

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors 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 six-month period ended 30 June 2020.

Health, Safety and Environment (HSE)

The HSE performance of the Company to date has been satisfactory, with no Lost Time Accidents (“LTA”). The operator, Muscat City Desalination Operations and Maintenance Company LLC (“MCDOMC”), has completed 1584 days without any LTA since the plant’s commercial operations commenced on 19 February 2016. Similarly, there were no environmental incidents for the same period.

Operations

The plant successfully passed its annual performance test for the 6th Contract Year under the Water Purchase Agreement (“WPA”) with Oman Power and Water Procurement Company SAOC (“OPWP”) by achieving the Guaranteed Contracted Water Capacity of 7955 m³/hour.

During the first six months of 2020, the Company achieved a higher availability of 93.35%, compared with 90.62% during the same period in 2019. The water dispatch during the first half of 2020 was 31,758,574 m³, an increase of 1.7% compared with 31,205,260 m³ during the same period in 2019. During the current quarter, the plant once again experienced jelly fish infestation, which caused the plant to record a forced outage of 191,671 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. The total forced outage rate for the six-month period ending on 30 June 2020 is 1.08% (30 June 2019: 1.05%).

Meanwhile, the Covid-19 lockdown had not materially impacted the plant's performance for the reporting period. 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 with the measures recommended by the Supreme Committee for Covid-19.

Financial Results

As disclosed on MSM on 19 May 2020, Oman Power and Water Procurement Company ("OPWP"), planned to defer the Water Capacity Investment Charge payments under the Water Purchase Agreement (WPA) from April 2020 invoices.

Further to our announcement dated 28 May 2020 on MSM regarding the withdrawal of the above mentioned OPWP's letter, we are pleased to inform that we have received full payments from OPWP (including the Water Capacity Investment Charge), on time.

The Company's revenue for first six months of 2020 was RO 8.294 million whilst the direct operating cost was RO 5.225 million. Accordingly, the gross profit for the period was RO 3.069 million, which is 0.8% higher compared with the corresponding period last year. General and administrative expenses for the first six months of 2020 was RO 0.377 million, which is lower by 13.5% compared with the corresponding period last year. The finance cost for the first six months of 2020 was RO 1.515 million, which is 2.4% lower than the finance cost incurred for the corresponding period last year.

The Company recorded profit before tax (PBT) of RO 1.177 million which is 11.5% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 0.900 million for the period compared with profit after tax of RO 0.715 million for the corresponding period in 2019.

As at 30 June 2020, the share price of MCD was 115 Baizas (30 June 2019:107 Baizas).

Corporate Social Responsibility (CSR)

As part of the Company's CSR activities for the year, the Company decided to contribute OMR 2000 to the endowment fund set up by the Government of Oman to support the medical sector in its combat against COVID19.

Corporate Governance

The Company's Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM") was held via MCD's e-platform on 13 May 2020. The Company continues to be in discussion with the Capital Market Authority regarding distribution of dividends and payment of Board remuneration and will provide update to the Investors community as soon as there is a final outcome on the matter.

Future Outlook

All reasonable and prudent measures have been and will continue to be taken by the Company to ensure high standards of health, safety and environmental compliance, and to sustain and improve reliability and availability going forward.

On behalf of the Board of Directors, I would like to extend our utmost 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 the Company to participate effectively in the growth of the Sultanate's economy and to contribute in the building of a strong nation.



Ahmad Fuaad bin Mohd Kenali
Chairman of the Board