

**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 31<sup>st</sup> December 2023.

***Algeria Investment (Atlas Bottling Corporation)***

It is with great pride that I reflect upon the strategic expansion we took two years ago with acquisition of Atlas Bottling Corporation (ABC), bottling operation of PepsiCo in Algeria (effective September 01, 2021), has proven to be a successful move for the growth trajectory of our business. The initiative has now reached a new zenith; our revenue from Algerian operations has increased by 1.5 times this year. This scale of growth is not only reflected in increased sales but also in our financial achievements: we surged from a break-even point of last year's annual performance to generating a substantial profit in the year 2023. This remarkable success is a testament to our sound investment strategy and the tremendous efforts of our team. The venture has firmly established itself as another strong pillar of our business, promising continued prosperity, and avenues of future growth.

***Business Environment***

In the year 2023, Oman's economy continued its journey towards economic stability, predominantly underpinned by the advantageous trajectory of oil prices, coupled with unwavering momentum of strategic reforms. Inflation has been within acceptable levels whereas the current and fiscal accounts have delivered surpluses further endorsing the prudent fiscal policies adopted by the government.

The consumer-packaged goods market in Oman remains subdued mainly due to the earlier imposition of excise tax decree on all sugary products related drinks coupled with the increasing stiff competition especially on Snacks. The business witnessed significant drop in our revenue and profits in the last quarter of the financial year due to prevailing geo-political situation in the middle east. 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 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. In addition to the impact, negative impact from the growing pressures of revised fees and charges, labor market and wages bill.

***Financial Highlights***

The ORC Parent Company achieved a net profit after tax of RO 4.48m on a turnover of RO 69.48m during the year 2023 against a net profit after tax of RO 7.78m on a turnover of RO 76.86m in 2022, registering a decrease in the net profit after tax by 42.4%% and turnover by 9.6% respectively. This decrease is driven by significant increase in prices of key commodities and soft performance in last quarter due to the prevailing geopolitical situation in the region.

At the ORC Group consolidated, the group achieved a net profit after tax of RO 6.32m (comprehensive income of RO 6.8m) on a turnover of RO 96.74m during the year 2023 against a net profit after tax of RO 7.7m (comprehensive income of RO 7.89m) on a turnover of RO 95m in 2022, registering a decrease in the net profit after tax by 17.9% and an increase in the turnover by 1.8%.

Further, company has contributed to various corporate social responsibility activities by an amount totaling 10K Omani Rials was contributed to Oman charitable organization.

***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 2023, and after reviewing the company's liquidity requirements, future earnings and shareholders interest, the Board is pleased to recommend a cash dividend of 40 Baizas for each share for the year 2023.

### **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 both the prevailing and emerging competition in a highly price sensitive local market and will remain focused on sustaining & profitably maintaining its market share. The company is optimistic about the prospects with the product expansion & diversification plans in the pipeline and continued focus on achieving improved operational efficiencies. However, the geo-political maneuvers and their far-reaching implications coupled with volatile prices of key commodities, 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, planned introduction of smart tags for excisable products and other changing regulations may put pressure in the near future. The company is closely monitoring the raw material prices and endeavors to minimize their adverse impact through proactive analysis and decision making.

As mentioned above, the company will continue to explore further 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 been 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 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