

Sembcorp Salalah Power & Water Company SAOG

Management Discussion and Analysis

We are pleased to present the financial statements of Sembcorp Salalah Power & Water Company (“SSPWC” or “the Company”) for the three-month period ended March 31, 2026 (1Q2026). During 1Q2026, the Company recorded a profit after tax (PAT) of RO 5.2 million, representing an improvement over the profit of RO 4.9 million achieved in the corresponding period of 2025 (1Q2025). The increase in profitability was primarily driven by improved plant reliability and lower financing costs.

Business overview

The Company’s core business activity is to provide electricity and water in the region of Dhofar. Under the existing Power and Water Purchase Agreement (the “Current PWPA”), the contracted capacity for the power plant is 445 MW and 15 MiGD (68,190 cubic metres per day) 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 1Q2026.

On October 12, 2025, the Company was awarded a new Power and Water Purchase Agreement (“the New PWPA”). The New PWPA will commence on April 4, 2027, immediately following the expiry of the Current PWPA, and will remain in effect for a period of 10 years, ending in April 2037. Under the New PWPA, the contracted capacity of the Salalah Independent Water and Power Plant would be 465MW of power and 15MiGD (68,190 cubic metres per day) of water.

Performance overview

The Company’s operating and financial performance for 1Q2026 is detailed below.

Operating performance

During 1Q2026, the Company’s operating performance showed overall improvement compared to the corresponding period in the previous year. Both the power and water plants achieved higher reliability levels, with power plant reliability improving to 100.0% from 96.6% in 1Q2025, while water plant reliability increased marginally to 100.0%.

The power plant load factor increased during the period, reflecting higher power demand, while the water plant load factor was slightly lower compared to the same period last year. Notwithstanding, the Company operates under a take-or-pay commercial arrangement with Nama Power and Water Procurement Company (PWP), under which variations in plant load factors do not have a material impact on profitability.

| | Unit | 1Q2026 | 1Q2025 | Variance |
|----------------------------------|----------------------------|---------|---------|----------|
| Water Reliability | (%) | 100.00 | 99.95 | 0.05% |
| Power Reliability | (%) | 100.00 | 96.64 | 3.48% |
| Quantity of Water Sold | (Thousand m ³) | 4,681 | 4,744 | -1.33% |
| Quantity of Power Sold | (MWh) | 471,779 | 451,069 | 4.59% |
| Plant Load Factor (Power) | (%) | 49.08 | 46.41 | 5.75% |
| Plant Load Factor (Water) | (%) | 76.27 | 77.31 | -1.35% |

Health, Safety, Security and the Environment (HSSE)

There was zero lost time incidents and zero incidents of environmental non-compliance during the period ended March 31, 2026.

Financial performance

Key financial performance indicators are shown below:

| | 1Q2026 | 1Q2025 |
|-------------------------|------------|------------|
| | RO million | RO million |
| Revenue | 21.23 | 18.98 |
| EBITDA | 9.24 | 9.30 |
| PBIT | 6.47 | 5.79 |
| Profit after tax | 5.20 | 4.94 |

1Q2026 Profit after tax

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

Revenue

Power (excluding fuel charges), water and fuel charges contributed 44%, 19%, and 37% respectively, to total revenue. The growth in revenue was primarily driven by higher capacity charges reflecting improved power plant reliability, together with an increase in fuel charge revenue. Fuel charge revenue represents a full pass-through, calculated based on natural gas consumption in accordance with the contractual Fuel Demand Model. Actual plant heat rate performance during the period exceeded the assumptions embedded in the Fuel Demand Model.

Cost of sales

The 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 2.3 million compared to the same period in 2025, mainly due to higher fuel costs in line with the increase in fuel charge revenue and higher LTSA cost.

Net finance cost

Net finance costs decreased by RO 0.4 million in 1Q2026 compared to 1Q2025 due to the scheduled repayment of part of the term loan in line with the financing documents.

Financial position

| | | as at 31 March 2026 | as at 31 March 2025 | as at 31 December 2025 |
|----------------------|------------|------------------------------------|------------------------------------|---------------------------------------|
| Total assets | RO million | 245.70 | 260.18 | 251.39 |
| Total liabilities | RO million | 51.60 | 81.97 | 62.51 |
| Shareholders' equity | RO million | 194.10 | 178.21 | 188.88 |
| Gearing ratio | | 6:94 | 18:82 | 12:88 |
| Net assets per share | RO/share | 0.203 | 0.187 | 0.198 |

Business outlook

The Company remains committed to enhancing shareholder value through disciplined oversight of its financial and operational performance. In view of ongoing regional conflict, the Company continues to closely monitor developments in the operating environment. As at the date of this outlook, the Company's operations remain fully functional. Robust contingency measures are in place, and the safety and well-being of employees continue to be the Company's foremost priority.