

Sembcorp Salalah Power and Water Company SAOG

Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors (the Board) of Sembcorp Salalah Power and Water Company ("SSPWC" or "the Company"), I am pleased to present the audited financial statements for the year ended December 31, 2025.

Financial Results

In 2025, operating profit was RO29.7 million, compared to RO30.7 million in the previous year. This variance was primarily attributable to lower power plant reliability and higher contractual service costs. Despite the lower operating profit, the Company delivered a net profit of RO23.3 million for 2025, higher compared to RO22.5 million in 2024. This reflects continued financial resilience in a dynamic operating environment.

The Company maintained a strong balance sheet, closing the year with net assets of RO188.9 million, an increase from RO173 million in 2024, underscoring its solid financial position and ability to meet future obligations.

Shareholders can refer to the Management Discussion and Analysis section of the Annual Report for more information on the Company's financial performance.

Dividends

During 2025, the Company paid a cash dividend of 8 baizas per share. Subject to the availability of cash flows, the Board of Directors has proposed a cash dividend of up to 16 baizas per share, to be paid on November 1, 2026.

The Company remains committed to a prudent and balanced dividend policy. Dividend decisions take into consideration debt service obligations, working capital and operational requirements, financial performance, free cash availability, covenants under the Financing Documents, as well as broader sector-level developments.

Operations

Electricity demand in the Dhofar region continued to grow, driven by industrial activity and expanding commercial needs. The power plant load factor increased to 54.34%, while the water plant load factor remained broadly at 83.89% during the year. As per the take-or-pay commercial structure with Nama Power and Water Procurement Company ("PWP"), these changes had limited impact on the Company's profitability.

SSPWC remains a key provider of power and water to the region, upholding a steady commitment to operational excellence. The Company's operations are supported by disciplined asset-management practices, structured maintenance programs, robust spares management, and ongoing staff development.

In 2025, power and water plant reliability was 98.81% and 99.84% respectively, reflecting the Company's continued commitment to high operational standards. SSPWC remains focused on sustaining strong reliability levels across the power and water plant.

Going forward

The Company remains focused on long-term value creation for shareholders through disciplined financial management, operational excellence, and a continued emphasis on safety, efficiency and reliability. Following the award of a new 10-year Power and Water Purchase Agreement ("PWPA"), the Board has reinforced its focus on asset integrity, long-term maintenance planning and prudent capital investment to support reliable operations over the extended contract period. These priorities will guide the Company as it navigates emerging challenges and ensures the ongoing reliability and performance of the plant over its remaining economic life.

New Power and Water Purchase Agreement

In 2025, the Company achieved a significant milestone with the award of a new PWPA from PWP. The new PWPA will commence on April 5, 2027, following the expiry of the current 15-year agreement which began in 2012, and will remain effective for a period of 10 years until April 4, 2037. Under the new agreement, the contracted capacity of the Salalah Independent Water and Power Plant is 465MW power and 15 million imperial gallons (68,190 cubic metres) of water per day. This long-term contractual framework reinforces the Company's role as a strategic provider of essential utilities in the Dhofar region and provides long-term revenue certainty and operational continuity. The Board views the new PWPA as a strong endorsement of the plant's operational track record, reliability and the Company's long-standing partnership with PWP, while positioning SSPWC to deliver sustained value to shareholders over the next decade.

Health, Safety, Security and the Environment (HSSE)

The Company places the highest priority on the health and safety of its people and the protection of the environment. SSPWC maintains world-class HSSE standards and remains firmly committed to continuous improvement across all areas of its operations.

In 2025, the Company achieved a significant milestone of seven million safe man-hours, reflecting the strong safety culture embedded across the organisation. Regular safety drills, structured training programmes, and rigorous adherence to HSSE policies continued to strengthen operational readiness and ensure the wellbeing of both employees and contractors.

Caring for Communities

The Company remains committed to contributing positively to the communities in which it operates.

In 2025, SSPWC contributed RO60,000 towards corporate social responsibility initiatives. This included RO12,000 to the Oman Charitable Organisation, while RO48,000 was directed towards improving living accommodations within the local community, reinforcing the Company's commitment to social development and community welfare.

Corporate Governance

The Board continues to uphold the highest standards of corporate governance, recognising its importance to the Company's long-term sustainability. SSPWC remains fully compliant with the Code of Corporate Governance issued by the Oman Financial Services Authority. Further information can be found in the Corporate Governance section of the Annual Report.

Acknowledgements

On March 19, 2025, Mr Ahmed Al Moosawi completed his tenure as a Director of the Company. In addition, Mr Vipul Tuli and Ms Yap Siew Leng resigned from the Board on December 3, 2025. On behalf of the Board, I would like to express our sincere appreciation to these departing Directors for their valuable contributions to the Company.

At the Annual General Meeting held on March 19, 2025, Mr Imad Al Salmi was elected to the Board. Furthermore, Mr Koh Chiap Khiong and Mr Lim Kwang Ming were appointed to the Board, succeeding Mr Vipul Tuli and Ms Yap Siew Leng. On behalf of the Board, I am pleased to welcome the new Directors and look forward to the insight and leadership they will bring to the Company.

I would like to extend my sincere appreciation to my fellow directors, shareholders, PWP, regulators - the Authority for Public Services Regulation and the Financial Services Authority, as well as our partners - Dhofar Services Company, the Environment Authority, Integrated Gas Company, Oman Electricity Transmission Company, OQ Gas Company, and other governmental and non-governmental bodies, for their invaluable guidance and continued support of the Company. My heartfelt thanks also go to our employees and contractors for their steadfast dedication and commitment.

Lastly, I wish to express my profound gratitude to His Majesty Sultan Haitham Bin Tariq Al Said for his visionary leadership and unwavering support for the private sector. We remain committed to working closely with His Majesty's government and will continue to uphold our mission of providing high-quality, reliable power and water to the Dhofar region.



Tan Cheng Guan

Chairman of the Board