Al Maha Petroleum Products Marketing Co. SAOG
Chairman's Report
January – March 2016

On behalf of the Board of Directors, I am pleased to present the unaudited interim financial statements of Al Maha Petroleum Products Marketing Co. SAOG for the period of January – March2016.

Overview

The continuation of lower oil prices scenario represent a real challenge to the economy, as several sectors of economy continue to struggle with its adverse effect. The Government is going ahead with many austerity measures to strengthen the economy.

The introduction of fuel subsidy regulation in mid Jan 2016, bringing uniformity in fuel rates throughout Oman and linked to international prices has presented your Company with difficult challenges that affected our sales & profitability.

The sales during Jan-March 2016 has increased to RO 84.4 million from RO 82.6 million, an increase of RO 1.8 million (2%) mainly on account of increase in domestic fuel prices due to the introduction of fuel subsidy reforms effective mid Jan 2016. Further, better performance in commercial segment also boosted your Company's revenue stream.

The net profit achieved during Jan-March 2016 stood at RO 2.1 million (Jan-March 2015: RO 2.5 million), registering a decrease of 19% when compared with the same period of 2015, mainly due to decreased margins on account of introduction of uniform oil prices throughout Oman and increase in operating & administration expenses during the period.

During the period from April 2015 to March 2016, six new filling stations with the new brand have been opened taking the number of filling stations to 197, with another 4 filling stations in various stages of construction.

Material changes in the financial position of the Company during Jan-March 2016 compared with the same period of 2015

Below are the main variances in the statement of profit or loss and other comprehensive income:

1) Retail sales increased slightly during the period mainly on account of increase in fuel unit rates, despite drop in demand due to the increased domestic fuel prices from mid Jan 2016.
2) Commercial Sales increased both in terms of volume and value mainly on account of better performance in the commercial segment during the period.

3) Aviation segment also registered a strong performance during the period, in terms of sales volume, due to increased fuel supplies to commercial airlines in the Muscat International airport. However, the prevalence of low international oil prices during Jan-March 2016, when compared to Jan- March 2015 and lower fuel consumption by one of the major customers, have adversely affected the aviation segment growth in terms of sales value.

4) The introduction of uniform domestic oil prices across Oman linked to global oil prices have also affected our margins as the transportation costs which otherwise added to the selling prices have not so far been addressed by the Government in the new subsidy reform.

5) Operating & administration expenses have also increased by RO378k (9%), mainly due to the increase in transportation costs,employee costs, depreciation, maintenance expenses, technical fees, provision for impairment of receivables and other expenses.

Below are the main variances in the statement of financial position:

1) Trade and other receivables have increased by RO 16.1 million (40%) mainly as a result ofincreased sales value during Jan-March 2016 and lower cash inflow compared to the same period in 2015.

2) Trade and other payables have increased by RO 0.8million(2%)due to the increase in purchases value of petroleum products from Oman Refineries &Petrochemicals Co. in March 2016, as a result of increased domestic fuel prices.

Acknowledgement

On behalf of the Board of Directors, I take this opportunity to express our most humble gratitude and loyalty to His Majesty Sultan Qaboos Bin Said and his respected government for their kind support to private sector companies and for giving our generous country the continued stability, peace and prosperity.

We thank our shareholders and customers for their continued support. We extend our thanks to the officials of Capital Market Authority and Muscat Securities Market for their valuable support and co-operation.

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Juma Ali Juma Al-Juma
Chairman
27 April 2016