

Board of Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of Muscat City Desalination Company SAOG (the Company), I am pleased to present to you the Annual Report of the Company for the year ended 31 December 2022.

The Company was incorporated on 19 January 2013 as a Closed Joint Stock company. In 2017, the Company underwent an Initial Public Offering pursuant to its obligations under the Project Founder's Agreement and was subsequently listed on the Muscat Securities Market (MSM) on 2 January 2018.

Operational Highlights

The Company owns and operates the 42 Million Imperial Gallons per Day (191,000 m³/day) Al Ghubrah Independent Water Plant (the **Plant**). The Plant is located in North Ghubrah, Muscat Governorate, Sultanate of Oman and was developed under a Build, Own, Operate (**BOO**) scheme. The Plant achieved its commercial operation date (**COD**) on 19 February 2016.

The Company currently generates its revenue through the sale of potable water pursuant to a Water Purchase Agreement (**WPA**) with Oman Power and Water Procurement Company (**OPWP**). The potable water from the Plant is fully contracted to OPWP. Electricity, which is the main energy source, is procured from Muscat Electricity Distribution Company (**MEDC**) pursuant to the Electricity Supply Agreement with MEDC. The Operations and Maintenance (**O&M**) of the plant is contracted to Muscat City Desalination Operation and Maintenance Company LLC (**MCDOMC** or the **Operator**) through a 20-year Operations and Maintenance Contract (**O&M Contract**).

During the financial year 2022, the Company achieved a higher Plant availability of 97.39%, compared with 94.88% during the same period in 2021, which was mainly due to the lower scheduled outage rate of 2.38% for the financial year in 2022, compared with 4.66% for the same period in 2021. Further, the total forced outage rate for the financial year in 2022 was 0.23%, compared with 0.46% for the same period in 2021 mainly due to optimised operation during the year.

This year, the Company achieved a potable water production of 66,926,208 m³ an increase of 1.12% compared with the total water production of 66,188,180 m³ in 2021. This was mainly due to the higher water output determined by the dispatch instruction issued by Oman Water and Wastewater Services Company (**OWWSC**).

Financial Results

In 2022, operating revenue increased by 3.2% to RO 18.644 million as compared to RO 18.068 million in 2021, as a result of lower unscheduled outage rate in 2022. Operating costs in 2022 increased to RO 12.046 million as compared to RO 11.813 million in 2021. Accordingly, the Company recorded profit before tax of RO 2.982 million, which is 13.1% higher compared with RO 2.637 million in 2021.

At the Annual General Meeting on 29 March 2022, the Shareholders approved for the Company to declare cash dividends of Baiza 7.715 per share, amounting to circa RO1.20 million out of the retained earnings of the Company as reflected in the Company's audited financial statements for the financial year ended 31 December 2021 to the shareholders who are registered in the Company's register as at 15 May 2022. The dividend was paid in May 2022.

Moreover, at the Ordinary General Meeting on 11 December 2022, Shareholders approved for the Company to declare cash dividends of Baiza 11.250 per share, totaling circa RO1.75 million out of the retained earnings of the Company as reflected in the Company's audited financial statements for the nine-month period ended 30 September 2022 to the shareholders who are registered in the Company's register as at 11 December 2022. The dividend was paid in December 2022.

The Board of Directors, at its meeting held on 21 February 2023, resolved the distribution of cash dividends in May and November 2023, to the Company's Shareholders who are registered in the Company's register as at the dates to be determined by the Board, out of retained earnings of the Company as reflected in the Company's audited financial statements for the financial year ended 31 December 2022, provided that the aggregate amount of the dividends shall not exceed Baiza 6.43 per share. The dividend distribution is subject to Shareholders' approval at the Annual General Meeting to be held on 23 March 2023 and in compliance with the Commercial Companies Law, other applicable Omani legislation and also certain covenants stipulated in term loan facilities agreements.

Health, Safety and Environment

Ensuring full compliance with Health, Safety and Environmental (**HSE**) standards continues to be a high priority of the Company and its Operator. This is evidenced by the fact that there was no Lost Time Incident (**LTI**) or environmental incident for 2022. As at 31 December 2022, the Company achieved 2,498 days without LTI since its COD. In April 2017, the Operator was awarded with ISO 14001:2004 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System. In September 2018, the Operator successfully migrated its ISO 14001:2004 to ISO 14001:2015, and both ISO Certificates have been re-certified in June 2021. Furthermore, in March 2022, the Operator has been awarded with ISO 22301:2019 Business Continuity Management System certification.

Corporate Governance

The Board of Directors and Management of the Company believe in the importance of the internal control system. The Company has a comprehensive system of internal controls in place. The Company had carried out a comprehensive review of its key internal policies and procedures in order to ensure its compliance.

The Board has appointed an Internal Auditor to head the Company's Internal Audit Unit effective from 2 January 2022. An internal audit plan was developed for 2022, approved by the Audit Committee, and fully implemented during the year.

There was no significant finding identified for the year ended 31 December 2022. The Management is fully committed to implementing the recommendations arising from the findings of the Internal Auditor.

In accordance with the Capital Market Authority (**CMA**) Code of Corporate Governance, the Company will also recommend to the Shareholders at the next Annual General Meeting for the appointment of a consultant to evaluate the performance of the Board for the financial year 2023.

Corporate Social Responsibility (CSR)

Since the outset of our operation, we've deeply committed to contribute toward the wellbeing of the Omani community at the forefront of our business. This philosophy has taken root throughout our day-to-day operation. Our CSR activities in the year 2022 are sought to build and strengthen our outreach to key areas of the local community, especially focused on the area of human development, and health and safety. CSR activities undertaken by the Company in 2022 are as below:

- **Donation of wheelchairs to Oman Association for Persons with Disabilities**
On the ground of our CSR philosophy, we donated 13 units of wheelchairs to Oman Association for Persons with Disabilities with our sincere wish that these wheelchairs would be of help to young students in the Sultanate of Oman.
- **Cash Donation to Oman Charitable Organization**
We also made a cash donation to Oman Charitable Organization, which is in line with CMA's guideline.
- **Plant tours for school students for learning the importance of water resources.**
We invited students from 2 Omani public schools to our Plant. During the Plant tours, students were given the opportunity to learn the importance of water resources and process of seawater desalination process which is the primary source of water in Muscat and sustains the life of citizens in the Sultanate of Oman. Students were from Thuraya Bint Mohammed Al-Busaeediya for Girls, and Al-Ullaa Basic School, both of which are in the vicinity of our Plant.
- **On-the-Job technical training for students**
In line with our commitment to supporting the human development of young Omanis especially who are aiming at working for technical sectors, we accepted some young students to provide on-the-job-training opportunities for the operation and maintenance of water desalination facilities at our Plant. During the year, we accepted, in total, 26 students from the following institutes:
 - Middle East Desalination Research Center (MEDRC);
 - University of Technology & Applied Sciences;
 - National University of Sciences & Technology;
 - Sultan Qaboos University

In addition, we participated in Eidaad program sponsored by Petroleum Development Oman (PDO) to provide training opportunities for 1 student who was in the last year of study. Furthermore, we provided 1-year training program for fresh graduates in order to have good working experiences with our operators.

Employment

By the end of 2022, the Omanization level in both the Company and its Operator is 82%. The Company with its Operator has long-term plans to further improve Omanization level.

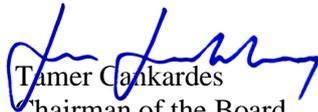
Future Outlook

The Company will continue its efforts to provide reliable supply of water which meets the required quality of potable water whilst at the same time ensuring full compliance in HSE standards.

Conclusion

On behalf of the Board, I would like to thank our shareholders for their confidence and continued support. I would also like to express my utmost appreciation and gratitude to OPWP, the Authority for Public Services Regulation, the CMA and other governmental and non-governmental bodies for their encouragement, guidance and support. Our special thanks to all our employees of the Company and the Operator for their unwavering dedication and commitment. As a result of their contribution, the Company was able to achieve its goals and objectives.

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


Tamer Gankardes
Chairman of the Board