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 is discussed below:

1) Retail sales

The retail sales segment is the primary revenue driver, accounting for almost 71% of our business in 2022.

A new fuel station was opened during the year, bringing the total number of service stations to 239. In addition, the Company opened new convenience stores and other service centers to enhance the retail sector's business, develop non-fuel revenues, and meet the increasing demand for these services.

Retail sales witnessed a remarkable improvement this year compared to the previous year. Sales volume has increased by 21% due to the increased sales in border fuel stations and the gradual increase in demand as many supporting businesses gradually returned to normalcy. Further, the successful Khareef season also boosted sales performance during the period.

2) Commercial sales

The commercial segment is the second-largest business for the Company, accounting for about 17% of the total revenue in 2022. This sector is very competitive in the prices offered to customers, and diesel fuel is the main product of this sector. Commercial sales are highly affected by infrastructure projects, oil extraction, and power production, which require high efficiency in delivery.

The sales volume of this sector has decreased by 7% compared to the previous year due to the decrease in demand by power-generating companies. However, despite the decline in power sector sales in general, the other sectors witnessed a remarkable improvement during the year, such as oil and gas and infrastructure.

3) Aviation sales

Aviation sales volume has increased significantly by 91% compared to last year as the tourism & hospitality industry returns to more pre-pandemic. Oman Air and other major airlines have resumed their services to many destinations, contributing significantly to the sales growth during the year.

4) Lubricants

The lubricants segment witnessed positive growth due to improved marketing tools and expanding the Company's business in this sector to other countries.

FINANCIAL PERFORMANCE

	2022 (RO'000)	2021 (RO'000)	Inc /(dec)	Inc/(dec) %
Sales	**492,731**	372,484	120,247	32%
Cost of Sales	**(465,237)**	(350,067)	115,170	33%
Gross profit	**27,494**	22,417	5,077	23%
Other income	**4,949**	4,396	553	13%
Total expenses	**(26,251)**	(24,053)	2,198	9%
Net profit	**6,192**	2,760	3,432	124%

Earnings per share (RO)	**0.090**	0.040	0.050	124%
Book value per share (RO)	**0.689**	0.639	0.050	8%
Retained earnings (RO'000)	**36,224**	32,792	3,432	10%
Total equity (RO'000)	**47,528**	44,096	3,432	8%

Sales have increased to RO 492.7 million in 2022 (2021: RO 372.5 million), an increase of RO 120.2 million (32%). The increase in sales is mainly attributed to the increase in retail and aviation sales volume and fuel prices.

Expenditures increased by RO 2.2 million (9%) mainly due to the increase in fuel stations' operating expenses, fuel transportation costs, employees' costs, and income tax.

Net profit after tax increased to RO 6.192 million in 2022 (2021: RO 2.76 million), an increase of RO 3.432 million (124%) mainly due to the increase in sales.

Return on equity increased in 2022 compared with 2021 due to an increase in net profit in 2022.

Below is a chart that indicates the net profit, dividend, and net equity since 2017:

	2017	2018	2019	2020	2021	2022
Net profit	5.0	5.1	3.4	0.9	2.8	6.2
Dividends	4.5	4.8	4.8	-	2.8	5.9
Net equity	49.5	46.7	45.3	41.3	44.1	47.5

QHSE

The Company is committed to conducting business with a robust Quality, Health, Safety, and Environmental conscience, ensuring sustainable development, safe workplaces, and enrichment of the quality of life of its employees, customers, and the community as a top priority.

Compliance with Quality, Health, Safety, and Environment systems, procedures, and laws is monitored at the unit, division, and corporate levels. The QHSE activities of the Company are reviewed periodically in Board meetings.

The achievement of Quality (ISO 9001), Health & Safety (ISO 45001), & Environment (ISO 14001) certificates are a witness of consciousness on all levels of the importance of commitment to the guidance of the Quality, Health, Safety & Environment. In addition, during the year, Quality, Health, Safety & Environment audits were carried out at various offices, projects, operations, and locations.

Various training programs were conducted across the corporation covering Quality, Health, Safety, and Environment -related topics.

HUMAN RESOURCES

The Company believes in comprehensive and meaningful employee participation, which empowers their capabilities. Therefore, the Company has developed various policies for the development of human resources along with the strategic vision of the Company. Several new initiatives have been implemented during the year, aimed at - employee engagement and making employees 'future ready.'

Our Omanisation level was 89.5%, and the number of employees stood at 343 at the end of 2022.

FUTURE OUTLOOK

Risks still surround the global economy, which has not yet recovered from the consequences of the Covid-19 pandemic. These risks increased after the start of the Russian-Ukrainian war in February 2022. This war affected the demand and supply balance for essential commodities such as energy and food. In addition, Central banks are also trying hard to curb inflation by raising interest rates.

The Sultanate's Government has built its budget for 2023 on the basis that the average price of oil per barrel will be $55. The Sultanate's budget also aims to achieve economic growth of 3%, keeping inflation prices within reasonable limits through continued government support for fuel, energy, and other basic commodities, and raising interest rates.

Despite the geopolitical and economic risks, expectations indicate that the average global oil price in 2023 will be above $80 per barrel. In addition, the government's efforts are continuing to control inflation through its support for essential commodities, and it is also continuing to implement the fiscal balance plan. Accordingly, the Company will take advantage of emerging opportunities in the changing business environment per its strategy.