

# SHELL OMAN MARKETING COMPANY SAOG



## DIRECTORS' REPORT FOR THE 9 MONTHS ENDED 30<sup>TH</sup> SEPTEMBER 2018

The Board of Directors in its meeting held on October 24<sup>th</sup> 2018 approved the Company's unaudited financial results for the nine months ended September 30<sup>th</sup> 2018.

### SUMMARY FINANCIALS

In OMR'000

	Quarter			9 Months		
	Q3/18	Q3/17	%	2018	2017	%
Revenue	141,531	120,102	17.8%	397,744	346,060	14.9%
<b>Gross profit</b>	<b>9,283</b>	<b>10,711</b>	<b>(13.3%)</b>	<b>27,560</b>	<b>29,486</b>	<b>(6.5%)</b>
Add: Other income	1,442	1,810	(20.3%)	4,508	5,209	(13.5%)
Less: Selling, distribution and administrative expenses	(6,838)	(7,337)	(6.8%)	(21,050)	(21,708)	(3.0%)
Less: Financing and taxation	(747)	(857)	(12.9%)	(1,953)	(2,105)	(7.2%)
<b>Profit and comprehensive income</b>	<b>3,140</b>	<b>4,327</b>	<b>(27.4%)</b>	<b>9,065</b>	<b>10,882</b>	<b>(16.7%)</b>

- Nine months 2018 Revenues were OMR 397.7 million, 14.9% higher than the same period last year largely as a result of higher retail fuel prices.
- Nine months 2018 Gross Profit at OMR 27.6 million was 6.5% lower than the same period last year.
- Nine months 2018 Profit and Comprehensive Income was OMR 9.1 million, 16.7% lower than the same period last year. This was mainly attributed to the revised margin structure for the new supply point at Al-Jifnain.
- Nine months 2018 Cash Flow from Operating Activities was OMR 10.8 million compared to OMR 5.6 million for the same period last year mainly due to improvements in working capital.

### BUSINESS PERFORMANCE

**Retail Business** remains the largest segment of Shell Oman providing motorists with a superior retail experience. The key priorities are network expansion, operational excellence and introduction of new innovative customer value propositions in order to adapt to the evolving customer needs and changing regulations.

Since the launch of Shell V-Power in June 2018, the response has been very encouraging. Shell Oman will continue to roll-out this premium product to the Omani market across its network. In line with our long-term growth strategy, the business will continue to open new retail service stations and refurbish older sites to better serve the customers.

The growth of the Non-Fuel Retailing (NFR) segment remains a key focus area as evidenced by the re-introduction of Shell's exclusive convenience store, Shell Select. Moreover, to complement our existing site offerings, we have introduced a greater number of car care services such as lubricant bays and car washes. During the Salalah Tourism Festival, the Company continued to work collaboratively with the relevant authorities to ensure uninterrupted deliveries to its service stations while collaborating with the authorities to promote road safety amongst motorists and visitors.

**Fleet Solutions Business** continued its strong performance, showing steady year on year volume growth by enhancing its customer portfolio during the year. The business continues to leverage its upgraded Cards Management System, allowing for significant improvement in its customer value propositions to Fleet Solutions customers through effective transaction control and superior customer experience.

**Commercial Fuels Business** environment remains challenging given the current marketplace dynamics. The focus continues to be primarily on maintaining our operational excellence and quality customer service to retain key accounts as well as expanding our customer base.

**Lubricants Business** continued to defend its market leadership position and retain its core customers despite the challenging market conditions. The business will continue to focus on long term growth, operational excellence, and deploying the latest product innovations to enhance our customer experience.

**Aviation Business** has been growing steadily as a result of increased fuel demand from international airlines refuelling at the Muscat International Airport. The business has shown higher volumes in Salalah Airport compared to same time last year due to the increase in the number of airlines landing at Salalah Airport.

**Bitumen Business** has been impacted by the current market conditions, especially spending on infrastructure. The Company continues to supply premium grade bitumen to its customers while maintaining a lean operating cost position, as it monitors developments in the marketplace to leverage any opportunity that may arise.

**Marine Business** has sustained its growth strategy by securing new contracts and supplying the key ports in the Sultanate.

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

The Company closed the period with 904 days without a recordable Lost Time Injury (LTI) incident. Shell Oman remains vigilant through maintaining a high focus on the culture of Safety through caring for others and for the environment, addressing potential risks as well as encouraging the Safety Intervention mindset.

## **CORPORATE SOCIAL RESPONSIBILITY**

Shell Oman is committed to playing its role as a responsible corporate citizen of the Sultanate and building on its strategic social investment themes which are Road Safety, Environment and Community Development. The Company has collaborated with the Royal Oman Police (ROP), Oman Road Safety Association (ORSA) and partners from the energy sector to take part in the Road Safety Exhibition during the Salalah Tourism Festival. The exhibition was aimed at raising awareness about road safety in Oman. Emphasis was placed on demonstrating the importance of using child car seats as part of the nationwide Child Car Seat Campaign that was introduced earlier in the year. Moreover, as part of the Company's community development efforts, Shell Oman co-sponsored the Salalah Tourism Festival to help support tourism in the Sultanate and create business opportunities for local communities and enterprises.

Shell Oman, together with Ministry of Education, ROP and Sultan Qaboos University hosted the 13th annual "Shell Road Safety Awards" ceremony in which sixteen schools and three Regional Directories of Education were awarded for their efforts in identifying and implementing innovative ways to raise awareness on road safety and reduce traffic risks. Shell Oman has also worked closely with the local communities represented in several Wali offices in order to identify social investment opportunities that the Company can support.

This year marks the 60<sup>th</sup> anniversary of Shell downstream operations in the Sultanate. Shell Oman remains committed to continue serving the nation and setting benchmarks in 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.

### **Christopher Breeze**

Chairman, Shell Oman Marketing Company SAOG

Muscat, October 24<sup>th</sup> 2018