

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 nine-month period ended September 30, 2025 (9M2025). In 9M2025, the Company recorded a profit after tax (PAT) of RO 17.1 million, better than RO 16.5 million reported during the corresponding period in 2024 (9M2024). The increase in profitability is mainly due to reduction in finance cost.

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 40% of the power demand and 50% of the desalinated water demand in the region for 9M2025.

Sembcorp Salalah is pleased to report that it has signed new Power and Water Purchase Agreement (“New PWPA”) with Nama Power and Water Procurement Company (PWP). The new agreement will commence from 4 April 2027 immediately after the expiry of the current PWPA and will remain effective for 10 years until 3 April 2037.

As per New PWPA, the contracted capacity of the Salalah Independent Water and Power Plant is 465 megawatts of power and 15 million imperial gallons (68,190 cubic metres) per day of water.

Performance overview

The Company’s operating and financial performance for 9M2025 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 Nama 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 9M2025 are noted below:

	Unit	9M2025	9M2024	Variance
Water Reliability	(%)	99.92	99.94	-0.02%
Power Reliability	(%)	98.64	99.79	-1.15%
Quantity of Water Sold	(Thousand m ³)	15,477	16,497	-6.18%
Quantity of Power Sold	(MWh)	1,631,058	1,590,474	2.55%
Plant Load Factor (Power)	(%)	55.94	54.35	2.93%
Plant Load Factor (Water)	(%)	83.14	88.29	-5.83%

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

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:

	9M2025	9M2024
	RO million	RO million
Revenue	63.16	62.20
EBITDA	30.38	31.11
PBIT	21.98	22.72
Profit after tax	17.05	16.47

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 better compared to 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 46% (excluding fuel charge), water 20% and fuel charge 34% to the total revenue. The overall increase in revenue was driven by higher fuel charge revenue resulting from higher plant load factor, net off with lower 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, 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, 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 the impact of inflation-linked indices.

Net finance cost

Net finance cost decreased by RO 1.3 million in 9M2025 compared to 9M2025 due to the scheduled repayment of part of the term loan in line with the financing documents.

Financial position

		as at 30 September 2025	as at 30 September 2024	as at 31 December 2024
Total assets	RO million	255.60	265.24	261.51
Total liabilities	RO million	65.31	90.44	88.17
Shareholders' equity	RO million	190.29	174.80	173.34
Gearing ratio		12:88	23:77	23:77
Net assets per share	RO/share	0.199	0.183	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.