# Group Financial Review

## Financial Highlights

| | 2022[1] | 2021[1] | Change (%) |
|---|---|---|---|
| **For the year** *(S$ million)* | | | |
| Turnover | **7,825** | 6,408 | 22 |
| Renewables | **506** | 354 | 43 |
| Integrated Urban Solutions | **444** | 465 | (5) |
| *Sustainable Solutions*[2] | **950** | 819 | 16 |
| Conventional Energy | **6,547** | 5,292 | 24 |
| Other Businesses and Corporate | **328** | 297 | 10 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA)[3] | **1,308** | 885 | 48 |
| Share of results: associates and joint ventures, net of tax | **248** | 206 | 20 |
| Adjusted EBITDA | **1,556** | 1,091 | 43 |
| Profit before tax | **865** | 274 | 216 |
| Net profit before exceptional items | **739** | 323 | 129 |
| Renewables | **140** | 56 | 150 |
| Integrated Urban Solutions | **148** | 155 | (5) |
| *Sustainable Solutions*[2] | **288** | 211 | 36 |
| Conventional Energy | **622** | 289 | 115 |
| Other Businesses and Corporate | **(171)** | (177) | 3 |
| Exceptional items | **(35)** | (193) | 82 |
| Net profit from continuing operations | **704** | 130 | NM |
| Net profit from discontinued operation[1] | **144** | 149 | (3) |
| Net profit | **848** | 279 | 204 |
| **Capital position** *(S$ million)* | | | |
| Owners' funds | **3,977** | 3,767 | 6 |
| Total assets | **16,020** | 14,395 | 11 |
| Net debt | **5,816** | 6,047 | (4) |
| Operating cash flow | **1,652** | 1,219 | 36 |
| Free cash flow | **1,817** | 1,335 | 36 |
| Capital expenditure and equity investment | **1,747** | 321 | NM |
| **Shareholder returns** | | | |
| Net assets per share *(S$)* | **2.24** | 2.12 | 6 |
| Earnings per share *(cents)* | **47.59** | 15.64 | 204 |
| Earnings per share – continuing operations *(cents)* | **39.51** | 7.29 | NM |
| Dividends per share *(cents)* | **12.0** | 5.0 | 140 |
| Last traded share price *(S$)* | **3.38** | 2.00 | 69 |
| Total shareholder return *(%)* | **73** | 20 | 265 |

NM: not meaningful

1 Following shareholders' approval of the sale of Sembcorp Energy India Limited (SEIL), SEIL is classified as a disposal group held for sale and as a discontinued operation, with comparative information of its financial performance re-presented accordingly

2 Sustainable Solutions include Renewables and Integrated Urban Solutions segments

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

**Overview**

Sembcorp achieved a strong performance in 2022, driven by higher contributions from the Conventional Energy and Renewables segments.

The Group has accelerated its portfolio transformation from brown to green with acquisitions in the Renewables segment and completion of the sale of SEIL, the coal-fired thermal power business in India, in January 2023. Following shareholders' approval of the sale of SEIL on November 8, 2022, SEIL was classified as a disposal group held for sale and as a discontinued operation.

**Turnover**

The Group achieved a turnover of S$7.8 billion from continuing operations, 22% higher compared to S$6.4 billion in 2021. The increase was driven by improvements across most segments.

Revenue from the Renewables segment increased 43% from S$354 million in 2021 to S$506 million in 2022. The higher turnover of the Renewables segment was mainly due to the acquisition of Shenzhen Huiyang New Energy (HYNE) in China and higher energy prices for the solar business in Singapore.

The Integrated Urban Solutions segment reported a turnover of S$444 million, marginally lower compared to S$465 million in 2021. The lower turnover was mainly due to the cessation of a waste collection contract in December 2021, mitigated by higher turnover from the water business in China.

The Conventional Energy segment achieved a turnover of S$6.5 billion, 24% higher than last year. The higher turnover was driven mainly by strong energy and power prices in Singapore and the UK.

The Other Businesses and Corporate segment reported a turnover of S$328 million, 10% higher compared to 2021, mainly from the resumption of business activities in the construction business.

**Net profit**

Group net profit from continuing operations before exceptional items grew 129% to S$739 million, due to better performance from the Conventional Energy and Renewables segments. In 2022, exceptional items totalling negative S$35 million were recognised for the impairment of assets in Singapore and China, impairment of investments in the UK and Vietnam for project expenses incurred by the companies, and impairment of joint ventures' (JV) underlying assets.

Including the discontinued operation, net profit before exceptional items in 2022 was S$883 million compared to S$472 million in 2021. Including the discontinued operation and exceptional items, the Group recorded a net profit of S$848 million, 204% higher than S$279 million in 2021.

The Renewables segment recorded a net profit before exceptional item of S$140 million in 2022 compared to S$56 million in 2021, driven mainly by contributions from completed acquisitions during the year in China, and higher margins driven by high energy prices for the Singapore solar business. This was offset by India's lower contributions due to lower sales of green attributes, net off by lower finance costs post-refinancing during the year. An exceptional item of negative S$8 million related to a write-off of an investment in Vietnam for project expenses incurred by the company was recorded in 2022.

Net profit before exceptional items from the Integrated Urban Solutions segment was S$148 million compared to S$155 million in 2021. The decline was mainly due to lower land and property sales in China due to a slowdown in the China market and the cessation of a public waste collection contract in the waste management business in Singapore. The lower profit contribution was mitigated by higher earnings from Wilton 11, our energy-from-waste plant in the UK, driven by higher power prices and the water business in China with the termination fee received from a customer. Exceptional items of negative S$8 million related to an impairment of a water asset in China, an impairment of an investment in the UK for project expenses incurred by the company and Urban's share of lower market valuations of underlying property assets in China were recorded in 2022.

In 2022, continuing operations of the Conventional Energy segment delivered a net profit of S$622 million before exceptional items compared to S$289 million in 2021, attributable to strong performance in Singapore and the UK due to higher power prices, optimisation of generation assets and fuel sources, as well as hedging gains recognised in Singapore.

The better performance was offset by higher expected credit loss (ECL) provision of S$84 million for Sembcorp Myingyan Power Company's (SMPC) service concession receivables following the regular assessment of credit risk under Singapore Financial Reporting Standards (International) (SFRS(I)) 9. Although there is no default on payment, management is of the view that the credit risk on the service concession receivables has increased significantly, taking into consideration forward-looking information on the risk of foreign currency shortages, a weakening economy and Myanmar being categorised as a high-risk jurisdiction by the Financial Action Task Force, with increased risk of economic and financial sanctions. Accordingly, lifetime ECL is applied on the service concession receivables of SMPC. 2022 exceptional items of negative S$19 million were related to the impairment of a woodchip boiler and other facilities in Singapore. In 2021, an exceptional item of negative S$199 million was recorded mainly due to an impairment of the Chongqing Songzao power plant.

The Other Businesses and Corporate segment reported a net corporate cost of S$171 million, 3% lower than 2021. This was attributable to higher progressive revenue recognised for the specialised construction business resulting in higher contribution, offset by higher corporate costs for capability building to drive the Group's transformation targets.

**Cash flow and liquidity**

As at December 31, 2022, the Group's cash and cash equivalents in the cash flow statement stood at S$1.2 billion. Net cash from operating activities before and after changes in working capital stood at S$1.7 billion. Compared to 2021, net cash from operating activities before changes in working capital improved on better operating performance. The improved working capital was mainly due to better collections.

Net cash used in investing activities was S$1.4 billion, mainly for the acquisitions of HYNE, associates and JVs (in the Renewables segment), as well as purchase of property, plant and equipment (PPE). Net cash used in financing activities was S$203 million, mainly for the repayment of borrowings and interest.

**Financial position**

Group shareholders' funds increased to S$4.0 billion as at December 31, 2022, from S$3.8 billion as at December 31, 2021. The increase was mainly due to higher profit for the year offset by the increased foreign currency translation loss mainly from the depreciation of the Indian rupee and Chinese yuan against the Singapore dollar.

Post-acquisition of HYNE in June 2022, the assets and liabilities of HYNE were consolidated. With effect from November 8, 2022, SEIL was classified as a disposal group held for sale and its assets and liabilities are presented as assets and liabilities held for sale, respectively.

# Group Financial Review

Besides the impact from the consolidation of HYNE, the increase in total assets from S$14.4 billion to S$16.0 billion is attributable to the increase in PPE (continuing investment in the renewable power equipment to enhance the Group's energy sustainability portfolio), investment in associates and JVs (in the renewables business in China) as well as intangible assets (arising from the acquisition of HYNE for the power generation permits).

The above increase was offset by the lower receivables due to better collections from India.

Gross debt of S$7.1 billion as at December 31, 2022 represented the Group's borrowings excluding the discontinued operation which was reported under liability held for sale. Including SEIL's borrowings, total borrowings were S$8.2 billion. The increase in borrowings was mainly due to the consolidation of HYNE's underlying borrowings, and financing of acquisitions made during the year.

**Shareholder returns**

In 2022, return on equity of the Group's continuing operations was 18.2% and earnings per share amounted to 39.5 cents. Subject to approval by shareholders at the next annual general meeting, a final dividend of 4 cents per ordinary share and a special dividend of 4 cents per ordinary share have been proposed. Together with the interim dividend of 4 cents per ordinary share paid in August 2022, this brings the Group's total dividend for the financial year ended December 31, 2022, to 12 cents per ordinary share.

## Five-year Financial Performance

| | 2022[1] | 2021 | 2020[2] | 2019 | 2018 |
|---|---|---|---|---|---|
| **For the year** *(S$ million)* | | | | | |
| Turnover | **7,825** | 7,795 | 5,447 | 9,618 | 11,689 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA)[3] | **1,308** | 1,288 | 1,184 | 1,535 | 1,279 |
| Share of results: associates and joint ventures, net of tax | **248** | 206 | 233 | 184 | 174 |
| Adjusted EBITDA | **1,556** | 1,494 | 1,417 | 1,719 | 1,453 |
| Profit before tax | **865** | 423 | 211 | 295 | 420 |
| Net profit from continuing operations | **704** | 279 | 157 | 247 | 347 |
| Discontinued operation (including loss on the Distribution) | **144** | – | (1,154) | – | – |
| Net profit | **848** | 279 | (997) | 247 | 347 |
| **At year end** *(S$ million)* | | | | | |
| Property, plant and equipment, and investment properties | **5,438** | 7,232 | 7,339 | 12,331 | 11,782 |
| Other non-current assets | **4,074** | 3,230 | 3,219 | 4,826 | 5,215 |
| Net current assets | **1,687** | 1,028 | 877 | 83 | 748 |
| Non-current liabilities | **(6,983)** | (7,572) | (7,959) | (9,361) | (9,807) |
| Net assets | **4,216** | 3,918 | 3,476 | 7,879 | 7,938 |
| Share capital and reserves | **3,977** | 3,767 | 3,339 | 6,871 | 6,788 |
| Non-controlling interests | **239** | 151 | 137 | 1,008 | 1,150 |
| Total equity | **4,216** | 3,918 | 3,476 | 7,879 | 7,938 |
| **Per share** | | | | | |
| Earnings *(cents)* | **47.59** | 15.64 | (56.81) | 11.81 | 16.98 |
| Net assets *(S$)* | **2.24** | 2.12 | 1.87 | 3.85 | 3.80 |
| Dividends *(cents)* | **12.0** | 5.0 | 4.0 | 5.0 | 4.0 |

[1] Following shareholders' approval of the sale of SEIL on November 8, 2022, the performance of SEIL for the period is reported under discontinued operation

[2] Following the completion of the distribution *in specie* of ordinary shares in the capital of Sembcorp Marine to Sembcorp Industries shareholders, the performance of the Marine business for the period from January 1, 2020 to September 11, 2020 was reported as a discontinued operation

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

[4] Excludes the results of the coal-fired thermal power business in India, following shareholders' approval of the sale of SEIL on November 8, 2022

[5] The figures reflect data for continuing operations only

## Value Added and Productivity Data

In 2022, the Group's total value added was S$2.2 billion. This was absorbed by employees in wages, salaries and benefits of S$485 million, by governments in income and other taxes of S$116 million and by providers of capital in interest, dividends and distribution of S$433 million, leaving a balance of S$1.1 billion reinvested in business.

**Value added statement** *(S$ million)*

| | 2022[4] Continuing operations | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Value added from** | | | | | |
| Turnover | **7,825** | 7,795 | 5,447 | 9,618 | 11,689 |
| Less: Bought-in materials and services | **(6,100)** | (6,115) | (4,075) | (7,458) | (9,699) |
| Gross value added | **1,725** | 1,680 | 1,372 | 2,160 | 1,990 |
| Investment, interest and other income | **299** | 216 | 228 | 526 | 328 |
| Share of results: associates and joint ventures, net of tax | **248** | 206 | 233 | 184 | 174 |
| Other non-operating expenses | **(96)** | (67) | (88) | (147) | (93) |
| | **2,176** | 2,035 | 1,745 | 2,723 | 2,399 |
| **Distribution** | | | | | |
| To employees in wages, salaries and benefits | **485** | 494 | 396 | 820 | 759 |
| To government in income and other taxes | **116** | 62 | 37 | 233 | 149 |
| To provider of capital in: | | | | | |
| Interest on borrowings | **309** | 423 | 461 | 586 | 508 |
| Dividends to owners | **124** | 107 | 2,615 | 71 | 71 |
| Profit attributable to perpetual securities holders | **–** | – | 17 | 36 | 43 |
| | **1,034** | 1,086 | 3,526 | 1,746 | 1,530 |
| **Retained in business** | | | | | |
| Depreciation and amortisation | **372** | 457 | 444 | 682 | 595 |
| Deferred tax expense / (credit) | **36** | 63 | (25) | (91) | (7) |
| Retained profits | **580** | 172 | (2,443) | 140 | 232 |
| Non-controlling interests | **23** | 21 | 22 | (30) | (15) |
| | **1,011** | 713 | (2,002) | 701 | 805 |
| Other non-operating expenses | **131** | 236 | 221 | 276 | 64 |
| | **1,142** | 949 | (1,781) | 977 | 869 |
| **Total distribution** | **2,176** | 2,035 | 1,745 | 2,723 | 2,399 |

**Productivity data[5]**

| | 2022[4] | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Average staff strength | **4,981** | 5,740 | 5,426 | 16,575 | 16,578 |
| Employment costs *(S$ million)* | **485** | 494 | 396 | 820 | 759 |
| Profit after tax per employee *(S$'000)* | **146** | 52 | 33 | 13 | 20 |
| Value added *(S$ million)* | **1,725** | 1,680 | 1,372 | 2,160 | 1,990 |
| Value added per employee *(S$'000)* | **347** | 293 | 253 | 130 | 120 |
| Value added per dollar employment costs *(S$'000)* | **3.56** | 3.40 | 3.46 | 2.63 | 2.62 |
| Value added per dollar investment in property, plant and equipment *(S$)* | **0.21** | 0.16 | 0.13 | 0.13 | 0.12 |
| Value added per dollar sales *(S$)* | **0.22** | 0.22 | 0.25 | 0.22 | 0.17 |

# Group Financial Review

## Treasury Management

Sembcorp Financial Services (SFS), the Group's wholly-owned treasury vehicle, manages the Group's financing and treasury activities in Singapore and oversees such activities in other markets with the respective business units. In addition, funds borrowed by SFS are on-lent to businesses within the Group, where appropriate.

SFS and its overseas treasury units undertake active cash management by setting up cash pooling structures in various countries, utilising surplus funds from businesses and lending to those with funding requirements. It also actively manages the Group's excess cash using several financial institutions, and closely tracks developments in the global banking sector. We believe such proactive cash management continues to be an efficient and cost-effective way of managing the Group's cash and meeting our funding requirements.

**Facilities**

As at December 31, 2022, the Group's total credit facilities, including our Multicurrency Debt Issuance Programme, amounted to S$13.4 billion (2021: S$14.0 billion). This comprised borrowing facilities of S$12.0 billion (2021: S$12.5 billion) and trade-related facilities of S$1.4 billion (2021: S$1.5 billion), including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds.

**Borrowings and bond issuances**

The Group aims to closely align the structure and maturity profile of our debt with the commercial profile of our core assets, while focusing on maintaining adequate liquidity for our businesses. We continue to build on our banking relationships to ensure that we are able to secure funding on competitive terms, as and when commercially viable and strategically attractive opportunities arise.

In April 2022, SFS issued its second S$300 million sustainability-linked notes under our S$3 billion Multicurrency Debt Issuance Programme. The interest rate of the notes will be subject to a step-up margin of 0.25% per annum from the first interest payment date on or after April 1, 2026, if the stated Sustainability Performance Target (SPT) of greenhouse gas emissions intensity reduction to 0.40 tonnes of carbon dioxide per megawatt-hour ($tCO_2/MWh$) or lower is not achieved by December 31, 2025.

In May 2022, SFS secured a five-year S$1.2 billion syndicated sustainability-linked revolving credit facility which was fully written and arranged by Australia and New Zealand Banking Group Limited, DBS Bank Ltd and Oversea-Chinese Banking Corporation Limited. The interest rate of the loan facility will be subject to a step-up margin if the SPTs of (i) reducing greenhouse gas emissions intensity to 0.40 $tCO_2e/MWh$ or lower or (ii) gross installed renewable energy capacity of 10GW, is not achieved by December 31, 2025.

As at December 31, 2022, the Group's gross borrowings amounted to S$7.1 billion (2021: S$7.4 billion). The Group's interest cover improved from 3.0 times in 2021 to 4.2 times in 2022. The Group remains committed to ensuring a diversified funding base and optimising the cost of funding, while working towards achieving prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities.

The overall debt portfolio in 2022 comprised 66% (2021: 53%) of fixed rate debt and 34% (2021: 47%) of floating rate debt. The divestment of SEIL has resulted in a significant reduction to the floating rate debt in the overall debt portfolio. We continue to actively monitor and manage the fixed and floating rate mix of our debt portfolio in the current rising interest rate environment.

**Financing and treasury highlights** *(S$ million)*

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Source of Funding** | | | |
| **Cash and cash equivalents** | **1,254** | 1,344 | 1,032 |
| **Borrowing facilities (including the Multicurrency Debt Issuance Programme)** | | | |
| Committed borrowing facilities | **9,496** | 9,120 | 8,298 |
| Less: Amount drawn down | **(7,070)** | (7,157) | (7,451) |
| **Unutilised committed borrowing facilities** | **2,426** | 1,963 | 847 |
| Uncommitted borrowing facilities | **2,536** | 3,349 | 4,421 |
| Less: Amount drawn down | **–** | (234) | (277) |
| **Unutilised uncommitted borrowing facilities** | **2,536** | 3,115 | 4,144 |
| **Total unutilised borrowing facilities** | **4,962** | 5,078 | 4,991 |
| **Trade-related facilities** | | | |
| Facilities available | **1,412** | 1,521 | 1,584 |
| Less: Amount used | **(500)** | (747) | (894) |
| **Unutilised trade-related facilities** | **912** | 774 | 690 |
| **Funding Profile** | | | |
| **Maturity profile** | | | |
| Due within one year | **1,096** | 754 | 593 |
| Due between one to five years | **3,593** | 4,165 | 5,037 |
| Due after five years | **2,381** | 2,472 | 2,098 |
| | **7,070** | 7,391 | 7,728 |
| **Debt mix** | | | |
| Fixed rate debt | **4,699** | 3,941 | 2,833 |
| Floating rate debt | **2,371** | 3,450 | 4,895 |
| | **7,070** | 7,391 | 7,728 |

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| **Debt Ratios** | | | |
| **Interest cover ratio** | | | |
| Earnings before interest, tax, depreciation and amortisation | **1,308** | 1,288 | 1,184 |
| Interest on borrowings | **311** | 423 | 499 |
| Interest cover *(times)* | **4.2** | 3.0 | 2.4 |

| | 2022 | D/C ratio | 2021 | D/C ratio | 2020 | D/C ratio |
|---|---|---|---|---|---|---|
| **Debt / capitalisation (D/C) ratios** | | | | | | |
| Corporate debt | **5,932** | 0.53 | 4,893 | 0.43 | 4,721 | 0.42 |
| Project finance debt | **1,138** | 0.10 | 2,498 | 0.22 | 3,007 | 0.27 |
| Group gross debt | **7,070** | 0.63 | 7,391 | 0.65 | 7,728 | 0.69 |
| Less: Cash and cash equivalents | **(1,254)** | – | (1,344) | – | (1,032) | – |
| Group net debt / (cash) | **5,816** | 0.52 | 6,047 | 0.53 | 6,696 | 0.60 |

# Renewables Review

## Competitive Edge

Leading Asian renewable energy player with 9.8GW[1] of wind, solar and energy storage capacity globally

One of Asia's largest energy storage system (ESS) operators and dominant renewables player in Singapore with a full spectrum of solar capabilities including rooftop, ground-mounted and floating solar projects

Leveraging partnerships and capitalising on platforms to grow presence in focus markets

[1] As at December 31, 2022, including acquisitions pending completion

## Performance Scorecard

**Financial indicators** *(S$ million)*

| | 2022 | 2021 | Change *(%)* |
|---|---|---|---|
| Turnover[2] | **506** | 354 | 43 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA)[3] | **352** | 251 | 40 |
| Share of results: associates and joint ventures, net of tax | **62** | 27 | 130 |
| Adjusted EBITDA[4] | **414** | 278 | 49 |
| Net profit | **132** | 56 | 136 |
| – Net profit before exceptional item | **140** | 56 | 150 |
| – Exceptional item[5] | **(8)** | – | NM |
| Return on equity before exceptional item *(%)* | **10.2** | 4.6 | 122 |
| Return on equity *(%)* | **9.6** | 4.6 | 109 |

[2] Turnover figures are stated before inter-segment eliminations

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

[4] Adjusted EBITDA = Reported EBITDA + share of results from associates and joint ventures, net of tax

[5] 2022 exceptional item pertained to the write-off of an investment in Vietnam for project expenses incurred by the company

## Key Developments

Increased presence in China with acquisitions of renewables portfolio totalling 1.7GW and organic growth of over 350MW

Broadened solar presence in India with acquisition of Vector Green and enhanced in-house engineering solutions to develop greenfield projects

551MWp of gross contracted solar capacity in Singapore, contributing to more than a third of the nation's 2025 target of 1.5GWp

Signed strategic partnerships with the Japanese government and various corporations to progress hydrogen and other decarbonisation initiatives

Sembcorp's renewable energy portfolio comprises wind, solar and energy storage assets in China, India, Indonesia, Singapore, Vietnam and the UK.

Turnover for the Renewables segment was S$506 million, 43% higher compared to turnover of S$354 million in 2021, driven mainly by contribution from Shenzhen Huiyang New Energy (HYNE), which owns 658MW of operational wind and solar photovoltaic (PV) assets. Net profit before exceptional item increased by 150% year-on-year to S$140 million. The improved performance was attributed to contributions from SDIC New Energy and HYNE, as well as strong performance of the solar assets in Singapore.

### Continued Traction in Growing Our Renewables Portfolio

Growth momentum for the Renewables segment remained strong in 2022. During the year, our portfolio grew to 9.8GW, including acquisitions pending completion.

We continued to pursue renewables opportunities in our countries of focus and established strategic collaborations to support the energy transition. In China, we originated quality partnerships for investments into renewables projects. In India, our in-house operations and maintenance as well as engineering capabilities were drivers of greenfield and brownfield growth. In Singapore, we cemented our position as a leading renewables provider with greenfield projects in solar and ESS.

In the UK, our ESS portfolio performed better on the back of increased demand for frequency services, particularly over summer.

**Further diversification of renewables portfolio in China**

Operational portfolio in China as of end 2022 was 4.3GW, compared to 725MW a year ago. We completed the acquisitions of a 35% interest in SDIC New Energy and a 98% interest in HYNE in the first half of 2022, as well as a 792MW portfolio held under 45.3%-owned Hunan Xingling New Energy (Xingling New Energy) in December 2022. Electricity generated increased to 6.1TWh, almost quadruple the electricity generated in 2021.

During the year, we continued to pursue renewables growth in China. We announced the acquisitions of two quality renewables portfolios in November 2022. Beijing Energy Sembcorp, our 49%-owned entity, together with Beijing Energy International Investment will acquire the entire equity interest in three operational solar projects with a total capacity of 795MW. These solar assets are located in the south of Hebei Province, one of China's main energy demand centres. This acquisition increases the solar weightage of our China renewables portfolio, thereby reducing yield and earnings variability.

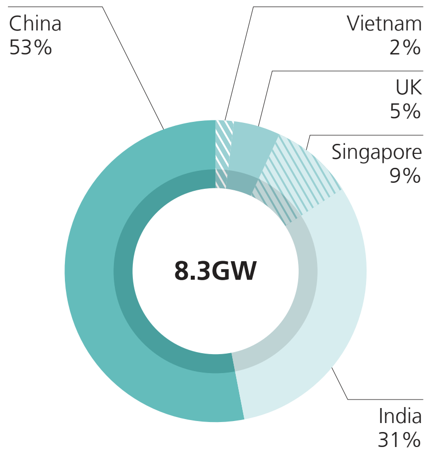
## Operational Indicators[6]

| | 2022 | 2021 |
|---|---|---|
| Gross renewables capacity *(MW)* | **8,293** | 3,598 |
| – Wind | **5,553** | 2,599 |
| – Solar | **2,031** | 875 |
| – Energy storage[7] | **709** | 124 |
| Gross renewables capacity *(MW)* | **8,293** | 3,598 |
| – Installed | **6,832** | 2,751 |
| – Under development | **1,461** | 847 |

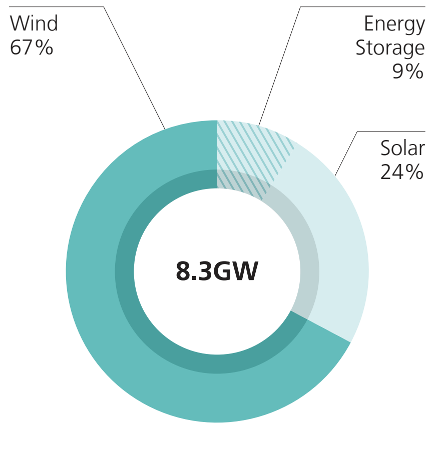
[6] Figures refer to total gross renewables capacity as at December 31, 2022, and December 31, 2021. Including acquisitions pending completion, the Group has 9.8GW of gross renewables capacity installed and under development as at December 31, 2022

[7] Energy storage capacity is in megawatt-hour (MWh)

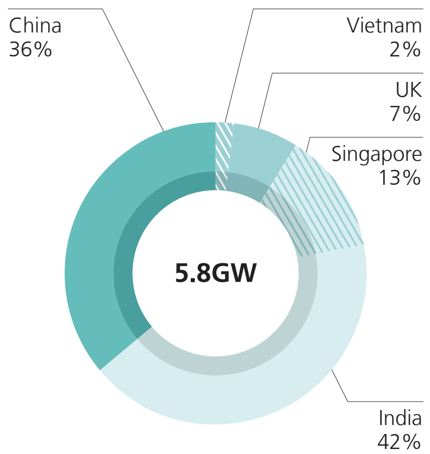
**Gross Renewables Capacity by Country**



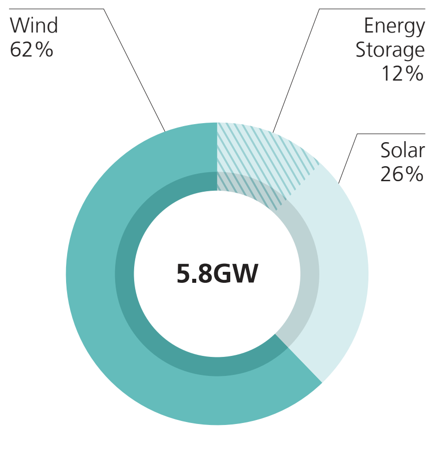

**Gross Renewables Capacity by Technology Type**




**Attributable Renewables Capacity by Country**




**Attributable Renewables Capacity by Technology Type**




As at December 31, 2022

# Renewables Review

The assets are contracted to the State Grid Corporation of China and will contribute to earnings immediately upon completion of the acquisition.

We also partnered with Wuling Power, an affiliated company of State Power Investment Corporation (SPIC) to acquire a 45.3% stake in Xingling New Energy. Wuling Power holds the remaining 54.7% interest in Xingling New Energy. SPIC is the world's largest renewables player with over 80GW of installed wind and solar capacity and this is SPIC's first renewable energy joint venture with a foreign investor. Xingling New Energy completed the acquisition of 792MW of the 892MW portfolio from Wuling Power in December 2022, and the remaining 100MW is expected to be completed in the first half of 2023. These projects, which are located in Central China, will further diversify our portfolio in terms of geography.

These acquisitions are in line with our strategy to leverage existing relationships and partnerships and scale up our renewables footprint in China. Our presence in renewables across Asia allows us to add value to the operations and management of these portfolios. Through these platforms, we will work with our partners to pursue more renewable energy projects.

Sembcorp's solar farm in Tuas, Singapore's first solar farm with an integrated rainwater harvesting system

**Growing presence in India**

Operational capacity as of end 2022 was 1.7GW and electricity generated was 3.9TWh, similar to 2021. While the market for renewable energy projects in India remained competitive, we were able to secure 195MW of renewables contracts during the year.

We also announced the acquisition of Vector Green in November 2022, adding 583MW of renewable assets to the portfolio. Vector Green is an independent power producer with renewable power generation assets across 13 Indian states. Its portfolio includes 495MW of solar capacity and 24MW of wind capacity in operation, and a further 64MW of solar projects under development. This acquisition brings significant utility-scale solar capacity to our India business, which complements our existing wind portfolio. The acquisition, which was completed in January 2023, broadens and deepens our renewable energy presence across the states in India and positions us well for more green growth in the country. With our in-house technical capabilities and expertise, we will focus on improving the operations and maintenance of these assets, driving generation and enhancing the financing structure to lift returns of the portfolio. Renewables capacity in India is now at 3.1GW, with 2.3GW of installed capacity and 850MW under development. Our portfolio resource mix is more balanced with 2.0GW of wind capacity and 1.1GW of solar capacity, compared to 1.9GW of wind capacity and 465MW of solar capacity a year ago.

**Strengthening energy capabilities in Southeast Asia**

Operational solar capacity in Singapore as of end 2022 was 310MWp, compared to 240MWp as of end 2021. Electricity generated increased to 331GWh from 205GWh in 2021. In 2022, we reached a new milestone for our solar portfolio with total capacity of 551MWp installed and under development. This gross contracted capacity fulfills a third of Singapore's 2025 solar target of 1.5GWp, cementing Sembcorp's position as the leading renewables player in Singapore. Contracts secured during the year included the SolarNova 7 project. The SolarNova programme is a whole-of-government effort led by Singapore's Economic Development Board and Housing Development Board to accelerate the deployment of solar PV systems in Singapore. During the year,

One of Sembcorp's wind energy assets in Henan, China

# Renewables Review

Sembcorp is one of Asia's largest ESS operators with a battery storage portfolio of 501MW / 709MWh in Singapore and the UK

we also commissioned Singapore's first solar farm with an integrated rainwater harvesting system. Tapping Singapore's rainy weather, the facility is expected to collect and treat up to 170,000 cubic metres of rainwater annually to cool and clean solar panels for optimum performance.

Notably, we strengthened our renewable energy capabilities in Singapore, with the completion of Southeast Asia's largest ESS in Singapore. In June 2022, Sembcorp was appointed by the Energy Market Authority to build, own and operate an ESS on Jurong Island. The facility was commissioned in six months. With a maximum storage capacity of 285MWh, the ESS is the fastest in the world of its size to be deployed. This is a strong demonstration of our development capabilities in the energy storage segment. We expect increasing demand for ESS, an essential technology, to support renewables deployment in the region.

In Vietnam, solar capacity installed and under development grew year-on-year from 108MWp to 251MWp as of end 2022. This includes the acquisition of a 49% stake in Bamboo Capital Group GAIA, Sembcorp's first utility-scale acquisition in Vietnam, with 141MWp of operational solar capacity located in Thanh Hoa district, Long An Province. We believe that our deep experience in Vietnam will put us in good stead to capitalise on opportunities when they arise.

**Supporting energy transition in the UK**

In the UK, a further 50MWh of our battery energy storage portfolio was commissioned in August 2022, bringing our operational battery fleet to 120MWh. In addition, as part of a planned 360MW battery ESS to be constructed on Teesside, we commenced development on the first tranche of 150MW / 300MWh of battery storage, which has secured a 15-year capacity market contract starting in October 2025. These battery ESS are expected to be completed in the first half of 2024, which will further enhance our presence in the energy storage segment in the UK.

Battery ESS have the ability to supply power and other services to the national grid within a few milliseconds, providing a secure and stable energy system that will aid the UK's low-carbon transition. As a result of increased demand for frequency services, particularly over summer, we were able to capture higher rates for these services, translating to higher profitability.

## Forging Partnerships for Decarbonisation Goals

In October 2022, we entered into strategic partnerships with the Japanese government and various corporations to progress hydrogen and other decarbonisation initiatives. The hydrogen supply chain will be the focal point across the partnerships and signifies an important focus for us as we drive towards decarbonisation.

These partnerships include a Memorandum of Understanding (MOU) with Japan Bank for International Cooperation to support projects developed by Sembcorp and Japanese companies, with a focus on green hydrogen and ammonia; an MOU with Sojitz Corporation to partner on new renewable energy projects, including green hydrogen production, ESS and carbon-neutral industrial parks in Asia Pacific; as well as collaboration with IHI Corporation on an integrated green ammonia supply chain. Advancing the MOU with Mitsubishi Corporation and Chiyoda Corporation signed in October 2021, we commenced pre-FEED studies for the development of hydrogen imports via methylcyclohexane, a type of liquid organic hydrogen carrier. These collaborations will enable us to access and leverage Japan's highly advanced technology in hydrogen development and deployment.

As an extension of our commitment towards decarbonisation, we launched Sembcorp's carbon management solutions corporate venture, GoNetZero™ at the 27th United Nations Climate Change Conference (COP27), to support our customers and their corporate climate action plans. GoNetZero™ complements Sembcorp's offering as a leading renewable energy player by providing one-stop access to renewable energy and carbon management solutions including renewable energy certificates and carbon credits.

## Outlook

According to the International Energy Agency, the volatile global energy situation in 2022 has accelerated the growth in renewable energy. Renewable energy is expected to transform the global power mix through 2027 and become the largest source of electricity. The renewables growth is propelled by more ambitious expansionary policies in key markets, partly in response to the energy crisis.

Earnings of the Renewables segment will grow, as a result of contributions from acquisitions announced in 2022, as well as full-year contributions from the ESS in Singapore and the UK. As an established player in the renewables markets in Asia, coupled with our capabilities in ESS, we are well-placed to capitalise on growth opportunities. We will continue to innovate and build on our capabilities in renewable energy to be a leading provider of sustainable solutions.


GoNetZero™ was launched at the Singapore Pavilion at COP27 in Egypt

# Integrated Urban Solutions Review

## Competitive Edge

Over three decades of driving sustainable developments by delivering innovative and essential solutions to customers and communities

International investment promotion team complementing local marketing initiatives to drive direct investment by high-quality, long-term investors and tenants

Comprehensive suite of customised water, waste and recycling solutions to cater to the needs of customers

## Performance Scorecard

**Financial indicators** *(S$ million)*

| | 2022 | 2021 | Change *(%)* |
|---|---|---|---|
| Turnover[1] | **444** | 465 | (5) |
| Earnings before interest, tax, depreciation and amortisation (EBITDA)[2] | **130** | 143 | (9) |
| Share of results: associates and joint ventures, net of tax | **93** | 97 | (4) |
| Adjusted EBITDA[3] | **223** | 240 | (7) |
| Net profit | **140** | 161 | (13) |
| – Net profit before exceptional items | **148** | 155 | (5) |
| – Exceptional items[4] | **(8)** | 6 | NM |
| Return on equity before exceptional items *(%)* | **8.5** | 9.9 | (14) |
| Return on equity *(%)* | **8.0** | 10.2 | (22) |

[1] Turnover figures are stated before inter-segment eliminations

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

[3] Adjusted EBITDA = Reported EBITDA + share of results from associates and joint ventures, net of tax

[4] 2022 exceptional items totalling negative S$8 million comprised an impairment of a water asset in China following changes in water tariffs, an impairment of an investment in the UK for project expenses incurred by the company and Urban's share of lower market valuations of underlying property assets in China

2021 exceptional item was related to a gain of S$6 million from the divestment of Sembcorp Jingmen Water Co

## Key Developments

Awarded investment licences to develop industrial parks in Quang Tri Industrial Park, Vietnam Singapore Industrial Park (VSIP) Binh Duong III, VSIP Can Tho and VSIP Nghe An (park II) in Vietnam, bringing total portfolio of large-scale urban projects to 16

Groundbreaking of VSIP Binh Duong III, a new smart and sustainable industrial park

Groundbreaking of modern ready-built warehouses, Sembcorp Logistics Parks in Quang Ngai and Nghe An provinces, Vietnam and development of ready-built factories in the new Wuxi Life Science Park, China

The Integrated Urban Solutions segment comprises Urban, Water, as well as Waste and Waste-to-resource businesses. The Urban business has more than 30 years of track record in integrated urban developments including industrial parks, business hubs, industrial properties and residential spaces.

In the Water business, we own and operate highly specialised facilities across China, the Middle East, Singapore and the UK. Our water and wastewater management solutions encompass the entire water cycle including water supply, wastewater treatment and water reclamation. The Waste and Waste-to-resource businesses include solid waste management services in Singapore as well as energy-from-waste facilities in Singapore and the UK.

Turnover for the Integrated Urban Solutions segment was S$444 million in 2022, a decline of 5% from S$465 million in 2021. Net profit before exceptional items moderated to S$148 million in 2022 compared to S$155 million in 2021, mainly due to a slowdown in the China market for the Urban business. This was mitigated by higher contribution from the energy-from-waste operation in the UK on higher power prices, and a termination fee received from a customer of the water business in China.

### Building Land Bank and Providing Sustainable Solutions to Customers

In 2022, the Urban business registered land sales of 172 hectares (ha), compared to 168ha in 2021, driven by demand in Vietnam. However, earnings declined due to a slowdown in the China market. Net orderbook for the year was 312ha, higher than the net orderbook of 279ha in 2021.

In Indonesia, while slightly lower land sales were recorded in our Kendal Industrial Park, profitability improved due to the increase in land sales margin. Demand was driven by both domestic and international manufacturers following the post pandemic reopening of Indonesia. Recurring income contributions from estate management fees and water sales also increased as more tenants completed factory construction and commenced operations during the year.

In China, lower land sales were recorded at the Sino-Singapore Nanjing Eco Hi-tech Island, with two plots of Industrial & Business land sold in 2022 compared to nine plots (including Commercial & Residential land) in 2021. 2022 continued to see property cooling measures in play. The zero-COVID policy of the Chinese government and slowing economy further dampened the property market. However, lower contributions from this project were mitigated by better contributions from our Wuxi-Singapore Industrial Park project,

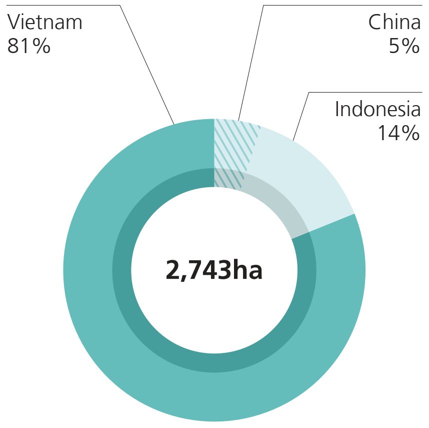
## Operational Indicators

| | 2022 | 2021 |
|---|---|---|
| **Urban[5]** | | |
| – Saleable land inventory *(ha)* | **6,363** | 5,718 |
| – Land sold (cumulative) *(ha)* | **3,308** | 3,136 |
| – Total net orderbook *(ha)* | **312** | 279 |
| – Remaining saleable land *(ha)* | **2,743** | 2,303 |
| **Water** | | |
| – Water and wastewater treatment capacity *($m^3$/day)* | **8,051,470** | 8,255,029 |
| **Waste and Waste-to-resource** | | |
| – Waste collection *(tonnes)* | **1,085,404** | 1,254,840 |
| – Recyclables collection *(tonnes)* | **11,775** | 33,632 |
| – Energy-from-waste (Efw) gross installed capacity | | |
| – Wilton 11 Efw Plant[6] *(MW)* | **48** | 48 |

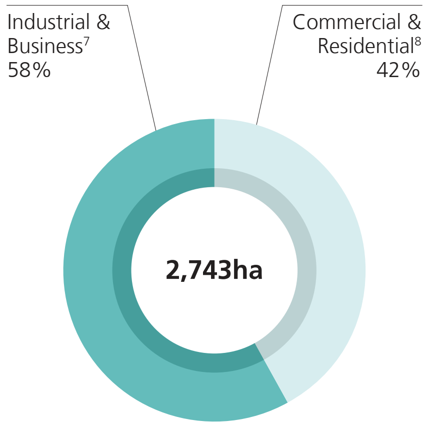
[5] Figures are based on current planned estimates

[6] The Wilton 11 Efw Plant produces both power and steam. The asset's gross installed steam capacity is 160 tonnes per hour

### Remaining Saleable Land by Geography




### Remaining Saleable Land by Segment




As at December 31, 2022

[7] Industrial & Business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators

[8] Commercial & Residential land includes space for residences, food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

# Integrated Urban Solutions Review

which provided steady income. During the year, we acquired a plot of land at the newly created Wuxi Life Science Park, which is being developed by the municipal government. Ready-built factories with a total gross floor area of 78,000 square metres will be constructed on the site and will be available for lease from 2024.

In March 2022, we held a groundbreaking ceremony for the third expansion of VSIP in Binh Duong Province, Vietnam. The 1,000ha VSIP Binh Duong III will have a planned 50ha onsite solar farm offering grid reliability and sustainability benefits to large industrial tenants, complementing our rooftop solar solutions. The first 100ha phase is also pre-qualified to meet Singapore's Building and Construction Authority's Green Mark for industrial districts, making it one of the greenest and most sustainable workplace environments in Vietnam. In 2022, the project attracted the largest industrial land bookings of all VSIP projects.

LEGO Group will commence the construction of its first carbon-neutral factory across a 44ha site at VSIP Binh Duong III.

Over the last 27 years, VSIP has drawn US$18.4 billion in investments from more than 800 multinational companies and created more than 288,000 jobs in the industrial sector. In October 2022, we broadened our footprint in Vietnam's growing industrial park development with the award of the investment licence to develop VSIP Can Tho, a 294ha industrial park. Can Tho is the fourth largest city in Vietnam and is located in the Mekong Delta region. The central government has announced a master plan for the region, with a vision towards making Can Tho City a centre for trade and services by 2030. The City has the potential to build on its established aquaculture and agriculture industries and increase its importance as a mega food-processing and distribution hub, with infrastructure investments planned under the new master plan.

Tenants at the 750ha VSIP Nghe An (park I). An investment license was granted in 2023 for the development of VSIP Nghe An (park II), a 500ha expansion over park I

In February 2023, the Vietnam government presented Sembcorp and Becamex IDC Corporation (Becamex) with an investment licence to develop a 500ha VSIP in Nghe An Province (park II). The licence expands our presence in Nghe An, post the successful development of the 750ha VSIP Nghe An (park I), which was established in 2015. We also deepened our strategic partnership with Becamex, and announced a Memorandum of Understanding to co-establish five VSIPs valued at approximately US$1 billion. The parks will feature decarbonisation solutions such as rooftop solar systems, potential solar farms and green certified buildings, and are envisioned to be smart and sustainable industrial parks with low carbon footprint.

As an expansion of our product offering, we commenced the development of Sembcorp Logistics Parks in the provinces of Quang Ngai and Nghe An in central Vietnam. Totalling approximately 77,258 square metres in gross floor area, these modern ready-built warehouses seek to provide quality logistics spaces in strategic locations to manufacturers. Construction will be completed in the fourth quarter of 2023. Within the portfolio, we also developed ready-built warehouses in the provinces of Hai Phong and Hai Duong to serve the northern Vietnam hinterland.

## Improved Performance in Waste-to-resource Business

Wilton 11, our energy-from-waste plant in the UK, serves our industrial customers on Teesside. Earnings contribution from Wilton 11 increased year-on-year, driven by higher electricity prices.


Groundbreaking ceremony for VSIP Binh Duong III, which was witnessed by Vietnam Prime Minister Pham Minh Chinh

**Piloting of smart recycling initiative in Singapore**

We continue to work closely with the communities to promote recycling in a sustainable manner. Across Singapore, contamination of recyclables at source has led to low household recycling rates. In December 2022, SembWaste and Singapore Polytechnic launched Rebottle, which aims to boost polyethylene terephthalate (PET) bottle recycling rates in Singapore, by placing refurbished roller cages at accessible and convenient locations for depositing used PET bottles. It also incorporates Internet of Things solutions to provide real-time waste collection data, allowing SembWaste to monitor the number of bottles disposed in the cages and optimise collections when the cages are full. The smart recycling initiative is being piloted in the Punggol Shore precinct and aims to triple overall PET collection rates while lowering the estate's waste contamination rate by at least 10%.

## Outlook

The Urban business continues to secure land bank to ensure a steady sales pipeline. It is also building up its portfolio to grow its recurring income and increase its product offering to customers. Global travel has picked up with the reopening of economies, providing greater clarity in business outlook. While there has been a pickup in land sale orders at our Indonesia and Vietnam projects, the possible slowdown in manufacturing activity on the back of recession risks and rising interest rates may affect new factory investments. In China, new government policies and incentives are anticipated to be implemented in 2023 to ease the economy towards recovery, and we expect the market to gain momentum in the second half of 2023.

With our suite of sustainable solutions including urban development, water management as well as waste and waste-to-resource solutions, we are well-positioned to capture opportunities arising from the population growth and urbanisation in Asia.

# Conventional Energy Review

## Competitive Edge

Established player with over 6.8GW[1] of conventional power capacity in key markets

Global track record as an originator, owner, investor, operator and optimiser of energy assets with strong technical, operational and management capabilities

Largest natural gas player in Singapore and the nation's first commercial importer and retailer of natural gas, offering a comprehensive suite of gas and related services

[1] The figure excludes Sembcorp Energy India Limited's (SEIL) capacity of 2.6GW. The sale of SEIL, which operates two coal-fired power plants, was completed on January 19, 2023

## Performance Scorecard

**Financial indicators** *(S$ million)*

| | 2022 | 2021[2] | Change *(%)* |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover[3] | **6,547** | 5,292 | 24 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA)[4] | **886** | 561 | 58 |
| Share of results: associates and joint ventures, net of tax | **93** | 81 | 15 |
| Adjusted EBITDA[5] | **979** | 642 | 52 |
| Net profit | **603** | 90 | NM |
| – Net profit before exceptional items | **622** | 289 | 115 |
| – Exceptional items[6] | **(19)** | (199) | 90 |
| Return on equity before exceptional items *(%)* | **34.8** | 23.3 | 49 |
| Return on equity *(%)* | **33.9** | 7.9 | NM |
| **Discontinued operation** | | | |
| Net profit from discontinued operation | **144** | 149 | (3) |
| **Total net profit** | **747** | 239 | 213 |
| – Net profit before exceptional items | **766** | 438 | 75 |
| – Exceptional items[6] | **(19)** | (199) | 90 |

[2] On November 8, 2022, shareholders of the Company approved the sale of SEIL. Consequently, SEIL was classified as a disposal group held for sale and as a discontinued operation, with comparative information of its financial performance re-presented accordingly. The sale of SEIL was completed on January 19, 2023

[3] Turnover figures are stated before inter-segment eliminations

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

[5] Adjusted EBITDA = Reported EBITDA + share of results from associates and joint ventures, net of tax

[6] 2022 exceptional items totalling negative S$19 million were mainly for the impairment of a woodchip boiler and other facilities in Singapore

2021 exceptional items totalling negative S$199 million comprised an impairment of S$212 million for the Chongqing Songzao power plant in China and a S$13 million gain from the UK land sales and connection fee income

The Conventional Energy portfolio comprises 6.8GW[1] of conventional power capacity in Bangladesh, China, Myanmar, Singapore, the UK and Vietnam. In addition, Sembcorp provides a wide variety of gas and related services such as gas sourcing, importation and trading in Singapore.

In 2022, gas, coal and electricity prices rose to their highest levels in decades due to higher energy demand, coupled with supply constraints as a result of ongoing geopolitical tensions. The strong performance of our Conventional Energy segment was attributed to higher power prices and margins.

## Strong Performance in 2022

The Conventional Energy segment delivered a strong performance in 2022. Net profit before exceptional items for continuing operations was S$622 million in 2022 compared to S$289 million in 2021. This was mainly due to better performance in Singapore and the UK on higher power prices and margins, partially offset by higher expected credit loss (ECL) provisions for the service concession receivables of Sembcorp Myingyan Power Company (SMPC). Exceptional items in 2022 totalling negative S$19 million were mainly related to the impairment of a woodchip boiler and other facilities in Singapore. Exceptional items totalling negative S$199 million in 2021 were mainly due to an impairment of the Chongqing Songzao power plant in China. Net profit from continuing operations after exceptional items was S$603 million, more than a six-fold increase from S$90 million in 2021.

The improved performance for gas and related services was driven mainly by higher contributions from Singapore and the UK. In 2022, the cogeneration plants in Singapore performed well from increased power demand and better spreads, as well as realised gains from favourable gas hedges. In the UK, the flexible generation assets contributed positively as we were able to capture the resulting high prices caused by the elevated level of power prices through the year, driven primarily by a global shortage of gas supply.

Following the Group's regular assessment of credit risk, a provision of S$84 million was made for SMPC's receivables. Although there is no default on payment, the Group has determined that the credit risk on the service concession receivables of SMPC has increased significantly, taking into consideration forward-looking information on the risk of foreign currency shortages,

## Operational Indicators[7]

| | 2022 | 2021 |
|---|---|---|
| Gross conventional power capacity *(MW)* | **9,477** | 9,477 |
| – Gas | **5,457** | 5,457 |
| – Coal & Diesel | **4,020** | 4,020 |
| Contracted conventional capacity with long-term agreements[8] *(MW)* | **5,259** | 5,058 |

[7] All 2021 and 2022 capacities are operational. On January 19, 2023, the sale of SEIL which operates two coal-fired power plants totalling 2.6GW was completed. Excluding SEIL, gross conventional power capacity is 6.8GW and contracted conventional capacity with long-term agreements is 3.1GW

[8] Long-term agreements refer to agreements with a tenure of at least five years from the contract effective date

## Key Developments

Successfully completed the sale of SEIL, which operates two supercritical coal-fired power plants, in January 2023

Signed Sembcorp's largest liquefied natural gas (LNG) contract with TotalEnergies to import LNG from its global portfolio into Singapore for five years starting from 2025

Sembcorp's flexible generation assets in the UK

# Conventional Energy Review

a weakening economy and Myanmar being categorised as a high-risk jurisdiction by the Financial Action Task Force, with increased risk of economic and financial sanctions. Accordingly, lifetime ECL provision is applied on the service concession receivables of SMPC.

On September 5, 2022, Sembcorp announced the proposed sale of SEIL. SEIL is one of the largest independent power producers in India, operating two supercritical coal-fired power plants totalling 2.6GW. The sale was approved by shareholders at the extraordinary general meeting in November 2022 and completed in January 2023. Accordingly, SEIL's contribution in 2022 was classified as a discontinued operation.

Under discontinued operation, SEIL posted a net profit of S$144 million in 2022 compared to S$149 million in 2021. SEIL's net profit in 2021 excluded the recognition of inter-segment finance cost totalling S$65 million arising from a rupee-denominated bond, which was repaid in December 2021. Including the inter-segment finance cost, net profit would have been S$84 million in 2021 compared to S$144 million in 2022. The better performance in 2022 was due to higher electricity prices in India despite lower average plant load factors (PLF) in 2022. SEIL's first plant registered an average PLF of 76% for the year compared to 84% in 2021, while average PLF of the second plant was 68% in 2022 compared to 71% in 2021 due to major planned maintenance of both plants in 2022.

## Completion of Sale of SEIL

In January 2023, we achieved a key milestone in our decarbonisation journey with the completion of the sale of 100% shareholding in SEIL to Tanweer Infrastructure, for a consideration of INR117 billion or approximately S$2.0 billion. The transaction was settled via a deferred payment note (DPN) provided by Sembcorp. The key rationale for the sale is as follows:

**Accelerate the transformation of Sembcorp's portfolio from brown to green**

The sale is in line with Sembcorp's strategic plan to transform its portfolio from brown to green, and will allow management to focus its efforts on growing its Sustainable Solutions portfolio. Excluding SEIL, Sembcorp's greenhouse gas (GHG) emissions intensity (Scope 1 and 2) in 2022 would reduce from 0.50 to 0.31 tonnes of carbon dioxide equivalent per megawatt-hour ($tCO_2e$/MWh) and absolute emissions (Scope 1 and 2) in 2022 would decrease from 25.5 million to 10.4 million $tCO_2e$. In May 2021, we set out targets to reduce our GHG emissions intensity to 0.40 $tCO_2e$/MWh by 2025. With this sale, Sembcorp has achieved its 2025 target ahead of time. We continue to focus on our longer-term carbon reduction targets. With effect from January 2023, Sembcorp's proportion of SEIL's emissions will be accounted under Scope 3 (Category 15 – Investments).

**Strengthen Sembcorp's balance sheet**

Sembcorp's total gross debt as at December 31, 2022 decreased to S$7.1 billion from S$8.2 billion, upon the deconsolidation of SEIL. Gross debt to EBITDA ratio improved to 5.4 times in 2022 from 6.6 times in 2021. EBITDA to interest ratio increased to 4.2 times in 2022 from 3.0 times in 2021.

**Preserve shareholder value and protect stakeholders' interest**

Shareholder value was preserved through the sale. The purchase consideration, at S$2.0 billion, was at an implied price-to-book multiple of 1 time, above precedent transactions in the market. In structuring the sale, we considered a broad range of stakeholders and their respective interests. These included fulfilling contractual obligations with power distribution customers, ensuring continued employment of the existing operations team at SEIL, timely debt servicing for lenders, maintaining grid stability for the Indian power system and continuing to provide power to over 2.5 million households.

**A stable transition to a proven trusted long-term partner and ongoing support from Sembcorp to improve GHG emissions intensity**

Tanweer Infrastructure is owned by a consortium led by Oman Investment Corporation (OIC) in partnership with Oman's Ministry of Defence Pension Fund and Dar Investment. OIC is a leading Omani private equity company with a track record in asset management, energy, healthcare, infrastructure, logistics, and real estate. OIC and Sembcorp have a long-term partnership, having jointly operated the Salalah Independent Water and Power Plant since 2009.

Tanweer Infrastructure is committed to continuing initiatives at SEIL to reduce SEIL's GHG emissions intensity. Sembcorp will support this commitment through a financial incentive, where the interest rate of the DPN will reduce correspondingly with improvements in SEIL's GHG emissions intensity. Sembcorp has also entered into a technical services agreement with SEIL to continue the highest standards of reliability, operational efficiency and best practices in managing the plants.

In early 2022, SEIL secured two long-term power purchase agreements (PPA), bringing capacity underpinned by long-term and mid-term PPAs to 85%. The 200MW PPA to supply power to Bangladesh commenced in March 2022 while the 625MW PPA with Andhra Pradesh distribution companies (Discoms) started in February 2023. These PPAs have a weighted average duration of 11 years and provide stable cash flow to service the DPN and its interest. SEIL has also seen an improvement in its outstanding receivables, as the India government is actively addressing payment delays from Discoms.

## Diversifying Gas Supply Sources Through a Five-year Contract with TotalEnergies to Import LNG from 2025

Our appointment by the Energy Market Authority in Singapore as a term LNG importer in 2021 has enabled us to diversify our sources of gas. We now import piped natural gas from West Natuna fields in Indonesia, as well as LNG from all around the world. Leveraging our core capabilities in gas import and retail, we signed a supply agreement with TotalEnergies in October 2022, to import LNG into Singapore for five years starting from 2025. As the largest player in Singapore's natural gas market, Sembcorp provides reliable and competitive solutions across the gas value chain. While natural gas will continue to be a dominant fuel for Singapore in the near future, our product offering in the gas, multi-utilities and renewables segments allow us to provide customers with a comprehensive suite of energy and utilities solutions that are sustainable, competitive and reliable.

## Upholding High Standards of Operational Excellence

In 2022, our gas-fired assets operated well, maintaining a high level of availability over the year. The high level of availability is the result of continuous stringent predictive maintenance to reduce occurrences of unplanned outages. Our advanced centralised asset management system also allows us to gather and consolidate operational data of our assets worldwide to improve performance and achieve operational excellence.

Our Sembcorp Myingyan Independent Power Plant in Myanmar continued to provide power to the local people despite the volatile political climate. The plant's plant availability factor (PAF) in 2022 was 99%, an improvement from 94% as there was a one-month planned maintenance in 2021. Operations of our power plants in Bangladesh, Oman and the United Arab Emirates remained stable, with 2022 PAF at 92%, 90% and 96% respectively, compared to 93%, 89% and 96% in 2021. PAF of the Phu My 3 power plant in Vietnam was 90% in 2022, which was comparable to 2021. The plant will be transferred back to the Vietnam government when the PPA expires in 2024.

## Outlook

According to the International Energy Agency, electricity demand is expected to continue on a similar growth path into 2023. However, the outlook is clouded by economic turmoil and uncertainty.

The Conventional Energy segment performed well in 2022, driven by elevated power prices in Singapore and the UK. The SEIL sale was completed in January 2023. Henceforth, we will recognise income from the DPN. Performance of the Conventional Energy segment will be subject to energy market conditions. Earnings in Singapore are expected to remain resilient given tightness in the energy generation market while performance of the UK operations will be subject to energy and commodity prices. Operations of the gas-fired power plants in Bangladesh, Myanmar and Vietnam, which are contracted under long-term PPAs, are expected to remain stable.