Management Discussions and Analysis

Business & objectives

The Company is primarily engaged in the marketing & distribution of petroleum products viz. Gasoline (M91 & M95), diesel, aviation fuel, kerosene & lubricants.

The Company operates with the following objectives:
1) Improving shareholders net-worth and payment of consistent and fair returns
2) Increasing the overall market share in all business areas & effectively addressing the prevailing competition
3) Improving the corporate image through better customer service and brand recognition
4) Recruiting and empowering Omani youths
5) Total commitment to the protection of Health, Safety and Environment (HSE)

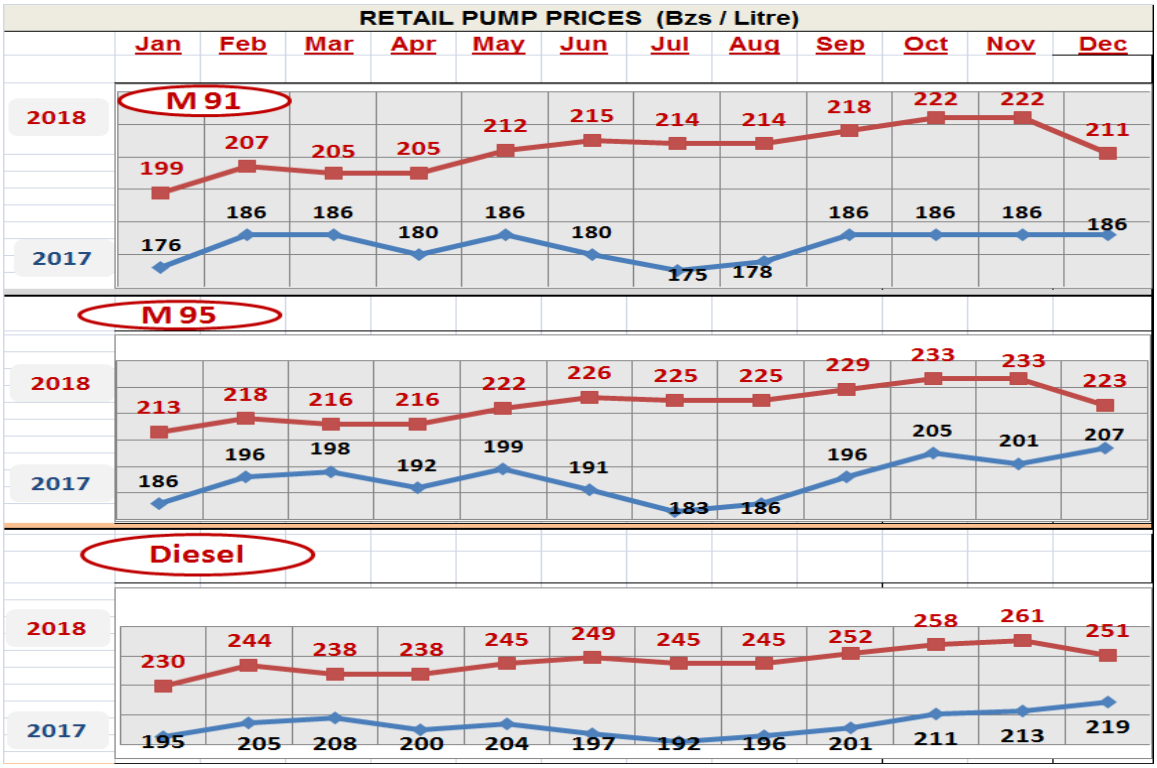
Business operations

The Company operates its business through the following segments:
1) Retail sales
2) Commercial sales
3) Other sales (including Aviation & lubricant sales).

The performance of these major segments are discussed below:

1) Retail sales

Retail Sales segment remains the chief revenue earning segment and the Company's long term priority. Retail sales volume remained at almost the same fell as in 2017.
Retail sale value has increased by 17% mainly on account increase in domestic fuel prices during the year. The following chart shows the increasing trend of fuel prices.



The main developments in the Retail Business segment are listed below:

- Opening of 13 filling stations that took the total number of filling stations to 218 at the end of 2018.
- 5 new filling stations, which are in the final stages of completion as at Dec 2018, will be opened in early 2019.
- The Ministry of Oil & Gas announced a uniform fuel price margin structure for all retail products effective from 01 March 2018. This coupled with reduced activity in the internally operated Joint Fuel Depot at Mina Al Fahal and shifting of upliftments from the ORPIC's new Jiffnain fuel Depot, have squeezed our margins further.

Going forward, with the development of new roads, residential areas and comprehensive development of rural areas, Al Maha continues to lay emphasis on Retail infrastructure development and will continue to invest in several projects across the country.

2) Commercial sales

Al Maha is a leading player in the commercial sales segment and it forms the second largest revenue earning segment of our business. This segment remains highly competitive and price sensitive, where superior product delivery and prompt service plays a major role in customer retention & growth. Due to the lower demand from the Construction & other industrial sectors of the economy, our Commercial Sales volume has decreased during the year.

The Company has always been looking at new markets and innovative strategies to enroll new customers and increase market share in this segment.

3) Other sales

Other sales comprise aviation fuel and lubricants sales.

Aviation sales segment has achieved a growth of 33% in sales value in 2018, mainly on account of increased fuel supplies to Oman Air and other commercial airlines at the Muscat International airport. Further increased supplies to our major customer in the Government sector also contributed to the growth of the Aviation segment during the year 2018.

Staying ahead, the Company plans to tap new airlines which will contribute to the growth of the aviation fuel sales in the coming period.

The lubricants sales segment has also registered a growth of 53% in 2018 over 2017, mainly on account of increased demand for Al Maha branded lubricants, securing new contracts and introduction of new products & services.

Financial performance

	2018	2017	Increase / (decrease)	
	RO-Million	RO-Million	RO-Million	%
Sales	**488.7**	**431.7**	57.0	13%
Operating & admin. expenses	**(24.5)**	**(24.0)**	0.5	2%
Net Profit after tax	**5.1**	**5.0**	0.1	2%
Net assets	**46.1**	**49.5**	(3.4)	(7%)

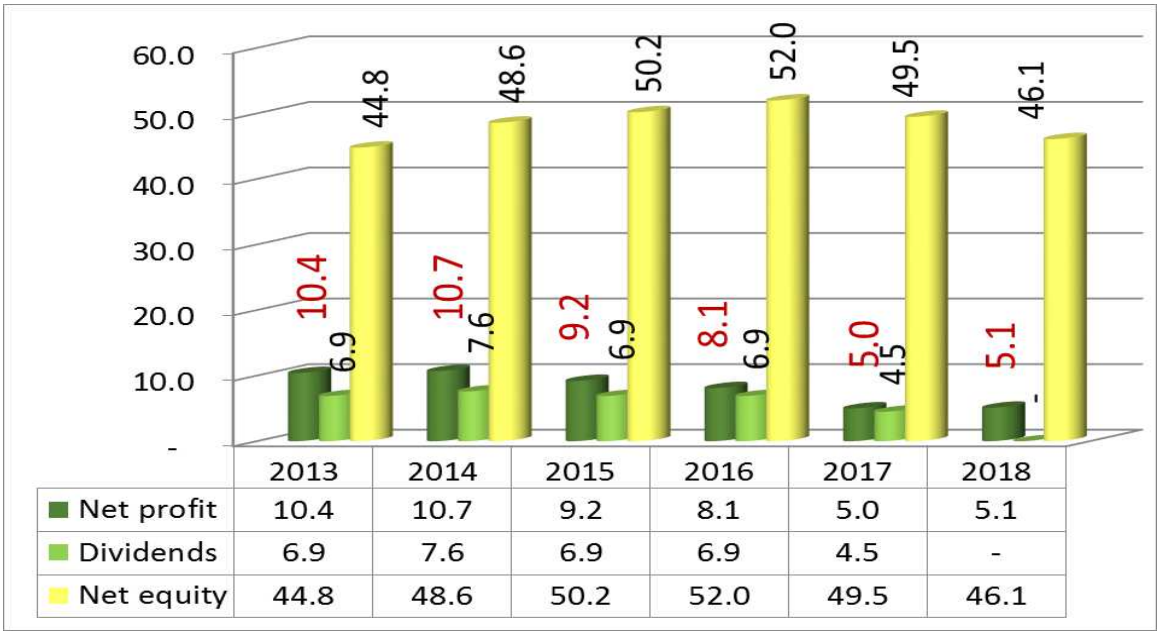
Earnings Per Share – RO	**0.074**	**0.073**
Net assets per share – RO	**0.668**	**0.718**
Return on equity - %	**11.2%**	**10.1%**

Sales have increased to RO 488.7 million in 2018 (2017: RO 431.7 million), an increase of RO 57 million (13%) mainly on account of increase in Aviation & lubricant businesses after setting off decrease in commercial sales.

Expenditure rose just by RO 0.5 million (2%) mainly due to the increase in employees cost, depreciation, license fees, Technical fees & other expenses after setting off decrease in Impairment provisions, Transportation cost, Maintenance expenses and marketing expenses.

Net profit after tax increased to RO 5.1 million in 2018 (2017: RO 5 million), an increase of RO 0.1 million (2%) mainly due to the increase in sales and decrease in tax expenses as a result of recognition of deferred tax on the increased impairment provisions created with the adoption of IFRS 9 on Financial Instruments, which became effective 01 Jan 2018.

Below is a chart which indicates the net profit, dividend and net equity since 2013 :



Cashflow Management

Positive Cashflow from operations due to improved collections from our major customers have lowered the Receivables position as at the year end. Further efficient working capital management has decreased the impact of finance charges.

Opportunities, Obstacles / Risks

The longevity of low oil prices & reduced activity in the construction & logistic sectors makes future business outlook very challenging. We are committed to remain positive and look forward to capitalize on the emerging opportunities by focusing on our key growth areas of Retail network expansion, aviation & lubricant sales growth.

The growing demand for energy is a major growth driver for us in the year ahead. Consolidating our position as one of the top retail stations operators in the country, we plan to focus on increasing the market share in the retail segment based on the available opportunities. Strategic filling stations network expansion remains a key focus area, with addition of Retail Outlets in identified geographies.

HSE

Managing the health and safety of the people who work for us, both directly and indirectly, continued to be our top priority. We are committed to continuing efforts to recognise hazards, assess health, safety & environment risks in our operations and taking steps to mitigate those risks.

High safety standards were maintained during the year. The focus at most of our sites was to enhance safety culture, risk assessment and training. HSE auditing is being continually stepped up through in-house and specialized third party sources to ensure compliance to Governmental regulations and Company's HSE procedures.

Human Resources

We consider human dimension as the key to organization’s success. We recognize the value of our employees who are committed to achieve excellence in all spheres.

In the year 2018, our priority continued to be in the area of enhancing organizational structure to deliver performance excellence through sustained developmental efforts.

Several initiatives for development of human resources to meet new challenges in the competitive business environment were taken during the year.

Our Omanisation level was 80% and the number of employees stood at 285 by the end of 2018.