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 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 3,867 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 on 30 September 2026, the Company achieved an availability rate of 95.04%, compared to 98.08% during the corresponding period in 2025. The decrease was mainly attributable to the higher scheduled outage rate of 4.67% in 2026, reflecting planned maintenance activities, compared with 1.34% in the same period of 2025.

The water dispatch during the nine-months of 2026 was 44,762,074 m^3, representing a 1.49% decrease compared to 45,442,966 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 nine-month period ending on 30 September 2026 was 0.30% (30 September 2025: 0.58%).

Financial Results

The Company's revenue for the nine-month period ended on 30 September 2026 was ﷼ 13.562 million whilst the direct operating cost was ﷼ 8.798 million. Accordingly, the gross profit for the period was ﷼ 4.764 million, which is 0.7% higher as compared to the corresponding period last year.

General and administrative expenses for the nine-month period ended on 30 September 2026 were ﷼ 0.724 million, which is higher by 2.7% as compared to the corresponding period last year. Finance costs for the nine-month period ended on 30 September 2026

was ﷼ 1.664 million, which is 8.8% lower than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax (**PBT**) of ﷼ 2.407 million, which is 9.4% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of ﷼ 2.033 million for the period as compared to profit after tax of ﷼ 1.856 million for the corresponding period in 2025.

As at 30 September 2026, the share price of MCDC was 96 Baizas (30 September 2025: 80 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 ﷼ 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 ﷼ 425,000. The dividend was paid in May 2026.

Moreover, the Board of Directors, at its meeting held on 26th October 2026, is proposing to resolve to distribute cash dividends with a value of 2.732 baizas per share out of the Company's retained earnings as reflected in the Company's audited financial statements for the financial year ended 31 December 2025, pursuant to the authority granted by the shareholders at the above captioned AGM, to the shareholders who are registered in the Company's register as at 17 November 2026 amounting to circa ﷼ 425,000 and will be paid in November 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 year, the Company continued to enhance its IT systems and security controls to strengthen its cybersecurity posture and support compliance with applicable regulatory requirements.

During the third quarter of the financial year, independent assessments of the Company's information security policies, procedures, and IT infrastructures were 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 to the building of a strong nation.



.....

Balwinder Singh Panesar

Chairman of the Board