

PRESS RELEASE

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SEMBCORP POSTS FY2017 RESULTS AND UNVEILS A NEW STRATEGY FOR THE FUTURE

- ***Repositions the Utilities business as an integrated energy player and targets to double renewables portfolio***
- ***Unlocks value with targeted utilities divestments of up to S\$0.5 billion over the next two years and proposed IPO of India energy business***

Singapore, February 23, 2018 – Sembcorp Industries (Sembcorp) today announced its full-year 2017 (FY2017) results as well as the completion of its strategic review, unveiling a new strategy for the future to strengthen its businesses and pursue sustainable growth.

For FY2017, Sembcorp posted net profit of S\$230.8 million, profit from operations (PFO) of S\$795.3 million and turnover of S\$8.3 billion compared to S\$394.9 million, S\$909.0 million and S\$7.9 billion in 2016 respectively. Net profit from the Utilities business was S\$140.0 million compared to S\$348.0 million in 2016. The business recorded exceptional losses totalling S\$120.8 million comprising mainly refinancing costs, non-cash impairment charges as well as provisions. The Marine business contributed net profit of S\$6.8 million in 2017 compared to S\$48.3 million the previous year. The Urban Development business delivered record profits in 2017, with net profit growing 150% to S\$83.2 million.

A final dividend of 2.0 cents per ordinary share is proposed. Together with an interim dividend of 3.0 cents per ordinary share paid in August 2017, this would bring the Group's total dividend for the year to 5.0 cents per ordinary share.

Neil McGregor, Group President & CEO, said, "2017 was a challenging year for our business sectors. We fully recognise the challenges we face, and are committed to addressing them head-on to lift our performance and returns. These challenges, together with market and industry disruptions, offer the opportunity for us to take decisive steps and reposition Sembcorp for success in a rapidly changing world."

A new strategy for a stronger and more sustainable Sembcorp

The Group will drive long-term value creation and performance through disciplined capital allocation and systematic capital recycling. It will also focus on sustainability and building a dynamic organisation to support its strategy and growth. As it deepens its capabilities, the Group will look to add on new merchant capabilities as well as improve performance and capture opportunities through the acceleration of technology adoption and the deployment of digital technologies.

A key focus of Sembcorp's strategy is to reposition its Utilities business to become an integrated energy player that will benefit from the global energy transition. With the aim of having a balanced portfolio in developing and developed markets, the Utilities business will focus on growing three business lines (*Gas & Power, Renewables & Environment, and Merchant & Retail*). It will look to focus and deepen its presence in key markets by offering a differentiated integrated energy business model.

Neil McGregor, Group President & CEO, said, "Over the years, Sembcorp has built up strong capabilities and deep integration expertise across the energy and utilities value chain. From thermal and renewable power to gas and industrial water solutions, we have established positions in developing markets and developed markets. This strong track record gives our Utilities business an excellent foundation to create a global integrated energy platform, strategically positioned to benefit from the global energy transition.

"We are confident that Sembcorp Marine, a global leader in the offshore and marine industry, is well-positioned to benefit from the industry's recovery with its active investments in new capabilities and technological innovations. We will continue to support the business through the cycle. Our Urban Development business is steadily growing. With the role it plays in driving economic transformation and job creation, it has built up a strong franchise in Asia and is a valued partner to governments in host countries."

Repositioning the Utilities business as an integrated energy player

Sembcorp's Utilities business will deliver a differentiated business model that taps on opportunities to provide integrated solutions across the energy and utilities value chain. This will comprise multiple energy offerings built around anchor assets. Besides providing enhanced returns and

growth while lowering development risk, this strategy allows Sembcorp to leverage the strengths of its centralised utilities business. These include its strong track record as a developer and owner of energy and utilities assets, and its proven integration expertise.

Sembcorp will reposition its portfolio across certain developing and developed markets. Backed by the strong track record and scale it has established in the region, the business will now focus and deepen its presence in four key markets, namely Singapore & Southeast Asia; China; India and the UK.

As an originator, owner and operator of utility assets, Sembcorp aims to scale and optimise its integrated energy platforms as well as develop a pipeline for active capital recycling. The Utilities business will focus on three business lines:

- The *Gas & Power* business will target opportunities in thermal power, gas importation and retail as well as regas infrastructure
- The *Renewables & Environment* business will focus on renewables, water and wastewater treatment as well as waste-to-resource growth opportunities in the low-carbon and circular economies
- The *Merchant & Retail* business, with its newly added merchant capabilities, will enable the business to capture opportunities closer to customers in multiple markets and enhance competitiveness and returns

These business lines will better position the Utilities business to innovate, grow and meet the challenges of a changing global energy landscape that is facing increasing decarbonisation, decentralisation, digitalisation and demand disruption.

Unlocks value with targeted utilities divestments of up to S\$0.5 billion and proposed IPO of India energy business

To build a platform for growth and sustainability of its India energy business, the company today announced that it has initiated the process for an initial public offering of Sembcorp Energy India Limited on BSE Limited and the National Stock Exchange of India, with the filing of a draft red herring prospectus.

Following the review of its Utilities business, the Group is planning to divest a number of peripheral utilities assets. Over the next two years, this is expected to deliver estimated cash proceeds of up

to S\$0.5 billion. This is additional to potential proceeds from the proposed IPO of Sembcorp Energy India Limited. The company also announced that it had entered into a conditional agreement to divest its municipal water operations in South Africa, as part of its geographical repositioning. The Group's focus on active and systematic capital recycling will enable it to strengthen its balance sheet and deliver sustainable growth.

Strengthens commitment to sustainability with targets for doubling of renewables portfolio to ~4,000 megawatts and a 25% reduction in carbon emission intensity

A strong commitment to sustainability and sustainable value creation continues to underpin Sembcorp's new strategies. The company aims to play a part, together with the international community, in furthering the United Nations' Sustainable Development Goals (SDGs), in particular SDG 6 (Clean Water and Sanitation) and SDG 7 (Affordable and Clean Energy).

In recognition that the world is rapidly transitioning to a low-carbon economy with significant disruption and opportunities, the company is targeting to double its renewables portfolio to approximately 4,000 megawatts by 2022 to create one of the region's leading independent renewable energy players. Currently, Sembcorp has renewable assets comprising both wind and solar across Singapore, China and India.

Sembcorp will target a reduction in its carbon emission intensity in line with the 2°C climate scenario. By 2022, the company aims to reduce carbon emission intensity by close to 25% from its current 0.55 tonnes of carbon dioxide per megawatt hour (tCO₂/MWh) to 0.42 tCO₂/MWh, and to less than 0.40 tCO₂/MWh by 2030.

Mr McGregor concluded, "We are clear about our strategic priorities and are determined to lift our performance and returns. We are taking decisive action to transform our Utilities business into an integrated energy player that will be strategically positioned to benefit from the global energy transition.

"Sembcorp will build on our strengths to ensure our success in a changing world. I believe we have the right strategy, strong business models as well as the track record and capabilities to deliver. I am confident that Sembcorp will continue to serve the evolving needs of Singapore and markets worldwide and deliver sustainable value and growth for our stakeholders for decades to come."

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ABOUT SEMBCORP INDUSTRIES

Sembcorp Industries is a leading utilities, marine and urban development group, present across five continents.

As an integrated energy player, Sembcorp is poised to benefit from the global energy transition. With a strong track record in developing and developed markets, it provides solutions across the energy and utilities value chain, with a focus on the *Gas & Power*, *Renewables & Environment*, and *Merchant & Retail* sectors. It has a balanced energy portfolio of over 11,000 megawatts, including thermal power plants, renewable wind and solar power assets, as well as biomass and energy-from-waste facilities. In addition, Sembcorp is a world leader in offshore and marine engineering, as well as an established brand name in urban development.

Sembcorp Industries has total assets of over S\$23 billion and over 7,000 employees. Listed on the main board of the Singapore Exchange, it is a component stock of the Straits Times Index, several MSCI and FTSE indices, as well as the SGX Sustainability Leaders Index and the Dow Jones Sustainability Asia Pacific Index.

Appendix 1

ABOUT THE PROPOSED IPO OF SEMBCORP'S INDIA ENERGY BUSINESS

Sembcorp Industries (the Group) has initiated the process for a proposed initial public offering of its India energy business, Sembcorp Energy India Limited (SEIL), on BSE Limited (BSE) and the National Stock Exchange of India (NSE). For further details, reference may be made to SEIL's draft red herring prospectus filed with the Securities and Exchange Board of India (SEBI) on February 22, 2018. This may be viewed on the SEBI website, www.sebi.gov.in, or at the websites of the book running lead managers.

The Group currently has an effective stake of 93.73% in SEIL, formerly known as Thermal Powertech Corporation India (TPCIL). SEIL owns the Group's entire portfolio of thermal and renewable energy businesses located in India, including 100% of Sembcorp Gayatri Power (SGPL), as well as 100% of Sembcorp Green Infra (SGIL).

This represents assets with a combined capacity of 4.07 gigawatts as of December 31, 2017, to which an additional 300-megawatt wind energy project was added pursuant to a successful bid in a reverse auction conducted by the Solar Energy Corporation of India in February 2018.

The Group will make further announcements as and when there are material developments in relation to the proposed public offering and listing, in compliance with applicable rules and regulations, including SEBI rules.

Potential investors should not rely on the DRHP for any investment decision. They should note that investment in equity shares involves a high degree of risk and for details they may refer to the red herring prospectus, once available, including the section titled "Risk Factors".

Additional notes:

Prior to the filing of the draft red herring prospectus and as announced by the Group on February 19, 2018, a Corporate Reorganisation of the Group's energy operations in India took place under which:

- a) SEIL acquired 87.98% of SGPL from the Group's wholly-owned subsidiary Sembcorp Utilities (SCU); and 12.02% of SGPL from SCU's local partner Gayatri Energy Ventures (GEVPL); thereby resulting in SEIL owning 100% of SGPL
- b) SEIL acquired 71.57% of SGIL from SCU
- c) SCU, through its subsidiary SEIL, also completed an acquisition of the remaining 28.43% of SGIL from IDFC Private Equity Fund III on February 21, 2018. This acquisition was first announced on August 31, 2017. Together with b), this results in SEIL owning 100% of SGIL.

As at December 31, 2017, the Group's carrying value for 87.98% of SGPL and 100% of SGIL was S\$366.7 million and S\$747.0 million respectively.

The consideration for the transfers in a) and b) was settled through a share swap. With respect to this, SEIL appointed a leading international accountancy firm to do a valuation of SEIL, SGPL, and SGIL. Based on the valuation as at September 30, 2017 using discounted cash flow and comparable companies' method, the international accountancy firm recommended:

- i) an exchange ratio of 1,000 equity share of SEIL for every 108 equity shares of SGIL
- ii) an exchange ratio of 1,000 equity share of SEIL for every 4,225 equity shares of SGPL

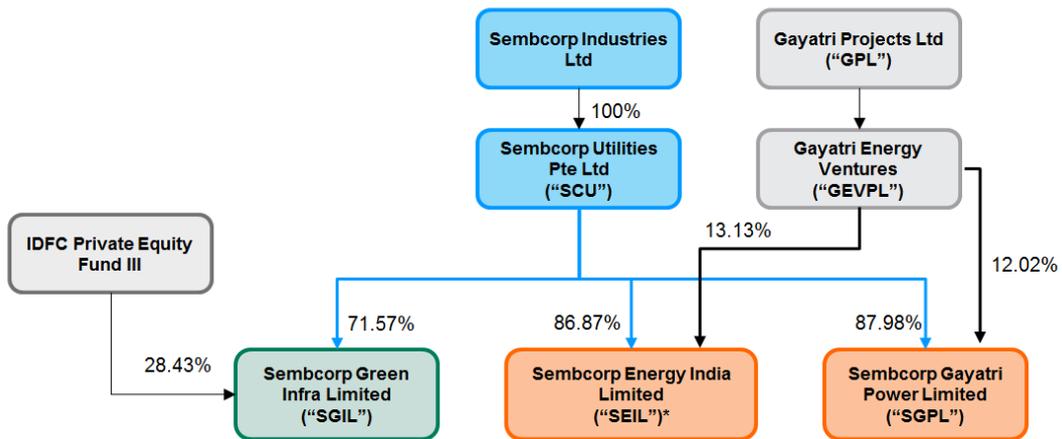
SEIL acquired the equity shares of SGPL and SGIL mentioned in a) and b) above by issuing new SEIL shares to SCU and GEVPL, based on the international accountancy firm's recommended share swap ratio.

Following the Corporate Reorganisation, the Group's stake in SEIL, held through SCU, is 93.73%, while GEVPL's stake in SEIL is 6.27%. Please refer to *Figure 1* and *Figure 2* below for a diagrammatic representation of the shareholding structure prior to and after the restructuring.

GEVPL has a one-time call option to purchase SEIL shares from SCU, for cash, in accordance with a pre-agreed return on investment for SEIL. The call option may be exercised by GEVPL either (i) 30 days prior to the filing of the red herring prospectus with SEBI; or (ii) on May 25, 2021, whichever is earlier. If the call option is exercised, GEVPL's shareholding in SEIL will increase to 12.15%, while SCU's stake in SEIL will reduce to 87.85%. Further details are

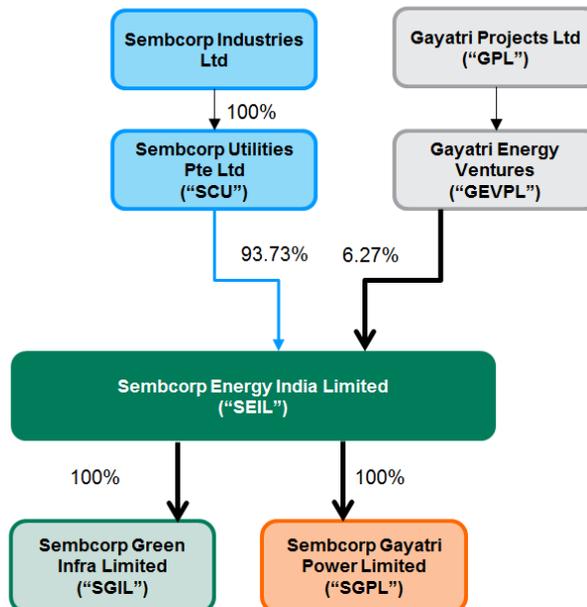
available in the “History and Certain Corporate Matters” section of SEIL’s draft red herring prospectus filed with SEBI, available at the links given above.

Figure 1: Shareholding Structure Prior to Corporate Reorganisation



*Note: SEIL was formerly known as Thermal Powertech Corporation India Limited (TPCIL)

Figure 2: Shareholding Structure After Corporate Reorganisation



Appendix 2

ABOUT THE PROPOSED DIVESTMENT OF SEMBCORP'S MUNICIPAL WATER OPERATIONS IN SOUTH AFRICA

Sembcorp Industries' wholly-owned subsidiary, Sembcorp Utilities (Netherlands) N.V. (SUNNV), has entered into an agreement to divest its 100% stake in Sembcorp Utilities South Africa, its 100% effective stake in Sembcorp Silulumanzi and its 73.4% stake in Sembcorp Siza Water to South African Water Works Pty Ltd, which represents a consortium of a South African infrastructure fund and other strategic investors. Gross proceeds from the sale will amount to ZAR 790 million (approximately S\$89 million*).

Sembcorp Silulumanzi and Sembcorp Siza Water's principal activities involve the provision of municipal water and sanitation services to the Mbombela (Nelspruit) and Ballito regions in South Africa respectively. Sembcorp Utilities South Africa functions as a holding company through which SUNNV holds a 52% stake in Sembcorp Silulumanzi, in addition to the 48% of Sembcorp Silulumanzi that SUNNV holds directly.

Completion of the divestment is expected in the first half of 2018, subject to the satisfaction of certain conditions precedent including local regulatory approvals, upon which Sembcorp Utilities South Africa, Sembcorp Silulumanzi and Sembcorp Siza Water will cease to be part of the Group.

The consideration for the sale was arrived at pursuant to a competitive sale process. The Group's combined carrying value of Sembcorp Utilities South Africa, Sembcorp Silulumanzi and Sembcorp Siza Water was approximately S\$71 million as at December 31, 2017. Based on current assessment, this transaction is not expected to have a material financial impact to the earnings per share and net asset value per share of the Group for the financial year ending December 31, 2018.

**Based on the exchange rate of February 20, 2018*