Final 26/2/17

Board of Directors' Report

On behalf of the Board of Directors, I am pleased to submit the annual report of Al Maha Petroleum Products Marketing Co. SAOG, to you for the year ended 31 December 2016.

Overview

The year 2016 turned out to be a year of extreme challenge, not only for Oman, but for many of the oil exporting nations. As countries across the GCC faced revenue pressures due a lower oil price environment, Oman balanced reduced public spending with economic diversification efforts, to keep growth on a positive path.

Your Company's performance was also affected by the prevailing turbulent economic environment. Removal of fuel subsidy in early 2016, has resulted in a decline in the demand for our products by 4%, in line with the industry average decline and against annual growth of 5% to 6% prior to subsidy cut. Further, the change in the consumer behavior from Super (M95) to Regular (M90/M91), also affected our revenue and margin stream.

Despite decrease in sales volume by 4% due to decrease in demand, total sales value for the year 2016 has increased by RO 53 million (15%) mainly due to increase in the domestic fuel prices due to redundancy of subsidies effective from mid Jan 2016.

The net profit recorded in 2016 stood at RO 8.1 million registering a decrease of 12% over 2015, mainly due to the increase in Operating & administration expenses and Finance charges in 2016.

As a result of drop in the net profit, earnings per share have decreased to RO 0.118 in 2016, compared to RO 0.133 in 2015.

Total equity has increased to RO 51.4 million at the end of 2016 from RO 50.2 million at the end of 2015, registering a growth of 2%.

Major developments during the year

Retail segment recorded a growth of 15% in sales value during the year mainly due to increase in domestic fuel prices from mid Jan 2016, despite drop in product demand mainly in the border areas. 7 new filling stations were opened to the public in 2016, taking the number of filling stations at the end of 2016 to 200, with another 7 filling stations in various stages of construction.

Commercial segment registered an impressive growth of 24% in terms of sales value during the year due to the increased demand from the public utility sector and other major customers coupled with the increase in domestic fuel prices from mid Jan 2016.

Aviation segment grew up further during the year due to increased fuel supplies to Oman Air & other commercial airlines operating in the Muscat International airport. However, the drop in average international aviation fuel prices in 2016 compared to the year 2015, caused decrease in aviation sales value by 11%.

Market share

Based on the information published in the financial results of the other petroleum products marketing companies, your Company's market share in 2016 stood at 33%.

Future plans

With the upward momentum resulting from a modest recovery in oil prices in the later part of 2016, combined with the effects of ongoing reform efforts and strategies aimed at enhancing non-oil activity, economic activity is projected to pick up pace in 2017 and beyond. We have been committed and shall remain so for managing the risks of the business and planning future growth of your Company to ensure maximum value creation for all our stakeholders.

Dividend

In line with our consistent dividend policy of maintaining a sustainable dividend payment, which will address the financial strength of the Company, support its long term strategies and at the same time, will pay a reasonable dividend to the shareholders, the Board of Directors has recommended a cash dividend of 100 %of share capital (Baiza 100 per share) against 2016 profit, subject to the approval of the shareholders' Annual General Meeting.

Below are the dividends declared since 2011 :

	2016	2015	2014	2013	2012	2011
Cash dividend : RO '000 % of share capital	6,900 100%	6,900 100%	7,590 110%	6,900 100%	6,210 90%	5,865 85%

Social responsibility & HSE

We manage our business in a way that promotes social, environmental and economic benefits for our stakeholders. We provide financial & in kind support to various local charitable associations and comprehensive welfare facilities to our employees to take care of their health, economic betterment, social status, etc., and to enable them to give their best at the workplace. Given the nature of the oil industry and the particular challenges of many of the working locations, we are committed to the highest "Health, Safety and Environment (HSE) standards.

Acknowledgement

On behalf of the Board of Directors, 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 for their continued support. We extend our thanks to 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
____February 2017