

Group Financial Review

Group Financial Highlights

	2019	2018	Change(%)
For the Year (\$ million)			
Turnover	9,618	11,689	(18)
EBITDA	1,535	1,279	20
Profit from operations	749	841	(11)
– Earnings before interest and tax	565	667	(15)
– Share of results: Associates & JVs, net of tax	184	174	6
Profit before tax	295	420	(30)
Net profit	247	347	(29)
Economic value added	(498)	(401)	(24)
Return on total assets (%)	3.5	3.6	(3)
Return on equity (%)	3.5	5.1	(31)

Capital Position (\$ million)

Owners' funds	6,070	5,987	1
Total assets	23,252	23,321	*
Net debt	9,033	8,807	3
Operating cash flow	977	739	32
Free cash flow	1,352	656	106
Capital expenditure and equity investment	1,187	2,009	(41)
Total debt-to-capitalisation ratio	0.58	0.57	2
Total debt-to-capitalisation ratio (less cash and cash equivalents)	0.48	0.47	2
Interest cover (times)	2.6	2.5	4

Shareholder Returns

Net assets per share (\$)	3.85	3.80	1
Earnings per share (cents)	11.81	16.98	(30)
Ordinary dividends per share (cents)	5.0	4.0	25
Payout ratio (%)	42.3	23.6	79
Last traded share price (\$)	2.29	2.54	(10)
Total shareholder returns (%)	(8.4)	(14.9)	44

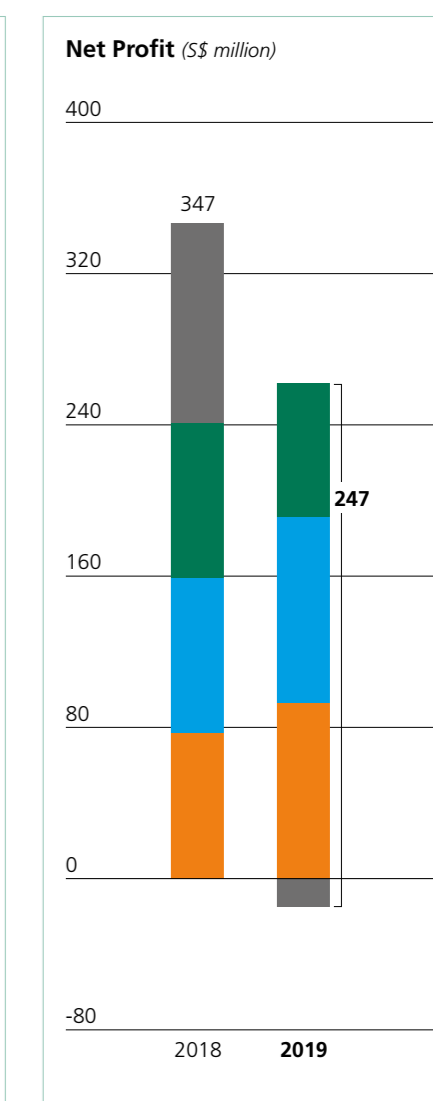
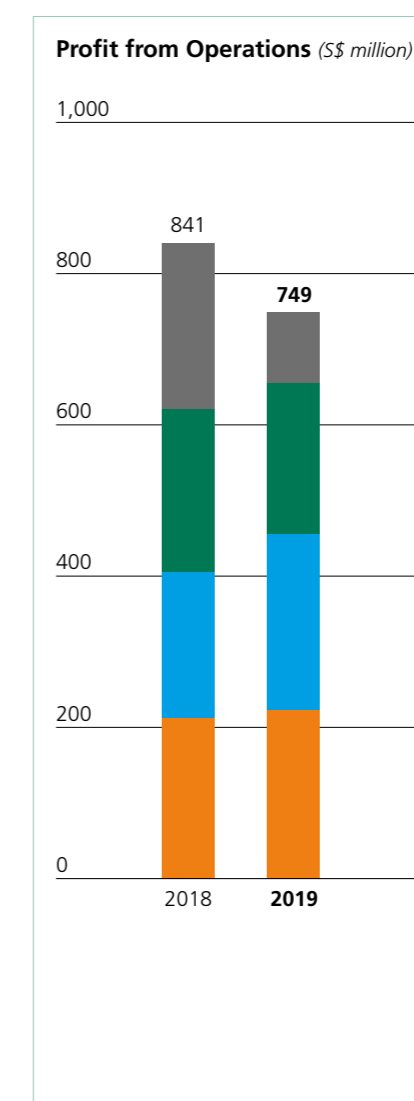
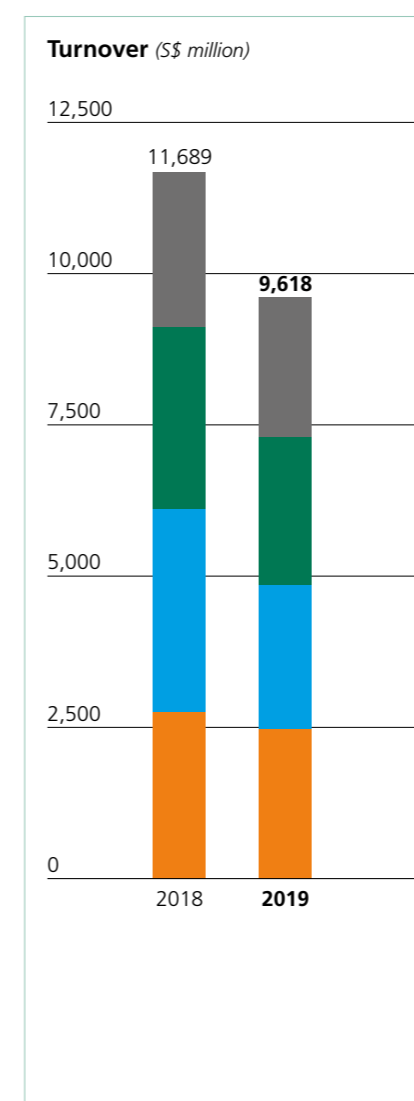
* Less than 1%

Notes

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

Group Quarterly Performance (\$ million)

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



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

Five-year Financial Performance Profile

2019

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

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

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

Exceptional items recorded by the Energy business in 2019 amounted to a negative S\$165 million. This comprised

impairments of S\$245 million and S\$7 million of additional provision for potential fines and claims at Sembcorp Nanjing SUIWU in China, offset by net gains of S\$86 million from the divestment of businesses and assets. There was also a S\$1 million revision on purchase price allocation for a solar project in Singapore.

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

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

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

2018

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

In 2018, the Energy business contributed net profit of S\$312 million to the Group, compared to S\$140 million in 2017. Net profit, before exceptional items, was S\$321 million, up 23% compared to

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

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

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

Meanwhile, the Urban business continued to deliver good performance with steady contributions from Vietnam

and China. 2018 net profit was S\$86 million, slightly higher than net profit of S\$83 million in 2017.

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

2017

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

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

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

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

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

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

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

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

2016

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

In 2016, the Energy business contributed S\$348 million in net profit to the Group. 63% of this net profit was generated by overseas operations. Excluding exceptional items, the business delivered profit growth of 4% over 2015, backed by record profit in China of S\$125 million. Exceptional gain recorded by the business in 2016 amounted to S\$3 million, comprising S\$34 million from a divestment gain on the sale of a municipal water operation in Yancheng, China, less S\$31 million total refinancing cost for our first thermal power plant in India. Exceptional gain recorded by the business in 2015 amounted to S\$370 million, comprising divestment gains of S\$426 million from the sale of a waste management joint venture in Australia

and municipal water operations in Bournemouth, the UK and Zhumadian, China, less S\$56 million comprising S\$31 million from the exit of the chemical feedstock business and impairment of assets in Singapore (net of settlement amounts from customers) and S\$24 million in net allowance for doubtful debts in China.

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

2015

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

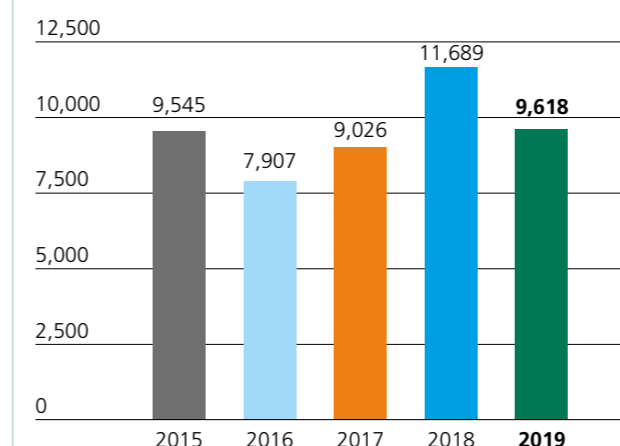
In 2015, the Energy business delivered 72% growth in net profit to S\$701 million compared to S\$408 million in 2014. This increase was underpinned by growth from its overseas operations as well as gains from the sale of its Australian waste management joint venture and municipal water operations in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

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

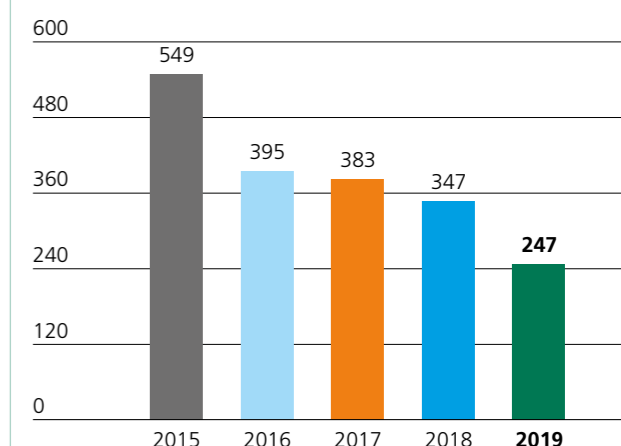
Five-year Financials

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

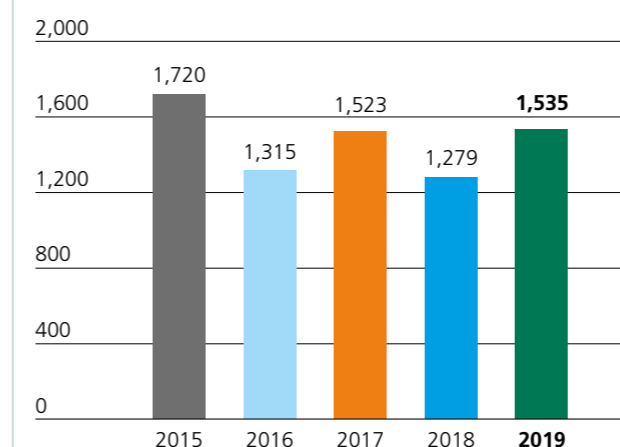
Turnover (\$ million)



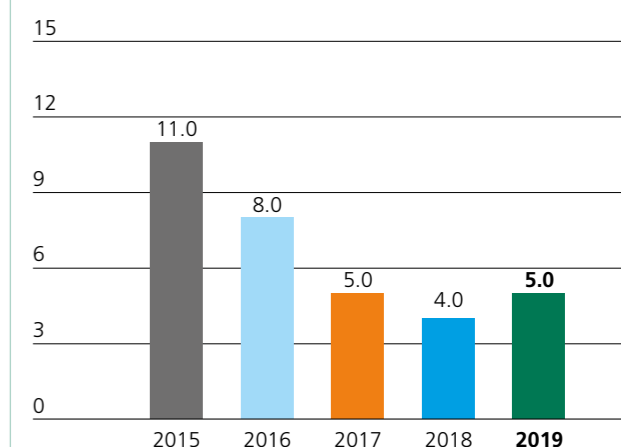
Net Profit (\$ million)



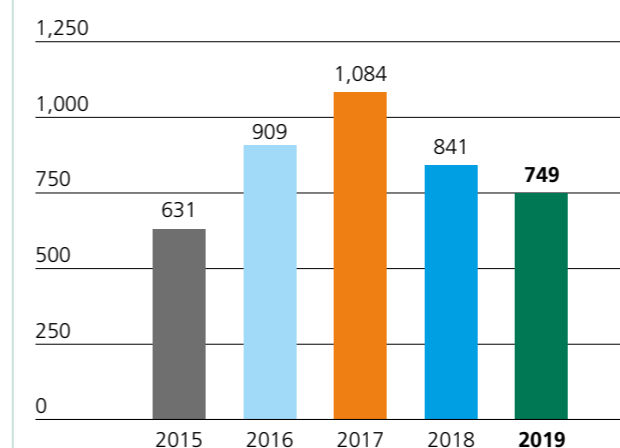
EBITDA (\$ million)



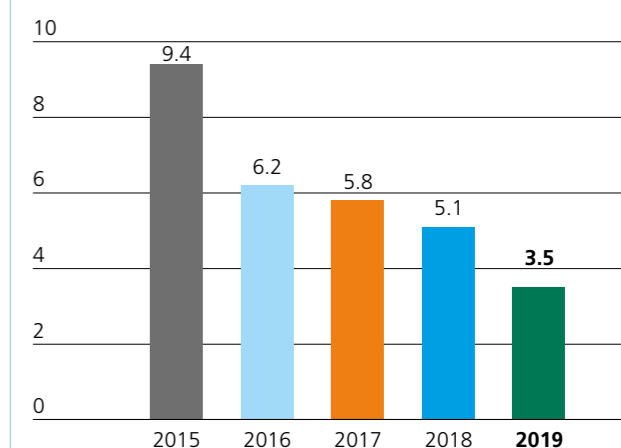
Ordinary Dividends Per Share (cents)



Profit from Operations (\$ million)



Return on Equity (%)



Review by Business (\$ million)

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

* Less than 1%

Overview

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

Turnover

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

The Energy business recorded a turnover of S\$6,138 million, 6% lower compared to 2018. The decline was due to lower gas sales, planned major

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

Net Profit

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

S\$395 million and S\$907 million respectively, compared to S\$339 million and S\$825 million in 2018.

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

Performance Scorecard
Financial Indicators (\$ million)

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

from the Myingyan power plant in Myanmar, which commenced operations in October 2018. Contribution from Myanmar in 2019 was also boosted by one-off income comprising mainly liquidated damages and vendor settlement income. The better performance in UK was driven by the recognition of revenue from the capacity market, which resumed in 4Q2019.

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

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

The Urban business delivered another year of record profit in 2019.

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

Cash Flow and Liquidity

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

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

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

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

Financial Position

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

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

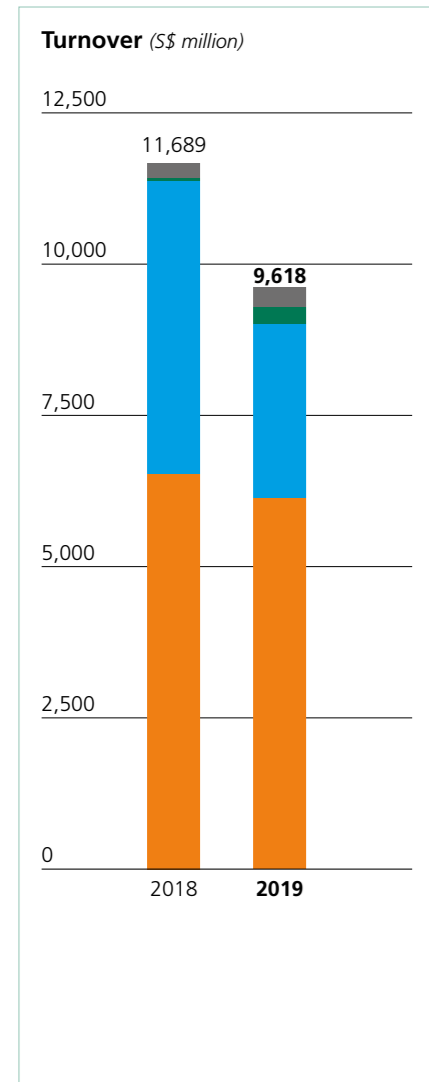
Right-of-use-assets arose from the recognition of land and building leases with the adoption of SFRS(I) 16 on leases.

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

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

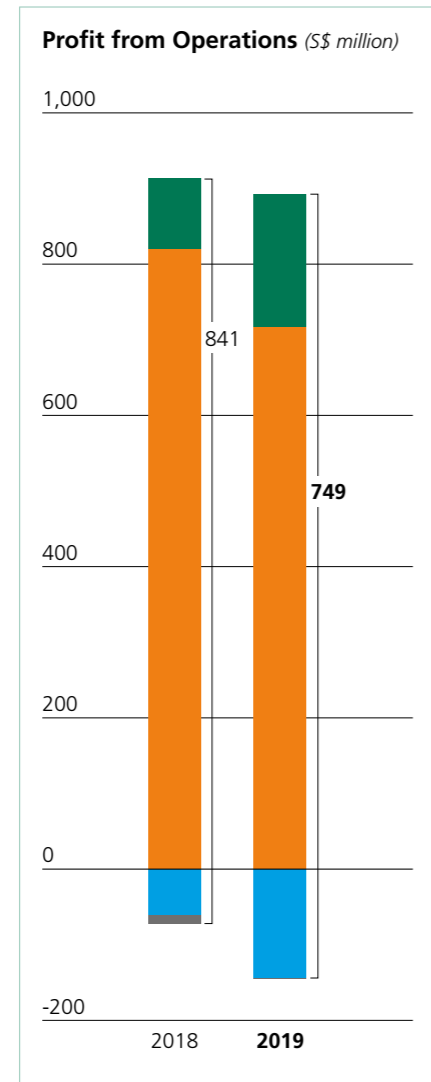
Turnover (\$ million)

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



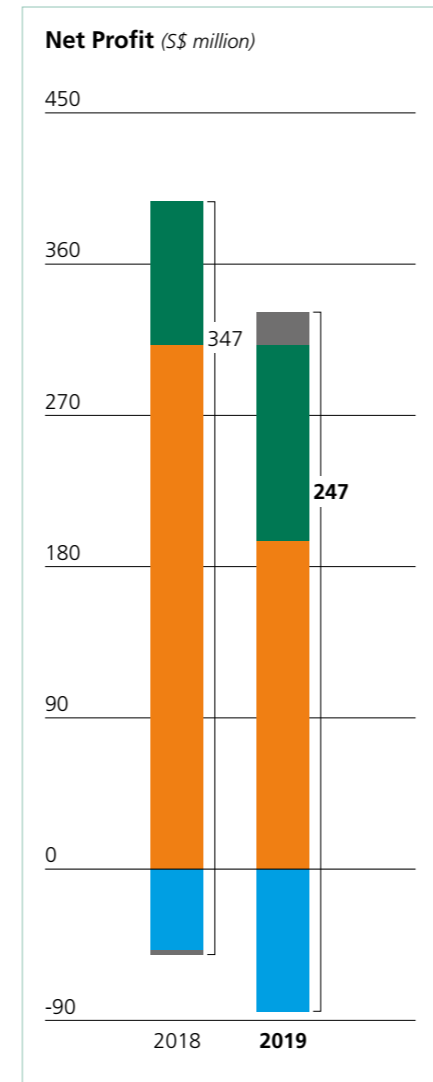
Profit from Operations (\$ million)

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



Net Profit (\$ million)

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



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

Shareholder Returns

In 2019, return on equity for the Group was 3.5% and earnings per share amounted to 11.81 cents. Subject to approval by shareholders at the next annual general meeting, a final dividend

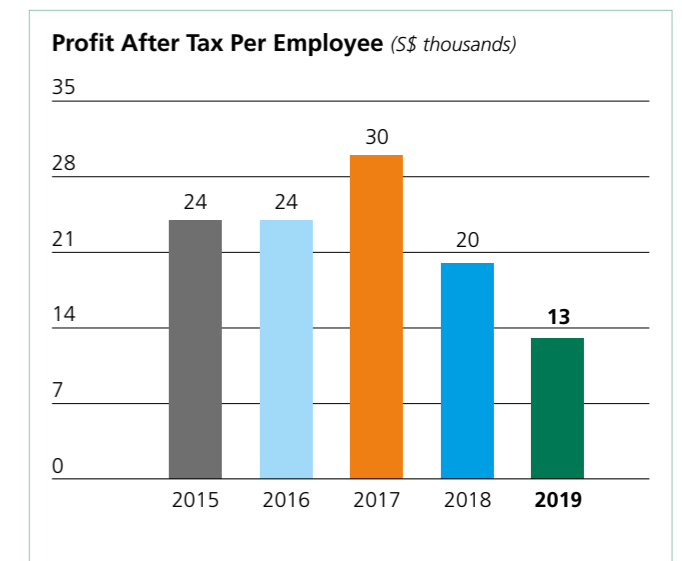
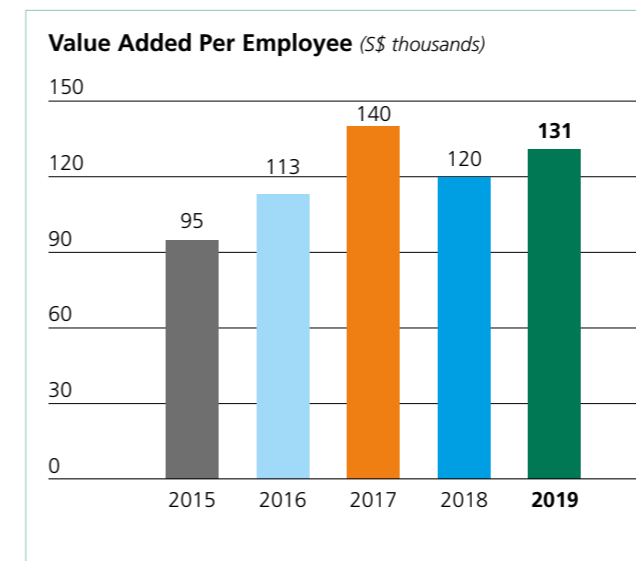
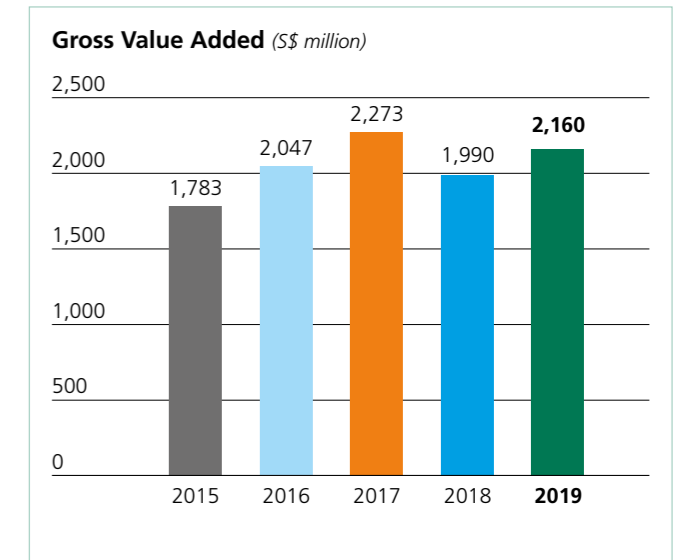
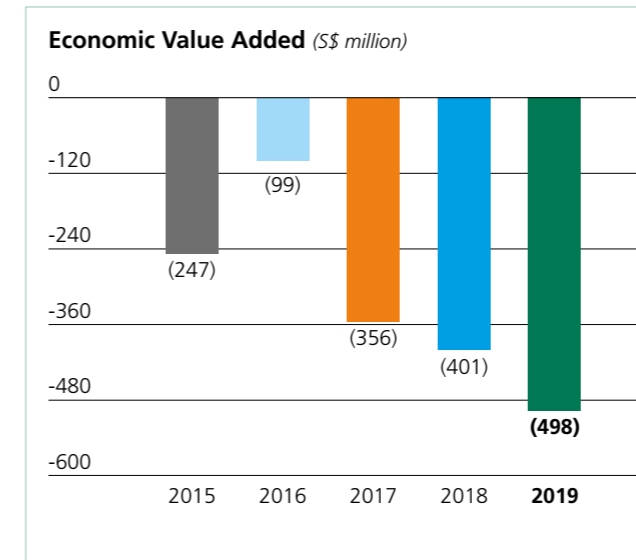
of 3.0 cents per ordinary share has been proposed for the financial year ending December 31, 2019. Together with an interim dividend of 2.0 cents per ordinary share paid in September 2019, this brings our total dividend for the year to 5.0 cents per ordinary share.

Economic Value Added

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

Value Added and Productivity Data

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



Group Financial Review

Value Added Statement *(S\$ million)*

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

Productivity Data

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

The figures above reflect data for core businesses only

Amendments to SFRS(I)

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

Critical Accounting Policies

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

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


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

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

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

Financial Risk Management

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

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

Treasury Management

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

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

Facilities

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

Borrowings and Perpetual Securities

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

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

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

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

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

* Restated due to reclassification of banking facilities

Group Financial Review

Financing and Treasury Highlights (\$ million)

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

^a Restated due to reclassification of banking facilities

Financing and Treasury Highlights (\$ million)

	2019	2018	2017			
Debt Ratios						
Interest cover ratio						
Earnings before interest, tax, depreciation and amortisation	1,535	1,279	1,523			
Interest on borrowings	586	508	527			
Interest cover (times)	2.6	2.5	2.9			
Debt / capitalisation (D/C) ratios						
	2019	D/C ratio	2018 ^a	D/C ratio	2017	D/C ratio
Sembcorp Industries corporate debt	4,263	0.23	2,788	0.15	2,484	0.14
Sembcorp Industries project finance debt	3,636	0.19	3,714	0.20	3,264	0.18
Sembcorp Marine debt	2,901	0.16	4,230	0.23	4,100	0.23
Sembcorp Industries Group gross debt	10,800	0.58	10,732	0.57	9,848	0.55
Less: Cash and cash equivalents	(1,767)	–	(1,925)	–	(2,687)	–
Sembcorp Industries Group net debt	9,033	0.48	8,807	0.47	7,161	0.40

^a Restated due to reclassification of banking facilities