

# 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, 2023 (1H2023). In 1H2023, the Company has recorded a profit after tax (PAT) of RO 10.59 million as compared to RO 10.24 million of the corresponding period in 2022 (1H2022). The profit after tax increased mainly due to lower net finance cost in 1H2023 as compared to 1H2022.

### 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 40% of the desalinated water demand in the region for 1H2023.

### Performance overview

The Company’s operating and financial performance for 1H2023 is detailed below.

### Operating performance

The Company has shown strong operating performance in 1H2023. Key operating performance is characterised by high reliability of its power and water plants. The Company’s power plant load factor has increased by approximately 2.61% mainly because of higher demand by Local Dispatch Center, whereas water plant load factor is reduced by approximately 4.82% compared to previous year. 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. Key operating parameters for 1H2023 are noted below:

	Unit	1H2023	1H2022	Variance
<b>Water Reliability</b>	(%)	99.93	100.00	-0.07%
<b>Power Reliability</b>	(%)	99.98	99.82	0.18%
<b>Quantity of Water Sold</b>	(Thousand m <sup>3</sup> )	7,414	7,790	-4.83%
<b>Quantity of Power Sold</b>	(MWh)	795,241	775,024	2.61%
<b>Plant Load Factor (Power)</b>	(%)	41.14	40.09	2.62%
<b>Plant Load Factor (Water)</b>	(%)	60.07	63.11	-4.82%

### Health, Safety, Security and the Environment (HSSE)

There was zero lost time incidents and zero incidents of environmental non-compliance during the period ended 30 June 2023. As of June 30, 2023, the Company accumulated 5.998 million safe man-hours without any lost time incident, which is a testament to the Company’s commitment to the highest safety standards.

## Financial performance

Key financial performance indicators are shown below:

	1H2023	1H2022
	RO million	RO million
Revenue	39.36	37.76
EBITDA	21.29	22.00
PBIT	15.68	16.51
Profit after tax	10.59	10.24

### 1H2023 Profit after tax

Profit after tax has increased from RO 10.24 million in 1H2022 to RO 10.59 million in 1H2023.

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

### Revenue

Power contributed 50% (excluding fuel charge), water 21% and fuel charge 29% to the total revenue. Revenue was increased by RO 1.59 million mainly due to increase in fixed capacity charge and fuel charge as compared to the corresponding period previous year. Fixed capacity charge increased due to higher plant reliability and tariff inflation index. Fuel charge revenue increased by RO 1.3 million mainly due to increase in plant heat rate and increase in the gas price. 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.

### 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 2.22 million compared to the same period in 2022, mainly due to higher fuel cost, LTSA cost and O&M cost. Increase in fuel cost was in line with the increase in the fuel charge revenue. LTSA cost increased due to increase in chargeable Factor Fired Hours and increase in inflation index. O&M cost increased due to increase in planned maintenance of the plant.

### Net finance cost

Net finance cost decreased by RO 907K in 1H2023 compared to 1H2022 due to the scheduled repayment of part of the term loan in line with the financing documents and increase in finance income.

### Income tax expense

Income tax expenses increased due to increase in profit for 1H2023 as compared to the corresponding period previous year.

## Financial position

		as at 30 June 2023	as at 30 June 2022	as at 31 December 2022
Total assets	RO million	285.28	294.16	288.37
Total liabilities	RO million	126.54	152.20	140.59
Shareholders' equity	RO million	158.74	141.96	147.78
Gearing ratio		36:64	45:55	41:59
Net assets per share	RO/share	0.166	0.149	0.155

## Business outlook

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 Company expects to achieve its targeted results for the financial year 2023.