Board of Director's Report

Dear Shareholders,

On behalf of the Board of Directors of Oman Refreshment Company SAOG, I am pleased to present to you the annual report and audited financial statements for the year ended 31st December 2024.

Business Environment

Oman's economy has steadily progressed towards greater stability, driven by favorable oil price trends and the ongoing momentum of strategic reforms aligned with Vision 2040. Inflation has remained under control, while both the current and fiscal accounts have posted surpluses, further reinforcing the government's sound fiscal policies.

The fast-moving consumer goods market in Oman remains dynamic and challenging due to the increased competition, varying consumer choices in addition to the implications of the regional geo-political tensions. The business witnessed significant drop in our revenue and profits during the financial year mainly due to prevailing geo-political tensions. Availability of imported products choices at multiple customer and channels have added to the existing challenges of the business environment. This has led to competitive consumer prices and higher investment on advertising and promotion expenses thus bringing the operating margins under pressure. The operating margins were also tested by the prices of key commodity items along with the global supply chain delays resulting in increased cost of transportation.

Financial Highlights

The ORC Parent Company achieved a net loss after tax of RO (3.98mn) on a turnover of RO 40.87mn during the year 2024 against a net profit after tax of RO 4.48mn on a turnover of RO 69.48mn in 2023, registering a decrease in the net profit after tax by 189% and turnover by 41.2% respectively. This subdued performance is driven by the business disruptions due to the implications of regional geopolitical tensions.

At the ORC Group consolidated, the group achieved a net loss after tax of RO (2.77mn) on a turnover of RO 63.37mn during the year 2024 against a net profit after tax of RO 6.3mn on a turnover of RO 96.7mn in 2023, registering a decrease in the net profit after tax by 143.9% and 34.5% decrease in the turnover vs Year 2023.

Further, company has been engaged in various corporate social responsibility activities during the year hereby creating an impact to the Omani society and has invested 17K Omani Rials towards such activities.

Internal Control System

The Board has regularly reviewed the adequacy and effectiveness of the existing internal control system in the Company and found it to be satisfactory.

Dividend

The Company's dividend policy is to reward the shareholders by distributing an optimal share of profits earned during the year. While considering the payout for the year, the Board of Directors considers the need for retention due to new project / investment possibilities and additional working capital to be financed. The Company strives to maintain a balance between current payout and a sustainable, growing dividend rate.

After carefully evaluating the company's performance in 2024 impacted by geopolitical situation, its liquidity needs, projected earnings, and the interests of shareholders, the Board takes a prudent approach and does not recommend dividends for the current year.

Future Outlook

The Company's initiatives towards operational efficiencies, improved productivity, stronger systems, innovation and expansion are going to be the key growth factors in ensuring a turnaround of business performance as we move into Year 2025. With the regional geo-political tensions easing up the Company is cognizant of the prevailing and emerging competition in a highly price sensitive local market and will remain focused on sustaining & profitably maintaining its market share. However, the global geo-political maneuvers and their far-reaching implications coupled with volatile prices of key commodities, challenging job market and stagnant consumer prices, planned introduction of digital stamps for excisable products can potentially subdue the growth prospects. The Company is looking forward to an improved year in the financial performance whilst counting on its lean but efficient structure, enhancing productivity, innovation strategies and accelerating our consumer centric propositions.

Nurturing Omani talent & Omanisation of workforce

As a responsible Omani corporate citizen, the Company is totally aligned with Sultanate of Oman strategic vision to nurture Omani talent in the private sector. The company's HR strategy focusses on recruitment of right staff & their continuous development, through on the job training and by providing focused learning opportunities commensurate with the responsibilities to enable them to assume higher responsibilities in the organization. The Company consistently maintained its staff Omanisation target above the prescribed requirement.

Appreciation

On behalf of the Board of Directors, I would like to express my sincere appreciation for the performance of the management and employees of the Company. I also take this opportunity to thank our consumers, customers, PepsiCo, other key partners, bankers, and various Government authorities for their valuable support.

Further, on behalf of the Board of Directors & the management, I take this opportunity to extend our sincere appreciation to His Majesty Sultan Haitham Bin Tariq and his Government for their wise leadership, guidance and direction which continue to motivate and inspire us towards greater participation in the development and service of Oman. We pray to the Almighty Allah to bestow His Majesty with the best of health and bless him with long life to lead the Sultanate of Oman on the path of prosperity.

Buti Obaid Al Mulla

Chairman