

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 nine-month period ended on 30 September 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 2041 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 nine-month period ended 30 September 2021, the Company achieved a higher availability of 95.40%, compared with 95.21% during the same period in 2020. The water dispatch during the nine-month period of 2021 was 49,597,992 m³, an increase of 1.99% compared with 48,625,762 m³ during the same period in 2020. The total forced outage rate for the nine-month period ending on 30 September 2021 is 0.35% (30 September 2020: 1.02%).

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 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.

On 3 October 2021, Cyclone “Shaheen” hit Muscat with heavy rain and strong wind. Although the Plant suffered intermittent reductions in potable water production due to high turbidity in seawater caused by the cyclone, there was no material damage to the Plant and the financial impact was limited.

Financial Results

The Company's revenue for the nine-month period ended 30 September 2021 was RO 13.831 million whilst the direct operating cost was RO 7.294 million. Accordingly, the gross profit for the period was RO 6.537 million, which is 0.78% higher compared with the corresponding period last year. General and administrative expenses for the nine-month period of 2021 was RO 0.543

million, which is lower than the last year corresponding period by 2.33%. Finance costs for the nine-month period of 2021 were RO 2.098 million, which is 6.3% lower than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax (PBT) of RO 2.021 million for the nine-month period ended 30 September 2021 which is 10.44% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 1.839 million for the period compared with profit after tax of RO 1.420 million for the corresponding period in 2020.

As at 30 September 2021, the share price of MCDC was 79 Baizas (30 September 2020:105 Baizas) and the Company recorded retained earnings of RO 3.647 million.

In line with the earlier disclosure, the Company is exploring possibilities to distribute dividends to its shareholders in a way which is fully compliant with the Commercial Company Law and other applicable Omani legislation with utmost efforts.

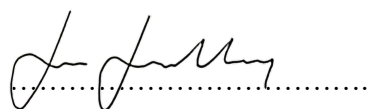
Corporate Governance

The Company continues to seek suitable candidates for the position of an internal auditor and until then, Grant Thornton Oman shall stay as the Company's internal auditor and oversee its internal audit functions.

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