MUSCAT CITY DESALINATION COMPANY SAOG

شـــركـــة مــدينة مسقط للتحلـيـة ش.م.ع.ع

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 six-month period ended on 30 June 2026.

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 3,775 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 half of 2026, the Company achieved an availability rate of 95.88%, compared to 97.77% during the corresponding period in 2025. The decrease was mainly attributable to the higher scheduled outage rate of 3.71% in 2026, reflecting planned maintenance activities, compared with 1.97% in the same period of 2025.

The water dispatch during the first six months of 2026 was 29,594,456 m^3, representing a 3.18% decrease compared to 30,565,328 m^3 during the corresponding period in 2025. This reduction resulted primarily from the increased scheduled outage rate in 2026, as well as lower dispatch instructions received from Oman Water and Wastewater Services Company (“**Nama Water Services**”).

The total forced outage rate for the six-month period ending on 30 June 2026 was 0.41% (30 June 2025: 0.25%).

Financial Results

The Company's revenue for the first half of 2026 was ﷼ 8.681 million whilst the direct operating cost was ﷼ 5.539 million. Accordingly, the gross profit for the period was ﷼ 3.142 million, which is 0.1% lower as compared to the corresponding period last year. General and administrative expenses for the first half of 2026 were ﷼ 0.483 million, which is lower by 2.4% as compared to the corresponding period last year. Finance costs for the first half of 2026 was ﷼ 1.116 million, which is 8.7% lower than the finance costs incurred for the corresponding period last year.

MUSCAT CITY DESALINATION COMPANY S.A.O.G.
P.O Box 1935 | P. C. 114, Muscat | Sultanate of Oman
Building No: 310 | Street 3605 | Complex 236 | 18 November Street | Al Ghubrah
Tel: +968 24130826 | Fax: +968 24499819 | C.R. No: 1163374 |T.C.No: 8074470
www.mcdcoman.com

شركة مدينة مسقط للتحلية ش.م.ع.ع.
ص.ب:1935، الرمز البريدي : 114، مســـقط ، سلطـــــــنة عمان
رقم البناية 310 رقم السكة 3605 مجمع 236 شارع 18 نوفمبر الغبرة
هاتف: 24130826 968 + | فاكس: 24499819 968 + | س.ت.1163374| ب.ض. 8074470

The Company recorded profit before tax (**PBT**) of RO 1.573 million, which is 10.4% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 1.329 million for the period as compared to profit after tax of RO 1.202 million for the corresponding period in 2025.

As at 30 June 2026, the share price of MCDC was 92 Baizas (30 June 2025: 70 Baizas).

During the Annual General Meeting held on 26 March 2026 ("**AGM**"), it was resolved that the distribution of cash dividends in May and November 2026, 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 2025, provided that the aggregate amount of the dividends shall not exceed Baiza 5.464 per share (i.e. totaling circa RO 850,000).

Pursuant to the authority granted by the shareholders at the above-mentioned AGM, the Board of Directors, at its meeting held on 22 April 2026, resolved to distribute cash dividends with a value of Baiza 2.732 per share out of the Company's retained profits for the period ended 31 December 2025 to the shareholders who are registered in the Company's register at the Muscat Clearing & Depository Company SAOC as at 17 May 2026, amounting to RO 425,000. The dividend was paid in May 2026.

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 to ensure its compliance.

The Audit Committee has approved the Internal Audit Plan for 2026 which is currently under implementation throughout the year.

Information Security

The Company has developed information technology ("**IT**") and security policy and procedures pursuant to the Financial Services Authority (previously the Capital Market Authority) ("**FSA**") Circular No. E/1/2022 on Information Security Guidelines for Public Listed Companies.

During the first half of the financial year, a Vulnerability Assessment and Penetration Testing ("**VAPT**") of the Company's IT infrastructures and website was conducted by consultants accredited by the relevant authorities in Oman. The assessment was undertaken to ensure that the Company's information security controls remain robust, compliant with applicable regulatory requirements, and effective in protecting against potential cyber threats and vulnerabilities.

The Internal Audit Unit will review the findings and recommendations arising from the assessment under the supervision of 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.

Balwinder Singh Panesar
Chairman of the Board