

# Group Financial Review

## Financial Highlights

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

NM: not meaningful

<sup>1</sup> 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

<sup>2</sup> Sustainable Solutions include Renewables and Integrated Urban Solutions segments

<sup>3</sup> 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.

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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 <sup>1</sup>	2021	2020 <sup>2</sup>	2019	2018
<b>For the year</b> (\$ million)					
Turnover	7,825	7,795	5,447	9,618	11,689
Earnings before interest, tax, depreciation and amortisation (EBITDA) <sup>3</sup>	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
<b>At year end</b> (\$ 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
<b>Per share</b>					
Earnings (cents)	47.59	15.64	(56.81)	11.81	16.98
Net assets (\$)	2.24	2.12	1.87	3.85	3.80
Dividends (cents)	12.0	5.0	4.0	5.0	4.0

<sup>1</sup> Following shareholders' approval of the sale of SEIL on November 8, 2022, the performance of SEIL for the period is reported under discontinued operation

<sup>2</sup> 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

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

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

<sup>5</sup> 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 (\$ million)

	2022 <sup>4</sup> Continuing operations	2021	2020	2019	2018
<b>Value added from</b>					
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
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#### Productivity data<sup>5</sup>

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

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

	2022	2021	2020			
<b>Debt Ratios</b>						
<b>Interest cover ratio</b>						
Earnings before interest, tax, depreciation and amortisation	<b>1,308</b>	1,288	1,184			
Interest on borrowings	<b>311</b>	423	499			
Interest cover (times)	<b>4.2</b>	3.0	2.4			
<b>Debt / capitalisation (D/C) ratios</b>						
	2022	D/C ratio	2021	D/C ratio	2020	D/C ratio
Corporate debt	<b>5,932</b>	0.53	4,893	0.43	4,721	0.42
Project finance debt	<b>1,138</b>	0.10	2,498	0.22	3,007	0.27
Group gross debt	<b>7,070</b>	0.63	7,391	0.65	7,728	0.69
Less: Cash and cash equivalents	<b>(1,254)</b>	–	(1,344)	–	(1,032)	–
Group net debt / (cash)	<b>5,816</b>	0.52	6,047	0.53	6,696	0.60