

**PRESS RELEASE**

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**SEMBCORP REACHES AGREEMENT TO ACQUIRE UK POWER RESERVE, THE UK'S LARGEST FLEXIBLE DISTRIBUTED ENERGY GENERATOR**

- *The deal is a bold move in line with Sembcorp's strategy to build a stronger energy business that is in touch with global trends*
- *Adds to the Group a new range of flexible assets and solutions, as well as merchant energy capabilities. These support a renewable future and are highly relevant in today's world*
- *Enables Sembcorp to better meet the needs of fast-changing energy markets, where technology adoption is key*

**SINGAPORE, May 31, 2018** – Sembcorp Industries (Sembcorp) is pleased to announce that it has reached an agreement to acquire UK Power Reserve (UKPR), the UK's largest flexible distributed energy generator, for £216 million (approximately S\$385 million<sup>1</sup>). The deal marks a major step in line with Sembcorp's new strategy to position itself for the global energy transition, grow its merchant energy capabilities, and build an integrated energy business in the UK.

UKPR owns and operates a portfolio of highly flexible distributed energy generation projects across 32 locations in England and Wales, with 533 megawatts in operation and a further 480 megawatts in construction and under development. This combined portfolio of over 1,000 megawatts comprises small-scale, fast-ramping power generation assets and rapid response batteries. Connected at the distribution level close to customer load, UKPR's assets require less investment in large power infrastructure, and are more economical to develop and operate. They help counter the intermittency of renewable power sources, supporting the shift towards green energy in the country. They also add resilience to the UK national grid by providing high-value rapid response ancillary services to balance the system.

**Rationale for the Acquisition**

The acquisition gives Sembcorp a firm foothold in flexible distributed energy, a new growth niche. In today's market, flexible distributed energy generation and energy storage are growing in

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<sup>1</sup> Based on the exchange rate of May 29, 2018

relevance, given their role in bridging supply gaps between intermittent renewables and conventional centralised thermal generators.

The addition of responsive merchant energy solutions broadens Sembcorp's service offering and differentiates it from competitors. These new capabilities will also allow Sembcorp to better meet the needs of a fast-moving energy market. They are especially timely given the increasing importance of technology adoption in the industry.

Furthermore, the acquisition strengthens Sembcorp's business in the UK. It will help the company rebalance its energy portfolio towards developed markets, in line with its new Group strategy announced in February this year.

"Markets, customers and stakeholders are looking for 21<sup>st</sup> century energy solutions that are more sustainable, flexible and competitive. Our belief is that we can achieve this by transforming our business model to provide a full spectrum of energy solutions with the right mix of capabilities and technologies. The acquisition of UK's largest flexible distributed energy generator is an important step in this direction", said Neil McGregor, Group President & CEO of Sembcorp. "It will transform our UK business from a centralised utilities provider on Teesside, into an integrated energy business with operations across the country."

"This acquisition gives Sembcorp strong capabilities in the new growth niche of flexible distributed generation and energy storage, in line with our goal of being a future-ready business that is poised to benefit from the global energy transition. It will also build up Sembcorp's merchant energy business, which we have identified as an area of focus for the Group."

Nomi Ahmad, Head of Sembcorp's UK utilities business, added, "Sembcorp is delighted to have secured this exciting business, which deepens our presence in the UK considerably and gives us a significant presence in distributed generation. The acquisition gives us greater opportunities for further expansion, and sets us firmly on track to grow in the UK."

### **Flexible distributed generation - the fastest growing sector in UK power market**

In the UK, the power market is undergoing an unprecedented transition. There has been a clear shift away from the predominantly fossil-fuelled, centralised generation model of the past. Energy is now being produced closer to the point of demand, with distributed energy increasing in relevance.

Renewables are on the rise, with the National Grid estimating that installed renewable capacity could grow to over 110 gigawatts in 2050, from just under 40 gigawatts today. The intermittency of renewables, coupled with the closure of ageing thermal plants, has led to increased demand for flexible energy solutions to bridge supply gaps and add stability to the system.

Increasingly, the UK's energy market is being supplied by both centralised and decentralised renewables, supported by smart energy technologies that can respond to the market within seconds and keep supply in tune with demand. Flexible distributed energy solutions, such as small-scale rapid-response gas-fired plants and batteries, also represent the fastest growing sector in the country's power market today.

#### **Deal Structure and Details**

Sembcorp has, through a 100%-owned entity, reached an agreement to acquire 100% of UKPR's holding company, Repono Holdco 1 (Repono), from private equity investors Inflexion and Equistone, (which each hold a 42.5% stake) and from members of UKPR management (who own a 15% stake).

Sembcorp was selected as the buyer for the deal, following a competitive process initiated by UKPR's shareholders. The consideration for the transaction was determined taking into account discounted cash flows and relevant transaction multiples, and will be settled in cash. Sembcorp's equity investment in UKPR will be funded through a mix of internal cash resources and external borrowings. Completion of the acquisition is expected by the end of this week. Following the acquisition of shares, Sembcorp will consolidate all assets and liabilities of UKPR, including its net debt.

#### **Relative figures with respect to Listing Manual Rule 1006**

The relative figures for the acquisition pursuant to Rule 1006 of the Singapore Exchange Securities Trading Limited's Listing Manual ("Listing Manual"), with reference to Sembcorp's latest announced consolidated financial statement for the three months ended March 31, 2018, are as follows:

	<b>Basis set out in Rule 1006</b>	<b>Relative figure</b>
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	Not Applicable

(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits	<p>4.9%, <sup>(1)</sup> based on:</p> <p>(i) Unaudited consolidated net profit<sup>1</sup> of Repono for year ended March 31, 2018 of S\$22.9 million</p> <p>(ii) The Group's Annualised unaudited consolidated 1Q2018 net profit <sup>(1)</sup> of S\$464.1 million</p>
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	<p>7.3%, based on:</p> <p>(i) The aggregate consideration of S\$385.1 million</p> <p>ii) Market Capitalisation of the Company as at May 30, 2018 of S\$5,254 million</p>
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not Applicable

<sup>(1)</sup> Under Rule 1002 (3)(b) of the Listing Manual, net profit means profit before income tax, minority interests and extraordinary items.

As the relative figure under Rule 1006(c) exceeds 5% but does not exceed 20%, the proposed acquisition constitutes a “Discloseable Transaction” as defined in Chapter 10 of the Listing Manual. As none of the relative figures exceed 20%, shareholders’ approval is not required.

### **Financial impact**

The financial effects of the Acquisition on the Company have been prepared based on the audited consolidated financial statements of the Group for the financial year ended December 31, 2017 and the following assumptions:

- (a) the financial effects of the Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the Group following the Acquisition, nor a projection of the future financial performance or position of the Group after completion of the Acquisition
- (b) for the purposes of computing the financial effects of the Acquisition on the earnings of the Group, the Acquisition is assumed to have been completed on January 1, 2017
- (c) for the purposes of computing the financial effects of the Acquisition on the net tangible asset value of the Group, the Acquisition is assumed to have been completed on December 31, 2017
- (d) for the purposes of computing the financial effects of the Acquisition, the adjusted unaudited consolidated net profit after tax of Repono for the year ended March 31, 2018 and the adjusted unaudited consolidated net tangible asset value of Repono as at March 31, 2018 of S\$124.3 million were used. This adjustment was to assume that as at April 1, 2017, investors’ and management’s loan notes were extinguished
- (e) Purchase Price Allocation (PPA), will be performed within the next 12 months of the completion of the Acquisition. As such, the effect of the PPA has not been included in computing the financial impact of the Acquisition in (d) above
- (f) the exchange rate for pound sterling to Singapore dollar is assumed to be £1: S\$1.7830, as at May 29, 2018; and
- (g) total transaction cost for the Proposed Acquisition was S\$7.8 million

### Net Tangible Assets

The effect on the net tangible assets of the Group before and after the Acquisition, based on the latest audited consolidated financial statements of the Group as at December 31, 2017, are as follows:

	Before the Acquisition	After the Acquisition
Consolidated NTA (S\$'000)	7,633,086	7,373,772
Number of issued shares (excluding treasury shares) ('000)	1,787,505	1,787,505
Consolidated NTA per share (S\$)	4.27	4.13

### Earnings per Share

The effects on the earnings per share of the Group before and after the Acquisition, based on the latest audited consolidated financial statements of the Group as at December 31, 2017, are as follows:

	Before the Acquisition	After the Acquisition
Net profit attributable to shareholders after tax (S\$'000)	187,886	198,532
Weighted average number of issued shares (excluding treasury shares) ('000)	1,787,011	1,787,011
Earnings per shares (cents)	10.51	11.11

None of the directors or substantial shareholders of Sembcorp have any interest, direct or indirect, in the above transaction.

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## **ABOUT SEMBCORP INDUSTRIES AND ITS BUSINESS IN THE UK**

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, the company 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 12,000 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\$22 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.

In the UK, Sembcorp has been an established provider of energy, centralised utilities and services to some of the country's largest chemical and process industry firms at the 2,000-acre Wilton International site on Teesside. With the addition of UK Power Reserve, Sembcorp's UK energy portfolio now includes conventional combined cycle generation, distributed energy generation, rapid response batteries, biomass and energy-from-waste assets.

For more information on Sembcorp, visit [www.sembcorp.com](http://www.sembcorp.com)

For more information on UK Power Reserve, visit [www.ukpowerreserve.com](http://www.ukpowerreserve.com)