

Chairman'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 2021.

New Investment

The company has acquired Atlas Bottling Corporation (ABC), bottling operation of PepsiCo in Algeria, the largest population country of Africa along with exclusive bottling and distribution right for the market effective September 01, 2021.

The Algerian Investment strategy will be key growth pillar for medium to long term perspective. While in short term perspective, the management has focus to turnaround the new business through better strategy, improved action and investment in productivity.

Business Environment

Omani economy has been significantly impacted in 2021 by disruption of continued COVID-19 global pandemic situation compared to the previous year, this has been coupled the volatile international oil prices and other regional & global economic challenges. Fiscal and external deficits will improve due to increased oil and gas prices and minimize public and external debt as expected in year 2022.

Key risks to the outlook are prolonged low oil prices, which will induce high external borrowing needs, and lack of impetus for private sector job creation that does not depend on government spending. During pandemic period, there was contraction of overall consumers due to economy slow down and adverse growth. The consumer-packaged goods market in Oman remains subdued mainly due to adaptation of new excise tax decree on all sugary products related drinks coupled with operational environment posed several challenges such as affordability of all type of drinks along with the increasing stiff competition Snacks product segment in a highly price sensitive local market. The recent adoption of Value Added Tax (VAT) during April 2021, has increased stress on the consumer spending on consumer packaged goods. On the other hand, stagnant consumer prices at multiple customer channels have added to the existing challenges of the business environment. Also, the operating margins were severely tested by the growing pressures of flat gross margins, revised fees, and charges, labour market and wages bill. The latter part of the year, the prices of key commodity items like aluminum, sugar, pet resin etc has increased significantly along with the global supply chain blockade resulting increased cost of transportation. It has further impacted the margins negatively. The Government of Sultanate of Oman's supported the industries through various economic support program through the financial institution including deferment of tax payments which helped industries to keep momentum and sustain during the rough phase of global slowdown of the economy.

Financial Highlights

Overall Review

The ORC Parent Company achieved a net profit after tax of RO 9,609,771 on a turnover of RO 69,290,408 during the year 2021 against a net profit after tax of RO 8,680,917 on a turnover of RO 63,441,144 in 2020, registering an increase in the net profit after tax and turnover by 10.7% and 9.2% respectively.

At the ORC Group consolidated (four months of ABC), the group achieved a net profit after tax of RO 7,069,611 on a turnover of RO 73,686,228 during the year 2021 against a net profit after tax of RO 8,585,198 on a turnover of RO 63,962,261 in 2020, registering decrease in the net profit after tax by 17.6% and increase in turnover by 15.2%. The decrease in net profit at Group level is related to the operational losses of ABC – Algeria for the period of 4 months in 2021.

Further, company has contributed to various corporate social responsibility activities by an amount totaling 82.3K Omani Rials was contributed to the COVID-19 prevention efforts and other CSR 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 amount 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.

Based on company performance during 2021, and after reviewing the company's liquidity requirements, future earnings and shareholders interest, the Board is pleased to recommend a cash dividend of 60 Baizas for each share for the year 2021.

Future Outlook

As part of improving business productivity and operational efficiencies, the company shall continue to invest suitably in operational capabilities & facilities to meet the diversified consumer preferences, upgrading & modifying business systems and replacing aging assets. The Company is aware of the intense competition in a highly price sensitive local market and will remain focused to sustain & profitably maintain its market share. The company is optimistic about the future prospects with the product expansion & diversification plans in the pipeline and continued focus on achieving improved operational efficiencies. However, the volatile prices of key input raw materials, packing materials, unstable job market & rising wage bill and stagnant consumer prices, besides growing fees & charges for various public services, proposed reduction in/removal of subsidies for certain utilities and recent adoption of new excise tax decree on sugary products in addition to the new regulations for VAT implementation in April'21 and other changing regulations may severely impact profitability of the Company in the near

future. The company is closely monitoring the raw material prices and endeavors to minimize their adverse impact through forward purchase commitments. Further, the Company is also watchful of the ongoing changes in the regional economic conditions due to volatile international oil prices which may also impact its business performance and consequently its investment strategies.

As mentioned above, the company will continue to explore further the suitable opportunities to diversify in terms of product and geographies to add value to the shareholders.

Nurturing Omani talent & Omanisation of workforce

Implementation of the new organization structure, policies and procedures, revision to the pay structure benchmarked to the leading industry practices that was aimed at attracting and retaining the best local talent, is already delivering the desired results in terms of attracting best available local talent, staff retention and moderate staff turnover. Though, these measures continue to have significant financial impact, the Board believes that the Company has now geared up to meet the needs of the dynamic job market and the challenging business environment.

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 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