

PRESS RELEASE

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Sembcorp Industries 1H2020 Results**SEMBCORP POSTS 1H2020 NET LOSS AMID CHALLENGING MARKET CONDITIONS**

- **Excluding exceptional items, Sembcorp net profit at S\$60 million**
- **Delivery of essential products and services to the community continued, but overall performance adversely impacted by the COVID-19 pandemic**

Singapore, July 17, 2020 – In the first half of 2020 (1H2020), Sembcorp Industries (Sembcorp) posted a turnover of S\$3.5 billion and a net loss of S\$131 million. This was mainly due to losses in the Marine business, and exceptional items recorded for the Group.

The unprecedented impact of COVID-19 on the global economic outlook and low energy prices have impacted the assessment of the recoverable amount of certain investments and assets. Exceptional items in 1H2020, including impairments of these investments and assets, amounted to a negative S\$191 million. Without these exceptional items, underlying Group net profit was S\$60 million.

1H2020 underlying profit for the Energy business was S\$156 million. However, due to exceptional items totalling a negative S\$161 million, the Energy business posted a net loss of S\$5 million compared to a net profit of S\$177 million in 1H2019. The Urban business delivered strong results in 1H2020, registering a net profit growth of 111% to S\$38 million. Amidst difficult market conditions, the Marine business turned in a loss of S\$117 million to the Group in 1H2020.

Quote from Wong Kim Yin, Group President & CEO of Sembcorp Industries:

“Despite the impact of the COVID-19 pandemic and very challenging market conditions, the underlying performance of our Energy and Urban businesses remained resilient. We are focused on delivering long-term value to our stakeholders, and believe that the proposed recapitalisation of Sembcorp Marine, followed by a demerger to create two focused companies is an important step. Sembcorp Industries will be able to focus on our core areas of energy and urban development. In addition, our shareholders will also receive value in the form of shares in a stronger recapitalised Sembcorp Marine.”

BUSINESS UPDATES

- **Underlying profit for the Energy business at S\$156 million.** Including exceptional items totalling a negative S\$161 million, the Energy business posted a net loss of S\$5 million compared to a net profit of S\$177 million in 1H2019.
- **Strengthening our renewables portfolio**
 - In Singapore, Sembcorp was awarded the contract to design, build, own and operate Singapore's largest floating solar farm, a 60MWp floating solar photovoltaic system on Tengeh Reservoir. When completed in 2021, it will be one of the largest single floating solar systems in the world. In 1H2020, Sembcorp also launched Singapore's first renewable energy certificate (REC) aggregator platform that manages RECs from multiple sources.
 - In India, Sembcorp is the first developer to fully commission projects awarded in Solar Energy Corporation of India's first, second and third wind project tenders, actively supporting India's renewable energy ambitions.
 - Today, Sembcorp has over 2,600MW of wind and solar capacity globally.
- **The Urban business delivered a 111% net profit growth from S\$18 million to S\$38 million in 1H2020.** This was driven by strong land sales achieved at Sino-Singapore Nanjing Eco Hi-tech Island, China and Kendal Industrial Park, Indonesia.
- **The Marine business recorded a net loss of S\$117 million compared to net loss of S\$6 million in 1H2019,** mainly due to the COVID-19 pandemic delaying project executions, higher costs recognised for rigs & floaters and specialised shipbuilding projects, and lower margin recognition from offshore platforms. This was partly offset by profit from repairs and upgrades, government grants for the COVID-19 pandemic and foreign exchange gain.

The proposed demerger of Sembcorp Industries and Sembcorp Marine via a distribution *in specie*

On June 8, 2020, Sembcorp Industries and Sembcorp Marine announced the proposed recapitalisation of Sembcorp Marine through a S\$2.1 billion renounceable rights issue (the Rights Issue), followed by a proposed demerger of the two companies via a distribution *in specie* (the Proposed Distribution) of Sembcorp Industries' stake in the recapitalised Sembcorp Marine to Sembcorp Industries shareholders (the Transaction).

Sembcorp Industries and Sembcorp Marine will be seeking shareholders' approval for the Transaction at their respective Extraordinary General Meetings (EGMs). The Proposed Distribution and the Rights Issue are inter-conditional, and will only proceed if shareholder approvals are received for all resolutions at both companies' EGMs.

FINANCIAL SUMMARY

S\$ million	1H2020	1H2019	Δ%
Turnover	3,523	4,851	(27)
Profit from Operations¹	39	455	(91)
<u>Net Profit after Exceptional Items</u>			
Energy	(5)	177	NM
Urban	38	18	111
Other Businesses	(24)	14	NM
Group Corporate	(23)	(12)	(92)
Net Profit (excluding Marine)	(14)	197	NM
Marine	(117)	(6)	NM
Net Profit after Exceptional Items	(131)	191	NM
Exceptional Items ²	(191)	(7)	NM
Net Profit before Exceptional Items	60	198	(70)

¹ Profit from Operations = Earnings before Interest and Tax + Share of Associates and JVs' results (net of tax)

² 1H2020 Energy exceptional items, totalling negative S\$161 million, comprise a S\$81 million impairment on the investment in Sembcorp Salalah Power and Water Company, a S\$38 million write-down of gasoil reserves in Singapore, a S\$44 million write-off of gasoil inventory stored at Hin Leong Trading and a S\$4 million impairment due to change in net asset value of held-for-sale investment pending completion of divestment of the Chile water business, offset by a S\$6 million preliminary negative goodwill recognised upon the completion of acquisition of Veolia ES Singapore and the public cleaning business of Veolia ES Singapore Industrial. Other Businesses exceptional item of negative S\$30 million relates to impairment taken on the investment in Shenzhen Chiwan Sembawang Engineering Co

1H2019 exceptional item relates to additional provision for potential claims at a joint venture wastewater treatment company in China

GROUP OUTLOOK

The COVID-19 pandemic is severely impacting global economic activity. The International Monetary Fund expects the pandemic to cause a global recession in 2020 with recovery projected to be more gradual than previously forecast. In addition, oil prices have also seen a sharp decline. Singapore's economy is now in recession. The Group expects to incur losses for the full year due to the expected continuing losses at Sembcorp Marine and exceptional items recorded in 1H2020.

Notwithstanding the adverse business conditions, the Group expects to maintain positive operating cash flow in 2020 underpinned by its long-term contracts and the underlying performance of its Energy and Urban businesses.

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ABOUT SEMBCORP INDUSTRIES

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

As an integrated energy player, Sembcorp is uniquely positioned to support the global energy transition. Leveraging technology and digital innovation, Sembcorp provides solutions across the energy and utilities value chain. Sembcorp has a balanced thermal and renewable energy portfolio of over 12,600MW, with over 2,800MW of renewables, battery storage and energy-from-waste capacity.

Sembcorp's urban arm is a recognised leading Asian developer with a strong track record in transforming raw land into sustainable urban developments. In addition, Sembcorp Marine is a global leader in providing innovative engineering solutions to the offshore, marine and energy industries.

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 and sustainability indices including the FTSE4Good Index, the Dow Jones Sustainability Asia Pacific Index and the iEdge SG ESG indices. For more information, please visit www.sembcorp.com.

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