# Board of Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 14 th Annual Report of your Company, together with the Audited Financial Statements for the year ended 31 December 2017.

**FINANCIAL PERFORMANCE (RO'millions)**

| | 2017 | 2016 | Inc. /dec. | Inc. /dec.% |
|---|---|---|---|---|
| **Sales** | **430.5** | 402.2 | 28.3 | 7% |
| Cost of Sales | **(402.2)** | (372.8) | 29.4 | 8% |
| **Gross Profit** | **28.3** | 29.4 | (1.1) | (4%) |
| Other income | **1.8** | 1.9 | (0.1) | (5%) |
| Total expenses | **(25.1)** | (23.2) | 1.9 | 8% |
| **Net Profit after tax** | **5.0** | 8.1 | (3.1) | (38%) |

| **Shareholders' value:** | | | | |
|---|---|---|---|---|
| Earnings per share – RO | **0.073** | 0.118 | (0.045) | (38%) |
| Book value per share – RO | **0.718** | 0.745 | (0.027) | (4%) |
| Net equity (RO'Mlns) | **49.5** | 51.4 | (1.9) | (4%) |

Your Company has achieved Sales from operations of **RO 430.5** millions in 2017, compared to **RO 402.2** million in 2016, an increase of RO 28.3 million (7%).

The slowdown in economic activity due to low oil prices and fuel price reforms that were introduced in early 2016, have impacted fuel demand growth in 2017 and affected growth of our sales volume, which decreased by about 10% in 2017 compared to the year 2016. However, sales growth in terms of sales value has increased by 7%, due to higher domestic fuel prices in 2017.

Net profit decreased to RO 5 million in 2017 from RO 8.1 million in 2016 registering a drop of RO 3.1 million (38%), mainly due to the decrease in sales volume as mentioned above and increase in impaired receivables provisions due to the effect of current economic position on our customers, as Your Company adopts cautious and prudent approach. Further, Your Company gave priority to the maintenance of filling stations, which caused increase in maintenance costs in this year.

On the other side, Cash-flow from Operating activities has improved and registered a positive growth of RO 23 million during the period, mainly on account of improved collections from our major customers.

## MARKETING PERFORMANCE:

**Retail segment,** continue to be the major contributory of our revenue stream.
During 2017, 6 new retail filling stations were commissioned and the total retail outlet network after the annual addition stood at 206 at the end of 2017. Work is in final stages in another 13 new sites, which are expected to be commissioned in first half of 2018, that would boost our performance in the retail segment. Many customer-centric initiatives were launched during the year namely, enhanced fuel cards/ bank cards system, improvement in communication with customers through well established 'Al Maha Call Centre' solution.

**Commercial segment** – Your Company is a major player in the direct commercial business-line, which handles Gasoil bulk sales to the various economic sectors namely, Construction sector, Electric power plants, Desalination plants and transportation sector. During the year, Your Company secured a prestigious 10 year contract from MWASALAT to supply fuel to all its fleet of vehicles. Fierce competition and low demand from the construction & infrastructure customers have slowed down the growth of this segment in 2017.

**Aviation segment**
Aviation segment registered positive growth during the year. Strategic initiatives undertaken during the year viz., new business agreements/ renewals with existing airlines, leveraging relationship with commercial partners etc. have all contributed to the growth in this business segment. Further, increase in the international selling prices, increased supplies to one major customer and commercial airlines operating in the Muscat International airport also boost our sales in this segment.

### Market share

Based on the information published in the financial results of the other petroleum products marketing companies, your Company's market share in 2017 stood at 31%.

## 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 65 per share amounting to 65% of share capital, against 2017 profit, subject to the approval of the shareholders' Annual General Meeting.

Your Company has been continuously paying dividend for the last 13 years and below chart shows the dividends declared since 2012 :

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| **Cash dividend :** | | | | | | |
| RO '000 | 4,485 | 6,900 | 6,900 | 7,590 | 6,900 | 6,210 |
| % of share capital | 65% | 100% | 100% | 110% | 100% | 90% |

## Corporate Governance

Your Corporation continues to adopt the best practices of Corporate Governance to ensure transparency, integrity and accountability in its functioning. The corporate Governance Report highlighting these endeavours has been incorporated as a separate section, forming part of the Annual Report.

## Social responsibility & HSE

As a good corporate citizen, Your Company is committed to sustainable development, with great importance accorded to Social Responsibility, Health, Safety, Security and Environmental care. During the year, Your Company provided support to various charitable events.

## Future Outlook

Steady recovery of global oil prices is imperative for a sustained and balanced growth of the economy. The recovery of oil prices during the later part of the year has provided an impetus to the Oil & Gas sector.

The Oman Oil Refineries and Petroleum Industries Company (ORPIC) has now announced the opening of its new fuel depot at Jiffnain, which is expected to be fully operational by mid of I st Quarter 2018. Further, ORPIC has initiated a new Contract in replacement of the existing one, with new terms & conditions, which is still under negotiation.

The government has been introducing series of measures designed to improve the business environment and facilitate private sector growth. Your Company is continuously monitoring these emerging trends in the market place, as well as the continuously evolving customer preferences. These are continuously analysed for developing and implementing strategic initiatives, repositioning of our products and services as per the evolving market needs along with a sustained effort to make the best use of technology to engage customers in innovative and impactful ways.

## 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 and customers and 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.

**Juma Ali Al Juma Al-Juma**
**Chairman**
08 February 2018