Management Discussions and Analysis

BUSINESS & OBJECTIVES

The Company is primarily engaged in the marketing & distribution of petroleum products viz. Gasoline (M91,M95 & M98), 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 is discussed below:

1) Retail sales

Retail sales segment forms the biggest revenue earner of our business, accounting for almost 57% of our business.

As part of retail network expansion strategy, 9 news stations were commissioned & opened to public during the year.

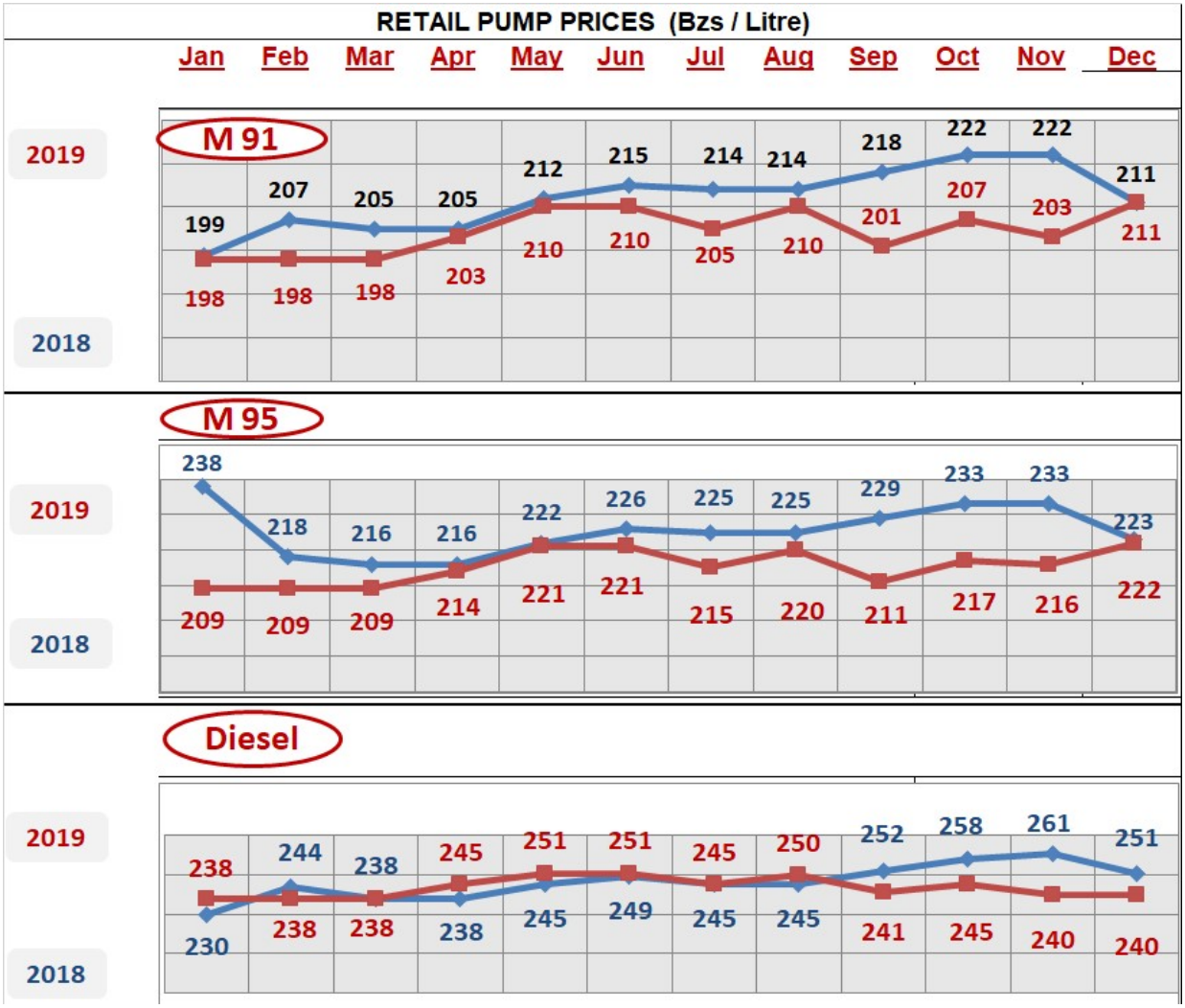
The Company has the largest network of fuel stations in the country, providing round the clock service catering the varying needs of our customers.

With a network of 226 retail stations as at the end of 2019, Al Maha reaches every corner of the country, emerging as a one-stop destination for retail customers with ever-changing needs. Most of these centres also provide non-fuel related services such as car washing and convenience stores.

Non-fuel sales, in particular convenience store sales, car service centres and other facilities at filling stations are becoming increasingly important factors in boosting Retail sales business. Accordingly, fuel stations have been getting a comprehensive makeover aimed at enhancing customer convenience and service

The Company is continuing its ambitious rebranding programme; as on date 96% of the stations have a new logo.

The following chart shows the fuel prices trend during the year in comparison with 2018:



2) Commercial sales

The Commercial segment has differentiated itself as a market leader accounting for almost 27% of our business. This segment has been to retain profitability by maintaining a delicate balance between volume and value in a highly competitive and discount driven business environment.

The emergence of Gas as an alternative source of fuel mainly in the power sector has limited the growth of this segment. Further decreased demand due to the slowdown in the construction & industrial sector & tight liquidity in the market leading to increased payment period by large customers are also affecting the growth of this segment.

We are adapting to the changing business scene & working relentlessly to make our logistics most cost effective.

Despite the challenging environment, we look forward for the growth of this segment with prime focus on the retention of existing large customers by offering quality service at competitive prices.

3) Other sales

Other sales comprise aviation fuel and lubricants sales accounting for almost 16% of our business.

Aviation sales segment has improved its performance & growth in 2019, mainly on account of increased fuel supplies to Oman Air and other commercial airlines at the Muscat International airport.

During the year, the Company is selected by Oman Air, as their aviation fuel supplier to the extent of 50% of their fuel requirement, which signifies the continued recognition of our services by the national carrier.

Going forward, we plan to tap new airlines operating in the region that will contribute to the growth of the aviation segment.

In the lubricant segment we are optimistic to expand our market share through a well-planned marketing and development strategy and our partnership with "Petronas International", a leading lubricant brand in the region.

FINANCIAL PERFORMANCE

	2019	2018	Increase / (decrease)	
	RO-Million	RO-Million	RO-Million	%
Sales	**465.9**	**487.9**	(22)	(4.5%)
Total expenses	**(28.0)**	**(26.1)**	1.9	7%
Net Profit after tax	**3.4**	**5.1**	(1.7)	(34%)
Net assets	**45.3**	**46.7**	(1.4)	(3%)

Earnings Per Share – RO	**0.049**	**0.075**
Net assets per share – RO	**0.657**	**0.677**
Return on equity - %	**7.5%**	**10.9%**

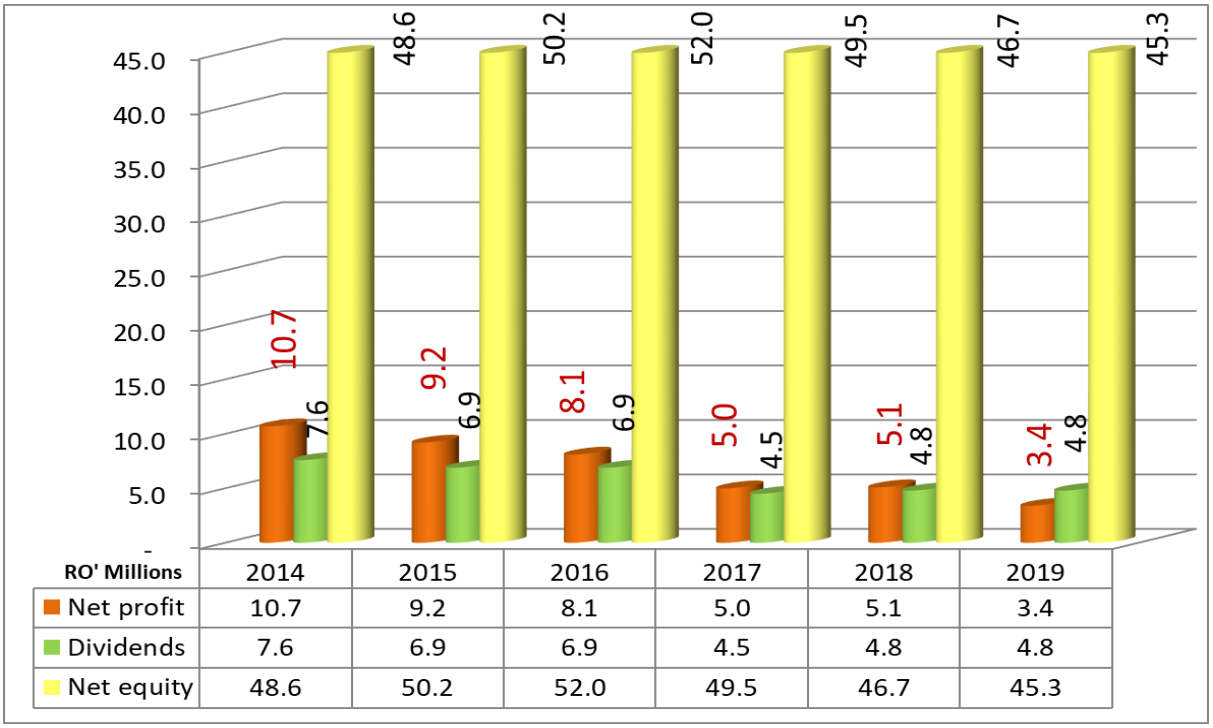
Sales have increased to RO 465.9 million in 2019 (2018: RO 487.9 million), a decrease of RO 22 million (4.5%) mainly on account of decrease in retail sales, commercial sales, despite increase in Aviation business.

Expenditure rose by RO 1.9 million (7%) mainly due to the increase in allowance for expected credit losses as per IFRS 9, impairment of MAF Depot assets, depreciation costs maintenance expenses and aviation technical fees, after setting off decrease in transport cost, filing station operating expenses, license fees, marketing expenses and others.

Net profit after tax decreased to RO 3.4 million in 2019 (2018: RO 5.1 million), a decrease of RO 1.7 million (34%) mainly due to the decrease in sales and increase in expenses.

Return on equity decreased in 2019 when compared with 2018 due to decrease in net profit in 2019.

Below is a chart which indicates the net profit, dividend and net equity since 2014:



RO' Millions	2014	2015	2016	2017	2018	2019
Net profit	10.7	9.2	8.1	5.0	5.1	3.4
Dividends	7.6	6.9	6.9	4.5	4.8	4.8
Net equity	48.6	50.2	52.0	49.5	46.7	45.3

HSE

We are committed to conducting business with a strong environment conscience, ensuring sustainable development, safe workplaces and enrichment of the quality of life of its employees, customers and the community.

Compliance with safety systems & procedures and environmental laws is monitored at the unit, division and corporate levels. The HSE activities of the Company are reviewed periodically in Board meetings. During the year safety audits were carried out at various offices and locations and various training programs were conducted across the Corporation covering safety-related topics.

HUMAN RESOURCES

The Company believes that holistic and meaningful employee engagement and their right development will enhance employees' potential. With the focus on aligning various HR policies with the Strategic Corporate Vision, many new initiatives have been undertaken aimed at both - employee engagement and making the employees 'future-ready'.

Our Omanisation level was 84% and the number of employees stood at 302 by the end of 2019.

OPPORTUNITIES, OBSTACLES / RISKS

The world is changing at a very faster rate changing the business dynamics of every industry; the petroleum products marketing business also witnessing rapid changes. VAT introduction, arrival of Electric cars, Price deregulation by the Government, might become reality in the coming years & we need to be well prepared to face these challenges, quickly adopting to the changed scenario whenever it happens. We shall effectively respond to these changes by right strategy alignment. Our future lies in preserving our commitment to support our customers. We aim to deliver highest quality services to our customers to stay competitive and relevant in our market.

Despite the challenging environment, we are focused on its core businesses and is committed to deliver high values to all its stakeholders and shouldering the responsibilities of a good corporate citizen.

Our business strategy would be in tune with latest technology and innovations and we are committed to install the best of automation process and the latest safety systems at our all outlets & operations. We have now embarked on digital transformation of the organization to serve and sustain the trust of our customers and look forward enthusiastically for the journey ahead.