Chairman's Report

Dear Shareholders,

At the outset, we express our deepest & sincere condolences to the people of Oman on the passing away of our beloved leader, "Father of the Nation", **His Majesty Sultan Qaboos Bin Said Bin Taimour**, may Almighty Allah rest his soul in peace, who spearheaded the growth of Oman for nearly half a century, with his vision & wisdom and provided ideal political, economic and financial framework for all the sectors of the economy to flourish.

On behalf of the Board of Directors, I am pleased to present the 16th Annual Report of your Company, together with the Audited Financial Statements for the year ended 31 December 2019.

FINANCIAL PERFORMANCE (RO'000)

	2019	2018	Inc /(dec)	Inc/(dec) %
Sales	**465,914**	487,915	(22,001)	(4.5%)
Cost of sales	**(436,603)**	(458,621)	(22,018)	(4.8%)
Gross profit	**29,311**	29,294	17	0.1%
Other income	**2,079**	1,960	119	6%
Total expenses	**(27,982)**	(26,105)	1,877	7%
Net profit after tax	**3,408**	5,149	(1,741)	(34%)

Shareholders' value:				
Earnings per share (RO)	**0.049**	0.075	(0.026)	(34%)
Book value per share (RO)	**0.657**	0.677	(0.020)	(3%)
Net equity (RO'000)	**45,303**	46,725	(1,422)	(3%)

HIGHLIGHTS

▪ Total sales during the year 2019 reached RO 465.9 million (2018: RO 487.9 million), a decrease by RO 22 million i.e., by 4.5%, mainly due to decrease in retail sales value by 4%, Commercial sales by 13%, despite 10% increase in aviation sales segment.

▪ Net profit decreased by RO 1.7 million (34%) over 2018 due to increase in total expenses by 7% mainly on account of increased allowance for expected credit losses as per IFRS 9, increase in depreciation costs mainly related to opening of 9 stations during the year & impairment of MAF depot assets, increase in maintenance costs, aviation technical fees and finance charges.

MARKETING PERFORMANCE

Low oil price environment continued during the year affecting the revenue growth of major sectors of the economy.

Retail Segment

Despite the continuous increase in investment in Retail segment, low demand environment & consequent decline in the automobile industry saw reduced activity at our fuel stations.

During the year, 9 more retail outlets have been opened taking the total number of filling stations to 226.

We continue to focus on expansion of retail network by exploring new sites for potential development and allocating budgetary resources to automate our retail stations and improve customer facilities & ambience at our stations.

Commercial Segment

The decreased consumption by our major customers in the industrial and construction sector affected the growth of Commercial segment. Further, low spending on infrastructure development activities also restricted the demand for our products.

Despite stiff competition and challenging business dynamics, we aim to improve our performance by focusing on new opportunities being created by the newly secured projects.

Aviation Segment

The Aviation business continued to maintain its positive growth mainly due to increased fuel supplies to Oman Air & other major customers.

Significant increase in the influx of passengers and travellers registered in the Muscat International airport as a result of strong growth of Tourism sector is expected to further contribute to the aviation sales growth.

MARKET SHARE

Based on the information published in the financial results of the other petroleum products marketing companies, your Company's market share at the end of year 2019 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 **Bzs 0.070** per share amounting **RO 4,830,000** representing **70%** of share capital, subject to the approval of the shareholders' Annual General Meeting.

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.

Corporate Strategy and Risk Management department has been set up during the year to explore new strategic opportunities across the value chain to enhance efficiencies, and track strategy implementation throughout the organization.

SOCIAL RESPONSIBILITY

Contribution towards the society and working for the welfare of the Society forms part of the core corporate values of Your Company.
During the year several schemes were launched and special assistance were given to the needy.

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 challenging environment, your Company is focused on the development of the key business strategies & optimistic about the future opportunities being created by expansion of road networks, new highways, new ports development & development of new residential areas with the general increase in population.

Chairman's Report (continued)

Your Company continues to focus on the expansion of retail network across the country and operational excellence to cater to the changing patterns of consumer behavior. Petrol stations are gaining importance as centres for additional retail services, such as fast-moving consumer goods shopping and food corners. The ever-increasing life dynamics, less & less time available, growing diversification of the consumers' needs and more and more investments in the automation technology have a strong impact on the retail sector.

We are fully committed to the need of the hour i.e. to integrate new technologies like digitalization, operation automation, fully integrated ERP, backed up by innovative processes, to provide efficient solutions for all our customer segments & businesses.

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 Tariq** and his efforts in continuing the legacy of His Majesty Sultan Qaboos towards a prosperous Oman.

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 Al Juma Al-Juma
Chairman
12 February 2020