

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-month period ended June 30, 2025 (1H2025). In 1H2025, the Company recorded a profit after tax (PAT) of RO 11.5 million, consistent with the RO 11.4 million reported during the corresponding period in 2024 (1H2024).

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 1H2025.

Performance overview

The Company’s operating and financial performance for 1H2025 is detailed below.

Operating performance

The reliability of the Company’s power and plant was slightly lower compared to the same period last year. The Company’s power plant load factor increase compared to previous year, whereas water plant load factor is lower compared to the corresponding period previous year. However, due to the take-or-pay commercial arrangement that we have with Oman 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 1H2025 are noted below:

	Unit	1H2025	1H2024	Variance
Water Reliability	(%)	99.98	100.00	-0.02%
Power Reliability	(%)	98.13	99.95	-1.82%
Quantity of Water Sold	(Thousand m ³)	9,827	10,637	-7.61%
Quantity of Power Sold	(MWh)	1,067,592	1,018,383	4.83%
Plant Load Factor (Power)	(%)	54.92	52.39	4.83%
Plant Load Factor (Water)	(%)	79.62	85.71	-7.11%

Health, Safety, Security and the Environment (HSSE)

There were zero lost time incidents and zero incidents of environmental non-compliance during the period ended 30 June 2025. We are pleased to report that the Company has reached 7 million safe man-hours without a Lost Time Injury (LTI).

This milestone is a testament to the consistent efforts of our teams in maintaining a safe and responsible work environment. It reflects a shared commitment to hazard awareness, risk management, and safety best practices across all levels of our operations.

Financial performance

Key financial performance indicators are shown below:

	1H2025	1H2024
	RO million	RO million
Revenue	42.17	41.39
EBITDA	20.46	21.32
PBIT	14.89	15.75
Profit after tax	11.49	11.40

Operating profit and EBITDA reduced compared to the previous year primarily due to lower capacity charge revenue and higher maintenance cost. However, profit after tax is in line with the same period previous year.

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. The overall increase in revenue was driven by higher fuel charge revenue, partially offset by a reduction in capacity charge 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. Actual heat rate is better than the contracted Fuel Demand Model. Capacity charge revenue declined due to reduced power plant reliability and the absence of the extra operating day that contributed to revenue in the leap year 2024.

Cost of sales

Cost of sales primarily comprises depreciation of property, plant and equipment, fuel costs, operations and maintenance (O&M) expenses, and Long-Term Service Agreement (LTSA) costs. Compared to the same period in 2024, cost of sales increased by RO 1.7 million, mainly driven by higher fuel costs, increased maintenance activities, and elevated LTSA costs. Fuel charge, being a pass-through component, rose in line with revenue. Maintenance costs increased due to higher levels of both planned and corrective maintenance, while LTSA costs rose as a result of higher power plant load factor and the impact of inflation-linked indices.

Net finance cost

Net finance cost decreased by RO 0.9 million in 1H2025 compared to 1H2024 due to the scheduled repayment of part of the term loan in line with the financing documents.

Financial position

		as at 30 June 2025	as at 30 June 2024	as at 31 December 2024
Total assets	RO million	262.47	268.64	261.51
Total liabilities	RO million	77.72	98.38	88.17
Shareholders' equity	RO million	184.75	170.26	173.34
Gearing ratio		17:83	27:73	23:77
Net assets per share	RO/share	0.194	0.178	0.182

Business outlook

The Company remains committed to maximizing shareholder value through disciplined management of its financial and operational performance. Despite ongoing uncertainties that have contributed to rising costs, the Company continues to take proactive measures to manage these challenges effectively. With a strong focus on operational efficiency and cost discipline, the Company remains confident in its ability to achieve its financial objectives for the year 2025.