



Sembcorp Salalah Power & Water Company SAOG

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

FOR THE NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2026 (9M 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.

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SECTION 1: PERFORMANCE AT A GLANCE

		Nine months	
		Sep-26	Sep-25
Unit			
Operating highlights			
Power reliability	%	99.88	98.64
Water reliability	%	99.99	99.92
Power sold	MWh	1,599,856	1,631,058
Water sold	'000 m³	15,373	15,477
Lost-time incidents	#	0	0
Financials			
Revenue	RO m	66.91	63.16
EBITDA	RO m	28.38	30.38
Profit before interest & tax	RO m	19.96	21.98
Profit after tax	RO m	16.57	17.05
Key financial indicators			
Earnings per share	RO/share	0.017	0.018
Net assets per share	RO/share	0.215	0.199
Gearing ratio	%	-	11.8

SECTION 2: FINANCIAL HIGHLIGHTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2026 (9M2026)

- Revenue rose 5.9% to RO 66.9 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 16.6 million (9M2025: RO 17.1 million), down 2.9%, 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 37% to RO 39.5 million.
- Both plants maintained high reliability levels of 99.88% for power and 99.99% 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 m³/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 m³/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 9M2026.

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 will be 465MW of power and 15MiGD (68,190 m³/day) of water.

SECTION 4: OPERATING PERFORMANCE

		Nine months		Variance
		Sep-26	Sep-25	
Unit				
Operating highlights				
Power reliability	%	99.88	98.64	+1.2 pp
Water reliability	%	99.99	99.92	+0.1 pp
Power sold	MWh	1,599,856	1,631,058	-1.9%
Water sold	'000 m³	15,373	15,477	-0.7%
Lost-time incidents	#	0	0	-

During 9M2026, 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 99.88% from 98.64% in 9M2025, while water plant reliability remained at 99.99%, consistent with 9M2025 (99.92%).

The power and water plant load factors remained broadly consistent with the corresponding period of the previous year. The power plant load factor was 54.87% in 9M2026 compared to 55.94% in 9M2025, while the water plant load factor decreased slightly to 82.58% from 83.14% in the corresponding period last year. Notwithstanding the decline, 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 September 30, 2026.

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SECTION 5: SUMMARY INCOME STATEMENT

	Unit	Nine months		Variance
		Sep-26	Sep-25	
Revenue	RO m	66.91	63.16	+5.9%
<i>ex-fuel charge*</i>	RO m	42.38	41.65	+1.7%
EBITDA	RO m	28.38	30.38	-6.6%
EBITDA margin	%	42.41	48.10	-5.7 pp
Depreciation/amortisation	RO m	8.42	8.40	+0.3%
Profit before interest & tax	RO m	19.96	21.98	-9.2%
Finance expense	RO m	0.46	1.94	-76.4%
Taxation	RO m	2.93	2.99	-1.9%
Profit after tax	RO m	16.57	17.05	-2.9%

*Fuel is pass-through in nature.

Revenue

Power (excluding fuel charges), water and fuel charges contributed approximately 45%, 18%, and 37% respectively, to total revenue. Revenue increased mainly due to higher fuel charge revenue and higher capacity charges. Fuel charge revenue is 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 5.7 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 1.5 million in 9M2026 compared to 9M2025 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		
		Sep-26	Sep-25	Dec-25
Unit				
Current assets (excl. cash)	RO m	22.85	26.63	28.95
Cash and cash equivalents	RO m	12.80	9.06	5.23
Non-current assets	RO m	209.29	219.91	217.21
Total assets	RO m	244.94	255.60	251.39
Current liabilities	RO m	14.21	39.30	36.64
Non-current liabilities	RO m	25.26	26.01	25.86
Total liabilities	RO m	39.47	65.31	62.51
Net assets	RO m	205.47	190.29	188.88
Share capital	RO m	95.46	95.46	95.46
Retained earnings	RO m	86.90	74.02	71.99
Shareholders' equity	RO m	205.47	190.29	188.88
Gearing ratio	%	-	11.8	11.9
Net assets per share	RO/share	0.215	0.199	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.