

# 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, 2021 (1Q2021). In 1Q2021, the Company has recorded a profit after tax (PAT) of RO 3.85 million. The profit after tax decreased to RO 3.85 million in 1Q2021 as compared to RO 5.12 million earned in the corresponding quarter in 2020 (1Q2020) mainly due to one off Cyclone Mekunu insurance claim settlement recognized in 1Q2020.

### 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 60% of the power demand and 50% of the desalinated water demand in the region for 1Q2021.

New water plant (Salalah IWP III) commissioned in Dhofar region during 1Q2021. Since the commissioning of Salalah IWP III, the water demand is being shared by the both water plants which resulted in reduction of plant load factor. However, plant load factor does not present a significant impact on the profitability of the Company because the Company’s revenue is based on the availability of the plant, whilst the reduction of variable revenue is offset by a lower operational cost.

### Performance overview

The Company’s operation and maintenance and financial performance for 1Q2021 is detailed below.

### Operation and maintenance

#### Operating performance

The Company has shown strong operating performance in 1Q2021. 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 9% mainly because of increased demand, whereas, Water plant load factor has reduced by approximately 33% mainly because of commissioning of new water plant in the region. Key operating parameters for 1Q2021 are noted below:

	Unit	1Q2021	1Q2020	Variance
<b>Water Reliability</b>	(%)	100.00	99.96	0.04%
<b>Power Reliability</b>	(%)	99.84	99.96	-0.12%
<b>Quantity of Water Sold</b>	(Thousand m <sup>3</sup> )	4,172	6,219	-32.91%
<b>Quantity of Power Sold</b>	(MWh)	318,567	295,984	7.63%
<b>Plant Load Factor (Power)</b>	(%)	33.14	30.45	8.83%
<b>Plant Load Factor (Water)</b>	(%)	67.98	100.22	-32.17%

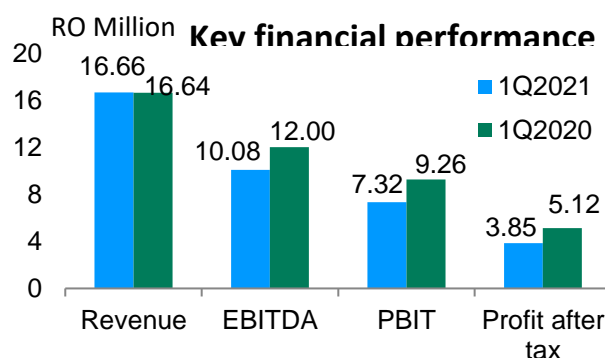
## Maintenance

The Company continues to diligently and proactively perform maintenance of the plant to improve plant operation, efficiency and its sustainability. During 1Q2021, the Company completed combustion inspection of two gas turbines and completed one sea water intake HP pump overhauling.

## Financial performance

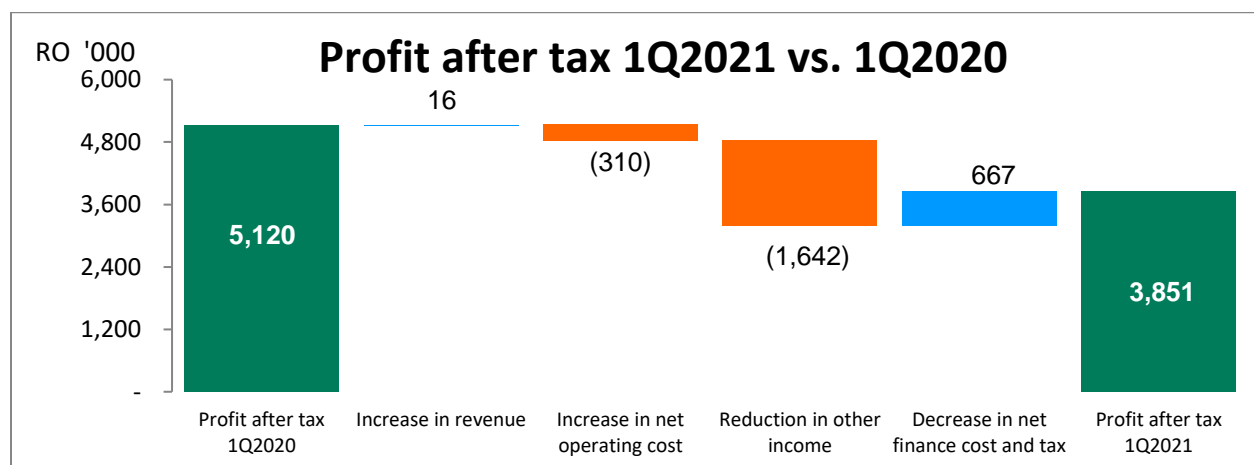
Key financial performance indicators are shown below:

	1Q2021	1Q2020
	RO million	RO million
<b>Revenue</b>	16.66	16.64
<b>EBITDA</b>	10.08	12.00
<b>PBIT</b>	7.32	9.26
<b>Profit after tax</b>	3.85	5.12



## 1Q2021 Profit after tax

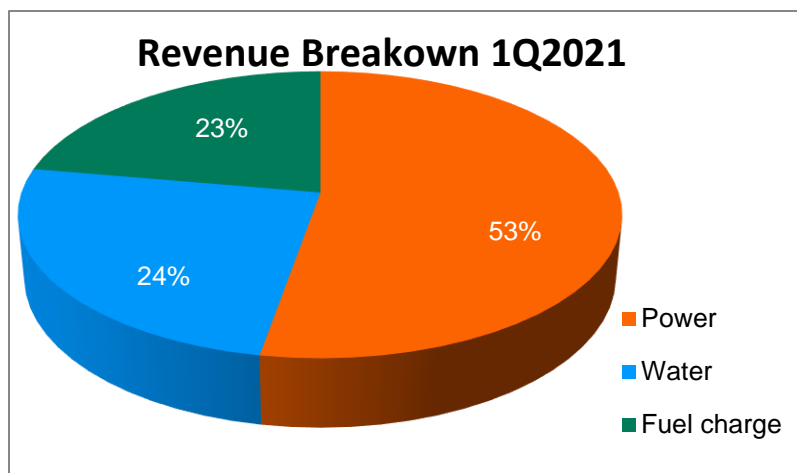
Profit after tax has decreased from RO 5.12 million in 1Q2020 to RO 3.85 million in 1Q2021. The significant variances are shown in the following waterfall chart.



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

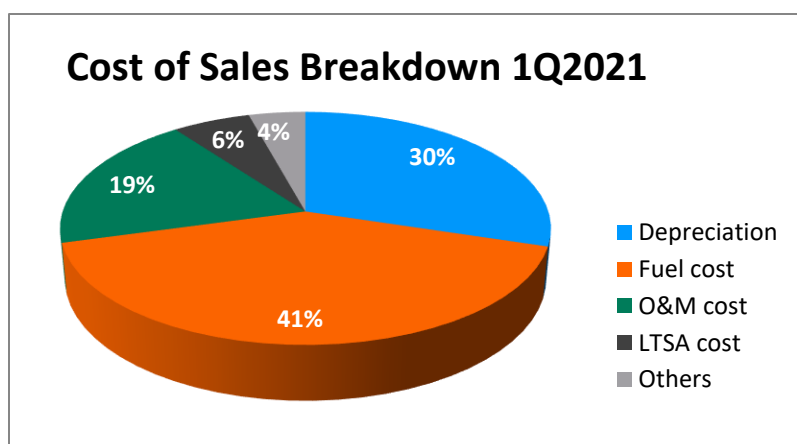
### Revenue

Power contributed 53% (excluding fuel charge), water 24% and fuel charge 23% to the total revenue. 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. Capacity charge revenue slightly reduced by 1% due to one day extra revenue in 1Q2020 (leap year impact) off set by increase in fuel charge revenue due to increase in plant load factor.



### Cost of sales

Cost of sales mainly comprises depreciation of property, plant and equipment, fuel cost and operations & maintenance (O&M) cost. Cost of sales increased by 3.6% compared to the same period in 2020, mainly due to the increase in fuel cost, operation and maintenance cost and Long Term Service Agreement (LTSA) cost. Fuel cost increased due to increase in plant load factor in line with the increase in fuel charge revenue. Operation and maintenance cost increased due to increase in planned maintenance activities and LTSA cost increased due to increase in number of chargeable FFH and inflation factor.



### Other income

Other income is reduced as compared to the previous year mainly because of insurance claim settlement in 1Q2020, which was in compensation of business interruption and property damage loss arising from Cyclone Mekunu in 2018.

### Net finance cost

Net finance cost decreased in 1Q2021 compared to 1Q2020 due to the scheduled repayment of part of the term loan in line with the financing documents.

### Income tax expense

Income tax expenses decreased mainly due to decrease in profit for 1Q2021 as compared to the corresponding period previous year.

## Financial position

		as at 31 March 2021	as at 31 December 2020	as at 31 March 2020
Total assets	RO million	303.37	322.23	327.54
Total liabilities	RO million	189.91	212.98	227.64
Shareholders' funds	RO million	123.19	121.06	113.97
Shareholders' equity	RO million	113.46	109.25	99.90
Gearing ratio		53:47	58:42	62:38
Net assets per share	RO/share	0.129	0.127	0.119

## COVID-19 Pandemic

The novel coronavirus (COVID-19) pandemic has developed rapidly in 2020, with a significant number of cases and had a substantial impact on economies and businesses. The Government of Oman established the Supreme Committee for COVID-19 so as to deal with the pandemic situation in the country and contain impact to the extent possible. Third wave of the pandemic has started in 2021 which appears to be more severe than previous outbreaks.

To date, the Company has not experienced any significant pandemic-related impact on its operating and financial performance. The Company has been taking all possible measures to mitigate the risks arising from the COVID-19 situation such as safety and health measures for the employees (such as social distancing and working from home) and securing the supply of materials that are essential to the operations. The Company will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue its operations in the best and safest way possible without jeopardising the health of its employees.

## 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.