Board of Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 15 th Annual Report of your Company, together with the Audited Financial Statements for the year ended 31 December 2018.

Financial Performance (RO'millions)

	2018	2017	Inc. /(dec.)	Inc. /(dec.) %
Total Revenue	**488.7**	431.7	57.0	13%
Cost of Sales	**(458.6)**	(402.2)	56.4	14%
Gross Profit	**30.1**	29.5	0.6	2%
Other income	**0.5**	0.5	-	-
Total expenses	**(25.5)**	(25.0)	0.5	2%
Net Profit after tax	**5.1**	5.0	0.1	2%

Shareholders' value:				
Earnings per share – RO	**0.074**	0.073	0.001	1%
Book value per share – RO	**0.668**	0.718	(0.050)	(7%)
Net equity (RO'Mlns)	**46.1**	49.5	(3.4)	(7%)

- During this Financial Year, Your Company achieved total revenue of RO 488.7 millions in 2018, compared to RO 431.7 million in 2017, an increase of RO 57 million, by 13%, driven mainly by the increased domestic fuel prices during the year.

- Net profit increased to RO 5.1 million, mainly due to the impact of adaption of IFRS9 effective from 01 January 2018, on the impairment of receivables, and on account of improved performance by the Aviation & lubricant segments.

- Book value per share & net equity decreased by 7% over 2017, due to the decrease in Retained earnings as at 01 Jan 2018 on account of changes in the accounting policies resulting from the adoption of "IFRS 9" which brought fundamental changes in the accounting for financial assets. The impact of these changes in accounting policies as at 01 Jan 2018 has resulted in the decrease of Retained earnings by RO 4.1 million.

Oil prices recovered during the year and reached a three year high, crossing the $80 per barrel for the first time in three years, before falling sharply in the later part of the year. The increase in oil prices as predicted by the Government in its Budget 2019 and the expansion of the non-oil economy is expected to improve the macro economic outlook of the Sultanate. Your company continues to drive value across our operations, while meeting the challenge of changing market conditions.

MARKETING PERFORMANCE:

Retail segment continues to be our main revenue source, with a vast & robust network of 218 retail outlets spread across the length and breadth of Oman.
Continuing retail expansion programme, with customer-centric approach in operations, 13 new retail outlets were commissioned during the year and further 5 outlets are under various stages of construction, which will be opened to public in early 2019.
Retail Team is working consistently towards improving the round the clock product offerings to its customers to promote customer loyalty through the promotion and sale of fuel by the usage of fuel card and banks cards in all our retail outlets, adding convenience to Customer and boosting our efforts to maximize cashless transactions.

Our 'fully equipped 24*7 call centre', providing customer support, has also contributed to the successful operation and to the improved association with our customers.

Commercial segment continues to be affected by low demand environment especially in the construction & infrastructure sector. Commercial business remains highly competitive and price sensitive, where superior product delivery and prompt service plays a major role in customer retention & growth.

Aviation segment, benefitting from the growth in the tourism industry and surge in passenger traffic has experienced significant growth during the year. Further, increase in the international selling prices, increased supplies to one major customer and commercial airlines operating in the Muscat International airport, have also boosted our performance in this segment.

Lubrication segment, also showed significant growth during the year, due to securing of new contracts, introduction of new products and services viz., high street sales etc.

Market share

Based on the information published in the financial results of the other petroleum products marketing companies, your Company's market share in 2018 stood at 30%.

DIVIDEND

In line with our consistent dividend policy of maintaining a sustainable dividend payment, the Board of Directors has recommended a cash dividend of RO 0.070 per share amounting to %70 of share capital, against 2018 profit, subject to the approval of the shareholders' Annual General Meeting, to be held on 17 March 2019.

Your Company has been continuously paying dividend for the last 14 years and below chart shows the dividends declared since 2013:

	2018	2017	2016	2015	2014	2013
Cash dividend :						
RO million	4.830	4.485	6.900	6.900	7.590	6.900
% of share capital	70%	65%	100%	100%	110%	100%

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 endeavours has been incorporated as a separate section, forming part of the Annual Report.

Social responsibility & HSE

At Al Maha, we continue to deliver the energy the country needs, and in doing so, we also consider the impact of our operations on local economies, communities, and the environment. Our approach to Social responsibility is focused on key areas like Safety at workplace, Environmental protection, Community engagement, local development and economic needs of the communities in which we operate. During the year several schemes were launched and special assistance were given to the needy.

HSE continues to remain our top priority as we continue to engage in implementation of best practices, considering the critical nature of our operations. During the year we engaged an external safety consultant to audit our HSE practices, which helped us to focus on the required improvements to mitigate risks.

Future Outlook

Low oil prices represent a real challenge to our business. We continuously review and test our business feasibility & Strategic Business plan taking in to account all the opportunities and risks surrounding our business. Liquidity crunch in the market also affects our Cash flow management issues leading to increased cost of operations.

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 Qaboos Bin Said who has been providing ideal political, economic and financial framework for all the sectors of the economy to flourish.

We thank our shareholders, customers, the officials of Capital Market Authority and Muscat Securities Market for their valuable support and co-operation. We also appreciate the dedicated and committed service of our staff members.

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Juma Ali Juma Al-Juma
Chairman
19 February 2019