

30 Jun 2022	DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2022	
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Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Directors report on the performance of Galfar Engineering & Contracting SAOG ('the Parent Company') and its subsidiary and associated companies (collectively 'the Consolidated Group') for the period ended 30 June 2022:

	Parent Company (RO '000s)		Consolidated (RO '000s)	
	Jun 2022	Jun, 2021	Jun 2022	Jun, 2021
Revenue	72,877	97,964	78,485	103,803
EBITDA	7,377	9,669	7,232	9,144
Operating profit / (loss)	3,150	4,307	2,358	3,142
Profit / (loss) before tax	1,737	2,626	799	1,361
Net profit / (loss) after tax	1,737	2,626	799	1,361

Operations

For the period ended Jun 2022, the Parent Company achieved a net profit of RO 1.73 million compared to a net profit of RO 2.62 million for the same period last year.

The company has shown an improved financial position supported by a robust order backlog with stable operating profit but impacted by some margin pressure. The parent company can sustain a positive margin due to various initiatives taken by the Company as part of its turnaround strategy to re-organize, improve projects performance and implement stringent cost controls. The positive bottom-line results came despite various challenges, such as a drop in revenues by approximately 26% compared to the same period last year, a reduction in the scope of work, and cash flow constraints due to late receipt of payments.

By 30 Jun 2022, the Parent Company has certified overdue receivables of more than RO 20 million. Majority of which is related to transport projects completed long time ago and still waiting completion of formalities to release the payments. The delay in receiving the overdue amounts continue to exert significant strain on the Company's cash flow, which resulted in additional finance costs and suboptimal execution of other works.

For the period ended Jun 2022, Galfar has received new project awards worth RO 186 million. Despite the economic situation and reduced spending on public projects, Galfar continues to maintain a significant projects pipeline of RO 538 million. Within this order book, the company is still waiting to receive the commencement order for projects awarded in previous years, such as the Dualization of Haima-Thumrait Package-4 Project (Awarded July 2020) and Wadi-Alyen Water Network Project (Awarded July 2019), for which commencement orders continue to be delayed.

The company continued to explore opportunities to reduce operating expenses to maintain market competitiveness and improve the financial results while strengthening the Company's financial position. Company resources are optimized continuously to align with the financial situation, and the Company successfully reduced its costs considerably.

Our subsidiary companies in Oman, which include Aspire Readymix, Aspire Projects, and Al Khalij Heavy Equipment, have improved their financial performance as the total losses reduced to RO 0.864 million for the period ended Jun 2022 compared to losses of RO 1.217 million for the same period in 2021. Our associate company in Kuwait made a loss of RO 0.072 million for the year ended March 2022 compared to a loss of RO 0.038 million for the same period in 2021. The Parent Company continues to make above 90% of the entire Group Business.

## **Future Outlook**

The Company is determined to turnaround and improve its financial performance with a continued focus on implementing the Company's turnaround strategy six priorities, including Restructuring & Reorganization, Efficiency & Cost Savings, Financials & Liquidity, Diversification & Capability, Technology & Innovation, and Public Relations & Stakeholder Management.

As flagship for Oman's contracting and engineering business, Galfar is looking forward to building on its strength, supporting the Government and local market endeavors for economic growth, and pursuing significant development and infrastructure projects across various sectors. After a significant contraction in the last two years, Oman's economic improvements were more noticeable in the second quarter than in earlier years. There are continued major government expenditures on Infrastructure and tourism. In the longer term, we remain optimistic and can see good opportunities. It is anticipated to make a positive recovery over the coming years, propelled by the higher oil prices compared to earlier years, which will continue in 2022 and beyond; we expect Government spending on development and infrastructure projects to grow further.

The Company continues to explore avenues to strengthen the company's financial position in a challenging and highly competitive economic environment. As part of the company's turnaround strategy, ongoing measures to control manpower and overhead expenses and improve project execution efficiencies are poised to reduce overall cash outflow and improve the operating financial results in 2022. Going forward, it is expected to maintain a solid project pipeline with a significant number of tenders under evaluation across a diverse array of sectors and clients. We reasonably expect to be successful in a number of those which will ensure stability and sustainability of our strong market position.

In addition, Galfar has continued diversification opportunities in Construction Technology, Energy, Minerals, and other sectors that will provide long-term sustainability and growth for the Company in the future.

Galfar is proud to be one of the top employers in Oman, with more than 3,300 Omani staff. This unique achievement requires specific strengths to serve a wide range of clients and networks. The company will continue developing its staff capabilities and knowledge across different business segments by providing the right opportunities and training programs.

Galfar shall continue its crucial role as a true partner in the development and as a company of national interest through its well-established local capabilities, through its vast efforts to develop and employ Omanis in one of the most challenging sectors, through its collaboration with the wide local supply chain and various SME(s), and through its corporate social responsibility programs.

## **Gratitude & Appreciation**

We express our sincere appreciation and gratitude to the Government under the wise leadership of His Majesty Sultan Haitham bin Tariq, and for all the efforts the Government made to affirm the Country's fiscal position. Galfar has been instrumental in developing Oman's infrastructure and various national objectives over the past five decades and is determined to continue so in the future.

As closing remarks, we would like to take the opportunity to thank all our esteemed stakeholders for their continued support and trust in Galfar. Our sincere appreciation and recognition also to the entire Galfar workforce who are driving the results achieved and the transformation being at the forefront of Galfar operations across the Country.

**Majid Salim Said Al Fannah Al Araimi**  
**Chairman**