# Chairman's Report

Dear Shareholders,

It gives me great pleasure to welcome you to the Annual General Meeting of your company. On behalf of the Board of Directors, I would like to present before you the Annual Report for the year 2023 along with the audited consolidated financial statements of A'Sharqiya Investment Holding Co. (SAOG) and its subsidiary, Qalhat Real Estate Investments & Services LLC (QREIS).

## Investment Environment 2023

The World Economy is estimated to have grown by 3.1% in 2023 after an increase of 3.5% in 2022. The global economic recovery from the COVID-19 pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis is proving surprisingly resilient. Though the forecast for 2024 is lower than the historical average (2000-19) of 3.8% due to elevated interest rates to fight inflation and withdrawal of fiscal support amid high debt weighing on economic activity, the likelihood of a hard landing has receded and risks to growth are broadly balanced.

Oman's real GDP grew by 2.0 per cent in 2023 and Brent crude averaged USD 82.48 per barrel during 2023. Oman's Sovereign credit rating was upgraded twice last year by Moody's and once by S & P and Fitch reflecting significant improvements in Oman's fiscal metrics, a lessening of external financing pressures and ongoing efforts to reform public finances. It reported a budget surplus of RO 931 mn for the full year 2023 against an estimated deficit of RO 1.30 bn mainly due to higher than budgeted oil and gas revenues. Public debt reduced to RO 15.2 bn at the end of 2023 compared to RO 17.6 at the end of 2022 and RO 20.8 bn in 2021. Debt to GDP ratio declined to 35% in 2023 compared to 43% in 2022.

The financial markets across asset classes had a good year in 2023 despite elevated interest rates driven by surprising resilience in the economic activity in the US & other developed markets, expectation of rate cuts especially towards the end of the year. S & P Global BMI (Global Equity Benchmark Index) achieved a total return of 21.92% in 2023 vs a negative return of 18.24% in 2022. The S & P Global Developed aggregate bond index total return during the year was 6.67% vs a negative return of 16.69% in 2022.

2023 witnessed improved allocation of investments, the resulting benefit of which helped the Company overcome fall in dividend income from key holdings. The Company is continuing its efforts to increase diversification in the Company's Investment portfolio across asset classes, geographic concentration and sectors.

## Performance for the year

In line with the investment environment, your company is constantly monitoring and continues its efforts to stay focused on adding value to its investee companies with a long term perspective and to take advantage of attractive new investment opportunities.

For the full year ended December 31, 2023, your company generated an Operating Income of RO 1,221,308 as compared to RO 1,143,183 during the previous year 2023 reflecting an increase of 6.8%. The profit after tax arising from the company's operations during this period was RO 491,578 reflecting an increase of 1.1% as compared to RO 486,185 during the previous year 2022. The fall in dividend income from portfolio companies was more than offset by interest income and income from FVTPL assets, this is a result of the diversification efforts undertaken by the Company during the last few years. The Company took advantage of the high yields available in the market by increasing its exposure to fixed income instruments during the year.

The net decrease in the fair value of the company's investment portfolio under the FVOCI was RO 341,430 for the year 2023 as compared to a decrease of RO 113,845 for the year 2022. The total comprehensive income for the year 2023 is RO 150,148 as compared to RO 372,340 in 2022. The substantial drop is primarily driven by drop in share prices of certain key holdings.

Despite the drop in fair value, the company with its long term perspective is firm in its belief that the investments will yield long term growth and returns based on each company's underlying fundamentals.

The total assets of the company is RO 18,477,020 as compared to RO 18,704,326 at the end of 2022. The company's Shareholder Funds decreased by 1.3% to RO 14,613,952 compared to RO 14,803,573 at the end of 2022. The book value of the company's equity share is 162 Baizas as on December 31, 2023, compared to 164 Baizas per share as on December 31, 2022.

## Outlook for 2024

The global GDP is projected to grow 3.1% in 2024 and 3.2% in 2025 as per the IMF's World Economic Outlook (WEO) Update in January 2024. The IMF forecasts Oman's GDP to grow 2.7% in 202**3** and by 3.1% in 2025.

The Sultanate's budget for 2024 estimates total revenues at OMR 11.0 billion, an increase of 9.6% compared to 2023 budget. The overall public spending is estimated at RO 11.65 billion leading to a fiscal deficit target of RO 640 million- development expenditure is estimated at RO 900 million, the same level budgeted for 2023, while the actual development expenditure for 2023 was RO 1.1 billion. 37.5% of the 2023 budget deficit is expected to be covered by external and domestic borrowing while the remaining will be covered by drawing on the reserves.

The 2024 Budget framework aims at achieving a set of objectives and priorities, notably fiscal sustainability, control inflation, a diversified economy, improve Oman's Credit Rating, digital transformation etc. These initiatives are expected to bode well for the economy in the long-term.

The outlook for our investment portfolio is exciting with the Company's increasing diversification in to key geographies and other asset classes. The Company will

continue to support its investee companies in the local market with a long-term view, and focus on opportunities in other markets to achieve effective diversification of the portfolio.

## Corporate Governance

I am pleased to confirm that the company is fully committed to the Capital Market Authority's Code of Corporate Governance for Public Listed Companies. The Board of Directors has established a fully empowered Audit Committee which is effectively performing its role in accordance with the aforementioned Code. A report on Corporate Governance and a Management Discussion and Analysis forms part of the Annual Report. The Corporate Governance Report has been audited by the statutory auditor and forms part of the Annual Report.

## Acknowledgment

On behalf of the Board of Directors, I would like to express our sincere gratitude to His Majesty Sultan Haitham bin Tariq for his able leadership of the country. I also thank the shareholders for their continued support and for the confidence reposed on the company. My appreciation also goes to the company's management and staff for their contributions and commitment to the company.

**Mohammed Ali Mohammed Al Fannah**

**Chairman**

**February 21, 2024**