

SHELL OMAN MARKETING COMPANY SAOG



DIRECTORS' REPORT FOR THE PERIOD ENDED 30th June 2021

In its meeting held on 27th July 2021, the Board of Directors approved the Company's unaudited financial results for the period ended 30th June 2021.

SUMMARY FINANCIALS

In OMR'000

	Quarter			6 Months		
	Q2/21	Q2/20	%	2021	2020	%
Revenue	92,093	71,690	28%	184,847	189,650	(3%)
Gross profit	7,123	5,674	26%	14,994	12,474	20%
Add: Other income	1,012	1,127	(10%)	2,155	2,600	(17%)
Less: Selling, distribution and administrative expenses	(7,143)	(6,448)	11%	(13,855)	(14,106)	(2%)
Less: Financing and taxation	(569)	(579)	(2%)	(1,268)	(1,073)	18%
Profit and comprehensive income	423	(226)	287%	2,026	(104)	2048%

- Six Months Revenues were at OMR 184.847 million, 3% lower than the same period last year.
- Six Months Gross Profit was at OMR 14.994 million, 20% higher than the same period last year mainly due to the impact of the inventory value stock movements as a result of the increase in petroleum product prices.
- Six Months Profit and Comprehensive Income was OMR 2.026 million. Higher than the same period in 2020 mainly due to the increase in Gross Profit and the Company's cost optimisation initiatives.
- The Company continues to monitor the pandemic and the parallel economic challenges closely and is proactively focused on safeguarding the interests of all its people, shareholders and stakeholders. Strategies and measures to handle the existing environment have been developed and are continuously reviewed given the rapidly changing situation while maintaining utmost commitment to HSSE and Ethics & Compliance.
- VAT was successfully implemented by the Company in Q2 2021.

BUSINESS PERFORMANCE

Mobility Business: To meet the ever-growing demands and changes in our landscape, the Retail business have transitioned to be known as the Mobility business where we will continue to put the customer first, deepen the integration of products and services and grow in a way that increases Shell's financial resilience. Mobility remains the largest segment of the Company. Despite a downward impact on volumes as a result of mobility restrictions and limited commercial activities throughout the quarter, the business remained resilient. The focus continues to be the safety of people, including customers and frontliners by adopting best practices to minimise the spread of COVID-19; reaffirming the Company's care towards customers and the community at large. The Company carried on the journey of offering differentiated fuel by making Shell V-Power available for customers across Oman. Non-Fuel Retail (NFR) continues to be a key focus area for the business.

An additional 2 Shell Select Stores were commissioned during the quarter and the range of products and services provided to customers was expanded for a better experience.

Fleet Solutions Business remained challenging as Business-to-Business (B2B) customers continue to deal with the impact of economic and financial challenges due to COVID-19. The overall volumes have remained stable year on year. Meanwhile, the focus remained on supporting customers with the acceleration of the digitalisation journey offering automation to promote a touchless experience and address evolving customer needs. In addition, the business continued to leverage the Cards Management System to enable a superior experience for fleets customers.

Commercial Fuels Business market conditions are still challenging due to the macroeconomic impacts. However, the focus continued primarily on new opportunities, operational excellence and quality service to retain key customers.

Marine Business volumes have been impacted as a result of COVID-19 restrictions, with limited activity due to cancellation of several scheduled commercial and cruise vessels at key ports. However, the Company continued to serve local Marine customers without disruption while adhering to the highest HSSE and operational excellence standards. Additionally, the Company continues to explore new opportunities to expand its operations and add new ports to its portfolio.

Lubricants Business: Mobility restriction is still impacting the Lubricants Business volumes across various sectors. The partial closure of commercial activities in the franchise workshops, independent workshops and high streets shops resulted in lower volume consumption in the last three months. Another challenge to the business was the significant increase in base oil prices due to shut down refineries resulting in a surge in production cost.

Despite these challenges, the business maintained close relationships with its customers and partners, ensuring continuous supply of Shell lubricants from Oman's only ISO 9001- certified lubricants blending plant located in Mina Al Fahal. In addition, the business has adopted a more dynamic pricing strategy to ensure it remains sustainable and competitive in the market. The business continued adapting to the new realities of the market and introduced online Shell lubricants selling via our distributors, creating digital presence in addition to the high streets market by introducing new premium products, and conducting online technical trainings to our customers and partners.

Aviation Business While a substantial recovery in the Aviation sector was anticipated specifically in the second quarter; the industry continues to witness limited air travel due to the COVID-19 pandemic. Volumes from both domestic and international travels continued to resemble those seen in 2020. The number of measures introduced on travelers to deal with the pandemic resulted in putting a lot of constraints on the Aviation industry. While the external environment was challenging, the Aviation business focuses on winning new contracts in the cargo sector and retaining key contracts related to international airlines at Muscat International Airport.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

The Company ended the quarter with zero recordable Lost Time Injuries (LTI) and zero recordable Loss of Product Containment (LOPC), a testament to our strong commitment to Health, Safety, Security and the Environment (HSSE).

The Company is invested in building people's competencies in HSSE by providing awareness campaigns and training on topics such as heat stress, Mental health and emergency response. In addition to that, the Company launched a medical check-up and health risk assessment campaign extended for all the staff. The

Company ensures continuous engagements with Shell employees, partners, and frontliners to promote a culture of learner mindset that will strengthen the safety behaviour and culture.

Shell Oman Marketing Company SAOG continues to respond to the evolving risks related to COVID-19, with safety as a key priority, through a vaccination program for employees and their family members and continue to enable employees to work from home. At the same time, additional safeguards have been put in place at the office, service stations and within various operations.

CORPORATE SOCIAL RESPONSIBILITY

Despite continuous challenges and uncertainties during the first half of the year, the Company has remained committed to its proactive approach to mitigate the impact of the pandemic and the macroeconomic conditions on people. Meanwhile, continuous engagement plans were delivered by working together with stakeholders in the public and private sectors to extend support and ensure effective business continuity so essential mobility and energy supply remain undisturbed.

The Company continued with its annual tradition to share the spirit of giving with the society during the holy month of Ramadan by distributing ration packs to more than 450 families in collaboration with a number of charitable organisations and youth groups. In addition, the Company continued to explore various opportunities to support various initiatives in the society, with a focus on In-Country Value, enterprise development, road safety and environment.

Shell Oman Marketing Company SAOG is committed to work with all stakeholders to reinforce its role and do its part in serving Oman and its people under the wise leadership of His Majesty Sultan Haitham bin Tarik and to support His Majesty's vision for the Sultanate.

Walid Hadi

Chairman, Shell Oman Marketing Company SAOG

Muscat, July 27th 2021