

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors ("Board") of Muscat City Desalination Company SAOG ("MCDC" or the "Company"), I am pleased to present the Directors' Report together with the unaudited financial statements of the Company for the financial period of three months ended 31 March 2020.

Health, Safety and Environment (HSE)

The Health, Safety and Environment performance of the Company to date has been excellent, with no Lost Time Accidents ("LTA"). The Muscat City Desalination Operations and Maintenance Company LLC ("MCDOMC") has completed 1493 days without a LTA since the plant's commercial operation. Similarly, there have been no environmental incidents at the plant.

Operations

During the current quarter ended 31 March 2020, the Company achieved an availability of 88.8% compared with 86.8% during the corresponding quarter in 2019. The water dispatch during the current quarter was 15,376,854 m³, higher by 4.3% compared with 14,737,572 m³ during the corresponding quarter in 2019. During the month of March 2020, the Gulf of Oman (from which the plant's seawater intake was located) experienced jelly fish infestation, which caused the plant to record a forced outage of 4,588 m³. The jelly fish infestation, which moves with the sea currents and clogs the sea water intake screens, reduces the amount of seawater into the intake pipes. This reduction of sea water into the intake pipes directly affects the amount of potable water produced by the plant, thus causing the forced outage.

Meanwhile, the Covid-19 lockdown has not had any material impact on the plant's performance for this quarter. The Company and its Operator have implemented all measures recommended by the authorities to prevent Covid-19 infections within the Plant and have re-organized the day-to-day activities at the plant to comply to the lockdown.

Financial Results

The Company's revenue for the three-month period ended 31 March 2020 is RO 3.880 million whilst the direct operating cost is RO 2.335 million. Accordingly, the Company recorded gross profit of RO 1.545 million for the period, which is 1.2% higher compared with the corresponding period last year. The general and administrative expenses for the period of RO 0.219 million is 8.0% lower compared with the corresponding period last year. Finance costs for the period increased to RO 0.767 million, which is 2.3% higher compared with finance costs incurred for same period last year mainly due to the one-off adjustment for the reimbursement of withholding tax recorded in the corresponding period in 2019.

The Company recorded profit before tax (PBT) of RO 0.559 million which is 3.7% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 0.419 million for the period compared with profit after tax of RO 0.365 million for the corresponding period in 2019.

As at 31 March 2020, the share price of MCDC was 105 Baizas (31 March 2019: 118 Baizas).

Corporate Governance

The new Commercial Companies Law, which came into effect on 16 April 2019 ("New CCL"). The Company's Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM") were proposed to be held on 29 March 2020. As disclosed on 12 February 2020, the Board had recommended distribution of cash dividends to its shareholders and payment of Board remuneration in its draft notice and agenda for the AGM. The CMA is currently evaluating the Board's proposals for the payment of dividends and the Board remuneration ("Outstanding Items") and the Company is awaiting the CMA's decision. However, before the CMA could issue its decision on the Outstanding Items, CMA had postponed all shareholder meetings (circular kh/3/2020) due to Covid-19 outbreak.

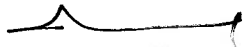
On 16 April 2020, the CMA issued two decisions suggesting that companies can now

convene shareholder meetings via Video Conference (VC) through Muscat Clearing & Depository's VC system. The Board shall update the shareholders about the CMA's decision on the Outstanding Items and further details of the AGM and EGM as and when available.

Future Outlook

All reasonable and prudent measures will be taken by the Management of the Company to ensure high standards of health, safety and environmental compliance, and that the reliability and availability of the plant are maintained in 2020, especially during this challenging period of Covid-19 outbreak.

On behalf of the Board of Directors, I would like to extend our deepest appreciation and gratitude to His Majesty Sultan Haitham bin Tarik bin Taimur Al Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows us to participate effectively in the growth of the Sultanate's economy and in the building of a strong nation.



Ahmad Fuaad bin Mohd Kenali
Chairman of the Board