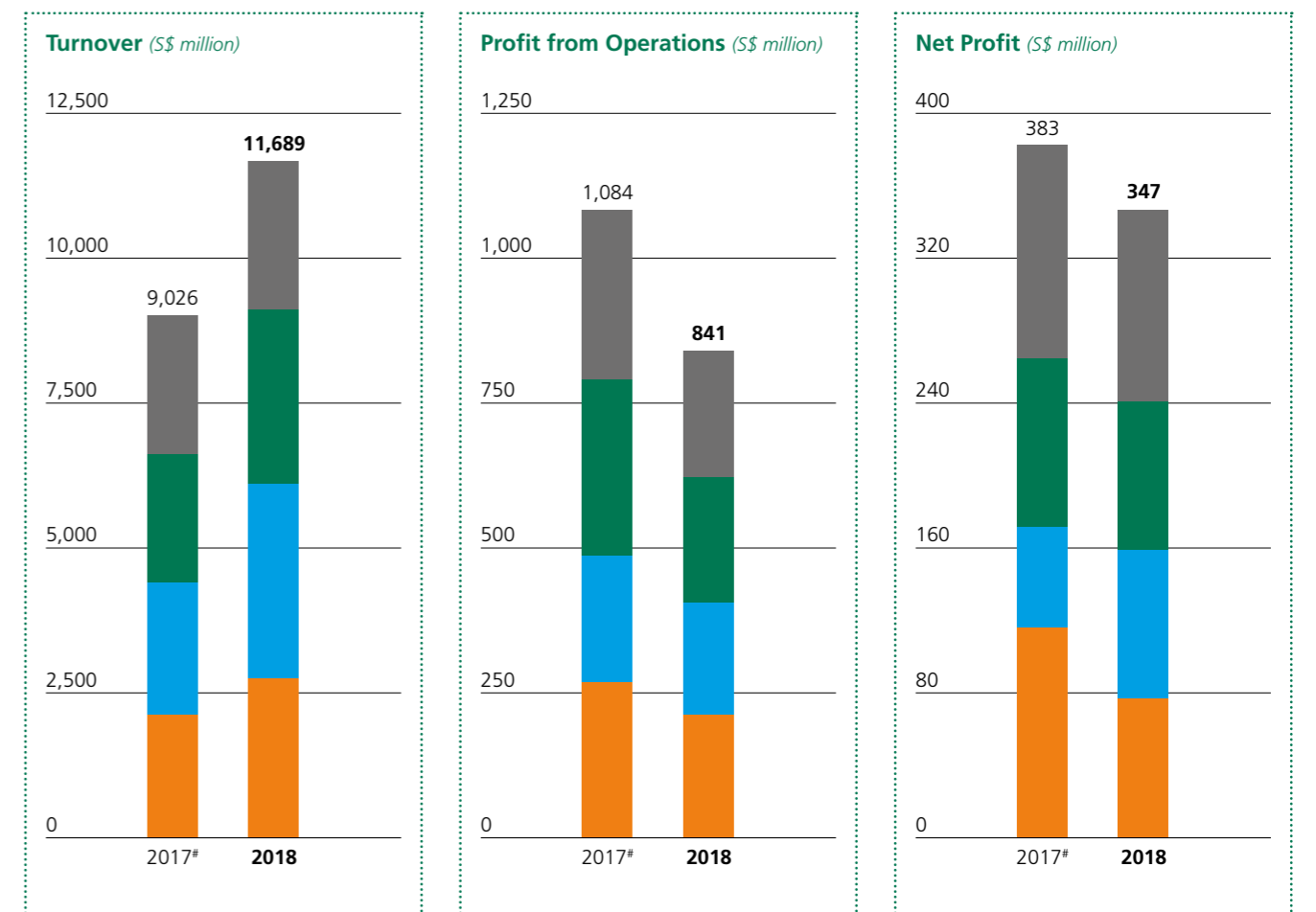
² 2017 economic value added has not been adjusted for the adoption of SFRS(I) 15

Group Quarterly Performance (\$ million)

	2018					2017*				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Turnover	2,758	3,343	3,022	2,566	11,689	2,122	2,281	2,218	2,405	9,026
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	286	268	370	355	1,279	345	332	494	352	1,523
Profit from operations	213	192	217	219	841	269	218	304	293	1,084
– Earnings before interest and tax	171	137	180	179	667	211	184	277	248	920
– Share of results: Associates & JVs, net of tax	42	55	37	40	174	58	34	27	45	164
Profit before tax	116	89	119	96	420	145	91	189	186	611
Net profit	77	82	82	106	347	116	56	93	118	383
Earnings per share (cents)	3.64	3.94	3.98	5.42	16.98	5.98	2.57	4.55	5.96	19.06

* In accordance with SFRS(I). Please see page 28 for details

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



■ First quarter ■ Second quarter ■ Third quarter ■ Fourth quarter

Five-year Financial Performance Profile

2018

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

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

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

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

contracts and a one-off gain on disposal of its equity stake in Cosco Shipyard Group.

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

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

2017

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

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

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

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

The Marine business' net profit contribution to the Group was S\$7 million in 2017, compared to S\$48 million in 2016. The business' lower net profit in 2017 was mainly due to

lower overall business volume, especially in rigs & floaters and offshore platforms, which impacted the absorption of overhead costs, and additional cost accruals for floater projects which are pending finalisation with the customers, partially offset by divestment gains and a lower share of losses from associates and joint ventures.

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

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

2016

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

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

The Marine business' net profit contribution to the Group was S\$48 million in 2016, compared to a net loss of S\$176 million in 2015. The business' net loss in 2015 was mainly due to

write-downs of inventory and work-in-progress and provisions for foreseeable losses for rig building projects. Meanwhile, the Urban Development business reported net profit of S\$33 million, comparable to the previous year.

2015

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

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

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

2014

Sembcorp delivered a healthy performance in 2014 amid challenging market conditions. Net profit for the year was S\$801 million, while turnover was S\$10,895 million.

In 2014, the Utilities business reported net profit of S\$408 million, compared to S\$450 million in 2013. The business achieved 7% net profit growth over 2013, excluding gains from the initial public offering of Sembcorp Salalah Power and Water Company offset by an impairment made for operations in the UK.

The Marine business contributed S\$340 million to the Group's net profit in 2014, compared to S\$337 million in 2013. Meanwhile, the Urban Development business reported net profit of S\$44 million, compared to S\$50 million the previous year.

Note: 2017 financial figures presented in accordance with SFRS(I) are used to compare against 2018 financial figures

Five-year Financials

	2018	2017*	2017	2016	2015	2014
For the Year (\$ million)						
Turnover	11,689	9,026	8,346	7,907	9,545	10,895
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	1,279	1,523	1,264	1,315	1,720	1,457
Profit from operations	841	1,084	795	909	631	1,297
– Earnings before interest and tax	667	920	631	784	625	1,139
– Share of results: Associates & JVs, net of tax	174	164	164	125	6	158
Profit before tax	420	611	312	537	426	1,246
Net profit	347	383	231	395	549	801

At Year End (\$ million)

Property, plant and equipment and investment properties	11,672	11,158	11,249	11,287	8,706	7,749
Other non-current assets	5,325	4,095	3,869	3,379	3,602	3,297
Net current assets	748	2,159	2,259	1,609	1,661	773
Non-current liabilities	(9,807)	(9,238)	(9,161)	(8,112)	(5,926)	(4,587)
Net assets	7,938	8,174	8,216	8,163	8,043	7,232

Share capital and reserves (including perpetual securities)	6,788	6,944	6,969	6,702	6,433	5,616
Non-controlling interests	1,150	1,230	1,247	1,461	1,610	1,616
Total equity	7,938	8,174	8,216	8,163	8,043	7,232

Per Share

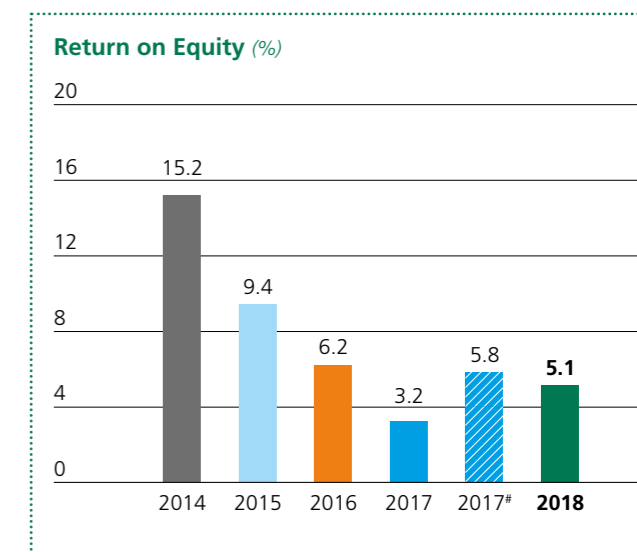
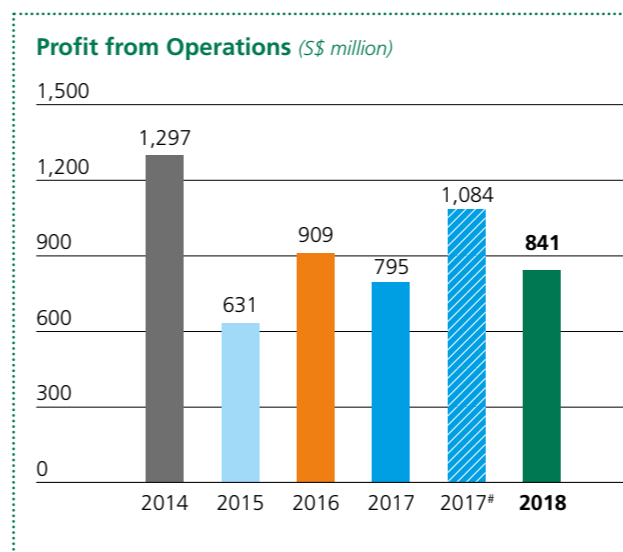
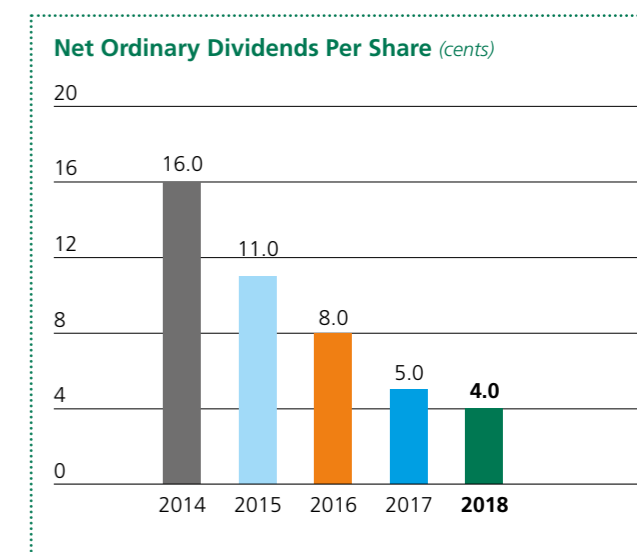
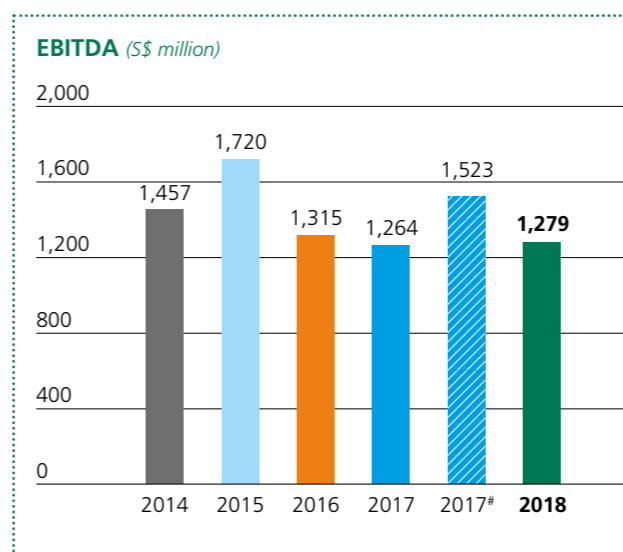
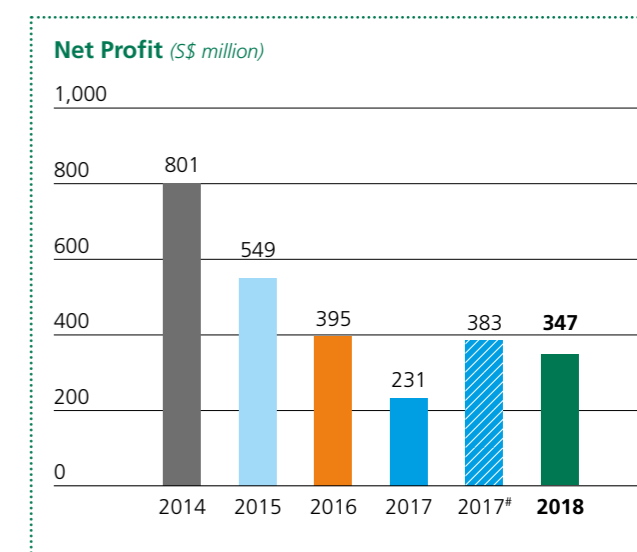
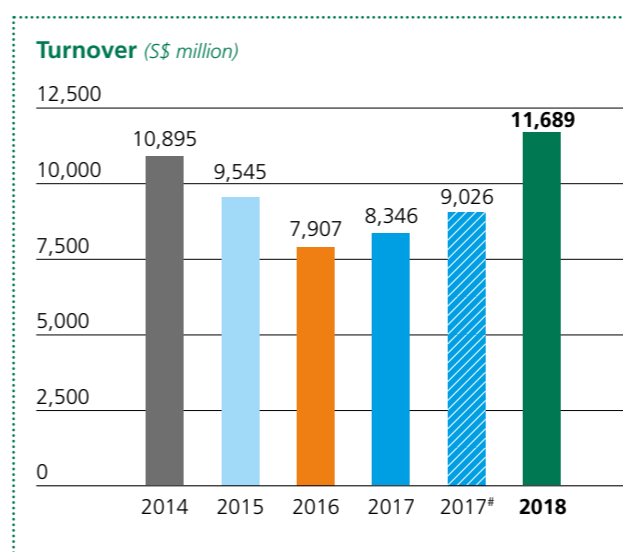
Earnings (cents)	16.98	19.06	10.51	19.92	29.17	44.31
Net assets (\$)	3.80	3.88	3.90	3.75	3.60	3.15
Net ordinary dividends (including bonus dividends) (cents)	4.0	5.0	5.0	8.0	11.0	16.0

Financial Ratios

Return on equity (%)	5.1	5.8	3.2	6.2	9.4	15.2
Return on total assets (%)	3.6	4.4	3.4	4.0	3.7	7.5
Interest cover (times)	2.5	2.9	2.4	3.3	7.2	20.8
Total debt-to-capitalisation ratio	0.57	0.55	0.55	0.53	0.46	0.40
Total debt-to-capitalisation ratio (less cash and cash equivalents)	0.47	0.40	0.40	0.42	0.35	0.26

* In accordance with SFRS(I). Please see page 28 for details

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



Group Financial Review

Review by Business (\$ million)

	2018	%	2017 [#]	%	2017	%	2016	%	2015	%	2014	%
Turnover												
Utilities	6,536	56	5,697	63	5,670	68	4,111	52	4,227	44	4,850	44
Marine	4,888	42	3,035	34	2,388	29	3,544	45	4,968	52	5,831	54
Urban Development	5	–	8	–	8	–	7	–	8	–	7	–
Others / Corporate	260	2	286	3	280	3	245	3	342	4	207	2
	11,689	100	9,026	100	8,346	100	7,907	100	9,545	100	10,895	100

Profit from Operations

Utilities	820	98	650	60	650	82	737	81	948	150	522	40
Marine	(60)	(7)	350	32	65	8	171	19	(342)	(54)	718	55
Urban Development	94	11	90	9	89	11	38	4	38	6	47	4
Others / Corporate	(13)	(2)	(6)	(1)	(9)	(1)	(37)	(4)	(13)	(2)	10	1
	841	100	1,084	100	795	100	909	100	631	100	1,297	100

Net Profit

Utilities	312	90	140	36	140	61	348	88	701	128	408	51
Marine	(48)	(14)	157	41	7	3	48	12	(176)	(32)	340	42
Urban Development	86	25	83	22	83	36	33	9	34	6	44	6
Others / Corporate	(3)	(1)	3	1	1	–	(34)	(9)	(10)	(2)	9	1
	347	100	383	100	231	100	395	100	549	100	801	100

[#] In accordance with SFRS(I). Please see page 28 for details

Performance Scorecard (\$ million)

	2018	2017 [#]	Change (%)
Turnover	11,689	9,026	30
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	1,279	1,523	(16)
Profit from operations	841	1,084	(22)
– Earnings before interest and tax	667	920	(28)
– Share of results: Associates & JVs, net of tax	174	164	6
Profit before tax	420	611	(31)
Net profit	347	383	(9)
Earnings per share (cents)	16.98	19.06	(11)
Return on equity (%)	5.1	5.8	(12)

[#] In accordance with SFRS(I). Please see page 28 for details

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

Overview

Sembcorp posted net profit of S\$347 million and turnover of S\$11,689 million in 2018, compared to S\$383 million and S\$9,026 million respectively in 2017.

Turnover

The Group achieved turnover of S\$11,689 million, with the Utilities and Marine businesses contributing 98% of total turnover.

The Utilities business' turnover was higher in 2018 compared to 2017. This was mainly due to stronger high sulphur fuel oil prices benefitting Singapore operations, higher volume and prices in India, higher generation in the UK and a full year's contribution from the Changzhi Total Water Management plant in China, which commenced commercial operation in September 2017. 2018 also includes the consolidation of UK Power Reserve (UKPR), our newly acquired business from June 2018. This increase was partially offset by lower service concession revenues for Myingyan in Myanmar and Sirajganj Unit 4 in Bangladesh, as these plants commenced commercial operation in phases during the year. The Marine business' turnover was S\$1,853 million higher, attributable mainly to revenue recognition for the delivery of eight jack-up rigs, sale of a semi-submersible rig and newly secured projects. Excluding the effect of the delivery and sale of these rigs in 2018 and revenue adjustment in 2017 due to the termination of five rig contracts with customers, revenue would have been S\$2,530 million, compared to S\$2,550 million in 2017.

Net Profit

The Group recorded net profit of S\$347 million in 2018 compared to S\$383 million in 2017, while profit from operations was S\$841 million compared to S\$1,084 million in 2017.

In 2018, the Utilities business contributed S\$312 million in net profit to the Group, compared to S\$140 million in 2017.

On an underlying basis, the business delivered net profit of S\$321 million, compared to S\$261 million in 2017. The improvement was mainly due to our India operations, which turned around to profitability and posted net profit of S\$47 million.

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

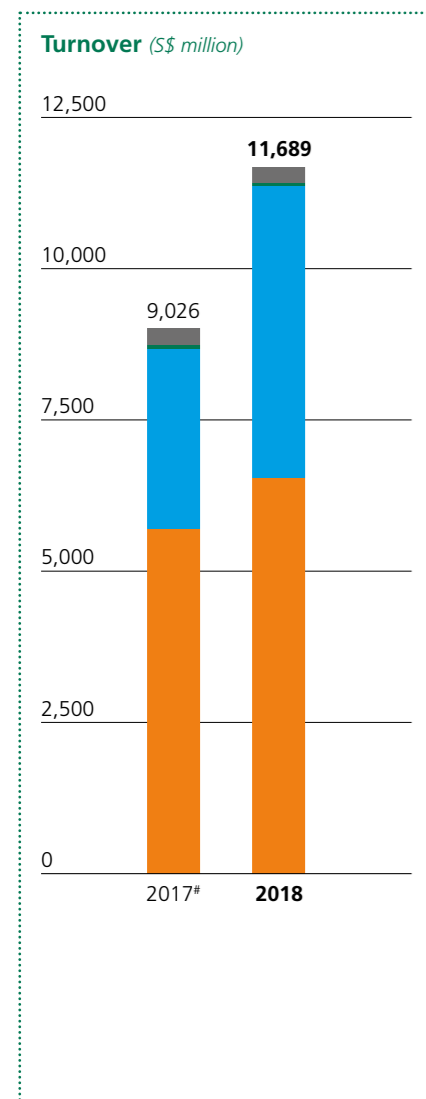
Exceptional losses recorded by the business in 2017 amounted to S\$121 million. These comprised a S\$25 million provision for potential fines and claims at an overseas water business, impairment charges of S\$57 million mainly relating to assets and investments in Singapore, as well as S\$39 million in refinancing cost incurred for our second thermal power plant in India.

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

The Urban Development business continued to deliver good performance, with steady contributions from Vietnam and China.

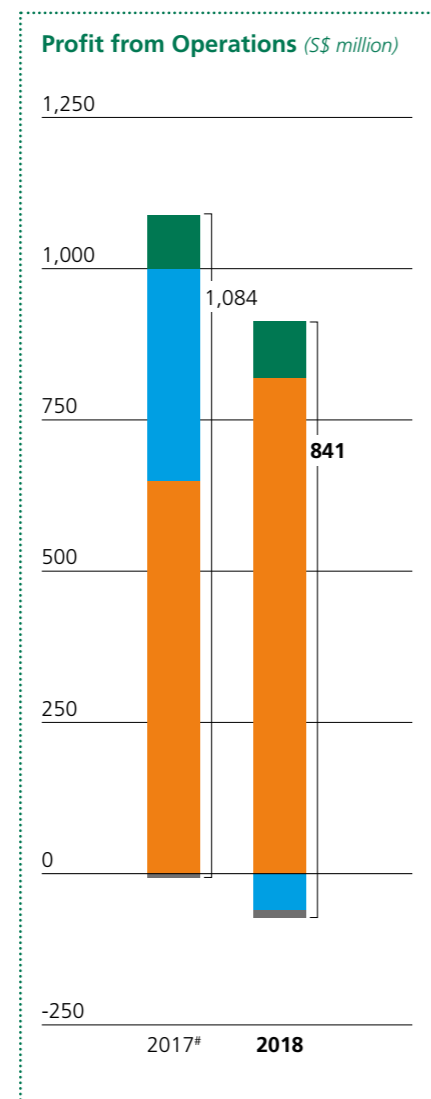
Turnover (\$ million)

	2018	2017 [#]
Utilities	6,536	5,697
Marine	4,888	3,035
Urban Development	5	8
Others / Corporate	260	286
Total	11,689	9,026



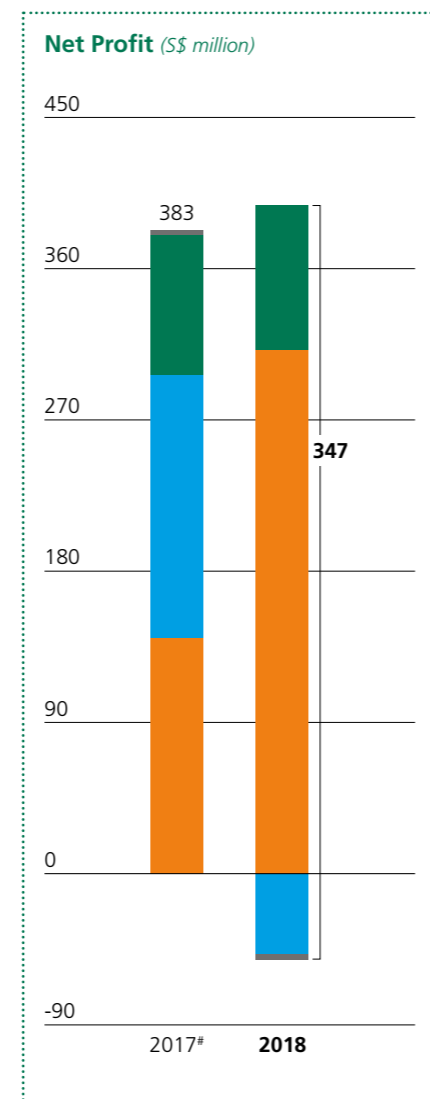
Profit from Operations (\$ million)

	2018	2017 [#]
Utilities	820	650
Marine	(60)	350
Urban Development	94	90
Others / Corporate	(13)	(6)
Total	841	1,084



Net Profit (\$ million)

	2018	2017 [#]
Utilities	312	140
Marine	(48)	157
Urban Development	86	83
Others / Corporate	(3)	3
Total	347	383



Cash Flow and Liquidity

As at December 31, 2018, the Group's cash and cash equivalents stood at S\$1,923 million.

Net cash from operating activities before changes in working capital remained healthy at S\$1,250 million. Cash outflow from changes in working capital in 2018 was mainly attributable to Marine's working capital changes along with the increase in service concession receivables from Myingyan and Sirajganj Unit 4 power projects. The service concession receivables will be collected over the periods of the concession contracts from the time the power plants commence commercial operations.

Net cash used in investing activities in 2018 was S\$1,217 million, mainly for acquisition of subsidiaries, and property, plant and equipment, offset by proceeds received from the divestment of investments and other financial assets, dividend and interest received.

Net cash used in financing activities in 2018 was S\$256 million. This was mainly for payment for non-controlling interests acquired in 2017, redemption of subordinated perpetual securities and interest paid, reduced by net proceeds from borrowings.

Financial Position

Group shareholders' funds increased to S\$5,987 million as at December 31, 2018, from S\$5,941 million as at December 31, 2017.

Property, plant and equipment and investment property increased in 2018. This was mainly attributable to additions from Marine, Utilities (India and the UK, including the acquisition of UKPR), less translation losses from India and the UK assets, as well as the ongoing development of the Nanjing Riverside Quay project by Urban Development.

Other non-current assets increased in 2018. This was due primarily to the net increase in trade and other receivables from the Marine business' billings to customers upon the completion

and sale of rigs, where payment is expected to be received after 12 months, and the service concession receivables from Sirajganj Unit 4 power project. In 2018, intangible assets also increased mainly as a result of acquisitions during the year by Utilities and Marine.

Current assets decreased in 2018 mainly due to the decrease in contract cost relating to the Marine business in its recognition of cost of sales upon the delivery of rig building projects.

Cash and cash equivalents decreased due to the redemption of perpetual securities, acquisitions, capital expenditures and repayment of borrowings.

Increase in contract assets was mainly from revenue recognised during the period and the timing of billing to customers by the Marine business.

Current liabilities decreased, on recognition of revenue upon the delivery and sale of rig building projects for the Marine business, and payments made for non-controlling interests acquired in 2017.

Interest-bearing borrowings increased in 2018, mainly due to the acquisition and consolidation of UKPR's borrowings, additional borrowings for working capital, capital expenditure and refinancing of the company's perpetual securities.

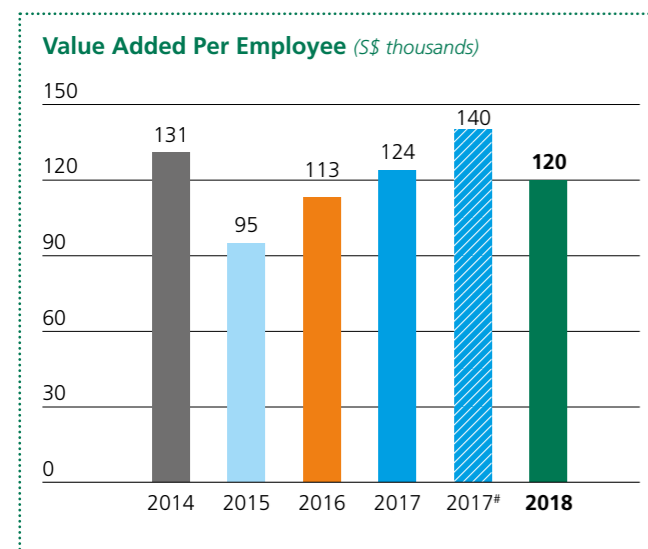
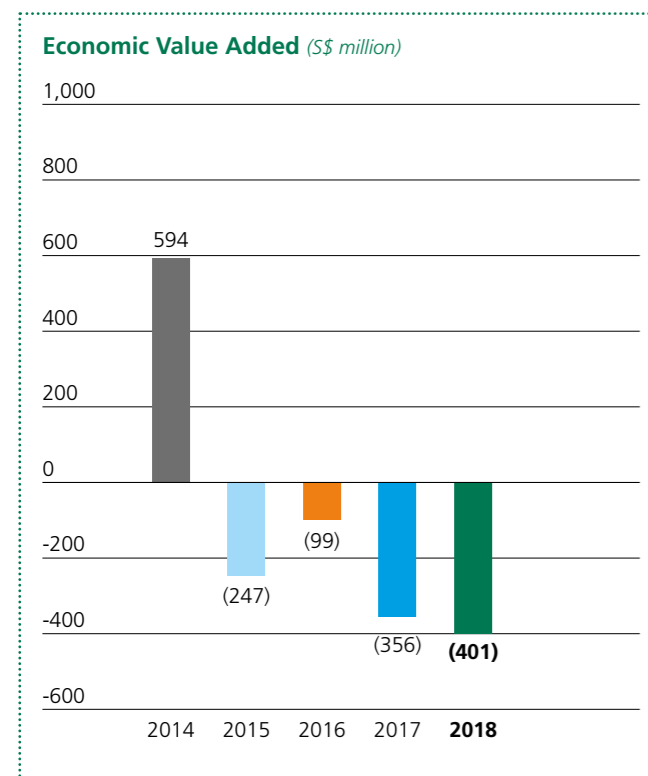
Shareholder Returns

In 2018, return on equity for the Group was 5.1% and earnings per share amounted to 16.98 cents. Subject to approval by shareholders at the next annual general meeting, a final dividend of 2.0 cents per ordinary share has been proposed for the financial year ending December 31, 2018. Together with an interim dividend of 2.0 cents per ordinary share paid in August 2018, this brings our total dividend for the year to 4.0 cents per ordinary share.

[#] In accordance with SFRS(I). Please see page 28 for details

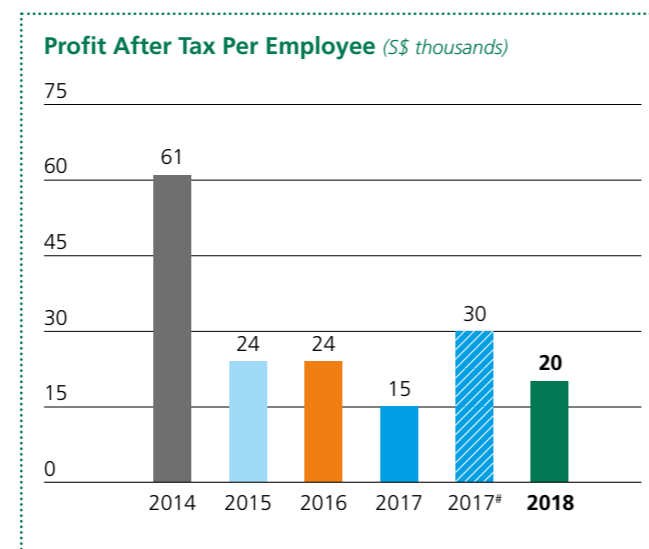
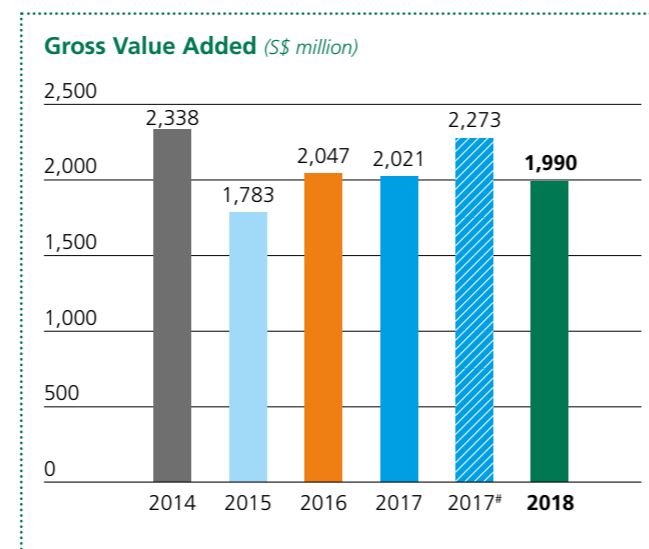
Economic Value Added

Economic value added (EVA) was negative in 2018, mainly due to a weaker overall performance by the Marine business. In 2018, EVA was negatively impacted by new investments that are at an early stage of operation.



Value Added and Productivity Data

In 2018, the Group's total value added was S\$2,399 million. This was absorbed by employees in wages, salaries and benefits of S\$759 million, by governments in income and other taxes of S\$149 million and by providers of capital in interest, dividends and distribution of S\$622 million, leaving a balance of S\$869 million reinvested in business.



Value Added Statement (\$ million)

	2018	2017*	2017	2016	2015	2014
Value Added from						
Turnover	11,689	9,026	8,346	7,907	9,545	10,895
Less: Bought in materials and services	(9,699)	(6,753)	(6,325)	(5,860)	(7,762)	(8,557)
Gross value added	1,990	2,273	2,021	2,047	1,783	2,338
Investment, interest and other income	328	421	410	536	985	253
Share of results: Associates & JVs, net of tax	174	164	164	125	6	159
Other non-operating expenses	(93)	(229)	(240)	(491)	(631)	(168)
	2,399	2,629	2,355	2,217	2,143	2,582
Distribution						
To employees in wages, salaries and benefits	759	807	807	800	832	871
To governments in income and other taxes	149	104	104	119	137	211
To providers of capital in:						
Interest on borrowings	508	527	526	402	238	70
Dividends to owners	71	125	125	179	285	393
Profit attributable to perpetual securities holders	43	43	43	39	28	9
	1,530	1,606	1,605	1,539	1,520	1,554
Retained in Business						
Depreciation and amortisation	595	571	571	454	405	315
Deferred tax expense / (credit)	(7)	65	14	32	(106)	26
Retained profits	232	215	63	178	236	399
Non-controlling interests	(15)	110	14	42	(94)	283
	805	961	662	706	441	1,023
Other non-operating (expense) / income	64	62	88	(28)	182	5
	869	1,023	750	678	623	1,028
Total Distribution	2,399	2,629	2,355	2,217	2,143	2,582

* In accordance with SFRS(I). Please see page 28 for details

Group Financial Review

Productivity Data

	2018	2017*	2017	2016	2015	2014
Average staff strength	16,578	16,288	16,288	18,072	18,676	17,806
Employment costs (\$ million)	759	807	807	800	832	871
Profit after tax per employee (\$'000)	20	30	15	24	24	61
Value added (\$ million)	1,990	2,273	2,021	2,047	1,783	2,338
Value added per employee (\$'000)	120	140	124	113	95	131
Value added per dollar employment costs (\$)	2.62	2.82	2.50	2.56	2.14	2.68
Value added per dollar investment in property, plant and equipment (\$)	0.12	0.15	0.13	0.14	0.15	0.22
Value added per dollar sales (\$)	0.17	0.25	0.24	0.26	0.19	0.21

The figures above reflect data for core businesses only

* In accordance with SFRS(I). Please see page 28 for details

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, 2018, the Group adopted the following new / amended SFRS(I) and IFRS, set out in the table below.

The adoption of the following standards do not have any significant impact on the financial statements except for SFRS(I) 15 and SFRS(I) 9.

Amendments to SFRS(I)

SFRS(I) 1	First-time adoption of SFRS(I)
SFRS(I) 15	Revenue from Contracts with Customers which includes the clarifications to IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) in April 2016
SFRS(I) 9	Financial Instruments which includes the amendments to IFRS 4 insurance contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts issued by the IASB in September 2016

Requirements in the following SFRS(I) arising from amendments to corresponding IFRS issued by the IASB in 2016:

SFRS(I) 2	Share-based Payment
SFRS(I) 1-40	Investment Property
SFRS(I) 1	Amendments to IFRS 1
SFRS(I) 1-28	Investments in Associates and Joint Ventures
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

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

The application of SFRS(I) 15 accounting standard to our 2017 financial figures mainly impacts the Marine business. For the Marine business, this has resulted in differences in the timing of revenue and cost of sales recognition for certain contracts. In 2017, when these contracts were terminated and new contracts were entered into, the revenue and related cost of sales were recognised. However, with SFRS(I) 15, the previously recognised revenue and related cost of sales were reversed, and will now be recognised upon the transfer of legal title to customers.

Financial Risk Management

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

 For details on the management of these risks, please refer to page 103 of this annual report.

Treasury Management

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

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

Facilities

As at December 31, 2018, the Group's total credit facilities, including our multi-currency debt issuance programme, amounted to S\$19,361 million (2017: S\$21,095 million). This comprised funded facilities of S\$15,048 million (2017: S\$17,166 million), including S\$12,876 million (2017: S\$11,807 million) in committed facilities, and trade-related facilities of S\$4,313 million (2017: S\$3,929 million), including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds.

Borrowings and Perpetual Securities

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

In 2018, the Group redeemed S\$200 million of perpetual securities under our S\$2,500 million multi-currency debt issuance programme. The Group also established a total of S\$850 million and £200 million of loan facilities. These comprise a S\$750 million 5-year revolving credit facility (in part to refinance a S\$500 million revolving credit facility which matured during the year), a new S\$100 million 8-year term loan and a £200 million bridge facility.

As at December 31, 2018, the Group's gross borrowings amounted to S\$10,732 million (2017: S\$9,848 million). Compared to 2017, the increase of S\$884 million in gross borrowings was mainly due to new borrowing arising from acquisition of UK assets, and new loan drawdown to finance projects in Bangladesh and India. The interest cover dropped from 2.9 times in 2017 to 2.5 times in 2018, mainly attributed to lower earnings for 2018. The Group remains committed to balancing the availability and cost of funding while maintaining prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities.

Of the overall debt portfolio in 2018, 54% (2017: 45%) constituted fixed rate debt that was not exposed to interest rate fluctuations. The floating rate debt mainly comprised long-term bank loans in India to support the Group's projects in the country. We continue to actively monitor and manage the mix of our debt portfolio.

Financing and Treasury Highlights (\$ million)

	2018	2017	2016
Source of Funding			
Cash and cash equivalents	1,925	2,687	1,883
Funded facilities (including multi-currency debt issuance programme)			
Committed funded facilities	12,876	11,807	10,827
Less: Amount drawn down	(10,480)	(9,821)	(9,009)
Unutilised committed funded facilities	2,396	1,986	1,818
Uncommitted funded facilities	2,172	5,359	5,322
Less: Amount drawn down	(1,083)	(1,027)	(1,012)
Unutilised uncommitted funded facilities	1,089	4,332	4,310
Total unutilised funded facilities	3,485	6,318	6,128
Trade-related facilities			
Facilities available	4,313	3,929	4,379
Less: Amount used	(1,604)	(2,206)	(2,411)
Unutilised trade-related facilities	2,709	1,723	1,968
Funding Profile			
Maturity profile			
Due within one year	1,862	1,572	2,126
Due between one to five years	5,803	5,204	4,043
Due after five years	3,067	3,072	3,052
	10,732	9,848	9,221
Debt mix			
Fixed rate debt	5,754	4,469	4,416
Floating rate debt	4,978	5,379	4,805
	10,732	9,848	9,221

Financing and Treasury Highlights (\$ million)

	2018	2017 ^a	2016
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	1,279	1,523	1,315
Interest on borrowings	508	527	402
Interest cover (<i>times</i>)	2.5	2.9	3.3

^a In accordance with SFRS(I). Please see page 28 for details

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

	2018	D/C ratio	2017	D/C ratio	2016	D/C ratio
Debt / capitalisation (D/C) ratios						
Sembcorp Industries corporate debt	3,319	0.18	2,484	0.14	1,697	0.10
Sembcorp Industries project finance debt	3,183	0.17	3,264	0.18	3,369	0.19
Sembcorp Marine debt	4,230	0.23	4,100	0.23	4,155	0.24
Sembcorp Industries Group gross debt	10,732	0.57	9,848	0.55	9,221	0.53
Less: Cash and cash equivalents	(1,925)	–	(2,687)	–	(1,883)	–
Sembcorp Industries Group net debt	8,807	0.47	7,161	0.40	7,338	0.42