



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 2024.

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 2,954 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 2024, the Company achieved a higher availability of 94.74%, as compared to 91.98% during the same period in 2023. The water dispatch during the first three months of 2024 was 15,043,800 m³, a decrease of 4.36% as compared to 15,729,462 m³ during the same period in 2023. The total forced outage rate for the three-month period ending on 31 March 2024 is 0.08% (31 March 2023: 0.18%).

Financial Results

The Company's revenue for first three months of 2024 was RO 4.166 million whilst the direct operating cost was RO 2.567 million. Accordingly, the gross profit for the period was RO 1.599 million, which is 1.2% higher as compared to the corresponding period last year. General and administrative expenses for the first three months of 2024 were RO 0.235 million, which is higher by 1.3% as compared to the corresponding period last year. Finance costs for the first three months of 2024 were RO 0.678 million, which is 3.6% lower than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax (PBT) of RO 0.687 million which is 6.3% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 0.578 million for the period as compared to profit after tax of RO 0.544 million for the corresponding period in 2024.

As at 31 March 2024, the share price of MCDC was 74 Baizas (31 March 2023: 99 Baizas).

During the Annual General Meeting held on 25 March 2024 ("AGM"), the Company's shareholders resolved to authorise the Board of Directors to determine and distribute cash dividends in May and November 2024, out of the retained earnings of the Company as reflected in the Company's audited financial statements for the financial year ended on 31 December 2023, provided that the aggregate amount of the dividends shall not exceed Baiza 4.822 per share (i.e. totaling circa RO 750,000), to the Company's shareholders who are registered in the Company's shareholders' register at Muscat Clearing & Depository Company SAOC as at dates to be determined by the Board of Directors.

Pursuant to the authority granted by the shareholders at the above-mentioned AGM, the Board of Directors, at its meeting held on 24 April 2024, has resolved to distribute cash dividends with a value of Baiza 2.411 per share out of the Company's retained profits for the period ended 31 December 2023 to the shareholders who are registered in the Company's register at Muscat Clearing & Depository Company SAOC as at 15 May 2024, amounting to circa RO 375,000.

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 has periodically carried out comprehensive reviews of its key internal policies and procedures in order to ensure its compliance.

The Audit Committee has approved the Internal Audit Plan for 2024 which will be implemented throughout the year.

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.

During the first quarter of the financial year, some enhancements were being implemented as suggested by consultants based on their assessments of the policy, procedure and IT infrastructures in the Financial Year 2023.

The Internal Audit Unit will review the implementation of the enhancement projects with supervision by the Audit Committee.



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.

Anwar Syahrin bin Abdul Ajib

Chairman of the Board