

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 nine-month period ended 30 September 2024 (9M2024). In 9M2024, the Company has recorded a profit after tax (PAT) of RO 16.47 million as compared to RO 15.29 million earned in corresponding period 2023 (9M2023). The profit after tax increased mainly due to higher capacity charge and lower net finance cost in 9M2024 as compared to 9M2023.

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 9M2024.

Performance overview

The Company’s operating and financial performance for 9M2024 is detailed below.

Operating performance

The Company has shown strong operating performance in 9M2024. 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 (PWP), the plant load factor does not have a significant impact on the profitability of the Company. Key operating parameters for 9M2024 are noted below:

	Unit	9M2024	9M2023	Variance
Water Reliability	(%)	99.94	99.53	0.41%
Power Reliability	(%)	99.79	99.74	0.04%
Quantity of Water Sold	(Thousand m ³)	16,497	11,981	37.69%
Quantity of Power Sold	(MWh)	1,590,474	1,193,004	33.32%
Plant Load Factor (Power)	(%)	54.35	40.92	32.82%
Plant Load Factor (Water)	(%)	88.29	64.36	37.18%

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 September 2024.

Financial performance

Key financial performance indicators are shown below:

	9M2024	9M2023
	RO million	RO million
Revenue	62.20	59.25
EBITDA	31.11	31.05
PBIT	22.72	22.62
Profit after tax	16.47	15.29

9M2024 Profit after tax

Profit after tax has increased from RO 15.29 million in 9M2023 to RO 16.47 million in 9M2024.

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 20% and fuel charge 33% to the total revenue. Revenue was increased by RO 2.9 million mainly due to increase in fixed capacity charge, variable 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 1.37 million mainly due to increase in gas price and increase in plant load factor. Variable charge increased due to 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 2.71 million compared to the same period in 2023, mainly due to higher fuel cost, LTSA cost and O&M cost. The increase in fuel cost was in line with the increase in the fuel charge revenue. LTSA costs increased due to the increase in chargeable Factor Fired Hours and increase in inflation index. O&M costs increased mainly due to increase in planned maintenance of the plant.

Net finance cost

Net finance cost decreased by RO 1.34 million in 9M2024 compared to 9M2023 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 9M2024 as compared to the

corresponding period previous year.

Financial position

		as at 30 September 2024	as at 30 September 2023	as at 31 December 2023
Total assets	RO million	265.24	276.59	273.03
Total liabilities	RO million	90.44	112.99	111.98
Shareholders' equity	RO million	174.80	163.60	161.05
Gearing ratio		23:77	31:69	32:68
Net assets per share	RO/share	0.183	0.168	0.170

Business outlook

The Company expects to achieve its targeted results for the financial year 2024.