

Sembcorp Salalah Power & Water Company SAOG

Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors (the Board) of Sembcorp Salalah Power & Water Company ("SSPWC" or "the Company"), I am pleased to present the audited financial statements for the year ended December 31, 2022.

Financial Results

2022 was another challenging year. The global economy experienced significantly high inflation and tightening financial conditions amidst a prolonged COVID-19 pandemic. Despite these, I am delighted to report that the Company delivered a net profit of RO19.6 million in 2022. Operating profit was RO31.5 million in 2022 compared to RO32.1 million in 2021. The decline in operating profit was mainly due to an increase in operating costs. Basic Earnings Per Share was Baizas 20.6 in 2022. The Company continued to report a strong balance sheet, ending the year with net assets of RO147.8 million.

I invite you to refer to the Management Discussion and Analysis Report section of the Annual Report for more information on the Company's financial results.

Dividends

Based on availability of cashflows, the Board proposed to the shareholders to approve a total dividend of up to Baizas 7.5 per share to be paid on November 1, 2023. In 2022, the Company paid a total dividend of Baizas 6.0 per share.

The Company follows a reasonable dividend payout policy, subject to debt repayments, working capital and operational expenditure requirements. The amount of annual dividends and the determination whether to pay dividends in any year is subject to several other factors, including the Company's business prospects, financial performance, free cash availability, covenants under the Financing Documents and outlook for the power and water sectors.

Operations

There is no change in the industry structure in the Dhofar region. We expect to remain as one of the key power and water producers to meet the demands of the region. We continue to strive for the highest level of plant availability and reliability, which is critical to the ongoing success of the Company. To achieve targeted plant availability and reliability, the Company completed the timely and planned maintenance of the plant, and implemented various plant improvement initiatives. In 2022, reliability of the power and water plants was 99.86% and 99.98% respectively, compared

to 99.80% and 99.36% in 2021. The power plant load factor increased from 38.51% to 41.07%, mainly due to higher demand from the Local Dispatch Centre. Water plant load factor reduced from 73.41% to 58.69%, mainly due to the sharing of water demand with new plant Salalah Independent Water Project III. However, due to the take-or-pay commercial arrangement that we have with Oman Power and Water Procurement Company (OPWP), the plant load factor does not have a significant impact on the profitability of the Company.

Going forward

2023 is expected to be another challenging year considering prevailing macro-economic conditions. We will remain focused on maximising shareholder returns through a continued watch on the financial and operational performance of the Company, and by minimising the impact of rising global inflation and interest rates. The commitment to safe and reliable operations will remain the Company's top priority.

Health, Safety, Security and the Environment (HSSE)

The health and safety of our people as well as protecting the environment we live in is important to our business. We aim to achieve world-class health and safety performances in our daily operations and our management team is committed to continuous improvement on this front.

Despite COVID-19, the Company successfully achieved no lost time incidents and zero incidents of environmental non-compliance. I am also pleased to report that we have set the record for the 10th consecutive year of safe and efficient operations. This is a strong testament to the commitment that our staff and contractors have in sustaining a safe culture through the strict implementation and conformance to the Sembcorp HSSE Policies and Standards.

Caring for the Environment and Communities

The Company recognizes the importance of being a responsible corporate citizen and is committed to caring for the environment as well as making a positive impact to the communities in which we operate. We continuously improve our waste management system and reduce carbon emissions by managing our auxiliary power consumption. The Company follows a consistent approach for charitable contributions and community investments that bring positive benefits to the local communities. In 2022, the Company contributed RO60,000 towards corporate social responsibility activities. These include donating to Oman Charitable Organisation as part of the country's charity mandate, investing in initiatives to improve public infrastructure, education and health, as well as promoting environmental awareness in Mirbat municipality.

Corporate Governance

The Board believes that a business built on the principles of good governance is key to our long-term success. Our Company complies with the Code of Corporate Governance issued by the Oman Capital Market Authority. More details can be found in the Corporate Governance report.

On Record

Sheikh Khalid Ali Al Hamoodah completed his tenure as director of the Company at the last Annual General Meeting held on March 22, 2022. On behalf of the Board, I would like to take this opportunity to express my deep appreciation for his invaluable contributions to the Company.

I would also like to thank my fellow directors, shareholders, OPWP, regulators (Authority for Public Services Regulation and Capital Market Authority), and our partners (Dhofar Integrated Services Company, The Environment Authority, Ministry of Energy and Minerals, Oman Electricity Transmission Company, OQ Company and other governmental and non-governmental bodies) for their guidance and support to the Company. I am also grateful to our employees and contractors for their dedication and commitment to the Company.

Finally, I would like to extend my gratitude to His Majesty Sultan Haitham Bin Tariq Al Said for his wise leadership as well as his continued support and encouragement to the private sector. We will continue to work closely with His Majesty's government and remain committed to our mission to supply quality and reliable power and water of the highest standards to the Dhofar region.



Tan Cheng Guan

Chairman of the Board