



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 2023.

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 2,588 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 2023, the Company achieved a lower availability of 91.98%, as compared to 97.09% during the same period in 2022. The water dispatch during the first three months of 2023 was 15,729,462 m³, a decrease of 5.84% as compared to 16,706,424 m³ during the same period in 2022. The total forced outage rate for the three-month period ending on 31 March 2023 is 0.18% (31 March 2022: 0.35%).

Financial Results

The Company's revenue for first three months of 2023 was RO 4.209 million whilst the direct operating cost was RO 2.629 million. Accordingly, the gross profit for the period was RO 1.580 million, which is 2.4% higher as compared to the corresponding period last year. General and administrative expenses for the first three months of 2023 was RO 0.232 million, which is higher by 9.4% as compared to the corresponding period last year. Finance costs for the first three months of 2023 was RO 0.703 million, which is 5.4% higher than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax (PBT) of RO 0.646 million which is 2.9% lower than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 0.544 million for the period as compared to profit after tax of RO 0.561 million for the corresponding period in 2022.

As at 31 March 2023, the share price of MCDC was 99 Baizas (31 March 2022: 117 Baizas).



Pursuant to the authority granted by the shareholders at the Annual General Meeting held on 23 March 2023, the Board of Directors, at its meeting held on 18 April 2023, have resolved the distribution of cash dividends of value 3.210 baizas per share out of the retained profits for the period ended 31 December 2022 to the shareholders who are registered in the Company's register as at 15 May 2023.

Corporate Governance

The Audit Committee has approved the Internal Audit Plan for 2023 which will be implemented throughout the year.

During the first quarter 2023, the Company's Annual General Meeting (“AGM”) was held on 23 March 2023 via electronic platform of Muscat Clearing and Depository Company. Pursuant to the approval by the shareholders at the AGM, the Company has appointed the following firms:

- a. KPMG as statutory external auditor for the Financial Year 2023, replacing Deloitte due to mandatory rotation.
- b. Al Busaidy Mansoor Jamal & Co to evaluate the performance of the Board for the Financial Year 2023.

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