Sembcorp Salalah Power & Water Company SAOG

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2026 (1H 2026)

Numbers in all tables may not exactly add due to rounding.

For all tables, a negative sign for period-on-period change denotes a decrease.

SECTION 1: PERFORMANCE AT A GLANCE

	Unit	Half year	
		Jun-26	Jun-25
Operating highlights			
Power reliability	%	99.82	98.13
Water reliability	%	99.98	99.98
Power sold	MWh	1,047,502	1,067,592
Water sold	’000 m^3	9,984	9,827
Lost-time incidents	#	0	0
Financials			
Revenue	RO m	44.97	42.17
EBITDA	RO m	18.84	20.46
Profit before interest & tax	RO m	13.26	14.89
Profit after tax	RO m	10.84	11.49
Key financial indicators			
Earnings per share	RO/share	0.011	0.012
Net assets per share	RO/share	0.209	0.194
Gearing ratio	%	-	17.3
Return on equity *(annualised)*	%	11.2	12.4

SECTION 2: FINANCIAL HIGHLIGHTS

FOR THE SIX MONTHS ENDED 30 JUNE 2026 (1H2026)

- Revenue rose 6.6% to RO 45.0 million, driven almost entirely by higher fuel-charge pass-through and higher capacity charges; underlying revenue ex-fuel was higher mainly because of higher plant reliability.

- Profit after tax of RO 10.8 million (1H2025: RO 11.5 million), down 5.7%, as higher contractual service maintenance costs outweighed lower financing costs.

- Balance sheet materially strengthened with the Company fully repaying its term loan as of 30 June 2026, ahead of maturity date, unwinding the related interest-rate hedge and cutting total liabilities by approximately 45% to RO 34.2 million.

- Both plants maintained high reliability levels of 99.82% for power and 99.98% for water, while achieving zero lost-time incidents and zero environmental non-compliance events.

- Long-term revenue visibility secured through the new 10-year PWPA (Apr 2027 to Apr 2037), with contracted capacity of 465MW of power and 15MiGD (68,190 m^3/day) of water.

SECTION 3: 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 445MW and 15MiGD (68,190 m^3/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 1H2026.

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 m^3/day) of water.

SECTION 4: OPERATING PERFORMANCE

	Unit	Half year		Variance
		Jun-26	Jun-25	
Operating highlights				
Power reliability	%	99.82	98.13	+1.7 pp
Water reliability	%	99.98	99.98	-
Power sold	MWh	1,047,502	1,067,592	-1.9%
Water sold	’000 m³	9,984	9,827	+1.6%
Lost-time incidents	#	0	0	-

During 1H2026, 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 99.8% from 98.13% in 1H2025, while water plant reliability remained at a 99.98%, consistent with 1H2025.

The power and water plant load factors remained broadly consistent with the corresponding period in the previous year. The power plant load factor was 54.19% in 1H 2026 compared to 54.92% in 1H 2025, while the water plant load factor increased slightly to 80.89% from 79.62% in the corresponding 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.

There were zero lost time incidents and zero incidents of environmental non-compliance during the period ended June 30, 2026.

SECTION 5: SUMMARY INCOME STATEMENT

	Unit	Half year		Variance
		Jun-26	Jun-25	
Revenue	RO m	44.97	42.17	+6.6%
*ex-fuel charge**	RO m	28.57	27.98	+2.1%
EBITDA	**RO m**	**18.84**	**20.46**	**-7.9%**
EBITDA margin	**%**	**41.89**	**48.52**	**-6.6 pp**
Depreciation/amortisation	RO m	5.58	5.57	+0.2%
Profit before interest & tax	**RO m**	**13.26**	**14.89**	**-10.9%**
Finance expense	RO m	0.50	1.40	-64.3%
Taxation	RO m	1.92	2.00	-4.2%
Profit after tax	**RO m**	**10.84**	**11.49**	**-5.7%**

**Fuel is pass-through in nature.*

Revenue

Power (excluding fuel charges), water and fuel charges contributed approximately 45%, 18%, and 36% respectively, to total revenue. Revenue increased mainly due to higher fuel charge revenue and higher capacity charges. 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 4.4 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 contractual service maintenance costs.

Net finance cost

Net finance costs decreased by RO 0.9 million in 1H2026 compared to 1H2025 due to repayment of the term loan in line with the financing documents. The Company fully repaid its term loan on 30 June 2026, ahead of its scheduled repayment date of 30 September 2026.

SECTION 6: SUMMARY STATEMENTS OF FINANCIAL POSITION

		As at		
	Unit	**Jun-26**	**Jun-25**	**Dec-25**
Current assets (excl. cash)	RO m	17.45	31.38	28.95
Cash and cash equivalents	RO m	4.59	8.59	5.23
Non-current assets	RO m	211.94	222.50	217.21
Total assets	**RO m**	**233.98**	**262.47**	**251.39**
Current liabilities	RO m	8.72	39.32	36.64
Non-current liabilities	RO m	25.52	38.40	25.86
Total liabilities	**RO m**	**34.23**	**77.72**	**62.51**
Net assets	**RO m**	**199.75**	**184.75**	**188.88**
Share capital	RO m	95.46	95.46	95.46
Retained earnings	RO m	81.75	69.01	71.99
Shareholders' equity	**RO m**	**199.75**	**184.75**	**188.88**
Gearing ratio	%	-	17.3	11.9
Net assets per share	RO/share	0.209	0.194	0.198

During the period, the Company further strengthened its balance sheet through the full repayment of its term loan on June 30, 2026, ahead of its scheduled maturity date. Following the loan prepayment, the related interest rate hedge was unwound, resulting in the settlement of the outstanding derivative liability. Consequently, total liabilities declined significantly, while the Company's gearing position improved.

SECTION 7: BUSINESS OUTLOOK

The Company remains committed to safe, reliable and efficient operations and to creating long-term value for shareholders. The Company continues to prepare for a successful transition to the New PWPA that will commence in April 2027, while maintaining high standards of operational reliability, safety and environmental performance.

While the Company continues to monitor developments arising from the regional geopolitical tensions and the conflict in the Gulf , there has been no material impact on operations to date. Management remains vigilant and continues to assess potential risks to operations and market conditions.