Board of Directors'

Report 2019

Dear Shareholders,

On behalf of the Board of Directors of Dhofar International Development & Investment Holding Company (SAOG), I am pleased to welcome you to the Annual Ordinary General Meeting to review together the annual report, the company's closing financial results together with the auditors' report for the financial year ended **31st December 2019**.

Economic Indicators:

During 2019, the Sultanate's market witnessed considerable challenges, but it has maintained its overall resilience and importance to the Omani economy and the clear vision of the State. The general index of MSM dropped by 7.9%, in the year 2019and amounted to the level of 3981 points compared to the level of 4324 points at the end of 2018. The highest level the general index reached during the year was on January 1, 2019 where it reached 4333 points; whereas, the lowest level recorded for the index was on July 18, 2019 where it closed at 3748 points. As such, the difference between the highest point and lowest one was within the limits of 585 points. These adverse changes in the MSM are considered some of the most critical challenges facing the company as the fluctuation in market prices represents one of the major factors affecting the value of our investments.

In the face of the challenges, the company has taken appropriate measures to safeguard its assets and retain the trust of its valued shareholders through the restructuring of loans, as well as benefitting from strategic cooperation with reputable institutions to maintain the company' assets and minimize the risks on them caused by external factors.

The Financial Indicators:

The following is a summary of the Final Audited Financial Results for the financial year ended December 31, 2019: -

The following are the main performance indicators:

- The total assets of the company amounted to RO **168,613,990** on December 31, 2019 in comparison to RO 178,339,534 at the same period of the previous year . The main reason for this decrease is the decline in the value of investments carried at the fair market value which did not escape the general decline in the overall market.

- The shareholders' equity at the company decreased from RO 72,702,872 at the end of 2018 to RO **53,405,678** on December 31, 2019, and as a result, the net asset per share at the end of 2019 became RO **0.206**, whereas on December 31, 2018, amounted to RO0.295. The reason for this decline was attributed to the decline in the market value of the company's investments.

The Profits (loss) during the period:

The company sustained losses of R.O.19,297,195 for the year 2019 compared to losses of R.O.39,137,652 for the year 2018 to. As such, the loss per share amounted to 75 Baisa for the year 2019; whereas in 2018, the loss per share was 151 Baisa. The reduction in losses is attributable to a lower unrealized loss in the value of the financial assets through profit and loss in the year 2019 as compared to 2018, which amounted to R.O.19,541,486 as a result of a general decline in the MSM index in addition to a rise in finance cost.

Dear Shareholders,

As you know, the Company relies on a team working spirit that has enabled it to maintain a healthy level of assets as we work towards increasing and diversifying our asset base leading to a promising future. Accordingly, the Board of Directors would like to thank the Executive Management for the efforts made that have positively affected the results of the Company, and we hope for their continued efforts to achieve the Company's objectives, the Board's ambitions, and ultimately realize the goals of our shareholders.

The Company's Activities:

One of the objectives of the Company is initiating new investment opportunities inside and outside the Sultanate, whilst expanding the investments size and creating a balanced investment structure. The Company had developed its investment structure during previous years by focusing on the service sector, seeking to diversify its investments in this vital sector by exploiting available and promising opportunities. The Company is now seeking to reposition itself for future growth by restructuring its asset base and capital structure, benefiting from its capabilities to negotiate with local banks to achieve sustainable future cash flows that match the company's aspirations and ambitions. In that regard, the Board of Directors confirms its commitments to participate in all viable economic projects that will benefit the investors and generally serve the national economy, and to support projects serving the public interests throughout Oman and the region in general.

As a beginning of its restructuring plans, during the year 2019, the company was able to raise an amount of RO 25,018,396 through the issuance and private placement of unsecured subordinated non- convertible bonds with an issue value of 100 baizas per bond that was listed on the Muscat Securities Market (MSM) yielding an annual coupon of 9% payable every six months, and for a period of seven years, starting from the date of issue. The Company's success in placing this issue was due in no small part to our shareholders who have subscribed to it through a rights issue.

Future Vision:

The company operates in a changing environment, which is the environment of investments and market fluctuations. In order to reduce the negative impacts on its investments, the company aims to attract talents capable of advancing the company in the future to reduce the size of risks while preparing a strategic, organizational and investment plan in cooperation with an expert house aimed at restructuring the company moving forward. The company is constantly looking for strategic cooperation with large

and prestigious institutions in order to build strong strategic alliances through which Dhofar International's goals can be achieved in specific areas and with rewarding future returns.

The Board of Directors is committed to the realization of the stated objectives in a way that will enhance its performance and shareholder value.

Dear Shareholders,

We highly appreciate the shareholders' confidence in us to bear the responsibilities of this great institution, which motivates us to exert even more efforts to realize the overall goals. We also extend our appreciation and gratitude to the Board and its Committees' members for their active role and cooperation during the past period and we express abundant thanks to the Executive Management and the staff for their continuous efforts that enable the company to achieve high levels of success that we hope we will continue with this high vigor.

Finally, we wish our country continued safety and stability under the wise leadership and guidance of His Majesty Sultan Haitham Bin Tarik, may God protect him and prolong his life.

Khalid Bin Mustahail Al Mashani

Chairman

March 2020