

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 2023.

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 Stock Exchange (MSX) 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 in North Ghubrah, Muscat Governorate, Sultanate of Oman and was developed under a Build, Own, Operate (**BOO**) scheme. Commercial operation date (**COD**) was achieved 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 2023, the Company achieved a lower Plant availability of 95.20%, compared with 97.39% during the same period in 2022, which was mainly due to the higher scheduled outage rate of 4.57% in 2023, compared with 2.38% for the same period in 2022. Further, the total forced outage rate for the financial year in 2023 was 0.23% which is similar to 2022.

During the year, the Plant experienced algae bloom events in the month of July 2023 and August 2023, and the operations and availability of the Plant was adequately controlled with the incorporation of the Dissolved Air Flotation (**DAF**) system adopted at the Plant. The impact of the algae bloom events was minimal. In addition, the Plant did not have the material infestation of jellyfish during this year.

This year, the Company achieved a potable water production of 66,593,073 m³ a reduction by 0.5% compared with the total water production of 66,926,208 m³ in 2022. This was mainly due to more scheduled outages.

Financial Results

In 2023, operating revenue decreased by 0.4% to RO 18.563 million as compared to RO 18.644 million in 2022, as a result of lower electricity price in 2023. Operating costs in 2023 was RO 12.047 million which is almost similar to 2022 result of RO 12.046 million. Accordingly, the Company recorded profit before tax of RO 2.749 million, which is 7.8% lower compared with RO 2.982 million in 2022.

Pursuant to the authority granted by the shareholders at the Annual General Meeting held on 23 March 2023, the Board of Directors has resolved the distribution of cash dividends of the retained profits for the year ended 31 December 2022 as below:

- a) At its meeting held on 18 April 2023, the distribution of cash dividends of value 3.210 baizas per share to the shareholders who are registered in the Company's register as at 15 May 2023 amounting to circa RO 500,000. The dividend was paid in May 2023.
- b) At its meeting held on 25 October 2023, the distribution of cash dividends of value 3.220 baizas per share to the shareholders who are registered in the Company's register as at 1 November 2023 amounting to circa RO 501,000 and was paid in November 2023.

The Board of Directors, at its meeting held on 14 February 2024, resolved the distribution of cash dividends in May and November 2024, 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 2023, provided that the aggregate amount of the dividends shall not exceed Baiza 4.822 per share amounting to circa RO 750,000. The dividend distribution is subject to Shareholders' approval at the Annual General Meeting to be held on 25 March 2024 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. As of 31 December 2023, the Company achieved 2,863 days without Lost Time Incident 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 July 2023. It is worth noting that the Operator has been awarded ISO 22301:2019 Business Continuity Management System certification since March 2022.

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 to ensure its compliance.

The Company has established an in-house Internal Audit Unit since 2022. The Internal Audit Unit has developed an internal audit plan for 2023 which was approved by the Audit Committee, and fully implemented during the year.

There was no significant finding identified for the year ended 31 December 2023. The Management is fully committed to implement the recommendations arising from the findings of the Internal Auditor.

Al Busaidy Mansoor Jamal & Co ("AMJ") was appointed, to carry out appraisal for the performance of the Board during the financial year ending 31 December 2023, pursuant to the approval by the shareholders at the Company's AGM held on 23 March 2023.

AMJ conducted the Board evaluation based on the criteria approved by the shareholders and the evaluation report will be presented to the shareholders at the Company's AGM which will be held on 25 March 2024.

Information Security

The Company has developed information technology (“IT”) and security policy and procedures pursuant to the Capital Market Authority (“CMA”) Circular No. E/1/2022 on Information Security Guidelines for Public Listed Companies. Some enhancements to the Company’s IT systems and controls have been implemented, whereas some longer-term enhancement projects are being implemented. The Internal Audit Unit reviewed the implementation of the enhancement projects with supervision by the Audit Committee.

During the financial year, assessments of the policy, procedure and IT infrastructures were conducted by consultants who are accredited by the relevant authorities in Oman to ensure that the Company's information security measures are compliant with regulations, and effectively protect against potential threats and vulnerabilities. There were no significant cyber security breaches identified for the year ended 31 December 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 2023 are sought to build and strengthen our outreach to key areas of the local community, especially focused on the area of education, human development, and health and safety. CSR activities undertaken by the Company in 2023 are as below:

- **Donation of wheelchairs to Oman Association for Persons with Disabilities**
On the ground of our CSR philosophy, we donated wheelchairs to Oman Association for Persons with Disabilities with our sincere intention and hope that these wheelchairs would be able to help communities with disabilities in the Sultanate of Oman.
- **Donation of special wheelchairs to Association for the Welfare of the Handicapped Children**
The association serves children from the age of 6 to 14 through comprehensive programs of education, health, physical and academic services. The association is also specialised in providing therapies for children with Autism and Down Syndrome. We hope that these special wheelchairs will improve the wellbeing of these children.
- **Donation of sport equipment to three schools**
The Company also donated sport equipment to the following schools as part of the CSR initiatives:
 - Thuraya Bint Mohammed Al-Busaeediya for girls;
 - Al-Khuwair Basic School for boys; and
 - Al-Ullaa Basic School.We hope this initiative will benefit these schools and their students.
- **Cash Donation to Oman Charitable Organization**
We also made a cash donation to Oman Charitable Organization, which is in line with CMA's guideline.
- **Cash Donation to Al Noor Association for the Blinds**
It is an NGO which serves the welfare interest of the blinds for their social, economic, education, health and training, including teaching of Braille. It is financed via donations from the public and corporate organisations. The Company believes the cash donation will benefit the association in achieving its objectives.

- Plant tours for school students to learn the importance of water resources**

We invited students from two Omani public schools to our Plant. During the Plant tours, students were given the opportunity to learn the importance of water resources and first-hand information about the process of seawater desalination process which is the primary source of water in Muscat and essential for the life of citizens in the Sultanate of Oman. Students were from Thuraya Bint Mohammed Al-Busaeediya for girls, and Al-Khuwair Basic School for boys, 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 industrial sectors, we accepted some young students for the on-the-job-training for the operation and maintenance of water desalination facilities at our Plant. During the year, we accepted, in total, 33 students from the following institutes:

 - Middle East Desalination Research Center (MEDRC);
 - University of Technology & Applied Sciences;
 - National University of Sciences & Technology;
 - International Maritime College Oman; and
 - Sultan Qaboos University.

Furthermore, we provided 1-year training program for fresh graduates to have good working experiences with our Operation and Maintenance Contractor.

Employment

By the end of 2023, the Omanization level in both the Company and its Operator is 83%. The Company with its Operator has long-term plans to further improve Omanization level.

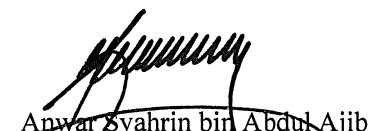
Future Outlook

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 and the Operator for their unwavering dedication and commitment to the Company. 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 to 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.


 Anwar Syahrin bin Abdul Ajib
 Chairman of the Board