

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 nine-month period ended 30 September 2020.

Health, Safety and Environment (HSE)

The HSE performance of the Company year to date has been commendable with no Lost Time Incidents ("LTI") recorded. The Operator, Muscat City Desalination Operations and Maintenance Company LLC ("MCDOMC") has completed 1676 days without any LTI since the start of the Plant's commercial operations on 19 February 2016. Similarly, there have been no environmental incidents for the same period.

Operations

During the first nine months of 2020, the Company achieved a higher availability of water. It was 95.2%, compared with 92.8% during the same period in 2019. The water dispatch for the period was 48,625,762 cubic metres, an increase of 0.55% compared with 48,357,892 cubic metres for the same period in 2019.

The total forced outage rate for the nine-month period is 1.02%, which is an improvement of 0.18% compared with 1.20% for the same period in 2019.

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

The Company's revenue for the nine-month period ended 30 September 2020 is RO 12.815 million whilst the direct operating cost is RO 8.189 million. Accordingly, the gross profit for the period is RO 4.626 million, which is 0.7% higher compared with the same period last year. General and administrative expenses for the period is RO 0.558 million, which is 8.5% lower compared with the same period last year. Finance costs for the period declined to RO 2.239 million, which is 5.1% lower compared with finance

costs incurred for same period last year. The Company recorded a profit before tax (PBT) of RO 1.829 million which is 10.7% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 1.419 million for the period compared with profit after tax of RO 1.149 million for the same period last year.

As at 30 September 2020, the share price of MCDC was 105 Baizas. (30 September 2019: 113 Baizas).

Corporate Governance

The Company continues to seek suitable candidates for the position of an internal auditor and until then Grant Thornton shall be the Company's internal auditor.

With respect to the Board's proposal to distribute dividends and pay Board remuneration for the financial year ending on 31 December 2019, the Company continues to be in discussions with the CMA and its external auditors, and will provide an update to the Investor community as soon as there is an outcome on the matter. The Board is committed to provide maximum shareholder value to the extent possible.

Future Outlook

All reasonable and prudent measures will continue to 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 pandemic.

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.



Tamer Cankardes

Chairman of the Board