

Conventional Energy Review

Competitive Edge

Established power player with over 9.4GW of conventional power capacity in key markets around the world

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

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

Performance Scorecard

Financial Indicators (\$ million)

	2021	2020	Change (%)
Turnover ¹	6,679	4,571	46
Earnings before interest, tax, depreciation and amortisation (EBITDA) ²	964	892	8
Share of results: Associates & JVs, net of tax	81	102	(21)
Adjusted EBITDA ³	1,045	994	5
Net profit	174	113	54
– Net profit before exceptional items	373	245	52
– Exceptional items ⁴	(199)	(132)	(51)
Return on equity before exceptional items (%)	11.4	8.3	37
Return on equity (%)	5.4	3.9	38

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 = EBITDA + Share of results: Associates & JVs, net of tax

⁴ 2020 exceptional items totalling negative S\$132 million comprised additional recognition of S\$14 million of Sirajganj Unit 4 construction margin in Bangladesh, S\$98 million of income recognition of claims for compensation due to Change in Law events in India, an impairment of S\$81 million for the investment in Sembcorp Salalah Power and Water Company in Oman, a write-down of S\$38 million of the inventory of gasoil reserves to net realisable value and a write-off of S\$44 million of inventory due to uncertainty on the recoverability of the gasoil inventory stored at Hin Leong Trading as well as an impairment of S\$21 million for utilities assets on Jurong Island in Singapore, and an impairment of S\$60 million for UK Power Reserve assets including goodwill in the UK

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 UK land sales and connection fee income



>> We continued to deliver reliable essential services without disruptions across our assets

Operational Indicators

	2021	2020
Gross conventional power capacity ¹ (MW)	9,477	9,481
– Gas	5,457	5,461
– Coal & Diesel	4,020	4,020
Contracted conventional capacity with long-term agreements ² (MW)	5,058	4,433

¹ All 2020 and 2021 capacities are operational

² Long-term agreements refer to agreements with a tenure of at least five years from the contract effective date

Key Developments

Awarded two long-term power purchase agreements for the supercritical power generation facility in Nellore, India, to supply 625MW of power to Andhra Pradesh state power distribution companies, and 200MW of power to Bangladesh through PTC India Limited

Appointed as a term liquefied natural gas importer for Singapore

The Conventional Energy portfolio comprises over 9.4GW of conventional power capacity in key markets around the world. In addition, Sembcorp provides a wide variety of gas and related services such as gas sourcing, importation and trading in Singapore.

In 2021, the global economic recovery and rising consumption boosted electricity demand. Coupled with supply constraints mainly due to adverse weather events, gas, coal and electricity prices rose to their highest levels in decades. In our key markets, higher spot prices and increased electricity demand

benefitted the performance of our Conventional Energy segment.

Strong performance with 54% growth in net profit

Turnover for the Conventional Energy segment was S\$6.7 billion, 46% higher than the S\$4.6 billion recorded in 2020. This was mainly due to better performance in India, Singapore and the UK on higher energy demand and margins in the fourth quarter of 2021. Net profit after exceptional items grew 54% to S\$174 million from S\$113 million in 2020. Exceptional items in 2021 totalled a negative S\$199 million. This comprised a S\$212 million impairment of the Chongqing Songzao power plant in China partially offset by a S\$13 million gain from land sales and connection fee income in the UK.

Following our joint venture partner Chongqing Energy Investment Group's decision to close all its Chongqing-based coal mines, the Chongqing Songzao power plant was severely impacted by significantly higher coal costs due to procurement of coal from other provinces with the loss of its mine-mouth advantage. The availability and form of government support were uncertain

and insufficient and the asset was also expected to face competitive pressure from low-carbon power sources in the long term. A review of the carrying value of Chongqing Songzao power plant was undertaken, and arising from the assessment, the carrying value of Sembcorp's entire equity interest was fully impaired.

The better performance of the supercritical power generation assets was driven by stronger contribution from the power plants in India, partially offset by the losses from the Chongqing Songzao power plant in China. In India, profitability of the conventional power plants improved from 2020. Our first supercritical power plant operated at a higher plant load factor (PLF) of 84%, compared to 78% in 2020. Losses for the second supercritical power plant narrowed as it benefitted from higher tariffs with average spot prices increasing more than 50% from a year ago. This was partly offset by higher coal costs and lower availability of the plant due to a scheduled maintenance shutdown in the second half of the year. Average PLF for the year was 71% compared to 75% in 2020. For the Chongqing Songzao power plant,

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>> Sembcorp's flexible generation assets in the UK

losses were incurred in the first half of 2021 due to the impact of high coal prices. With the full impairment of the plant, the Group has ceased recognition of its operational losses.

The improved performance for gas and related services was driven mainly by higher contributions from Singapore and the UK. In 2021, the cogeneration plants in Singapore benefitted from increased power demand and better spreads. This was partially offset by the termination of the utilities services agreement from Eastman Chemical Singapore in April 2021. In the UK, the volatility in the country's wind generation and weather conditions during the year resulted in increased imbalances in the system. The flexible generation assets contributed positively for the year as we were able to capture the resulting high prices by making optimal trading positions. However,

this was partly offset by a deferred tax charge of S\$14 million mainly due to a future change in tax rate in the UK.

Long-term contracts secured in India to underpin performance

In early 2022, we secured two long-term power purchase agreements (PPA) for our supercritical power generation facility in Nellore, India. The first PPA is to supply 625MW of power to Andhra Pradesh state power distribution companies for 12 years from commencement of supply, and the other is to supply 200MW of power to Bangladesh through PTC India Limited until May 2033. With these agreements, 85% of our India thermal plant capacity will be underpinned by long-term and mid-term PPAs. In December 2021, we also restructured our India corporate entities. The thermal and renewables businesses in India are now held under separate corporate entities.

Appointment as a term liquefied natural gas importer for Singapore

In March 2021, we were appointed by the Energy Market Authority in Singapore as a term liquefied natural gas (LNG) importer to import and sell degasified LNG to customers in Singapore. As Singapore's first commercial importer of piped natural gas, Sembcorp has built core capabilities in gas import and retail over the last two decades. This licence will augment our diverse portfolio of energy generation sources and supplies in Singapore. Coupled with our cogeneration plants on Jurong Island and our provision of centralised utilities, Sembcorp is able to provide a sustainable, competitive, reliable and comprehensive suite of bundled energy and utilities solutions for customers in Singapore.

Delivering reliable services amid the pandemic

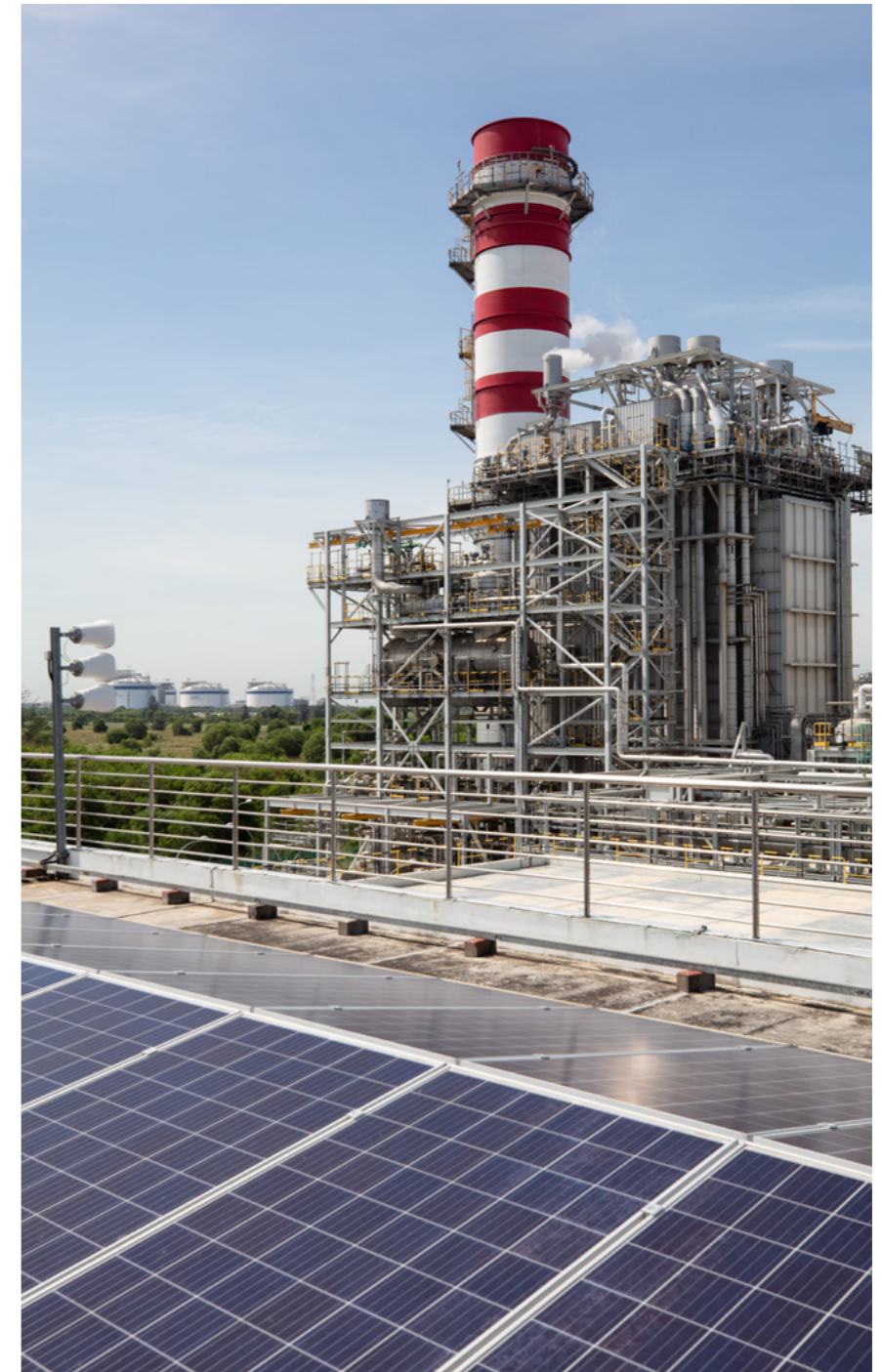
Focus on the wellness of our staff played an important role in ensuring sustainable operations during the COVID-19 lockdowns. We remained vigilant and supported our colleagues who were exposed to the pandemic through the year. Digital interventions, quick and proactive actions helped us maintain flexibility in our operations to address the challenges associated with the pandemic.

As such, we were able to deliver reliable essential services without disruptions across our assets including our Sembcorp Myingyan Independent Power Plant in Myanmar, which continued to operate despite the political situation. The plant provides essential power to the people of Myanmar and we are committed to serving their critical energy needs.

Outlook

The Conventional Energy segment performed exceptionally well in the fourth quarter of 2021. The underlying performance of the segment continues to be subject to global energy market conditions and commodity prices.

We remain committed to operational excellence and to providing access to power for quality of life and economic development in the countries that we operate in, even as we continue to explore options to transition our portfolio from brown to green. Natural gas serves as a reliable source of energy as the world moves towards a lower carbon energy system and to this end, we will continue to explore ways in which our assets can complement the decarbonisation of the energy sector.



>> Sembcorp Cogen @ Banyan and solar panels installed on the rooftop of one of Sembcorp's facilities on Jurong Island, Singapore