



SEMBCORP ANNOUNCES IMPAIRMENTS AND PROVIDES PROFIT GUIDANCE FOR THE FOURTH QUARTER AND FULL YEAR ENDED DECEMBER 31, 2019

Singapore, February 6, 2020 – Sembcorp Industries (the Group) wishes to provide the following updates and profit guidance for the unaudited consolidated financial statements for the fourth quarter ended December 31, 2019 (4Q2019) and the full year ended December 31, 2019 (FY2019).

Arising from its periodic assessment of the recoverable amounts based on expected future cash flows of its Energy assets, the Group would like to announce that there will be material impairments amounting to S\$245 million in its 4Q2019 financial statements.

As a result of these impairments, the Energy business is expected to make a net loss in 4Q2019. However, for FY2019, the Energy business will continue to deliver positive net profit. Excluding exceptional items¹, the FY2019 underlying net profit of the Energy business is expected to be better than FY2018.

The total impairment of S\$245 million in 4Q2019 comprises the following:

- S\$158 million impairment of UK Power Reserve (UKPR) assets

Market conditions in the UK continue to be challenging. The performance of the business has been impacted by a combination of economic and industry factors including an increase in energy capacity and a reduction in underlying demand due to energy efficiency and reduced industrial production. Grid volatility has also been moderated by mild and windy winters and improved forecasting by the National Grid Electricity System Operator in Great Britain. As a result of these factors, flexible energy generation operators such as UKPR have been called on less frequently to balance the system.

¹ The exceptional items, totalling a negative S\$165 million, comprise impairments of S\$245 million, a net S\$6 million mainly for provisions, offset by S\$86 million of net gains from the divestment of businesses and assets

The impairment charge of S\$158 million (net of tax) was made based on the expected value-in-use as at December 31, 2019.

- S\$64 million impairment arising from the divestment of its water business in Chile

Arising from the divestment of its water business in Chile for a total consideration of approximately S\$49 million, an impairment of S\$64 million 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. 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.

Please refer to Sembcorp's announcement on the divestment of Chile assets on February 6, 2020.

- S\$23 million impairment in China for its wastewater treatment assets

With effect from January 2021, new and more stringent effluent discharge standards will come into force in Jiangsu, China. As a result, the existing facilities will not be able to meet the new standards and an impairment has been taken for the relevant facilities.

The Group's unaudited consolidated financial results for 4Q2019 and FY2019 will be released on February 21, 2020.

In the meantime, shareholders and investors are advised to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bankers, solicitors, accountants or other professional advisors.