

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 three-month period ended on 31 March 2022.

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 2224 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

During the first three months of 2022, the Company achieved a higher availability of 97.09%, compared with 88.93% during the same period in 2021. The water dispatch during the first three months of 2022 was 16,706,424 m³, an increase of 11.15% compared with 15,030,302 m³ during the same period in 2021. The total forced outage rate for the three-month period ending on 31 March 2022 is 0.35% (31 March 2021: 0.35%).

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. Moreover, all MCDC and MCDOMC's employees who are working in the plant have fully been vaccinated.

Financial Results

The Company's revenue for first three months of 2022 was RO 4.211 million whilst the direct operating cost was RO 2.668 million. Accordingly, the gross profit for the period was RO 1.543 million, which is 1.0% higher compared with the corresponding period last year. General and administrative expenses for the first three months of 2022 was RO 0.212 million, which is higher by 1.9% compared with the corresponding period last year. Finance costs for the first three months of 2022 was RO 0.667 million, which is 3.1% lower than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax (PBT) of RO 0.665 million which is 4.6% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 0.561 million for the period compared with profit after tax of RO 0.673 million for the corresponding period in 2021.

As at 31 March 2022, the share price of MCDC was 117 Baizas (31 March 2021: 85 Baizas).

Pursuant to the authority granted by the shareholders at the Annual General Meeting held on 29 March 2022, the Board of Directors, at its meeting held on 25 April 2022, have resolved the distribution of cash dividends of value 7.715 baizas per share out of the retained profits for the period ended 31 December 2021 to the shareholders who are registered in the Company's register as at 15 May 2022.

Corporate Governance

The Board has appointed an Internal Auditor to head the Company's Internal Audit Unit effective from 2 January 2022.

During the first quarter 2022, the Company's Annual General Meeting was held on 29 March 2022 at Dentons & Co Oman Branch, Salam Square, Madinat Al Sultan Qaboos, Muscat, Sultanate of Oman and also through the electronic platform of Muscat Clearing and Depository Company.

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