

3 August 2020

CLP's 2020 First-half Business Performance Broadly in Line with Last Year

CLP Holdings Limited (CLP) announced today the Group's operating earnings for the first half of 2020 were HK\$6,129 million, an increase of 12% compared to the same period of 2019. While the underlying performance of its operations remained stable, the increase in earnings was primarily due to positive changes in the fair value of energy hedging contracts. Total earnings were HK\$6,010 million as compared to a loss of HK\$907 million in 2019 following the impairment of goodwill in the Australian business.

The Board, while conscious of margin and cash flow pressures associated with the ongoing pandemic, remains confident in the Group's ability to maintain the operational integrity of its assets and reliable delivery of energy and services to its customers. CLP's first and second interim dividends remain at HK\$0.63 per share, unchanged from the same period in 2019.

"It has been a difficult start to 2020 with COVID-19 impacting communities around the world. Throughout the period, we have been focused on taking care of our people and customers, the reliability of our electricity supply, business resilience and supporting relief efforts to the communities across the markets in which we operate. In these challenging circumstances I am pleased to say that the efforts of our teams have managed to keep the underlying performance broadly in line with last year," said Richard Lancaster, Chief Executive Officer of CLP.

Hong Kong

CLP ensured the continued reliability of the electricity supply in Hong Kong despite the impact of the COVID-19 outbreak in the first half of the year, supporting customers and the community in a city-wide effort to combat the pandemic. As the COVID-19 situation developed, CLP rapidly adjusted operations and implemented stringent measures to safeguard the wellbeing of its employees and customers.

Sales of electricity in Hong Kong fell 1.2% compared with the same period in 2019. All sectors except for the Residential sector reported reduced sales, reflecting the impact of Government measures to contain the COVID-19 outbreak. Electricity sales in the Commercial sector were particularly hard-hit by travel curbs and social-distancing restrictions. However, residential sector sales increased as people spent more time at home during COVID-19 outbreak and higher May and June temperatures led to a greater use of air-conditioners.

CLP continued with its commitment to decarbonise Hong Kong's electricity generation and made progress in key capital projects, managing the challenges of COVID-19 to minimise delays. The new 550MW Combined-Cycle Gas Turbine (CCGT) unit at Black Point Power Station was put into operation as a baseload unit in early July with further testing progressed to the final stage. This will enable CLP to support the Government's target of increasing natural gas use to around 50% of

Hong Kong's fuel mix for power generation this year. Front-End Engineering Design has meanwhile been completed and an environmental permit amendment application was approved for a second CCGT unit, which is targeted to start operation by the end of 2023.

Construction of the offshore LNG terminal has begun this year after Engineering, Procurement, and Construction contracts were awarded in January for the offshore jetty facility and subsea pipelines.

By the end of June, more than 576,000 smart meters had been connected to CLP's customers in Hong Kong. The continuing rollout of smart meters will provide all customers with access to consumption data, enabling them to improve energy efficiency and participate in demand response programmes to reduce energy consumption. Demand response initiatives activated by commercial and residential customers helped CLP manage its system load on 14 July 2020, when local electricity demand reached a new peak of 7,264MW. Had CLP not incentivised its key customers to activate those measures, the level of demand would have been more than 90MW higher.

More than 9,900 applications had been made to the Renewable Energy Feed-in Tariff programme as at 30 June 2020. Around 86% of those – representing a total capacity of around 126MW – have been approved or connected to the grid.

In the second half of the year, CLP will continue to focus on ensuring the reliability of the electricity supply and supporting customers and communities as they deal with the issues arising from COVID-19. It will also strive to minimise COVID-19-related delays in capital projects supporting the decarbonisation of Hong Kong, which remains the Group's core market.

Mainland China

CLP's operations in Mainland China were impacted in the first quarter of the year as COVID-19 caused a contraction in the economy and electricity demand, before a gradual recovery in the second quarter as the outbreak eased. Overall, first-half performance was solid. Throughout the crisis, CLP focused on protecting the health and safety of employees and their families, as well as maintaining the reliability of its generation portfolio.

The contribution from CLP's nuclear investments remained stable, though was marginally below expectation. Generation from Yangjiang Nuclear Power Station was impacted by lower electricity demand caused by COVID-19 and unplanned plant shutdown. The operation of Daya Bay Nuclear Power Station remained strong.

Renewable energy operations recorded a stable performance during the six-month period. Overall generation from wind projects increased compared with the same period in 2019 mainly due to the contribution from the CLP Laizhou II wind farm which was commissioned in June 2019. CLP has meanwhile completed construction of the Laiwu III wind farm.

Generation from solar projects increased from the same period in 2019, largely because of a reduction in grid curtailments at the Jinchang plant and improved solar irradiance at the Meizhou plant.

The cash flow of CLP's wind and solar energy subsidiaries in Mainland China continued to be adversely affected by delayed national subsidy payments for renewable energy projects amounting to a total of RMB 1.45 billion (HK\$1.59 billion) as at 30 June 2020. The situation is expected to improve in the second half of the year when CLP usually collects partial payments.

Fangchenggang Power Station saw an improved performance with lower coal costs and higher output resulting from reduced competition from hydro plants. It also benefitted from improved utilisation by supplying steam and carbon dioxide to nearby customers under an integrated energy provider business model. A decline in electricity demand because of COVID-19 led to lower contributions from CLP's other minority-owned coal-fired assets.

CLP's first electricity distribution business in Fangchenggang started operations. This project represents a step forward in CLP's development of smart energy solutions and the Group continues to look for opportunities to support Mainland China's energy transition further, especially in the Greater Bay Area.

Going forward, CLP will continue to focus on maintaining the integrity of its operations in Mainland China to support the national recovery from COVID-19. The pace of the recovery from COVID-19 restrictions and the rate of increase in electricity demand will play a major part in determining margins and financial contribution in the second half. In addition, the evolution of market regulations and reforms is continuing to put pressure on margins for many projects. Nonetheless growth in renewable energy will be pursued continuously by developing new grid parity projects to reduce dependence on national subsidy payments.

India

CLP India saw a stable overall business performance in the first half of 2020, despite the impact on its operations of the Government's national lockdown from March onwards. The company implemented a range of safety precautions including work-from-home arrangements to protect employees, while continuing to maintain reliable operations in support of its customers and energy sector partners.

The performance of CLP India's renewable energy projects was mixed. Wind energy generation decreased compared with the same period in 2019 because of lower wind resources, while Cyclone Nisarga caused widespread damage to the transmission infrastructure at Andhra Lake Wind Farm in Maharashtra. A power purchase agreement for the new Sidhpur wind project in Gujarat was signed in July 2020. However, COVID-19 may delay the development of the project, and CLP India is seeking flexibility from the Government on the commissioning timeline.

Solar energy assets continued to perform well with a small increase in generation compared with the same period last year due to contributions of new projects. In February, CLP India signed an agreement to acquire three solar farms in the southern state of Telangana with a combined capacity of 122MW. Two of the facilities, with capacities of 30MW and 50MW, have already been transferred to CLP India. An extension to the completion date for the third project has been agreed with the seller because of delays in procedures caused by the COVID-19 outbreak.

During the first half, CLP India saw a reduction in outstanding receivables from local distribution companies from Rs 7,374 million (HK\$805 million) on 31 December 2019 to Rs 5,935 million (HK\$609 million) as at 30 June 2020. However, the financial health of these local distribution companies is expected to be further weakened as a result of COVID-19. The Government of India has announced plans for infusion of liquidity of about US\$12 billion into the distribution companies.

Satpura Transco Private Ltd. (STPL), a 240 kilometres intra-state power transmission project in Madhya Pradesh acquired by CLP India in November 2019, contributed to first-half earnings by maintaining 100% availability since its inception. STPL is one of three transmission assets that CLP India agreed to acquire in 2019. The owner of another asset, Alipurduar Transmission Limited,

notified CLP India in May that the transaction had been terminated. The third asset is expected to be taken over by CLP India after the project is commissioned in the second half of 2020.

Jhajjar Power Station maintained strong performance, achieving its highest recorded level of availability. The plant increased its generation to meet growing market demand as the lockdown was eased in the last week of May. It received an incentive payment for achieving an average annual availability of 90.9% for the year ended 31 March, exceeding its incentive threshold of 85%. The level of capacity tariff received by Jhajjar was lowered by about 10% with effect from 1 April under its long-term power purchase agreements. A planned outage at Jhajjar due to take place in the second quarter has been deferred to later in 2020 because of COVID-19.

In the second half, CLP India will continue to focus on maintaining its operations and exploring potential new opportunities in the power sector on the back of a strong partnership between CLP and Caisse de dépôt et placement du Québec. The company will work towards completing pending solar energy and power transmission acquisitions.

Southeast Asia and Taiwan

Operations of the Ho-Ping coal-fired power station in Taiwan remained stable in the first half of 2020. In Thailand, the Lopburi solar plant continued to deliver steady generation. Both Ho-Ping and Lopburi implemented measures to protect the safety of its staff and to ensure uninterrupted operations during COVID-19. CLP is seeking potential new investment opportunities in renewable energy in Southeast Asia and Taiwan to support ongoing energy transition in these markets.

Australia

Devastating bushfires in Australia's eastern states in early 2020 were followed by the COVID-19 pandemic, tipping the national economy into its first recession for 29 years while significantly raising demand for customer support in the energy industry. EnergyAustralia reacted swiftly and implemented a coordinated COVID-19 response plan which prioritised the health and safety of its people, the reliable operation of power stations, and caring, high quality service for all customers.

Margins within the Customer business were under significant pressure during the first half of 2020. This was caused by the combined effects of the introduction of retail price regulation in Australia in July 2019, higher energy procurement costs compared with the first half of last year, strong competition, a 3% decline in accounts and demand reduction. As a result, the contribution to earnings from the Customer segment was negative for the first half.

The National Electricity Market had a volatile start to the year as extreme weather both increased demand and caused supply disruptions in some areas during January. Wholesale prices have since dropped as a result of higher-than-usual coal-fired generation availability due to fewer plant outages, lower gas prices, increased renewable energy generation from utility-scale plants and rooftop solar installations, and a fall in business and industrial activity as a result of COVID-19.

In aggregate EnergyAustralia delivered increased plant availability during high-demand periods and slightly higher generation in the first half from a year earlier. Earnings from the Energy business increased, benefitting from higher realised prices during the summer months. EnergyAustralia also recognised a significant positive non-cash change in the fair value of some energy derivatives due to the fall in forward energy prices.

An issue with a boiler at Mount Piper Power Station led to an unplanned outage in March. The plant continues to pursue measures to enhance reliability including securing long-term coal

supplies and upgrading its turbines. Yallourn Power Station maintained a stable performance following an extensive reliability programme ahead of the Australian summer and the completion of a programme to improve safety.

EnergyAustralia signed an Energy Storage Services Agreement with Genex Power Limited in March for full dispatch rights for the 250MW Kidston pumped storage hydro project in Queensland which will begin operation in 2024. In April, EnergyAustralia received approval from the New South Wales Government to expand its gas-fired Tallawarra Power Station. A further economic assessment will be conducted prior to an investment decision later in the year.

Going forward, EnergyAustralia will continue to face challenging market conditions as the economy emerges from COVID-19 restrictions. The level of customer hardship, the speed of demand recovery, the intensity of retail competition and the longer-term outlook for price regulation will all have significant impact on margins for the Customer business. In the meantime, the continuing decline of forward prices in the wholesale market will put pressure on the margins in the Energy business. In response EnergyAustralia will continue to focus on extending appropriate support to customers as well as safeguarding the wellbeing of its employees and maintaining operational and supply reliability.

Conclusion

The second half of 2020 is likely to remain highly uncertain for the world, for Hong Kong and for CLP. The Group's outlook remains cautious and will be subject to the ongoing evolution of the pandemic and the speed of economic recovery in various markets. CLP is maintaining its focus on operational excellence and prioritising the safety and wellbeing of its people and of the communities it serves. At times like these, the experience and commitment of CLP's people, its diversified portfolio, and its strategic commitments to digital transformation and decarbonisation will serve the Group well.

For more details, please refer to the following documents:

- [Announcement of Interim Results as from 1 January 2020 to 30 June 2020, Dividend Declaration and Closure of Books](#)
- [CLP Holdings 2020 Interim Results Highlights](#)

- Ends -

Media Contact

Ms Vivian Au
Deputy Director - Public Affairs (Group)
CLP Power Hong Kong Limited
Tel: (852) 2678 8189
Email: vivian.au@clp.com.hk
Media Enquiry Hotline: (852) 7306 2525

Analysts Contact

Mr Angus Guthrie
Director – Investor Relations
CLP Holdings Limited
Email: ir@clp.com.hk