

Unaudited Consolidated Financial Statements

For the Six-Month Period Ended 30 June 2022

## **Board of Directors' Report**

Dear Shareholders,

On behalf of the Board of Directors (“the Board”) of SMN Power Holding SAOG (“the Company”), I have the pleasure to present the unaudited consolidated financial statements for the six-month period ended 30 June 2022.

### **Corporate Governance**

The Company has complied with the Code of Corporate Governance and applicable circulars issued from time to time by the Capital Market Authority (CMA).

### **Operations**

Providing a safe working environment is a key priority and the Board is pleased to share that during the six months period of 2022, the Health & Safety (‘H&S’) performance was excellent with no Lost Time Accident (‘LTA’) in line with previous years.

The commercial performance of both plants, SMN Barka Power Company SAOC (“SMN Barka”) and Al Rusail Power Company SAOC (“Al Rusail”), is measured by their reliability which is the ability to deliver the declared capacity as per the P(W)PA agreement.

In the first half of 2022, the reliability at SMN Barka Plant was 95.1% (97.3% in 2021) for power and 94.9% (98.2% in 2021) for water. The reliability at Al Rusail Power Plant was 98.6% (99.9% in 2021) for the same period.

The Company produced over the six-month period of 2022 an aggregate net power volume of 1,231 GWh (1,590 GWh in 2021) and a total volume of 16,878,000 m<sup>3</sup> of potable water was delivered (15,403,000 m<sup>3</sup> in 2021).

All necessary annual maintenance activities of key equipment, including major outage of gas turbine 1 and gas turbine 2, were performed in accordance with Original Equipment Manufacturers’ recommendations, while applying the best industry standards and practices for health & safety and maintenance, during the 2021-2022 winter period.

The Company and the plants’ operator, Suez-Tractebel Operation and Maintenance Oman (STOMO), team are closely monitoring the performance of the plants to ensure plant availability and reliability.

### **Financial Results**

**Total consolidated Revenues** for the six-month period of 2022 amount to RO 34.3 million (RO 39.9 in 2021), representing a decrease of RO 5.6 million compared to 2021, primarily due to reduction in capacity of Al Rusail plant from approx. 665 MW to approx. 186 MW. Total Revenues include variable revenues (Fuel Charge and Variable Operating & Maintenance Charge) and fixed revenues (Fixed Capacity Fees).

The Company generated a **consolidated net profit** of RO 4.54 million during the six-month period of 2022 compared to a net profit of RO 5.64 million for 2021. The decrease in net profit of RO 1.1 million is mainly due to the following unfavorable variances compared to the same period in 2021:

Al Rusail Gas Turbine 1 to Gas Turbine 6, have retired from operation on 30th September 2021. The revised installed capacity of Al Rusail Power Plant has gone down from approx. 665 MW to approx. 186MW.

- Lower commercial availability at SMN Barka power plant compared to last year due to higher forced outages on power and water plant.

These downsides were partially offset by the following positive variance compared to 2021:

- Reduction in finance costs following the scheduled repayments of the term loan facilities.

The reduction in **Non-Current Assets** is driven by the depreciation of the plant (fixed assets).

The decrease in **Current Assets** is due to the receipts of the finance lease and the payment received from OPWP of the outstanding Fuel Charges for the year 2021 under the fuel settlement arrangement agreed with OPWP for both SMN Barka and Al Rusail plants. These receipts from OPWP under the fuel settlement arrangement haven been utilized to settle the fuel charges with Ministry of Energy and Minerals (MEM) under the back-to-back contractual arrangement resulting in a similar and corresponding reduction in trade and other payables.

### **Future Outlook**

The Company will continue its focus on H&S and maintain the excellent plant reliability at both plants. During last year management had several meetings with all stakeholders on plant cycling. The Authority for Public Services Regulations (APSR) confirmed a change in dispatch methodology which has resulted in a reduced cycling. This reduction is expected to continue in 2022. Management will continue to proactively liaise with Oman Power and Water Procurement Company (OPWP), APSR and the Load Dispatch Centre on this key matter.

In terms of the latest development on the progress of the initiatives taken to prepare for the future of Al Rusail and SMN Barka power plants:

After successful completion of trial period, the spot market started operation from January 2022. While both Al Rusail and SMN Barka are participating in the spot market as required by generation license, such participation has no impact on the Company's cash-flows until the time Al Rusail and SMN Barka remains under the P(W)PA framework.

After cancelling the Power 2022 Procurement Process in October 2021, OPWP released a Request for Proposal (RFP) to Al Rusail in December 2021 for a short-term extension of PPA to ensure security and stability of the transmission system until transmission system upgrade is completed by October 2022. Accordingly, Al Rusail submitted a competitive proposal for 186 MW capacity to OPWP as per RFP timeline and secured an extension of PPA up to end of October 2022.

For Al Rusail, the Company will continue its efforts to further renew the PPA beyond October 2022 or find any other viable options.

For SMN Barka, the Company will continue working closely with APSR, OPWP and all stakeholders of the power and water sector to extend the P(W)PA agreement.

In terms of dividend distribution, as previously disclosed and in line with the financing arrangements during the IPO, the excess cash generated by SMN Barka is now paid to the lenders and will not flow to the Shareholders until the loans are fully settled or until the time the loans are restructured. The P(W)PA extension for SMN Barka will be a key factor to potentially restructure the debt in the coming years, remove or defer the cash sweep and allow further dividend distribution. Al Rusail has repaid all its debt outstanding, and any dividend distribution will be contingent on end of term obligations on the expiry of the PPA.

As Chairman of the Board, I would like to thank our Shareholders, not only for their confidence, but also for their continued support and for the expertise they bring into the Company. The Board of Directors expresses its gratitude to OPWP, APSR, CMA and other governmental and non-governmental bodies for their guidance and support.

I also take this opportunity to thank all the operational staff working at SMN Barka and Al Rusail plants as well as the team at our corporate office for their remarkable efforts to ensure reliable power and water supply to the residents of Oman.

Finally, on behalf of the Board, I would like to extend our deep appreciation and gratitude to His Majesty Sultan Haitham bin Tarik and His Government for their continued support and encouragement to the private sector by creating an environment allowing us to contribute effectively to the growth of the Sultanate of Oman.

**Dr. Abdullah Al Yahya'ey**

Chairman of the Board