



SEMBCORP ANNOUNCES DIVESTMENT OF WATER BUSINESS IN CHILE

Singapore, February 6, 2020 – Sembcorp Industries (the Group) announces that the wholly-owned subsidiaries of Sembcorp Utilities have agreed to sell 100% of their interests in the water business in Chile for a total consideration of CLP27.8 billion (approximately S\$49 million) to the Spanish construction and engineering service SACYR S.A. group of companies. The consideration for the sale was arrived at through a competitive sale process.

The divestment is in line with the Group's capital recycling efforts and portfolio rebalancing strategy which aims to deepen its presence in key markets, while divesting peripheral assets. The transaction is expected to be completed by mid-2020, subject to the satisfaction of certain conditions precedent, including merger control clearance in Chile. The transaction involves customary warranties, pre-completion undertakings and indemnities, subject to customary limitation of liabilities.

Arising from the divestment, an impairment of S\$64 million (including transaction taxes and costs) will be booked due to the difference between the sale value and the net asset value of the business. In addition, a currency translation loss recognised in the foreign currency translation reserve will be taken to profit and loss upon completion of the sale in 2020. As at December 31, 2019, the accumulated currency translation loss was S\$30 million. Realisable value for the assets has been impacted by escalating operational and regulatory costs as well as the deterioration of Chile's economic, social and regulatory environment since October 2019. The business is also facing increasing uncertainty and risks in the Chilean water sector including the potential reduction of regulated returns. In addition, the Chilean peso has depreciated by approximately 10% since October 2019. The water assets to be sold in Chile are part of the portfolio of water and wastewater assets acquired from Cascal N.V. in 2010. Including this sale, the overall global Cascal portfolio has to date produced cash receipts in excess of the original investment and delivered an annualised return of approximately 10%.

The net asset value of the assets to be sold is S\$107 million. The earnings per share¹ and the net tangible assets per share² impact due to the impairment are 5.32 Singapore cents and 2.86 Singapore cents, respectively, assuming that the transaction is completed as of January 1, 2019 for the former and as of December 31, 2019 for the latter, and in each case taking into account transaction taxes and costs.

None of the directors or controlling shareholders of the Group have any interest, direct or indirect, in the divestment.

¹ Using weighted average number of shares of 1,786.5 million, which is used for FY2019 basic EPS computation

² Using 1,785.6 million shares, which is the total issued shares less treasury shares as at December 31, 2019

The materiality ratios of the transaction for the purpose of the SGX listing rules are as follows:

	Basis set out in Rule 1006	Divestment (S\$ million)	Group (S\$ million)	Ratio
(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	107	7,949 (as at September 30, 2019)	1.3%
(b)	Net profit/ (loss) attributable to the assets disposed of compared with the group's net profits	(3) (unaudited consolidated net loss of Chile group of entities)	423 (annualised unaudited consolidated 9M2019 net profit)	N.M.
(c)	Aggregate consideration received, compared with market capitalisation	49	3,772 (as at February 6, 2020)	1.3%