



# 1H2018 Results Announcement

Aug 3, 2018

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## Scope of Presentation



- CEO's Report
- Financial Review
- Group Outlook

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# CEO's Report

**Neil McGregor**

Group President & CEO

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## 1H2018 vs 1H2017 Performance Round-up

**Turnover at S\$6.1 billion, up 39%**

**Profit from Operations at S\$405.2 million, down 17%**

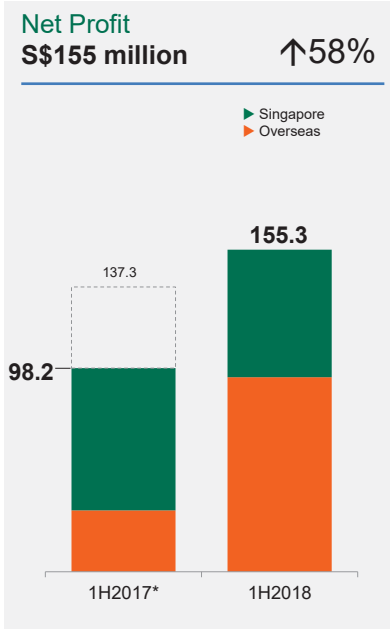
**Net Profit at S\$158.6 million, down 8%**

**EPS at 7.6 cents**

**Group ROE (annualised) at 4.5%**

**The Board announces an interim dividend of 2.0 cents per ordinary share, to be paid on August 31, 2018**

## Stronger performance, momentum in repositioning



☐ Exceptional item: SGPL refinancing cost

\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

MW: megawatts

### Business Highlights

#### Driving performance

- Turnaround of India operations to profitability, driven by higher plant load factor and better spreads
- Key markets Singapore and China performing well

#### Repositioning for the global energy transition

##### A growing renewables portfolio

394MW of new capacity secured in 1H2018, bringing gross renewables capacity to over 2,500MW globally

- **India:** Awarded 300MW of wind power capacity in Feb 2018 national auction
- **Singapore:** Secured 94MW of solar power capacity, now one of the largest renewable energy players in Singapore
- **Australia:** Acquired Vellocet Clean Energy (VCE), establishing beachhead for growth in Australian renewables market

##### Gaining momentum in merchant energy and gas businesses

- Transformation of business model to provide full spectrum of energy solutions with right mix of capabilities and technologies
- Firm foothold in distributed energy with acquisition of UK Power Reserve
- First company to import an LNG cargo under Singapore's newly launched Spot Import Policy, extending the gas business

## Growing Merchant Capabilities, Deepening Presence in the UK

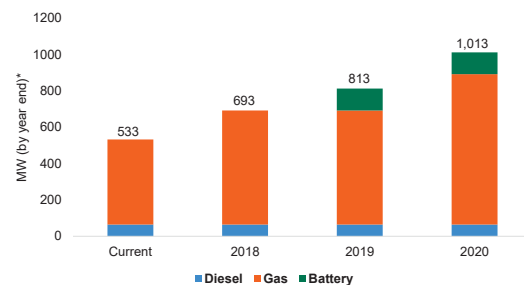
### UK Power Reserve

- Acquired 100% of the UK's largest flexible distributed energy player for £216 million (~\$385 million)
- New growth niche of flexible low-carbon electricity and services
  - Over 1,000 MW of small-scale, fast-ramping power generation assets and rapid-response batteries across 32 locations in England and Wales
  - Bridges supply gaps between intermittent renewables and conventional centralised thermal generators
  - Adds resilience to the UK national grid by providing high-value rapid-response ancillary services to balance the system
- Business is seasonal in nature, capturing value during periods of high volatility in winter months

### Building an integrated energy business in the UK

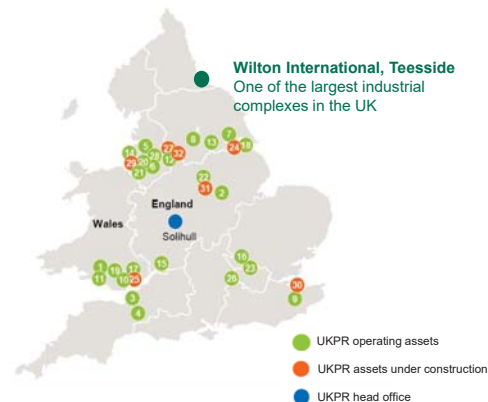
- Transforms UK business into an integrated energy business with operations across the country
- Brings full spectrum of offerings across the energy market to customers
- Deepens presence in the UK and gives greater opportunities for further expansion
- Rebalancing portfolio towards developed markets

### Growing Portfolio of Flexible Distributed Energy Assets



\*Projected growth in capacity as of Aug 3, 2018

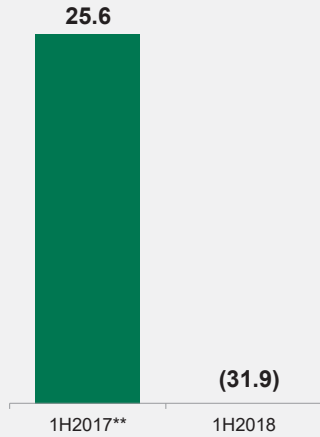
### Deepening Presence in the UK



## Marine

### Overall industry outlook remains challenging

Net Profit / (Loss)\*  
(S\$32 million)

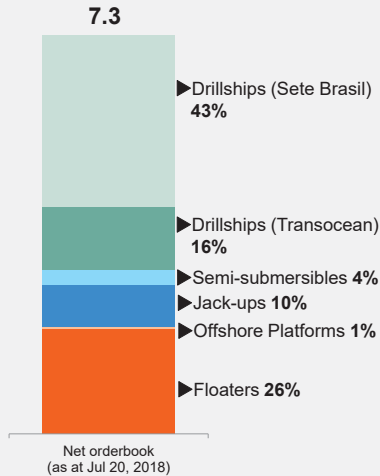


\*Sembcorp's share of Marine's net profit / (loss)

\*\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

Total Net Orderbook (as at Jul 20, 2018)  
**S\$7.3 billion**

- Excluding the Sete Brasil drillships, net orderbook at S\$4.2 billion



### Business Updates

#### New orders secured

- EPC construction and integration of a newbuild FPSO hull, living quarters and topside modules for TechnipFMC
- Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible Floating Production Unit



#### Strengthening intellectual assets and capabilities

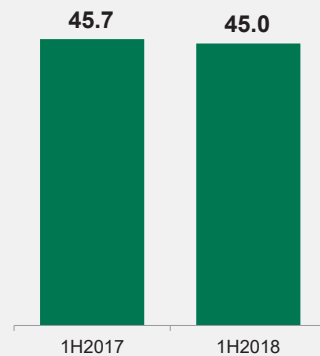
- Acquisition of Sevan Marine's intellectual property rights to offer alternative and innovative products and solutions to customers and partners

## Urban Development

### Good performance, growing orderbook

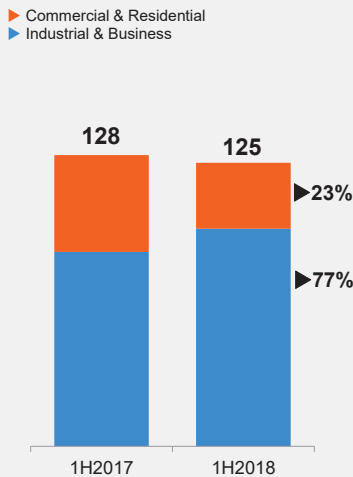
Net Profit  
**S\$45 million**      ↓2%

- Strong profit contributions from Vietnam and China
- 1H2017 profit included the sale of a large C&R land plot in Nanjing



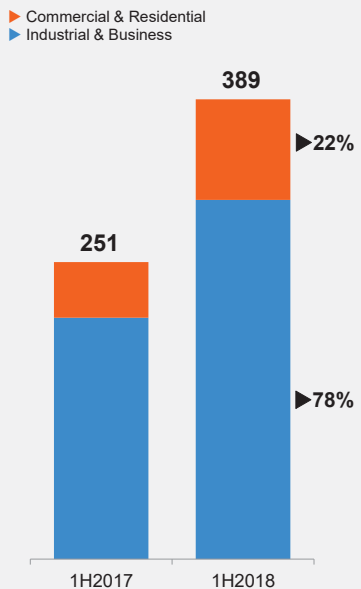
Total Land Sales  
**125 hectares**

- Vietnam industrial land sales continue to be robust
- China (Chengdu) C&R land sales recognised in 2Q2018



Total Net Orderbook  
**389 hectares**

- Strong orderbook for land in Vietnam



C&R: commercial & residential

## Urban Development

Positioned for Growth



- Industrial land sales are expected to drive growth
- Rising interest in commercial and residential (C&R) land and building space
- C&R developments in China and Vietnam to be launched over the next two years



VSIP Hai Phong



The Habitat Binh Duong



International Water Hub, Nanjing

## Momentum in Execution of Strategic Initiatives



**Driving Performance and Capability Development**

- Improved performance from Utilities' key markets, India turnarounds to profitability
- Urban Development continues to perform well
- Strength and resilience as a Group
- Augmenting capabilities, building bench strength



**Repositioning as an Integrated Energy Player**

- Growing renewables capacity
  - Gross global capacity now over 2,500MW, on track to double to ~4,000MW by 2022
  - Established a new beachhead in Australia
- Driving growth of the merchant energy business



**Unlocking Value with Systematic Capital Recycling**

- Divestment pipeline: Medical waste treatment business, Sembcorp Tay Paper and South African municipal water operations (~S\$120 million cash proceeds)
- Cash proceeds of ~S\$68 million from divestment of Wuxi Residential Property

# Financial Review

**Koh Chiap Khiong**  
Group CFO

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## Group Profit & Loss

(\$M)	1H18	1H17	Δ%
		Restated*	
Turnover	6,102	4,403	39
EBITDA**	554	677	(18)
Profit from Operations	405	488	(17)
EBIT	308	396	(22)
Share of results: Associates & JVs	97	92	6
Net Finance Cost	(200)	(252)	(20)
Finance costs	(235)	(274)	(14)
Finance income	35	22	62
PBT	205	236	(13)
Tax	(62)	(46)	33
Non-controlling Interests	16	(18)	NM
Net Profit	159	172	(8)
EPS (cents)	7.6	8.5	(11)

\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

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

## Group Turnover



(S\$M)	1H18	1H17	Δ%
		Restated*	
Utilities	3,173	2,890	10
Marine	2,808	1,394	101
Urban Development**	1	4	(64)
Other Businesses	120	115	4
<b>TOTAL TURNOVER</b>	<b>6,102</b>	<b>4,403</b>	<b>39</b>

\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

\*\*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)	1H18	1H17	Δ%
		Restated* As previously reported	
Utilities	155.3	98.2   98.3	58
Marine	(31.9)	25.6   27.4	NM
Urban Development	45.0	45.7   45.7	(2)
Other Businesses	(0.6)	12.8   13.3	NM
Corporate	(9.2)	(10.2)   (10.3)	(10)
<b>TOTAL NET PROFIT</b>	<b>158.6</b>	<b>172.1   174.4</b>	<b>(8)</b>

### Changes in accounting policies

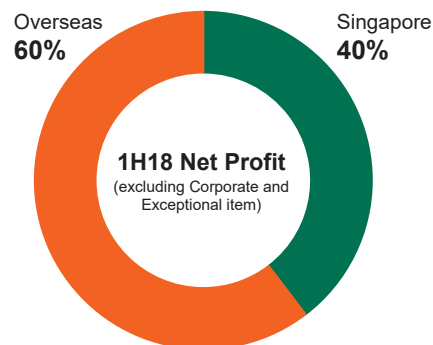
- The restatement of the 2017 income statement is attributed mainly to the Marine business due to the application of SFRS(I) 15
- The adoption of SFRS(I) 15 leads to differences in timing of revenue and related cost of sales recognition for certain contracts. In the Marine division, there was a reversal 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 Singapore Financial Reporting Standards (International) (SFRS(I))

## Utilities Net Profit



By Geography (S\$M)	1H18	1H17	Δ%
	Restated*		
Singapore	78.5	75.7	4
China	47.8	31.2	53
India	23.8	(19.8)	NM
Rest of Asia	11.6	24.4	(52)
Middle East & Africa	26.9	28.1	(4)
UK & the Americas	8.5	12.0	(29)
Corporate	(41.8)	(14.3)	193
<b>Net Profit before exceptional item</b>	<b>155.3</b>	<b>137.3</b>	<b>13</b>
Exceptional item**	-	(39.1)	NM
<b>TOTAL NET PROFIT</b>	<b>155.3</b>	<b>98.2</b>	<b>58</b>



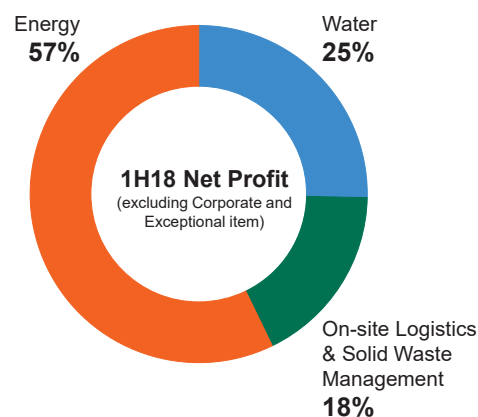
\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

\*\*SGPL refinancing cost

## Utilities Net Profit



By Product Segment (S\$M)	1H18	1H17	Δ%
	Restated*		
Energy	112.8	64.0	76
Water	49.9	54.0	(8)
On-site Logistics & Solid Waste Management	34.4	33.6	2
Corporate	(41.8)	(14.3)	193
<b>Net Profit before exceptional item</b>	<b>155.3</b>	<b>137.3</b>	<b>13</b>
Exceptional item**	-	(39.1)	NM
<b>TOTAL NET PROFIT</b>	<b>155.3</b>	<b>98.2</b>	<b>58</b>



\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

\*\*SGPL refinancing cost



## Group Capex and Equity Investment



(S\$M)	1H18	1H17
<b>Capital Expenditure</b>		
- Utilities	295.8	341.9
- Marine	111.3	96.2
- Urban Development / Other Businesses	2.9	7.7
	<b>410.0</b>	<b>445.8</b>
<b>Equity Investment</b>		
- Utilities	696.7	0.4
- Marine	-	-
- Urban Development	1.8	13.7
	<b>698.5</b>	<b>14.1</b>

## Group Free Cash Flow



(S\$M)	1H18	1H17
		<i>Restated*</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
- before changes in working capital	579	641
- changes in working capital	(449)	(800)
- tax paid	(61)	(43)
	<b>69</b>	<b>(202)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
- divestments, dividend and interest income	259	182
- investments, capex and non-trade balances**	(820)	(448)
	<b>(561)</b>	<b>(266)</b>
- Add back: expansion capex	843	446
	<b>351</b>	<b>(22)</b>

\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

\*\*Payables for capital works / fixed assets

## Group Borrowings



(\$M)	Jun 30,18	D/C ratio*	Dec 31,17	D/C ratio*
				<i>Restated**</i>
<b>Gross Debt</b>				
Corporate debt	2,380	0.13	2,484	0.14
Project finance debt	3,699	0.20	3,264	0.18
Sembcorp Marine debt	3,841	0.21	4,100	0.23
	<b>9,920</b>	<b>0.55</b>	<b>9,848</b>	<b>0.55</b>
Less: Cash and cash equivalents	(1,590)		(2,687)	
<b>Net debt</b>	<b>8,330</b>	<b>0.46</b>	<b>7,161</b>	<b>0.40</b>

\*Total Debt-to-Capitalisation ratio

\*\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

## Financial Indicators



	1H18	1H17	FY17
		<i>Restated*</i>	<i>Restated*</i>
EPS (cents)	15.2**	17.1**	19.1
ROE (%)	4.5**	5.3**	5.9
ROTA (%)	3.3**	4.0**	4.4
Interest Cover (times)	2.4	2.5	2.9
<b>Per Share</b>			
NAV (\$)	3.95	3.75	3.88

\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

\*\*Annualised

### Utilities

The global energy transition continues as the industry adjusts to the impact of a changing global fuel mix, increasing demand for renewables, the proliferation of distributed energy resources and declining power prices. The share of electricity as a proportion of total energy demand is also increasing in part due to the electrification of the heating and transport sectors.

To benefit from the global energy transition, the Utilities business will focus on long-term growth along its three business lines of Gas & Power, Renewables & Environment and Merchant & Retail.

The Utilities business is expected to deliver a better performance in 2018 underpinned by an expected turnaround to profitability for its India energy operations.

### Marine

CAPEX spend on global exploration and production (E&P) continues to improve with firmer oil prices in the first half of 2018. The overall industry outlook remains challenging. While improvement in E&P CAPEX spending is projected to continue, it will take some time before a sustained recovery in new orders is seen. Margins remain compressed with intense competition.

Overall business volume and activity for the Marine business is expected to remain low for the immediate quarters. The trend of negative operating profit will continue in the near term. Sembcorp Marine's cash resources remain sufficient. It will prudently manage costs and cash flows to align with business volume and potential opportunities.

### Urban Development

The Urban Development business has a healthy orderbook. It expects income contribution from the sale of its property developments in China and Vietnam. The business is expected to continue to perform well in 2018.

### Group

The market environment is expected to remain challenging in 2018. While a broader-based global recovery is underway, rising trade and geopolitical challenges could potentially increase volatility and dampen global growth. The Group is confident that it has the right strategies and capabilities for the future.



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## Appendix

## Group Profit & Loss



(S\$M)	2Q18	2Q17	Δ%
		Restated*	
Turnover	3,344	2,282	47
EBITDA**	268	332	(19)
Profit from Operations	192	219	(13)
EBIT	137	184	(26)
Share of results: Associates & JVs	55	35	59
Net Finance Cost	(103)	(128)	(20)
Finance costs	(121)	(144)	(16)
Finance income	18	16	14
PBT	89	91	(2)
Tax	(24)	(32)	(25)
Non-controlling Interests	17	(3)	NM
Net Profit	82	56	47
EPS (cents)	3.9	2.6	53

\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

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

## Group Turnover



(S\$M)	2Q18	2Q17	Δ%
		Restated*	
Utilities	1,663	1,568	6
Marine	1,627	649	151
Urban Development**	1	2	(64)
Other Businesses	53	63	(15)
<b>TOTAL TURNOVER</b>	<b>3,344</b>	<b>2,282</b>	<b>47</b>

\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

\*\*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)	2Q18	2Q17	Δ%
		Restated* As previously reported	
Utilities	85.0	43.0   43.0	98
Marine	(33.7)	3.0   3.3	NM
Urban Development	35.4	8.5   8.5	314
Other Businesses	0.3	6.9   6.0	(96)
Corporate	(5.1)	(5.6)   (5.5)	(8)
<b>TOTAL NET PROFIT</b>	<b>81.9</b>	<b>55.8   55.3</b>	<b>47</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

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## Utilities Turnover



By Geography (S\$M)	1H18	1H17	Δ%
		Restated*	
Singapore	1,762.5	1,515.4	16
China	103.2	62.0	66
India	924.4	817.2	13
Rest of Asia	122.9	284.3	(57)
Middle East & Africa	53.9	52.3	3
UK & the Americas	219.8	174.0	26
<b>TOTAL TURNOVER</b>	<b>3,186.7</b>	<b>2,905.2</b>	<b>10</b>
	2Q18	2Q17	Δ%
		Restated*	
Singapore	930.1	758.4	23
China	52.2	31.3	67
India	483.3	454.7	6
Rest of Asia	67.4	225.3	(70)
Middle East & Africa	26.6	26.6	-
UK & the Americas	111.3	79.6	40
<b>TOTAL TURNOVER</b>	<b>1,670.9</b>	<b>1,575.9</b>	<b>6</b>

\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

Note: Figures are stated before intercompany eliminations

## Utilities Net Profit



By Geography (\$M)	1H18	1H17	Δ%
		Restated*	
Singapore	78.5	75.7	4
China	47.8	31.2	53
India	23.8	(19.8)	NM
Rest of Asia	11.6	24.4	(52)
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UK & the Americas	8.5	12.0	(29)
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Exceptional item	-	(39.1)	NM
<b>TOTAL NET PROFIT</b>	<b>155.3</b>	<b>98.2</b>	<b>58</b>
	2Q18	2Q17	Δ%
		Restated*	
Singapore	43.3	41.6	4
China	15.1	9.1	66
India	39.4	(3.2)	NM
Rest of Asia	5.2	15.7	(67)
Middle East & Africa	14.3	18.6	(24)
UK & the Americas	(3.9)	1.9	NM
Corporate	(28.4)	(6.8)	317
<b>Net profit before exceptional item</b>	<b>85.0</b>	<b>76.9</b>	<b>11</b>
Exceptional item	-	(33.9)	NM
<b>TOTAL NET PROFIT</b>	<b>85.0</b>	<b>43.0</b>	<b>98</b>

\*Restated in accordance with Singapore Financial Reporting Standards (International) (SFRS(I))

## Utilities Turnover



By Product Segment (\$M)	1H18	1H17	Δ%
		Restated*	
Energy	2,788.9	2,556.4	9
Water	219.1	187.6	17
On-site Logistics & Solid Waste Management	178.7	161.2	11
<b>TOTAL TURNOVER</b>	<b>3,186.7</b>	<b>2,905.2</b>	<b>10</b>
	2Q18	2Q17	Δ%
		Restated*	
Energy	1,470.1	1,403.1	5
Water	109.2	93.5	17
On-site Logistics & Solid Waste Management	91.6	79.3	15
<b>TOTAL TURNOVER</b>	<b>1,670.9</b>	<b>1,575.9</b>	<b>6</b>

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<b>TOTAL NET PROFIT</b>	<b>155.3</b>	<b>98.2</b>	<b>58</b>
	2Q18	2Q17	Δ%
		Restated*	
Energy	74.6	43.2	73
Water	22.2	25.0	(11)
On-site Logistics & Solid Waste Management	16.6	15.5	7
Corporate	(28.4)	(6.8)	317
<b>Net Profit before exceptional item</b>	<b>85.0</b>	<b>76.9</b>	<b>11</b>
Exceptional item	-	(33.9)	NM
<b>TOTAL NET PROFIT</b>	<b>85.0</b>	<b>43.0</b>	<b>98</b>

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