



# FY2018 Results Announcement

February 21, 2019

© Sembcorp Industries 2019

## Scope of Presentation



- CEO's Report
- Financial Review
- Looking Ahead

© Sembcorp Industries 2019

# CEO's Report

**Neil McGregor**

Group President & CEO

© Sembcorp Industries 2019

## FY2018 Group Performance Round-up

**Turnover at S\$11,689 million, up 30%**

**Profit from Operations at S\$841 million, down 22%**

**Net Profit at S\$347 million, down 9%**

**EPS at 17.0 cents**

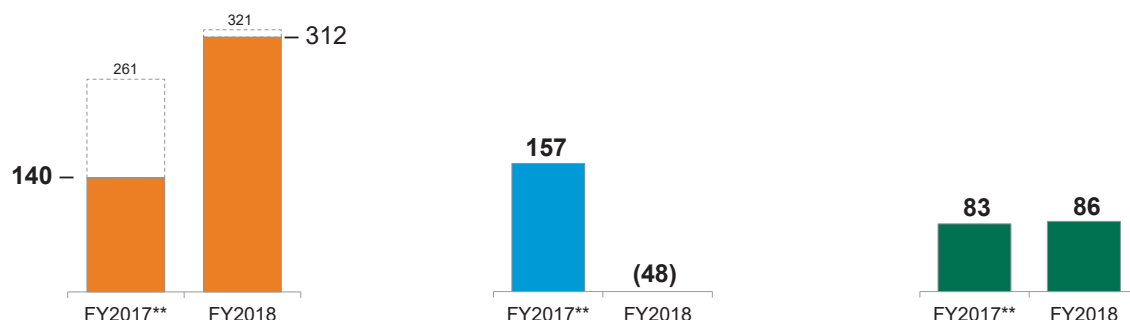
**ROE at 5.1%**

**Proposing final dividend of 2.0 cents per share, bringing total dividend for FY2018 to 4.0 cents per share**

# FY2018 Group Performance Round-up



Utilities	Marine	Urban Development
<b>Net Profit</b> <b>S\$312 million</b> ↑123%	<b>Net Profit / (Loss)*</b> <b>(S\$48 million)</b>	<b>Net Profit</b> <b>S\$86 million</b> ↑4%



- **Utilities:** Earnings growth underpinned by India turnaround to profitability
- **Marine:** Net loss due to continued low overall business volume and loss on the sale of a semi-submersible rig
- **Urban Development:** Record net profit with strong contribution from Vietnam and China

2017 exceptional items of S\$121 million comprising S\$39 million in SGPL refinancing cost, S\$57 million of impairment charges mainly relating to Singapore's assets and investments and S\$25 million of provision for potential fines and claims at an overseas water business  
 2018 exceptional items of S\$9 million comprising S\$23 million gain from the divestment of waste paper recycling and medical waste operations in Singapore and municipal water operations in South Africa, offset by S\$25 million of provision for potential fines and claims at an overseas water business and a non-cash S\$7 million expensing of UKPR's capitalised cost upon refinancing

\* Sembcorp's share of Marine's net profit / (loss)

\*\* Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS) frameworks and the new accounting standards. All references to SFRS(I)s and IFRSs are subsequently referred to as SFRS(I)s unless otherwise specified

# Repositioning Sembcorp

Making progress on our strategy



PERFORMANCE			
OUR PRIORITIES	OUR PROGRESS		
	Utilities	Marine	Urban Development
<b>Lifting Performance and Returns</b>	<ul style="list-style-type: none"> <li>• Net profit growth of 123% from 2017, up 23% excluding EI</li> <li>• India turnaround to profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Net loss of S\$48 million. Work volume significantly below peak levels and competition remained intense</li> </ul>	<ul style="list-style-type: none"> <li>• Net profit up 4% from 2017, second year of record earnings</li> <li>• Record net orderbook secured, up 69% from 2017</li> </ul>
<b>Reshaping Portfolio</b>	<b>Deepening presence in key markets</b> <ul style="list-style-type: none"> <li>• <b>Singapore</b> <ul style="list-style-type: none"> <li>– Extended gas business to include LNG importation</li> <li>– Entered Open Electricity Market as a power retailer</li> <li>– Grew solar capacity to over 120MW</li> </ul> </li> <li>• <b>India</b> <ul style="list-style-type: none"> <li>– Consolidated thermal and renewable energy businesses under single entity SEIL</li> <li>– Grew renewables portfolio by 300MW</li> </ul> </li> <li>• <b>UK</b> <ul style="list-style-type: none"> <li>– Firm foothold in flexible distributed generation and energy storage with acquisition of UK Power Reserve</li> </ul> </li> </ul>	<b>Moving up the value chain</b> <ul style="list-style-type: none"> <li>• Positioning for the future with state-of-the-art Tuas Boulevard Yard</li> <li>• Successfully moved into renewable energy engineering solutions with contract wins</li> </ul>	<b>Supporting urbanisation</b> <ul style="list-style-type: none"> <li>• Pursuing adjacencies and offering new business models such as specialised business hubs and smart developments</li> <li>• Launched and sold first residential development in China</li> </ul>
<b>Strengthening Balance Sheet</b>	<b>Unlocking value</b> – Cash proceeds of ~S\$200 million* from 2018 divestments		

\*Cash proceeds from divestments of waste paper recycling, medical waste operations and Sembcorp EOSM in Singapore, Hongshan Mansion held under Wuxi Singapore Property Investment Co in China, Centralised Utilities Company in Oman and municipal water operations in South Africa

# Repositioning Sembcorp

Making progress on our strategy



## SUSTAINABILITY

OUR PRIORITIES	OUR PROGRESS
<b>Established Climate Change Strategy</b>	Targets to reduce GHG emission intensity to 0.42 tCO <sub>2</sub> e/MWh by 2022 and <0.40 tCO <sub>2</sub> e/MWh by 2030 and increase renewables capacity to ~4,000MW by 2022
<b>Growing Renewables and Other Green Solutions</b>	<ul style="list-style-type: none"> <li>Renewable energy capacity now 2,600MW, up ~20% from end-2017</li> <li>Entry into battery storage with construction of UKPR's 120MW battery storage portfolio underway</li> <li>A leading solar player in Singapore with over 120MW peak</li> <li>More than 1,700MW of renewable energy capacity in India</li> <li>First to commission 250MW SECI 1 project, India's first nationwide wind power tender</li> </ul>
<b>Embedding Sustainability in the Organisation</b>	New KPI Framework incorporates Environmental, Social and Governance (ESG) components

## DYNAMIC ORGANISATION

OUR PRIORITIES	OUR PROGRESS			
<b>Building and Deepening Capabilities</b>	Building leadership bench strength			
	<b>Augmenting capabilities</b>			
	<table border="1"> <tr> <td>Merchant &amp; Retail</td> <td>Digital &amp; Technology</td> <td>Risk Management &amp; Compliance</td> </tr> </table>	Merchant & Retail	Digital & Technology	Risk Management & Compliance
Merchant & Retail	Digital & Technology	Risk Management & Compliance		
<b>Digitalising and Entrenching Innovation</b>	<table border="1"> <tr> <td>Establishing a strong and secure IT foundation</td> <td>Digitising the business to improve efficiency, productivity and customer experience</td> <td>Embedding innovation in our business by developing differentiated solutions</td> </tr> </table>	Establishing a strong and secure IT foundation	Digitising the business to improve efficiency, productivity and customer experience	Embedding innovation in our business by developing differentiated solutions
Establishing a strong and secure IT foundation	Digitising the business to improve efficiency, productivity and customer experience	Embedding innovation in our business by developing differentiated solutions		



# Financial Review

**Graham Cockroft**

Group CFO

## Group Profit & Loss



(S\$M)	FY18	FY17	Δ%
		Restated* As previously reported	
Turnover	11,689	9,026   8,346	30
EBITDA**	1,279	1,523   1,264	(16)
Profit from Operations	841	1,084   795	(22)
EBIT	667	920   631	(28)
Share of results: Associates & JVs	174	164   164	6
Net Finance Cost	(421)	(473)   (483)	(11)
Finance costs	(508)	(527)   (526)	(4)
Finance income	87	54   43	61
PBT	420	611   312	(31)
Tax	(88)	(118)   (67)	(25)
Non-controlling Interests	15	(110)   (14)	NM
Net Profit	347	383   231	(9)
EPS (cents)	17.0	19.1   10.5	(11)

\*Restated in accordance with SFRS(I)s

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

## Group Turnover



(S\$M)	FY18	FY17	Δ%
		Restated*	
Utilities	6,536	5,697	15
Marine	4,888	3,035	61
Urban Development**	5	8	(38)
Other Businesses	260	286	(9)
<b>TOTAL TURNOVER</b>	<b>11,689</b>	<b>9,026</b>	<b>30</b>

\*Restated in accordance with SFRS(I)s

\*\*Urban Development businesses comprise mainly associates or joint ventures which are accounted for under the equity method. The turnover reflected was derived from providing services to these associates or joint ventures

## Group Net Profit



(S\$M)	FY18	FY17		Δ%
		Restated*	As previously reported	
Utilities	312	140	140	123
Marine	(48)	157	7	NM
Urban Development	86	83	83	4
Other Businesses	16	27	25	(41)
Corporate	(19)	(24)	(24)	(21)
<b>TOTAL NET PROFIT</b>	<b>347</b>	<b>383</b>	<b>231</b>	<b>(9)</b>

### Changes in accounting policies

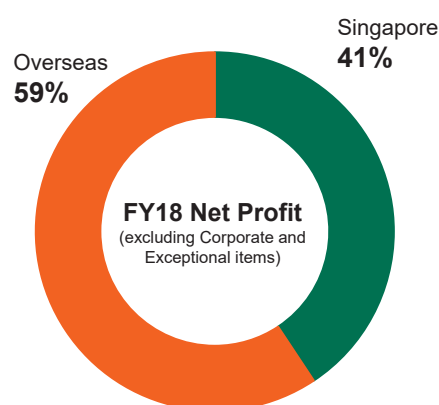
- The restatement of the 2017 income statement is attributed mainly to the Marine business due to the application of SFRS(I) 15.
- The adoption of SFRS(I) 15 leads to differences in timing of revenue and related cost of sales recognition for certain contracts. In the Marine division, there was a reversal of revenue and related cost of sales for certain contracts pre-2018, now to be recognised upon the transfer of legal title to customers. In FY2017 when some of these contracts were terminated and new contracts entered into, revenue and cost of sales were recognised.

\*Restated in accordance with SFRS(I)s

## Utilities Net Profit



By Geography (S\$M)	FY18	FY17	Δ%
Singapore	155	163	(5)
China	87	78	10
India	47	(58)	NM
Rest of Asia**	22	47	(53)
Middle East & Africa	56	55	1
UK & the Americas	14	27	(48)
Corporate	(60)	(51)	17
<b>Net Profit before exceptional items</b>	<b>321</b>	<b>261</b>	<b>23</b>
Exceptional items^	(9)	(121)	(93)
<b>TOTAL NET PROFIT</b>	<b>312</b>	<b>140</b>	<b>123</b>



\*Restated in accordance with SFRS(I)s

\*\*Includes Australia

^2017 exceptional items of S\$121 million comprising S\$39 million in SGPL refinancing cost, S\$57 million of impairment charges mainly relating to Singapore's assets and investments and S\$25 million of provision for potential fines and claims at an overseas water business

2018 exceptional items of S\$9 million comprising S\$23 million gain from the divestment of waste paper recycling and medical waste operations in Singapore and municipal water operations in South Africa, offset by S\$25 million of provision for potential fines and claims at an overseas water business and a non-cash S\$7 million expensing of UKPR's capitalised cost upon refinancing

## Group Capex and Equity Investment



(S\$M)	FY18	FY17
<b>Capital Expenditure</b>		
- Utilities	818	479
- Marine	342	194
- Urban Development / Other Businesses	7	16
	<b>1,167</b>	<b>689</b>
<b>Equity Investment</b>		
- Utilities	784	1
- Marine	55	-
- Urban Development	3	14
	<b>842</b>	<b>15</b>

## Group Free Cash Flow



(S\$M)	FY18	FY17
		Restated*
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
- before changes in working capital	1,250	1,512
- changes in working capital	(389)	(791)
- tax paid	(122)	(70)
	<b>739</b>	<b>651</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
- divestments, dividend and interest income	706	779
- investments, capex and non-trade balances**	(1,923)	(871)
	<b>(1,217)</b>	<b>(92)</b>
- Add back: expansion capex	1,426	565
<b>FREE CASH FLOW</b>	<b>948</b>	<b>1,124</b>

\*Restated in accordance with SFRS(I)s

\*\*Payables for capital works / fixed assets

## Group Borrowings



(\$M)	Dec 31,18	D/C ratio*	Dec 31,17	D/C ratio*
				Restated**
<b>Gross Debt</b>				
Corporate debt	2,833	0.15	2,483	0.14
Project finance debt	3,670	0.20	3,264	0.18
Sembcorp Marine debt	4,229	0.23	4,100	0.23
	<b>10,732</b>	<b>0.57</b>	<b>9,847</b>	<b>0.55</b>
Less: Cash and cash equivalents	(1,925)		(2,687)	
<b>Net debt</b>	<b>8,807</b>	<b>0.47</b>	<b>7,160</b>	<b>0.40</b>

\*Total Debt-to-Capitalisation ratio

\*\*Restated in accordance with SFRS(I)s

## Financial Indicators



	FY18	FY17
		Restated*
EPS (cents)	17.0	19.1
ROE (%)	5.1	5.8
ROTA (%)	3.6	4.4
Interest Cover (times)	2.5	2.9
<b>Per Share</b>		
NAV (S\$)	3.80	3.88

\*Restated in accordance with SFRS(I)s



# Looking Ahead

**Neil McGregor**  
Group President & CEO

# Looking Ahead

## Utilities – Steady Performance in 2019



### Singapore

- Competition in power market remains intense. Phasing out of vesting contracts
- One of the top retailers in the Open Electricity Market, which will be extended nationwide by May 2019
- Opportunity for renewables growth as a leading solar rooftop player
- Sale completion of utilities assets formerly serving Jurong Aromatics Corporation to ExxonMobil expected by early 2020



### India

- SEIL Project 1 (Unit 1) expected to be back online by end-Feb 2019
- SEIL Project 2 making progress in firming up long-term power sales
  - Long-term PPA for the supply of 250MW to Bangladesh for 15 years commenced in Feb 2019
  - Received Letter of Award, subject to regulatory approval, to supply 500MW of power to Andhra Pradesh for 8 years in Feb 2019
- Additional 550MW of renewables to come onstream in 2019
- Moving towards self O&M for tighter operational control
- Continue to monitor market conditions for potential IPO
- Long-term outlook for power market remains positive. Current situation of peak surplus expected to reverse by Fiscal Year 2020 according to independent research house CRISIL
- Potential volatility with India elections



### UK

- Full-year contribution from UK Power Reserve
  - Seasonal merchant operations dependent on volatility in the power market
  - Capacity market remains suspended
  - Exploring options to enhance recurring income through other markets that require flexibility
- Political and regulatory uncertainty with Brexit
- Long term outlook remains positive for the power market and flexible generation assets

### Marine – Outlook Remains Challenging



- Overall business volume and activity, while stabilising, is expected to remain relatively low
- While offshore drilling activities have increased, offshore rig orders will take some time to recover as the market remains over-supplied. Offshore production units are expected to dominate potential orders
- Future new orders may have increased working capital needs as the industry continues to adjust to changing business models and constrained capital availability
- Taking steps to manage costs, cashflows and gearing to address the balance sheet and to capitalise on new business opportunities

### Urban Development – Earnings Growth Expected to Continue



- Recognition of income from the sale of Riverside Grandeur residential development in China. Progressive handover expected in 2019
- International Water Hub commercial development expected to be completed late 2019
- Record net orderbook of 425ha to be recognised as land sales over 2-3 years
- Leveraging synergies with energy business to provide sustainable solutions



This presentation contains certain statements that are not statements of historical fact, i.e. forward-looking statements. These forward-looking statements are based on current expectations, projections and assumptions about future events. Although Sembcorp Industries believes that these expectations, projections and assumptions are reasonable, these forward-looking statements are subject to the risks (whether known or unknown), uncertainties and assumptions about Sembcorp Industries and its business operations, such as (without limitation) the general economic and business conditions in Singapore, the Asia-Pacific region and elsewhere; currency fluctuations between the Singapore dollar and other currencies; governmental, statutory, regulatory or administrative initiative affecting our business; industry trends; future levels and composition of our assets and liabilities; future profitability of our operations; competition; changes in Singapore tax or similar laws or regulations; changes in, or the failure to comply with, governmental regulations, including exchange control regulations, if any.

You are advised not to place undue reliance on these forward-looking statements as the forward-looking events referred to in this presentation may differ materially or not occur due to these risks, uncertainties and assumptions.

Investors should assume that the information in this presentation is accurate only as of the date it is issued. Sembcorp Industries has no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

**Sembcorp Energy India Limited** is proposing, subject to applicable statutory and regulatory requirements, receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its Equity Shares and has filed the DRHP with the SEBI. The DRHP is available on respectively and is available on the websites at [www.sebi.gov.in](http://www.sebi.gov.in), [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com), <https://www.credit-suisse.com/content/pwp/legalgates/ib/in-ipo.html/content/pwp/www-root/in/en/investment-banking-apac/investment-banking-in-india/ipo.html>, [www.clsa.com](http://www.clsa.com) and [www.sbcaps.com](http://www.sbcaps.com), respectively and on the website of the BRLM of [www.indusind.com](http://www.indusind.com). All potential investors should note that the investment in equity shares involves a high degree of risk and for details relating to the same, please refer to the DRHP including the section titled "Risk Factors" on page 16 of the DRHP and any investment decision shall be made on the basis of the Red Herring Prospectus whenever applicable. Potential investors should not rely on the DRHP filed with the SEBI for making any investment decision.

The securities of Sembcorp Energy India Limited (SEIL) have not been and will not be registered under the U.S. Securities Act of 1933 (as amended, the "U.S. Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable United States state securities laws. SEIL does not intend to conduct a public offering of securities in the United States. You confirm that you are either: (i) a "qualified institutional buyer" as defined in Rule 144A under the U.S. Securities Act, or (ii) outside the United States. By receiving this presentation, you are agreeing to be bound by the foregoing restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

## Appendix

## Group Profit & Loss



(S\$M)	4Q18	4Q17	Δ%
		Restated*	
Turnover	2,566	2,405	7
EBITDA**	355	352	1
Profit from Operations	219	293	(25)
EBIT	179	248	(28)
Share of results: Associates & JVs	40	45	(11)
Net Finance Cost	(123)	(107)	15
Finance costs	(152)	(126)	21
Finance income	29	19	53
PBT	96	186	(48)
Tax	13	(24)	NM
Non-controlling Interests	(3)	(44)	(93)
Net Profit	106	118	(10)
EPS (cents)	5.4	6.0	(9)

\*Restated in accordance with SFRS(I)s

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

## Group Turnover



(S\$M)	4Q18	4Q17	Δ%
		Restated*	
Utilities	1,581	1,399	13
Marine	913	912	-
Urban Development**	2	3	(33)
Other Businesses	70	91	(24)
<b>TOTAL TURNOVER</b>	<b>2,566</b>	<b>2,405</b>	<b>7</b>

\*Restated in accordance with SFRS(I)s

\*\*Urban Development businesses comprise mainly associates or joint ventures which are accounted for under the equity method. The turnover reflected was derived from providing services to these associates or joint ventures

## Group Net Profit



(S\$M)	4Q18	4Q17	Δ%
		Restated* As previously reported	
Utilities	65	14   14	364
Marine	1	71   (21)	(99)
Urban Development	33	29   29	14
Other Businesses	7	8   5	(13)
Corporate	- <sup>1</sup>	(4)   (4)	NM
<b>TOTAL NET PROFIT</b>	<b>106</b>	<b>118   23</b>	<b>(10)</b>

### Changes in accounting policies

- The restatement of the 2017 income statement is attributed mainly to the Marine business due to the application of SFRS(I) 15
- The adoption of SFRS(I) 15 leads to differences in timing of revenue and related cost of sales recognition for certain contracts. In the Marine division, there was a reversal of revenue and related cost of sales for certain contracts pre-2018, now to be recognised upon the transfer of legal title to customers. In FY2017 when some of these contracts were terminated and new contracts entered into, revenue and cost of sales were recognised

<sup>1</sup>Less than S\$1 million

\*Restated in accordance with SFRS(I)s

## Utilities Turnover



By Geography (S\$M)	FY18	FY17	Δ%
		Restated*	
Singapore	3,830	3,062	25
China	219	152	44
India	1,686	1,592	6
Rest of Asia**	217	453	(52)
Middle East & Africa	109	105	4
UK & the Americas	508	362	40
<b>TOTAL TURNOVER</b>	<b>6,569</b>	<b>5,726</b>	<b>15</b>
	4Q18	4Q17	Δ%
		Restated*	
Singapore	1,034	815	27
China	59	58	2
India	279	332	(16)
Rest of Asia**	50	74	(32)
Middle East & Africa	26	25	4
UK & the Americas	144	102	41
<b>TOTAL TURNOVER</b>	<b>1,592</b>	<b>1,406</b>	<b>13</b>

\*Restated in accordance with SFRS(I)s

\*\*Includes Australia

Note: Figures are stated before intercompany eliminations

## Utilities Net Profit



By Geography (\$M)	FY18	FY17	Δ%
		Restated*	
Singapore	155	163	(5)
China	87	78	10
India	47	(58)	NM
Rest of Asia**	22	47	(53)
Middle East & Africa	56	55	1
UK & the Americas	14	27	(48)
Corporate	(60)	(51)	17
<b>Net profit before exceptional items</b>	<b>321</b>	<b>261</b>	<b>23</b>
Exceptional items^	(9)	(121)	(93)
<b>TOTAL NET PROFIT</b>	<b>312</b>	<b>140</b>	<b>123</b>
	4Q18	4Q17	Δ%
		Restated*	
Singapore	30	36	(17)
China	17	37	(53)
India	(6)	(35)	(83)
Rest of Asia**	1	10	(94)
Middle East & Africa	15	10	48
UK & the Americas	9	13	(31)
Corporate	(2)	(32)	(94)
<b>Net profit before exceptional items</b>	<b>64</b>	<b>39</b>	<b>64</b>
Exceptional items^	1	(25)	NM
<b>TOTAL NET PROFIT</b>	<b>65</b>	<b>14</b>	<b>364</b>

\*Restated in accordance with SFRS(I)s

\*\*Includes Australia

^2017 exceptional items of S\$121 million comprising S\$39 million in SGPL refinancing cost, S\$57 million of impairment charges mainly relating to Singapore's assets and investments and S\$25 million of provision for potential fines and claims at an overseas water business

2018 exceptional items of S\$9 million comprising S\$23 million gain from the divestment of waste paper recycling and medical waste operations in Singapore and municipal water operations in South Africa, offset by S\$25 million of provision for potential fines and claims at an overseas water business and a non-cash S\$7 million expensing of UKPR's capitalised cost upon refinancing

27

## Utilities Turnover



By Product Segment (\$M)	FY18	FY17	Δ%
		Restated*	
Energy	5,777	5,005	15
Water	452	403	12
On-site Logistics & Solid Waste Management	340	318	7
<b>TOTAL TURNOVER</b>	<b>6,569</b>	<b>5,726</b>	<b>15</b>
	4Q18	4Q17	Δ%
		Restated*	
Energy	1,395	1,208	15
Water	116	120	(3)
On-site Logistics & Solid Waste Management	81	78	4
<b>TOTAL TURNOVER</b>	<b>1,592</b>	<b>1,406</b>	<b>13</b>

\*Restated in accordance with SFRS(I)s

Note: Figures are stated before intercompany eliminations

## Utilities Net Profit



By Product Segment (S\$M)	FY18	FY17	Δ%
		Restated*	
Energy	203	133	53
Water	102	120	(15)
On-site Logistics & Solid Waste Management	76	60	27
Corporate	(60)	(52)	15
<b>Net Profit before exceptional items</b>	<b>321</b>	<b>261</b>	<b>23</b>
Exceptional items <sup>^</sup>	(9)	(121)	(93)
<b>TOTAL NET PROFIT</b>	<b>312</b>	<b>140</b>	<b>123</b>
	4Q18	4Q17	Δ%
		Restated*	
Energy	27	19	42
Water	24	42	(43)
On-site Logistics & Solid Waste Management	15	10	50
Corporate	(2)	(32)	(94)
<b>Net Profit before exceptional items</b>	<b>64</b>	<b>39</b>	<b>64</b>
Exceptional items <sup>^</sup>	1	(25)	NM
<b>TOTAL NET PROFIT</b>	<b>65</b>	<b>14</b>	<b>364</b>

\*Restated in accordance with SFRS(I)s

<sup>^</sup>2017 exceptional items of S\$121 million comprising S\$39 million in SGPL refinancing cost, S\$57 million of impairment charges mainly relating to Singapore's assets and investments and S\$25 million of provision for potential fines and claims at an overseas water business

2018 exceptional items of S\$9 million comprising S\$23 million gain from the divestment of waste paper recycling and medical waste operations in Singapore and municipal water operations in South Africa, offset by S\$25 million of provision for potential fines and claims at an overseas water business and a non-cash S\$7 million expensing of UKPR's capitalised cost upon refinancing