

# SHELL OMAN MARKETING COMPANY SAOG



## DIRECTORS' REPORT FOR THE PERIOD ENDED 30<sup>TH</sup> SEPTEMBER 2019

The Board of Directors in its meeting held on October 24<sup>th</sup>, 2019 approved the Company's unaudited financial results for the period ended September 30<sup>th</sup>, 2019.

### SUMMARY FINANCIALS

In OMR'000

	Quarter			9 Months		
	Q3/19	Q3/18	%	2019	2018	%
Revenue	136,567	141,531	(3.5%)	389,890	397,744	(2.0%)
<b>Gross profit</b>	<b>10,216</b>	<b>9,283</b>	<b>10.1%</b>	<b>27,330</b>	<b>27,560</b>	<b>(0.8%)</b>
Add: Other income	1,725	1,442	19.6%	4,838	4,508	7.3%
Less: Selling, distribution and administrative expenses	(7,187)	(6,838)	5.1%	(21,055)	(21,050)	0.0%
Less: Financing and taxation	(1,012)	(747)	35.4%	(2,754)	(1,953)	41.1%
<b>Profit and comprehensive income</b>	<b>3,742</b>	<b>3,140</b>	<b>19.2%</b>	<b>8,359</b>	<b>9,065</b>	<b>(7.8%)</b>

- Nine Months Revenues were at OMR 389.890 million, slightly lower than the same period last year.
- Nine Months Gross Profit was at OMR 27.330 million, roughly flat with the same period last year.
- Nine Months Profit and Comprehensive Income was OMR 8.359 million, 7.79% lower than the same period in 2018. This has been mainly attributed to higher financing costs due to the new IFRS 16 accounting standards

### BUSINESS PERFORMANCE

**Retail Business** continued its focus on providing customers with a world class retail experience delivering high quality products and services through a widespread Retail network across the country. The business volumes have stabilized in 2019, driven by continued investments in strategically located service stations and value adding enhancements to existing sites, with a number of new Retail sites commissioned in the year and more sites under construction to be delivered in the coming months. Shell Oman has been awarded a bid by the Ministry of Housing to build an integrated service station on the Batinah Expressway and will invest in three more similar stations on the Batinah Expressway as well as one service station on the Adam-Thumrait Highway via strategic joint ventures and dealership models with Omani partners. The growth of the Non-Fuel Retailing (NFR) segment continues to be a key focus area with additional Shell Select stores, alliance partnership with a leading international coffee brand introduced inside our Select stores and car care service centres commissioned, enhancing the customer experience at these locations. Shell Oman continues to build on its partnership with a leading bank in Oman to provide bank cards acceptance services and other innovative payment solutions across Shell Service Stations. The rollout of Shell V-Power throughout our network continues in 2019, providing a premium fuel experience to more customers in the Sultanate. The Company had recently received an official communication from the relevant authorities on the revision of the licensing fees across the industry and is taking the necessary steps to integrate the new mechanism into its processes.

**Fleet Solutions Business** continued its penetration in the overall Retail business via strengthening its customer portfolio and signing new customers during the year. The business continues to leverage on its Cards

Management System, allowing significant improvement in its offer to Commercial Fleet customers through effective transaction control and a superior experience from innovative customer value propositions.

**Commercial Fuels Business** continues to focus on operational excellence and quality service to retain key customers, as well as attracting new customers to the portfolio.

**Lubricants Business** market environment remains challenging especially in the B2B sectors and cash collection continues to be a challenge in the distributor business model. However, the lubricants business managed to maintain a market leadership position and increased the product premium mix in selected sectors. We strive to support our partners and key customers through delivering high-quality products and offering the best services to them. We have increased our field presence in Q3 and had a number of engagements with our clients to understand their needs and provide different customer value propositions and latest Shell Lubricants technology to help them grow their businesses.

**Aviation Business** has grown rapidly with the additional Oman Air fuel volumes supplied at Muscat International Airport which started in March 2019. In addition, growth was also supported by retaining key customers and diversifying into new market segments at Muscat International Airport and Salalah Airport. Shell Oman is the operator of the fuel farm at both locations, serving the nation with the highest standards in HSSE and operational excellence.

**Bitumen Business** has witnessed a reduction in demand reflecting the current challenging market situation, especially related to infrastructure spending. The Company continues to monitor developments in the marketplace to capture any opportunities that may arise.

**Marine Business** has sustained its growth strategy by securing new contracts and supplying key ports in the Sultanate. The Company continues to grow its portfolio of key customers and this reinforces the Company's position of being a premium supplier of marine fuels. Shell Oman's commitment to the highest HSSE and operational excellence standards in addition to its global technology and innovative practices is expected to result in the successful delivery of fuel and lubricant solutions to its local and international marine customers.

## **CORPORATE SOCIAL RESPONSIBILITY**

As a responsible corporate citizen, Shell Oman continues to build on its strategic social investment themes which are Road Safety, Environment and Community Development. The 2018/2019 season of the Shell Road Safety Award was concluded in the main event held in the presence of key figures from the Ministry of Education, Royal Oman Police and other stakeholders. The programme is meant to inspire real action among school students from Oman. This year's edition saw more than 350 participating schools, with over 1,000 students; resulting in 25 winning schools and three Directorates of Education being recognized for their creative safety campaigns.

During the Khareef season, Shell Oman continued to collaborate with other key companies in the oil and gas sector to organize and roll out a road safety campaign in Salalah under the auspices of the Royal Oman Police. Several indoor and outdoor activities were organized to promote road safety awareness among visitors of Salalah during the season and contribute towards safe and responsible travel and tourism in Oman.

The Company has also signed an MoU with the Ministry of Education to sponsor and participate in the upcoming Oman Science Festival which will focus on innovation and STEM education (Science, Technology, Engineering, and Mathematics). This initiative is in line with Shell Oman's ongoing commitment to promote the energy transition and sustainability in the Sultanate; fostering and boosting interest among Omani youth in STEM educational streams, thereby contributing to Oman's future energy scene and its economic transition.

## **HEALTH, SAFETY, SECURITY AND ENVIRONMENT**

The Company ended the quarter with 1300 days without a recordable Lost Time Injury (LTI) incident. It has also continued its efforts towards building up people's competencies and getting assurance on the effectiveness of its risk management policies associated with day to day operations. Promoting and driving the culture of safety through caring for one's self and others, as well as adopting an intervention mindset continue to be key pillars in this area. During the third quarter, the Company carried out several activities, focussing on promoting the culture of health, safety, security and environment, and raising awareness of our employees and extending the program to include our Commercial Lubricants distributors and other partners. In addition to that, Shell Oman T&S Road Transport Haulier, recently joined hands with key stakeholders to conduct a "Major Roll Over Drill" in the north of Oman, Sohar, to emphasis the hazards and effective management process and test the responsiveness of competent people in handling emergencies. The Company continued with its Low Carbon program which started in the beginning of this year which aims to reduce the carbon intensity generated from our facilities through installing solar power panels and efficient power saving equipment and systems at our facilities.

Shell Oman will continue its efforts in serving the nation and setting benchmarks of delivering excellence in the country, while creating sustainable benefits for the society to help support the government's vision for the country's growth and prosperity, under the wise leadership of His Majesty Sultan Qaboos bin Said.

**Walid Hadi**

Chairman, Shell Oman Marketing Company SAOG

Muscat, October 24<sup>th</sup>, 2019