Chairman's Report

Dear Shareholders,

On my behalf and the Company's board of directors, I am pleased to congratulate **His Majesty Sultan Haitham Bin Tarik Al Said** on His Majesty's anniversary of assuming leadership of the Sultanate.

We are praying to the Almighty Allah to bring back this anniversary many years to come and grant His Majesty good health and happiness all along.

Despite all the setbacks and challenges resulted from the global Covid-19 pandemic and the decrease in the international oil prices in 2020, we are proud of the positive results we have achieved during the past year and happy in realizing the principle of responsibility towards the community, the shareholders and the employees for the service and interest of this great country.

On behalf of the Board of Directors, I am pleased to present the 17th Annual Report of your Company, together with the Audited Financial Statements for the year ended 31 December 2020.

FINANCIAL PERFORMANCE (RO'000)

	2020	2019	Inc /(dec)	Inc/(dec) %
Sales	**333,762**	465,914	(132,152)	(28%)
Cost of Sales	**(313,673)**	(438,829)	(125,156)	(29%)
Gross profit	**20,089**	27,085	(6,996)	(26%)
Other income	**4,907**	4,305	602	14%
Total expenses	**(24,133)**	(27,982)	(3,849)	(14%)
Net profit	**863**	3,408	(2,545)	(75%)

Earnings per share (RO)	**0.013**	0.049	(0.036)	(73%)
Book value per share (RO)	**0.599**	0.657	(0.058)	(9%)
Retained earnings(RO'000)	**30,032**	33,999	(3,967)	(12%)
Total equity (RO'000)	**41,336**	45,303	(3,967)	(9%)

HIGHLIGHTS

- Total sales during the year 2020 dropped to RO 333.8 million (2019: RO 465.9 million), a decrease by RO 132.2 million, i.e., by 28%. The decline in sales is mainly attributed to the reduction in economic activities & fall in demand due to the strict measures introduced by the Government to contain the pandemic.

▪ As a result of reduced economic activities, net profit dropped to RO 863 k (2019: 3,408 k), i.e., by about RO 2.5 million (75%) over 2019.

▪ Despite the exceptional circumstances that the Company went through, it made a profit in a challenging environment by following consistent policies that consider market variables.

▪ Through the planned action to achieve our objectives, your Company has increased its investments in marketing and digitizing fields to meet the present & future challenges. Your Company has expanded its stations to 235 stations, including commercial stations operated by the Company.

Also, your Company has continued its strategic growth by investing in a competitive environment while keeping in mind its high economic returns. The Company has signed several commercial contracts spanning 25 to 30 years.

▪ Your Company was able to enter the African market through the lubricants segment. The African market is considered as one of the promising markets.

MARKETING PERFORMANCE

Despite all the odds, we remained committed to protecting the interests of our customers, suppliers, and our employees and recorded some positive results on the way.

• **Retails segment:** Your Company secured prominent retail sites for new fuel and service centers, initiated new products and services viz., mobile stations.

A fuel station automation project has also started. The first phase of the project will be completed in mid-2021. This project will increase the efficiency and effectiveness of our operations and will enhance the performance of the internal control systems.

• **Commercial segment:** Due to the decrease in our main commercial customers' consumption, the commercial sector's growth has been affected due to the reasons mentioned earlier and due to the business slowdown.

However, your Company won the much-expected strategic long term PDO project reflecting our total commitment to customer satisfaction and the trust we built with PDO over the years. Further, your Company also secured major commercial contracts viz., Musandam Power Company, Salalah Port, and others.

Your company aims and strives to improve its performance by focusing on new opportunities.

• **Aviation segment** is the most affected segment due to pandemic as many flights were grounded and restriction on incoming flights with the closure of Muscat International airport, almost throughout the year since the pandemic breakout.

Sales growth in this sector is expected to increase with the return of airport traffic, and the increase in passenger numbers.

• **Lubricant segment** posted positive growth during the year due to improved marketing of Petronas products & Al Maha brand lubricants, which have gained popularity in the market.

• **NFR (Non-Fuel Retailing) segment** has been accorded the highest priority. Redesigning of C Stores, Commercial buildings, and adopting a new business model for NFR business have been evolved to fully capitalize on the growth opportunity it offers to support our retail business.

DIVIDEND

Due to the economic challenges surrounding the prevailing Covid-19 situation, the Board of Directors has proposed not to distribute any dividend for the year ended 31 December 2020 (2019: RO 4,830,000, representing 70% of share capital).

CORPORATE GOVERNANCE

Our corporate philosophy on Corporate Governance has been to ensure fairness to the Stakeholders through transparency, full disclosures, empowerment of employees and collective decision making.

The Corporate Governance Report highlighting these endeavors has been incorporated as a separate section, forming part of the Annual Report.

SOCIAL RESPONSIBILITY

Contribution towards society and working for the Society's welfare forms part of the core corporate values of your Company.

During the past year, the Company launched many programs within the framework of social responsibility; the most prominent being the financial contribution to the Government's efforts to fight the Covid-19 and the support of several charitable institutions.

HSE

Health, Safety, Security, and Environment are the indispensable constituents of our activities. Your Company strives to improve personal and process safety by continuous monitoring and effective management. The target is to achieve zero occupational incidents, and the primary focus is laid on the Safety Management System.

FUTURE OUTLOOK

Despite the difficult challenges that the Company witnessed during the year 2020, your Company seeks to follow and develop its main strategies to increase the Company's market share by focusing on customers and their needs and remain optimistic about overcoming the consequences of the pandemic in the near future and exploiting available opportunities to expand our customers base.

Your Company also continues to focus on expanding the retail network across the Sultanate and on operational excellence to keep pace with the requirements and modern consumer lifestyle.

Although the fuel station business is gaining importance with the availability of additional services such as express shopping and various restaurants, your Company has endeavored to implement the Automation System in fuel stations to keep pace with the development in the field of technology and achieve the desired goals providing effective solutions to all of our customers in all sectors, and besides, reducing effort, time and money, in the framework of facilitating and accelerating the Company's operations

Chairman's Report (continued)

ACKNOWLEDGEMENT

On behalf of the Board of Directors and Executive Management, I take this opportunity to express our most sincere gratitude and loyalty **to His Majesty Sultan Haitham bin Tarik** and his efforts in continuing the legacy of **His Majesty Sultan Qaboos** towards a prosperous Oman.

We thank the Ministry of Commerce, Industry and Investment Promotion, Ministry of Energy and Minerals, OQ Refineries, our shareholders, customers, the officials of Capital Market Authority and Muscat Securities Market for their valuable and continued support and co-operation. We also appreciate the dedicated and committed service of our staff members.

Juma Ali Al Juma Al-Juma
Chairman
22 February 2021