Chairman's Report

Dear Shareholders,

On my behalf and the Company's board of directors, I wish to congratulate **His Majesty Sultan Haitham Bin Tarik Al Said** on His Majesty's third anniversary of assuming leadership of the Sultanate and guiding us in the path of progress.

It is my pleasure & privilege to present the 19th Annual Report of your Company, together with the Audited Financial Statements for the year ended 31 December 2022, and share the highlights for the year.

The prices of crude oil -a major growth driver for the economy- have increased after the start of the Russian-Ukrain war in February last year and have remained elevated almost throughout the year. Increased crude prices have significantly boosted business activities and the economy, thereby accelerating the economic progress in the country and the region.

Your Company has strategically repositioned itself to meet the changing customer preferences in the Post Covid period, expanded the customer reach capabilities with customer-centric initiatives, and capitalized on the new business opportunities that arose during the year.

As a result, your Company has recorded an impressive performance by recording a growth of:

a) **32%** in sales (RO 492.7 million in 2022 against RO 372.5 million in 2021)
b) **124%** in net profit (RO 6.192 million in 2022 against RO 2.760 million in 2021).

FINANCIAL PERFORMANCE (RO'000): -

	2022 (RO'000)	2021 (RO'000)	Inc /(dec)	Inc/(dec) %
Sales	**492,731**	372,484	120,247	32%
Cost of Sales	**(465,237)**	(350,067)	115,170	33%
Gross profit	**27,494**	22,417	5,077	23%
Other income	**4,949**	4,396	553	13%
Total expenses	**(26,251)**	(24,053)	2,198	9%
Net profit	**6,192**	2,760	3,432	124%

Earnings per share (RO)	**0.090**	0.040	0.050	124%
Book value per share (RO)	**0.689**	0.639	0.050	8%
Retained earnings (RO'000)	**36,224**	32,792	3,432	10%
Total equity (RO'000)	**47,528**	44,096	3,432	8%

HIGHLIGHTS: -

▪ Total sales during the year 2022 reached the record level of RO 492.7 million (2021: RO 372.5 million), an increase of RO 120.2 million, i.e., by 32%. The increase in sales is mainly attributed to the recovery in economic activities, the increase in selling prices, and the increase in fuel demand at border stations and airports.

▪ As a result of increased sales, net profit reached RO 6.192 million (2021: 2.760 million), i.e., an increase of RO 3.432 million (i.e., 124%) over 2021.

▪ Earnings per share is also increased to RO 0.090 in 2022 compared to RO 0.040 in 2021, an increase of RO 0.050 (i.e.,124%).

▪ Book value per share increased from RO 0.639 in 2021 to RO 0.689 in 2022, a growth of 8% due to the increase in net profit in 2022.

▪ Total equity also increased to RO 47.5 million in 2022 from RO 44.1 million in 2021, registering a growth of 8%.

SEGMENT PERFORMANCE: -

• Retails Segment

The retail sales segment is the primary revenue driver, accounting for almost 71% of our business in 2022.

A new fuel station was opened during the year, bringing the total number of service stations to 239. In addition, the Company opened new convenience stores and other service centers to enhance the retail sector's business, develop non-fuel revenues, and meet the increasing demand for these services.

Retail sales witnessed a remarkable improvement this year compared to the previous year. Sales volume has increased by 21% due to the increased sales in border fuel stations and the gradual increase in demand as many supporting businesses gradually returned to normalcy. Further, the successful Khareef season also boosted sales performance during the period.

In Dec 2022, your Company has successfully opened its first branch in Dammam, Kingdom of Saudi Arabia to construct and operate fuel stations in the country and participate in the growing retail market in the Kingdom.

• Commercial segment

The commercial segment is the second-largest business for the Company, accounting for about 17% of the total revenue in 2022. This sector is very competitive in the prices offered to customers, and diesel fuel is the main product of this sector. Commercial sales are highly affected by infrastructure projects, oil extraction, and power production, which require high efficiency in delivery.

The sales volume of this sector has decreased by 7% compared to the previous year due to the decrease in demand by power-generating companies. However, despite the decline in power sector sales in general, the other sectors witnessed a remarkable improvement during the year, such as oil and gas and infrastructure.

• Aviation segment

Aviation sales volume has increased significantly by 91% compared to last year as the tourism & hospitality industry returns to more pre-pandemic. Oman Air and other major airlines have resumed their services to many destinations, contributing significantly to the sales growth during the year.

The Company also won the prestigious contract with Oman Airports to manage the fuel farm at Muscat International Airport for five years starting from January 1, 2023, which reflects confidence in the Company's operational and technical capabilities to manage international aviation operations.

• Lubricant segment

Despite the challenging external environment, the lubricants segment witnessed positive growth due to improved marketing tools and expanding the Company's business in this sector to other countries.

• NFR (Non-Fuel Retailing) segment

Non-Fuel Retailing continues to be a high-priority area. The Company focuses on redesigning convince-stores and constructing/developing commercial buildings in the fuel outlets to fully capitalize on the growth opportunity it offers to support our retail business.

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 **85** (2021: Bzs 40) per share, amounting to RO **5.865** million (2021: RO 2.760 million) representing **85%** (2021: 40%) of share capital, subject to the approval of the shareholders' Annual General Meeting to be held on 21 March 2023.

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: -

Your Company is committed to the communities around it and through various CSR programs. During the past year, the Company launched many programs within the social responsibility framework and supported several charitable institutions and non-profit organisations serving the country.

QHSE: -

The Company is committed to conducting business with a robust Quality, Health, Safety, and Environmental conscience, ensuring sustainable development, safe workplaces, and enrichment of the quality of life of its employees, customers, and the community as a top priority. Compliance with Quality, Health, Safety, and Environment systems, procedures, and laws is monitored at the unit, division, and corporate levels. The QHSE activities of the Company are reviewed periodically in Board meetings.

The achievement of Quality (ISO 9001), Health & Safety (ISO 45001), & Environment (ISO 14001) certificates are a witness of consciousness on all levels of the importance of commitment to the guidance of the Quality, Health, Safety & Environment. In addition, during the year, Quality, Health, Safety & Environment audits were carried out at various offices, projects, operations, and locations.

Various training programs were conducted across the corporation covering Quality, Health, Safety, and Environment -related topics.

FUTURE OUTLOOK:-

Risks still surround the global economy, which has not yet recovered from the consequences of the Covid-19 pandemic. These risks increased after the start of the Russian-Ukrainian war in February 2022. This war affected the demand and supply balance for essential commodities such as energy and food. In addition, Central banks are also trying hard to curb inflation by raising interest rates.

The Sultanate's Government has built its budget for 2023 on the basis that the average price of oil per barrel will be $55. The Sultanate's budget also aims to achieve economic growth of 3%, keeping inflation prices within reasonable limits through continued government support for fuel, energy, and other basic commodities and raising interest rates.

Despite the geopolitical and economic risks, expectations indicate that the average global oil price in 2023 will be above $80 per barrel. In addition, the government's efforts are continuing to control inflation through its support for essential commodities, and it is also continuing to implement the fiscal balance plan. Accordingly, the Company will take advantage of emerging opportunities in the changing business environment per its strategy.

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 toward a prosperous Oman.

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

Dr. Saif Salim Saif Al-Harthi
Chairman
16 February 2023