

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 2021.

Health, Safety and Environment (HSE)

The HSE performance of the Company to date has been satisfactory, with no Lost Time Accidents ("LTA"). The operator entity, Muscat City Desalination Operations and Maintenance Company LLC ("MCDOMC") has completed 1949 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 7th Contract Year under the Water Purchase Agreement with Oman Power and Water Procurement Company SAOC by achieving the Guaranteed Contracted Water Capacity of 7955 m³/hour.

During the first six months of 2021, the Company achieved a higher availability of 93.36%, compared with 93.33% during the same period in 2020. The water dispatch during the first half of 2021 was 32,044,968 m³, an increase of 0.99% compared with 31,732,000 m³ during the same period in 2020. The total forced outage rate for the six-month period ending on 30 June 2021 is 0.35% (30 June 2020: 1.10%).

Meanwhile, the Covid-19 lockdown has not had any material impact on the plant's performance for the reporting period. The Company and its operator, MCDOMC 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 first six months of 2021 was RO 8.738 million whilst the direct operating cost was RO 5.645 million. Accordingly, the gross profit for the period was RO 3.093 million, which is 0.8% higher compared with the corresponding period last year. General and administrative expenses for the first six months of 2021 was RO 0.383 million, which is higher by 1.6% compared with the corresponding period last year. Finance costs for the first six months of 2021 were RO 1.395 million, which is 7.9% lower

than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax (PBT) of RO 1.321 million which is 12.2% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 1.249 million for the period compared with profit after tax of RO 0.900 million for the corresponding period in 2020.

As at 30 June 2021, the share price of MCDC was 90 Baizas (30 June 2020:115 Baizas).

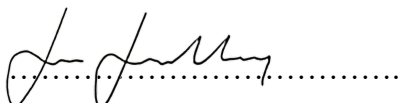
Corporate Governance

The Company continues to seek suitable candidates for the formation of an internal audit unit in accordance with the regulations issued by Capital Market Authority in February 2021 and until then, the Company shall continue with Grant Thornton.

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.



Tamer Cankardes

Chairman of the Board