Management discussion and analysis report

For the financial year ending on March 31, 2023

Overview

Al Madina Investment Holding Company SAOG (the parent company) was established as an Omani public joint stock company in 1996. The company's shares are listed and traded on the Muscat Stock Exchange. The company includes a large base of shareholders along with the participation of individuals and institutions from the Sultanate of Oman and other Gulf Cooperation Council countries.

The main activity of the company is establishing or participating in the establishment of projects in various economic sectors. The main objective of the company is to be a long-term strategic investor and to participate in the development of the activity and therefore add value to the companies in which it invests. The company represents the boards and various committees in the companies it invests in. The company's investments are centered in the Sultanate of Oman, and most of them are in the financial and services sector.

Local Economic Vision

The pandemic has caused significant disruption to business and has led to a downturn in the economy. The introduction of medium-term financial plans and the tenth five-year development plans is expected to promote sustainable human development, stimulate economic activity, expand the base of economic diversification, develop the economic environment, achieve financial sustainability and maintain economic diversification in various sectors.

The gross domestic product for the year 2022 recorded a noticeable increase compared to last year, according to preliminary data issued by the National Center for Statistics and Information, at a time when the economy continued to benefit from the rise in oil prices and the increase in the volume of non-oil revenues.

It is encouraging that the major international credit rating agencies have recently raised the credit rating of the Sultanate of Oman and reviewed the outlook. It is expected that Oman will be able to further improve its credit position and expectations through the implementation of its financial restructuring plan.

The credit rating agencies stressed upon the importance of continuing financial integration measures in order to overcome any negative effects that might be reflected on financial and economic stability due to the rise in oil prices.

According to the preliminary financial results for 2022, the Sultanate of Oman is expected to register a budget surplus of RO 1.15 billion for the first time since 2013, contrary to previous expectations of a budget deficit of RO 1.55 billion.

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At the same time, the Sultanate's budget for the year 2023 is estimated

Total revenues of OMR 10.05 billion and projected total public spending of OMR 11.35 billion, with a deficit of OMR 1.3 billion or approximately 3% of GDP based on an average oil price of $55 per barrel.

Industry structure and development

The company has a diversified investment portfolio and therefore does not depend on the performance of a particular company or an economic sector per se. The investment portfolio currently consists mostly of diversified ownership rights across different economic sectors, of which Omani companies represent the predominant part.

Company restructuring

The Board of Directors discussed and approved a study to restructure the company, which began by reducing the company's capital to amortize the accumulated losses until March 31, 2021. and the company's activity was changed to the activities of holding companies. In addition, the previous investment activities were terminated due to the economic circumstances the region is going through.

Furthermore, in continuation of the restructuring plan, the Board has taken a decision to merge with Shaden Development Company SAOC- one of the subsidiaries of the parent company- which owns a multi-use real estate project in the Al Hail region. This decision was also approved by your assembly that was held on December 26, 2021, as well as restructuring Islamic financing with Alizz Islamic Bank on the proposed scheduling plan and granting the company a repayment period starting after two full years to give the company an opportunity to pay some of the obligations incurred during the previous periods.

Subsidiaries

Al Madina Business Center LLC is one of the subsidiaries of the parent company, which rents offices for companies and individuals and is located in Muscat Grand Mall. During this year, the center was developed, the services for businessmen were increased and most offices were rented. This, in turn, has resulted in achieving revenues of RO 133,000 compared to the amount of 134 thousand Omani riyals from last year, and the company will continue the development plan for the business center and work to increase returns during the coming period.

During the previous year, **Shaden Development Company SAOC**, one of the subsidiaries of the parent company, was merged, and it owns a multi-use real estate project in the Al-Hail

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region, which includes housing units and their facilities as well as a 3-star hotel with a commercial complex.

The stages of development work have been completed, and it is expected soon that the trial operation will start during the coming periods.

Gulf Brand Trading Company SAOC is one of the subsidiaries of the parent company. During the upcoming period, the liquidation works for this company will be carried out as a result of the accumulated losses secondary to the Corona pandemic and the closure of restaurants.

Al Mithaq Al Raida Trading Company LLC is one of the subsidiaries of the parent company and it works in the field of health. Since the company has stopped practicing its activities during the past years and due to the accumulation of losses, secondary to the Corona pandemic, some medical devices have been sold to reduce losses. During the coming period the Board will prepare a study on the company's situation and the state of the market in the health field. Upon completion of this study, the Board will take a decision that is appropriate for the interest of the shareholders.

Financial and operational performance

The consolidated financial statements include the results of the parent company and its subsidiaries (together referred to as the Group). The financial statements of the parent company and the group have been presented in accordance with international accounting standards.

Income list

The Group

The Group recorded a net loss of RO 780.878 million compared to a net profit of RO 1.067 million last year.

The realized income amounted to 511,285 OMR, a decrease of 2%, compared to 522,325 OMR in the previous year.

The company's share in the profits of the associate companies decreased to RO 71,320 compared to RO 272,542 last year, and the basic loss per share amounted to 9 baizas compared to a profit of 13 baizas last year.

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Parent company

The parent company recorded a net loss of RO 780.878 million compared to a net profit of RO 1.067 million last year).

The realized income achieved from operating decreased by 1% to reach 441,850 OMR compared to 448,448 OMR in the previous year.

Expenses increased in general, reaching 558,776 OMR compared to 358,282 OMR last year, due to banks' expenses on restructuring loans.

Interest costs decreased by 25% to reach RO 489,961 compared to RO 657,243 last year due to the restructuring of loans with the bank.

Staff cost decreased by 15% to RO 101,656 compared to RO 119,017 last year.

Also, general and administrative expenses decreased by 43% compared to the expenses of last year, and operating expenses decreased by 59% during the year compared to last year.

The change in the fair value of financial assets through the income statement increased by 54% from last year to record a loss of RO 574,551 compared to a loss of RO 373,919 in the previous year.

The company recorded a change in the fair value of real estate investments amounting to RO 359,853 due to the improvement of the real estate market during the period, and recorded a basic loss of 9 Baizas per share compared to a profit per share of 13 Baizas in the previous year.

Statement of financial position

The Group

The Group's total equity was recorded at RO 9,251,526 (compared to RO 10,083,756 in the previous year) and the asset base increased to reach RO 21,366,670 compared to RO 21,261,581 last year.

Parent company

The Group's capital base reached RO 9,251,526 (compared to RO 10,083,321 last year) and the asset base increased to RO 21,367,386 compared to RO 21,280,339 last year.

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Investment Portfolio and Investment Strategy

The investment portfolio is diversified in various sectors of activity, most of which are in stocks or are stock-related. The company's investment strategy is long-term. The company has built a

portfolio of core long-term strategic investments in the services sector with good potential while focusing on the real estate sector as well.

The following is a summary of the large real estate investments made by Al-Madina Investment Holding Company:

The company has acquired about 6% of the paid-up capital of Tilal Development Company SAOC as a long-term strategic investment. Tilal Development Company is the founder of Tilal Complex, which represents a unique multi-use project located in the Al Khuwair area under the name "Muscat Grand Mall". The paid-up capital of Tilal Development Company is 18 million Omani Riyals and the net assets amounted to 42 million Omani Rials as of December 31, 2022.

Al-Madina Real Estate Company SAOC is the largest investment of Al-Madina Investment Holding Company in the real estate sector, in which it is a direct founding shareholder with about 18% of the capital of Al-Madina Real Estate Company. The paid-up capital and net assets of Al-Madina Real Estate Company amounted to RO 20 million and RO 24 million, respectively, as of December 31, 2022. Furthermore, Al-Madina Real Estate Company is one of the major founders of Tilal Development Company and owns 24% of its ownership rights. It also owns a group of projects, including a five-star hotel project in the heart of the capital near the Tilal project in which it owns a 35% stake and Al-Sahel neighborhood project was also launched, in which it owns a 50% stake in this project. In addition, the company plans to focus on providing development services for projects that can be owned by others.

Accounting policies

The accounting policies of the parent company and the group are in accordance with the International Financial Reporting Standards. The parent company and the Group follow a prudent and constant approach to accounting and in reporting its financial assets. The investments are listed at values equal to their percentage of net equity in the investee company.

The parent company's investments in subsidiaries and associate companies are also listed at values equal to their percentage of net equity in these companies.

Internal Control

The Board of Directors has established an effective internal control system in the company that achieves reasonable assurance of the efficiency and effectiveness of operations, examination and balance with regard to internal financial control and follow-up of compliance with

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regulations and laws. The internal control system is regularly monitored by the Board, the Audit Committee, the management team and the internal audit.

In addition, the parent company documents policies, procedures and controls for all operations. The Board also established a management structure in which tasks, responsibilities, and reporting lines were defined. All of these matters are clearly documented for all company employees to follow. The internal audit is carried out by one of the Omani audit institutions.

The company has a well-designed system for reporting to the management and the board. Furthermore, periodic reports are prepared and revised in order to evaluate performance in light of the budget and the level of performance in previous years. The financial information is prepared using appropriate accounting policies. Additionally, operational procedures and controls are designed to ensure the timely execution of transactions and the protection of assets.

Risks and Fears

In general, any investment carries some risk. We believe that the company's investment portfolio is sufficiently diversified with respect to the economic sectors to reduce the risks associated with any single investment. The company's investment in new projects involves the risk of declining performance, in the event as the performance of those participations may not be implemented as planned.

Expectations

The company's investment portfolio is sufficiently diversified to cover the main sectors of the national economy along with strengthening the real estate sector. As a consequence of the large planned investment by the government in the infrastructure sector and the demography of the population in the Sultanate of Oman, Al-Madina Investment Holding Company expects good opportunities in the real estate and related sectors. In fact, the companies in which Al-Madina invests are in a good position that enables them to benefit from this national economic prosperity, by God's will.

Khaled Mohamed Ebeid
Acting CEO

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