

Sembcorp Salalah Power & Water Company SAOG

Management Discussion and Analysis

We are pleased to present the financial statements of Sembcorp Salalah Power & Water Company (“Sembcorp Salalah” or “the Company”) for six-months period ended June 30, 2022 (1H2022). In 1H2022, the Company has recorded a profit after tax (PAT) of RO 10.24 million as compared to RO 9.57 million earned in corresponding period in 2021 (1H2021). The profit after tax increased mainly due to lower finance cost in 1H2022 as compared to 1H2021.

Business overview

The Company’s core business activity is to provide electricity and water in the region of Dhofar. Contracted capacity for the power plant is 445 MW and 15 MiGD for the water plant. The Company receives revenue based on the availability of its plant, which ensures that its business model is stable. The Company contributed around 50% of the power demand and 50% of the desalinated water demand in the region for 1H2022.

Performance overview

The Company’s operating and financial performance for 1H2022 is detailed below.

Operating performance

The Company has shown strong operating performance in 1H2022. Key operating performance is characterised by high reliability of its power and water plants. The Company’s power plant load factor has decreased by approximately 10.43% mainly because of lower demand by Local Dispatch Center, whereas water plant load factor has decreased by approximately 7.9% due to load sharing mechanism with Dhofar Desalination Company. Key operating parameters for 1H2022 are noted below:

	Unit	1H2022	1H2021	Variance
Water Reliability	(%)	100.00	99.99	0.01%
Power Reliability	(%)	99.82	99.89	-0.07%
Quantity of Water Sold	(Thousand m ³)	7,790	8,458	-7.90%
Quantity of Power Sold	(MWh)	775,024	865,262	-10.43%
Plant Load Factor (Power)	(%)	40.09	44.76	-10.43%
Plant Load Factor (Water)	(%)	63.11	68.53	-7.90%

Financial performance

Key financial performance indicators are shown below:

	1H2022	1H2021
	RO million	RO million
Revenue	37.76	37.80
EBITDA	22.00	22.24
PBIT	16.51	16.70
Profit after tax	10.24	9.57

1H2022 Profit after tax

Profit after tax has increased from RO 9.57 million in 1H2021 to RO 10.24 million in 1H2022.

A brief analysis and characteristics of the major components of the profit or loss is presented below:

Revenue

Power contributed 51% (excluding fuel charge), water 22% and fuel charge 27% to the total revenue. Revenue was reduced by RO 32K, mainly due to reduction in power and water variable output charge revenue arising from lower plant load factor as compared to the corresponding period previous year. Fuel charge revenue is a pass through and is calculated based on consumption of natural gas as computed by the plant's contractual Fuel Demand Model. Actual heat rate is better than the contracted Fuel Demand Model. Capacity charge revenue increased mainly due to inflation index.

Cost of sales

Cost of sales mainly comprises depreciation of property, plant and equipment, fuel cost, operations & maintenance (O&M) cost and Long Term Service Agreement (LTSA) cost. Cost of sales increased by RO 191K compared to the same period in 2021, mainly due to the higher LTSA cost. LTSA cost increased mainly due to increase in inflation index.

Net finance cost

Net finance cost decreased by RO 750K in 1H2022 compared to 1H2021 due to the scheduled repayment of part of the term loan in line with the financing documents.

Income tax expense

Income tax expenses increased due to increase in profit for 1H2022 as compared to the corresponding period previous year.

Financial position

		as at 30 June 2022	as at 30 June 2021	as at 31 December 2021
Total assets	RO million	294.16	311.69	307.36
Total liabilities	RO million	152.20	191.76	180.24
Shareholders' funds	RO million	143.78	128.92	133.54
Shareholders' equity	RO million	141.96	119.93	127.12
Current ratio		1.07:1	1.01:1	0.94:1
Gearing ratio		45:55	54:46	50:50
Net assets per share	RO/share	0.151	0.135	0.140

Business outlook

The commitment to safe and reliable operations will remain the Company's top priority. At the same time, the Company will remain focused on maximising shareholder returns through a continued watch on the financial and operational performance of the Company. The Company's financial results for the year 2022 are expected to be better than the previous year.