

# 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 three-month period ended March 31, 2024 (1Q2024). In 1Q2024, the Company has recorded a profit after tax (PAT) of RO 4.9 million as compared to RO 4.5 million earned in corresponding period 2023 (1Q2023). The profit after tax increased mainly due to lower net finance cost in 1Q2024 as compared to 1Q2023.

### 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 1Q2024.

### Performance overview

The Company’s operating and financial performance for 1Q2024 is detailed below.

### Operating performance

The Company has shown strong operating performance in 1Q2024. Key operating performance is characterised by high reliability of its power and water plants. The Company’s power plant and water plant load factor is approximately same as previous year. However, due to the take-or-pay commercial arrangement that we have with Nama 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 1Q2024 are noted below:

	Unit	1Q2024	1Q2023	Variance
<b>Water Reliability</b>	(%)	99.90	99.86	0.04%
<b>Power Reliability</b>	(%)	100.00	99.98	0.02%
<b>Quantity of Water Sold</b>	(Thousand m <sup>3</sup> )	5,283	3,548	48.90%
<b>Quantity of Power Sold</b>	(MWh)	444,569	337,589	31.69%
<b>Plant Load Factor (Power)</b>	(%)	45.74	35.12	30.24%
<b>Plant Load Factor (Water)</b>	(%)	85.14	57.81	47.28%

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

There was zero lost time incidents and zero incidents of environmental non-compliance during the period ended 31 March 2024.

## Financial performance

Key financial performance indicators are shown below:

	1Q2024	1Q2023
	RO million	RO million
<b>Revenue</b>	19.38	18.02
<b>EBITDA</b>	9.78	9.82
<b>PBIT</b>	6.98	7.03
<b>Profit after tax</b>	4.93	4.54

### 1Q2024 Profit after tax

Profit after tax has increased from RO 4.54 million in 1Q2023 to RO 4.93 million in 1Q2024.

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

### Revenue

Power contributed 47% (excluding fuel charge), water 22% and fuel charge 31% to the total revenue. Revenue was increased by RO 1.36 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 tariff inflation index and leap year impact. Fuel charge revenue increased by RO 0.96 million mainly due to increase in gas price and increase in plant load factor. 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 1.35 million compared to the same period in 2023, 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 0.5 Million in 1Q2024 compared to 1Q2023 due to the scheduled repayment of part of the term loan in line with the financing documents and higher finance income.

### Income tax expense

Income tax expenses increased due to increase in profit for 1Q2024 as compared to the corresponding period previous year.

## Financial position

		as at 31 March 2024	as at 31 March 2023	as at 31 December 2023
Total assets	RO million	269.25	276.82	273.03
Total liabilities	RO million	105.43	124.67	111.98
Shareholders' equity	RO million	163.82	152.15	161.05
Gearing ratio		27:73	37:63	32:68
Net assets per share	RO/share	0.172	0.159	0.169

## Business outlook

We will remain focused on maximising shareholder returns through a continued watch on the financial and operational performance of the Company. The Company expects to achieve its targeted results for the financial year 2024.