

Conventional Energy Review

Competitive Edge

Established player with over 6.8GW¹ 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 (\$ 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 | | | |
| – 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 6.8GW¹ 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 Indicators⁷

| | 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

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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 (tCO₂e/MWh) and absolute emissions (Scope 1 and 2) in 2022 would decrease from 25.5 million to 10.4 million tCO₂e. In May 2021, we set out targets to reduce our GHG emissions intensity to 0.40 tCO₂e/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.