



Board of Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of Muscat City Desalination Company SAOG (**Company**), I am pleased to present to you the Annual Report of the Company for the year ended 31 December 2024.

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 located in North Al 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 Nama Power and Water Procurement (**PWP**). The potable water from the Plant is fully contracted to PWP. Electricity, which is the main energy source, is procured from Nama Electricity Supply Company SAOC (**NESC**) formerly known as Muscat Electricity Distribution Company (**MEDC**) pursuant to the Electricity Supply Agreement with NESC. 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 2024, the Company achieved higher plant availability of 96.55%, compared with 95.20% during the same period in 2023, which was mainly due to lower scheduled outage rate of 3.35% in 2024, compared with 4.57% for the same period in 2023. Furthermore, the total forced outage rate for the financial year in 2024 was 0.11%, compared with 0.23% for the same period in 2023 mainly due to better plant reliability during the year.

During the year, the Plant experienced minimal algae bloom events, 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. Consequently, the Plant did not experience any forced outages due to the algae bloom events. In addition, the Plant did not experience any material infestation of jellyfish during this year.

This year, the Company achieved potable water production of 63,780,348 m³ a 4.22% reduction compared with the total water production of 66,593,073 m³ in 2023. This was due to low dispatch instructions received from Oman Water and Wastewater Services Company SAOC (Nama Water Services) compared to the same period in 2023.



Financial Results

In 2024, operating revenue decreased by 1.9% to RO 18.206 million as compared to RO 18.563 million in 2023, as a result of lower indexation in 2024. Operating costs in 2024 were RO 11.814 million, a decrease of 1.9% as compared to 2023 of RO 12.047 million. On the other hand, financial cost in 2024 were RO 2.660 million, which is 5.2% lower compared with RO 2.806 million in 2023. Accordingly, the Company recorded profit before tax of RO 2.933 million, which is 6.7% higher compared with RO 2.749 million in 2023.

Pursuant to the authority granted by the shareholders at the Annual General Meeting (AGM) held on 25 March 2024, the Board of Directors resolved the distribution of cash dividends of the retained profits for the year ended 31 December 2023 as below:

- a) At its meeting held on 24 April 2024, the distribution of cash dividends of 2.411 baizas per share to the shareholders who are registered in the Company's register as at 15 May 2024. The dividend was paid in May 2024.
- b) At its meeting held on 23 October 2024, the distribution of cash dividends of 2.411 baizas per share to the shareholders who are registered in the Company's register as at 15 November 2024. The dividend was paid in November 2024.

The Board of Directors, at its meeting held on 13 February 2025, resolved the distribution of cash dividends in May and November 2025, 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 2024, provided that the aggregate amount of the dividends shall not exceed 5.143 Baizas per share. The dividend distribution is subject to Shareholders' approval at the AGM proposed to be held on 23 March 2025 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 2024, the Company achieved 3,229 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, and the annual surveillance audit was conducted in September 2024. 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. The Audit Committee has also approved the Internal Audit Plan for 2025.

There was no significant finding identified for the year ended 31 December 2024. 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 was presented to the shareholders at the Company's AGM held on 25 March 2024.

Information Security

The Company has developed information technology (IT) and security policy and procedures pursuant to the Financial Services Authority (FSA) Circular No. E/1/2022 on Information Security Guidelines for Public Listed Companies. All enhancements to the Company's IT systems and controls which were recommended by consultants, 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 2024.

Corporate Social Responsibility (CSR)

Since the outset of our operation, we've been deeply committed to contributing to the wellbeing of the Omani community, placing it at the forefront of our business. This philosophy has taken root throughout our day-to-day operation. Our CSR activities in the year 2024 are sought to build and strengthen our outreach to key areas of the local community, especially focused on the area of education, human development, welfare of certain groups of community and health and safety. CSR activities undertaken by the Company in 2024 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 air conditioners and curtains for Child Care Centre**
The Child Care Centre provides integrated facilities for orphans including a clinic, residential houses, library and sport facilities. The centre's objectives are to provide appropriate social, educational and living care for orphans below 12 years old. We hope that this contribution will improve the centre's facilities and, eventually, the wellbeing of these children.
- **Donation of air conditioners for classrooms to two schools**
The Company also donated air conditioners to the following schools as part of the CSR initiatives:
 - Thuraya Bint Mohammed Al-Busaeediya for girls; and
 - Al-Ullaa Basic School.We hope this initiative will benefit these schools and their students.



- **Donation of new clothing to orphans for Eid celebrations**

The Company also donated new clothing to orphans, for the 2024 Eid celebrations, who are students from 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 orphans for their 2024 Eid celebrations.

- **Cash Donation to Oman Charitable Organization**

We also made a cash donation to Oman Charitable Organization, which is in line with FSA's guideline.

- **Plant tours for school students for water conservation awareness program**

We invited students from one Omani public school and one private international school 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 residents in the Sultanate of Oman. Students were from Hazim Bin Hammam School for Basic Education and ABA Oman International School.

- **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, 11 students from the following institutes:

- University of Technology & Applied Sciences;
- National University of Sciences & Technology;
- Muscat University; and
- Sultan Qaboos University.

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

Employment

By the end of 2024, the Omanization level in both the Company and its Operator is at 82%. The Company with its Operator has long-term plans to further increase the Omanization level.

Future Outlook

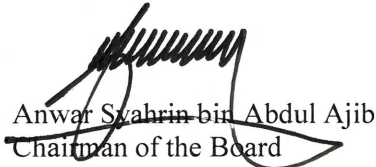
The Company will continue its efforts to provide reliable supply of water which meets the required quality of potable water whilst at the same time ensuring full compliance with HSE standards.



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 PWP, the Authority for Public Services Regulation, the FSA 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