

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 31 March 2021.

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 1,858 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 3 months of 2021, the Company achieved a higher availability of water. It was 88.9%, compared with 88.7% during the same period in 2020. The water dispatch for the period was 15,030,302 m³, which is 2.1% lower compared with 15,357,334 m³ for the same period in 2020.

The total forced outage rate for the three-month period is 0.35%, which is an improvement of 0.48% compared with 0.83% for the same period in 2020.

Meanwhile, the Covid-19 lockdown has not had 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 three-month period ended 31 March 2021 is RO 3.975 million whilst the direct operating cost is RO 2.448 million. Accordingly, the gross profit for the period is RO 1.527 million, which is 1.2% lower compared with the same period last year due to lower number of operating days in February 2021 and further offset by lower outages. General and administrative expenses for the period is RO 0.208 million,

which is 5.0% lower compared with the same period last year. Finance costs for the period declined to RO 0.688 million, which is 10.3% lower than the finance costs incurred for same period last year. The Company recorded a profit before tax (PBT) of RO 0.636 million which is 13.8% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 0.673 million for the period compared with profit after tax of RO 0.419 million for the same period last year.

As at 31 March 2021, the share price of MCDC was 83 Baizas. (31 March 2020: 105 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.

The Company's Annual General Meeting ("AGM") was held via MCD's e-platform on 29 March 2021. The Company continues to be in discussion with the Capital Market Authority regarding distribution of dividends and payment of Board remuneration and will update the Investor community as soon as there is a final outcome on the matter.

Future Outlook

All reasonable and prudent measures will continue to be undertaken 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 2021, 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