UPDATE ON THE IMPACT OF THE COVID-19 PANDEMIC

Singapore, May 18, 2020 – This announcement sets out Sembcorp Industries (Sembcorp) update on the impact of the COVID-19 pandemic on Sembcorp’s businesses and its FY2020 outlook.

Impact of the COVID-19 Pandemic

The impact of COVID-19 is unprecedented on many fronts. Despite the difficulties, Sembcorp is committed to ensuring our essential products and services which support the community will carry on with minimal or no disruption, while ensuring the health and safety of our employees. The Group has implemented necessary COVID-19 mitigation measures as required by the governments and regulators in its countries of operations, and has also activated its business continuity plans. Its Energy business has continued to operate and provide its customers with essential energy and environmental solutions. Maintaining production and service levels continues to be a key focus for the business given the constraints on manpower and resourcing during this period.

Update on FY2020 Outlook

Group

The COVID-19 pandemic is severely impacting global economic activity, with the International Monetary Fund (IMF) expecting the pandemic to cause a global recession in 2020. In addition, oil prices have also seen a sharp decline. Notwithstanding the adverse business conditions, the Group expects to maintain positive operating cash flow in 2020 underpinned by its long-term contracts and diversified portfolio of businesses.
Energy
In its prospect statement of February 21, 2020, Sembcorp indicated that the underlying performance of the Energy business was expected to be lower than in 2019, due to the loss of contribution from divested assets, the absence of one-off income in Myanmar, and the potential impact arising from the COVID-19 outbreak. While performance of the Energy business continues to be underpinned by its long-term contracts, the impact of COVID-19 and the reduction in economic activity as a result of lockdowns in multiple markets has since led to a decrease in energy demand and prices. In particular, lower energy demand and prices will impact its merchant operations in Singapore, India and the UK which have already seen power demand in April 2020 decline by approximately 10% to 25% compared to the same period last year. With this downtrend expected to continue for the rest of the year, the underlying performance of the Energy business in 2020 is expected to be markedly lower than 2019.

The net profit for the Energy business for FY2020 is also expected to be affected by the following factors:

- As disclosed in its announcement of February 6, 2020, upon completion of the divestment of its water business in Chile, a currency translation loss recognised in the foreign currency translation reserve, subject to the prevailing exchange rate, will be taken to profit and loss. As at December 31, 2019, the accumulated currency translation loss was S$30 million. Completion of the transaction is expected by the third quarter of 2020.

- The decline in energy prices has significantly reduced the net realisable value (NRV) of the inventory of gasoil reserves in Singapore that is required to fulfil certain regulatory requirements. As at March 31, 2020, the NRV is estimated to be S$59 million, a S$45 million (pre-tax) reduction in book value.

Urban
The pace of land and property sales for the Urban business has been affected by the COVID-19 pandemic. Due to the measures undertaken by various governments to contain the pandemic, the business has had delays in regulatory and other approvals required for the Urban business’ projects. The uncertain economic outlook is also expected to lead to lower take-up and demand, or delayed launches for some of the business’ integrated developments and properties.
In 2019, the Urban business recognised significant contribution from the sale of a residential development in China. Excluding this contribution, and notwithstanding the impact of COVID-19, the Urban business is expected to provide steady profitability in 2020 underpinned by its net orderbook.

**Marine**

Except for the repairs and upgrades segment, the Marine business’ activity levels remain low for all other segments. Overall business volumes for all segments are expected to further weaken for the rest of the year. Challenges have intensified, particularly due to the COVID-19 disruption of supply chains and the resulting impact on the timely execution of its projects.

The effects of COVID-19 as well as the low oil prices on projects’ final investment decisions will continue to adversely affect new orders in the foreseeable quarters. In light of the challenging and deteriorating business environment, Sembcorp Marine’s current priority is to ensure that it has adequate liquidity to sustain operations and ride through this severe downturn. The business continues to focus on safe and timely execution of its projects and to hunt for pockets of opportunities less affected by the current business climate. The Marine business expects the previous trend of losses to continue in the foreseeable quarters.

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ABOUT SEMBCORP INDUSTRIES

Sembcorp Industries is a leading energy, marine and urban development group, operating across multiple markets worldwide.

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, we provide solutions across the energy and utilities value chain, with a focus on the Gas & Power, Renewables & Environment, and Merchant & Retail sectors. We have a balanced energy portfolio of over 12,600MW, including thermal power plants, renewable wind and solar power assets and battery storage. In addition, Sembcorp is a global 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 including the FTSE4Good Index, as well as the SGX Sustainability Leaders Index and the Dow Jones Sustainability Asia Pacific Index.

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