

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 2025.

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 has completed 3,502 days without any LTA since 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 2025, the Company achieved a higher availability of 98.08%, as compared to 97.75% during the same period in 2024. The water dispatch during the nine-months of 2025 was 45,442,966 m³, a decrease of 7.26% as compared to 49,000,332 m³ during the same period in 2024. The total forced outage rate for the nine-month period ended 30 September 2025 has been 0.58% (30 September 2024: 0.08%).

Financial Results

The Company's revenue for the nine-month period ended on 30 September 2025 was RO 13.504 million whilst the direct operating cost was RO 8.775 million. Accordingly, the gross profit for the period was RO 4.729 million, which is 1.4% lower as compared to the corresponding period last year.

General and administrative expenses for the nine-month period ended on 30 September 2025 were RO 0.705 million, which is lower by 1.4% as compared to the corresponding period last year. Finance costs for the nine-month period ended on 30 September 2025 were RO 1.825 million, which is 8.3% lower than the finance costs incurred for the corresponding period last year.

The Company recorded profit before tax ("**PBT**") of RO 2.201 million, which is 4.0% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 1.856 million for the period as compared to profit after tax of RO 1.781 million for the corresponding period in 2024.

As of 30 September 2025, the share price of MCDC was 80 Baizas (29 September 2024: 71 Baizas).

During the Annual General Meeting held on 23 March 2025 ("**AGM**"), the Company's shareholders resolved to authorize the Board of Directors to determine and distribute cash dividends in May and November 2025, 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 2024, provided that the aggregate amount of the dividends shall not exceed Baiza 5.143 per share (i.e. totaling circa RO 800,000), 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 23 April 2025, has resolved to distribute cash dividends with a value of Baiza 2.572 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 2024 to the shareholders who are registered in the Company's register at Muscat Clearing & Depository Company SAOC as at 15 May 2025. This amounted to circa RO 400,000. The dividends were paid in May 2025.

Moreover, the Board of Directors, at its meeting held on 23 October 2025, is proposing to resolve to distribute cash dividends with a value of 2.571 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 2024, 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 2025 amounting to circa RO 400,000 and will be paid in November 2025.

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 review of its key internal policies and procedures in order to ensure its compliance.

The Audit Committee has approved the Internal Audit Plan for 2025 which is being implemented throughout the year.

During the quarter, two non-independent directors have resigned from the Board, namely Mr Tamer Cankardes and Mr Anwar Syahrin bin Abdul Ajib due to personal reasons.

1. Mr Tamer Cankardes was the Vice President, Social Infrastructure for Summit MEA Power FZE, a wholly owned subsidiary of Sumitomo Corporation. Mr Tamer was the Chairman of MCDC.
2. Mr Anwar Syahrin bin Abdul Ajib was the Managing Director and Group Chief Executive Officer for Malakoff Corporation Berhad. Mr Anwar was the Deputy Chairman of MCDC

To replace the resignations, the Board has appointed, on temporary basis until the next Annual General Meeting, the following two directors to replace the resigned directors. They are:-

1. Mr Balwinder Singh Panesar is the Chief Executive Officer of Summit MEA Power FZE, a wholly owned subsidiary of Sumitomo Corporation. Mr Balwinder has been appointed as Chairman of MCDC.

2. Mr. Syahrnizam bin Samsudin is the Group Chief Executive Officer for Malakoff Corporation Berhad. Mr Syahrnizam has been appointed as Deputy Chairman of MCDC

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) 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.

During the third quarter of the financial year, assessments of the policy, procedures, 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 robust, compliant with regulations, and effectively protect against potential threats and vulnerabilities.

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.

Acknowledgment

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.

As I begin my tenure as Chairman, I am deeply committed to leading the Company's Board of Directors in serving the long-term interests of our shareholders, employees and communities in which we operate. I would also like to take this opportunity to express my sincere appreciation to my predecessor, Mr Tamer Cankerdes, for his distinguished leadership and valuable contributions to the Company's progress. His tenure provided a strong foundation on which we continue to build.

Finally, the Board of Directors wishes to convey its deep appreciation to our shareholders, business partners, management and employees for their continued trust, commitment and dedication. Together, we look forward to a future of sustainable growth and continued success.

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Balwinder Singh Panesar
Chairman of the Board