

Directors' Report

Dear Shareholder,

On behalf of your Board of Directors', it is my pleasure to present the Annual Report of Oman Oil Marketing Company SAOG for the financial year ended 31 December 2010. This report should be read together with the Audited Financial Statements, Corporate Governance Report and Management Discussion and Analysis report, to avoid duplication and overlap, except where considered necessary.

Business Performance

The performance of the Company for the financial year 31st December 2010 has seen a marked improvement from the previous year. With the economy and consumer confidence returning during the 2nd half of last year, the Company's sales have grown from strength to strength and the full impact was felt in 2010.

The Company recorded its highest total sales in history of approximately RO 216.2 million an increase of 28% compared to RO 168.4 million in 2009. The pre-tax profit increased by 28% to RO 7.8 million from RO 6.1 million. After providing for corporate tax, the Company's net profit amounted to RO 6.9 million, the highest ever net profit in the Company's history, a 28% increase from that of the previous year. Earnings per share stood at 106 baisas.

The Company's financial position remained healthy with total assets at approximately RO 61 million as at 31st December 2010. A total of RO 4.4 million was spent on capital expenditure. This was financed by internally generated funds and financing obtained from Banks.

The Board of Directors is recommending a final dividend of 42 baisas per share amounting to RO 2.71 million for the financial year 31 December 2010, subject to approval by the shareholders at the Annual General Meeting. This represents 20% increase as compared to last year.

The Company today has increased its presence with a nationwide network of 122 stations offering the Company's full array of petroleum products. The **Retail Business** continues to be the engine growth of the company. The Company's strategies and focus have been geared towards network expansion in increasing the market share, presence and dominance in the Sultanate of Oman. Continuous investment will be made especially at strategic locations nationwide. With the introduction of new highways and new residential areas as well as growing population, the Retail business is expected to continue as the growth engine of the Company.

The Company's focus on Total Customer Convenience is also gaining ground. The introduction of convenience stores under the brand name "Ahlain" and the co existence of international outlets such as Dunkin Donuts and Burger King have

created impact and awareness among consumers for the total convenience experience. With the gaining popularity of Ahlain, the Company has committed to increase the number of Ahlain convenience stores in the next 5 years. The contribution from the Non Fuel Revenue business has shown a mark increase by more than 8%.

The Company is continuously exploring new and potential business activities to further strengthen the retail network and offerings to further expand its growth momentum.

Driven by a dedicated and customer-friendly sales team, the Company continued to propel and dominate the commercial market despite the volatile and challenging business environment during the year. The **Commercial Business** unit was the biggest beneficiary on the Government's effort to kick start the economy. With the announcement of big ticket projects, the business unit acquired many notable government projects.

With the projected high Government spending in 2011, it is envisaged that the Commercial business unit will contribute positively to further enhance shareholder value.

The **lubricant business** unit performance for the current year was mixed. While the Company had to abide to BP's strategy to position its products at a premium category, the relentless price increase resulted in a diminished market share and volume. The Company had lost key customers and experienced a sharp drop in demand.

The local brand MAXIMO & OPTIMO which are geared for export were experiencing erratic demands. Bigger promotion and campaigning are in the pipeline to further expose and propel the local brand in more countries in the African and Asian regions to secure constant and continuous demand in the future.

The **Aviation** business unit is the single largest supplier of jet fuel at Muscat International Airport. With the acquisition of Oman Air supply contract, the Aviation business unit continued its drive and focus to provide excellence in service to all its customers mainly the Royal Courts Affairs, various branches of the Ministry of Defense as well as commercial airlines.

Continuous relentless efforts are being made to secure the Company's position as the number one service provider at Muscat International Airport. High capital investments on equipments and human capital were being made to ensure superior customer service at all times. The collaboration with Air BP will continue in providing technical expertise to its customers.

The Company introduced the **Marine Business** unit during the year under a joint venture agreement with Matrix Marine Holdings GmbH. The new joint venture company, Omanoil Matrix Marine Services (MXO) acquired the bunker license from Port of Sohar Authority on the 28th April 2010. The joint venture offers various grades of bunker fuel to shipping companies at the port including lubricant.

The Company undertook a series of improvements and upgrading initiatives to ensure an efficient and reliable logistics support system to meet the demand growth. Focused on effective asset management, operational improvements as well as development of knowledgeable and skilled manpower, these initiatives are crucial in supporting the Company's various business portfolios to achieve their respective sales targets and remain competitive in product distribution to all locations nationwide.

The Company's focus continues to be on cost and operational efficiencies and effective margin management in all aspects of the business segments.

Health, Security, Safety and Environment

The Company continues to place priority on Health, Safety, Security and Environment (HSSE) in all its operations. Demonstrating this commitment, the company conducted various HSSE exercises, drills, audits and educational activities during the year. These activities were aimed at enhancing the knowledge and capability of not only the staff, but also our partners and the public at large.

The Company is also proud to declare that it has achieved a record of 18 years of No Loss Time Injury at its main terminal – Mina Al Fahal.

People

In meeting the continuous challenges and demands faced by the business, greater emphasis has been placed on developing and retaining the right talents to propel the Company to greater heights. Great efforts have been exerted to attract, develop and retain the right talent to ensure fruition of the Company's vision of becoming the leading Omani company. Specialized training programs have been introduced and implemented to ensure staff at all levels is equipped to enhance their capabilities and execute the long term plans and vision of the Company effectively and efficiently.

Outlook

The outlook for the coming year appears to be positive with the demand for petroleum products expected to grow in line with Oman's projected economic growth of approximately 6% in 2011.

Company has placed itself in a strong position for the future. Competition in all business sectors, particularly the retail business is expected to heighten. New lucrative sites will be added on top of more new Convenience Stores bearing the Ahlain brand as well as Fast Food Outlets will be added to the Company's offerings. Competitors are anticipated to continue to invest in new stations to defend their market share. Customers are also expected to be more discerning in their requirements and demands.

The commercial team is focusing in obtaining new infrastructure contracts as announced by the Government & Private Sectors. This will positively impact the Company as the construction of various infrastructure linked projects, upgrading of highways and roads will help keep demand, particularly for diesel at reasonable levels.

The aviation and marine sectors are to benefit from the expected strong growth and extension of the new Muscat and Salalah Airports. The encouraging development in Sohar especially at Port of Sohar would only contribute positively to the Company's earnings. All these developments augur well with the long term commitment of the Company in serving the Nation.

In facing these challenges, it is imperative that the Company continues to be innovative and undertake changes to ensure that it remains relevant and ahead of competitors. The Company will continue to focus on operational and service excellence, cost efficiency initiatives and realigning business strategies to cope with the market uncertainties ahead. Numerous challenges need to be addressed.

Apart from the prudent capital investments pursued to ensure the Company's growth and competitive edge, stringent inventory management controls will also be given serious attention. The Company will continue to focus on human capability development, high systems reliability, and good HSE practices. Strong emphasis will be placed upon cost efficiency to reduce cost of service and delivery but without compromising customer service and products quality to meet the needs of customers. Customer service will be continuously improved.

The Board and the Management are fully geared and committed for the challenges in 2011 and is confident, that the Company will continue to deliver value to all shareholders and stakeholders.

Acknowledgments

I would like to take this opportunity to thank all our customers, the Government departments we have had dealings with and our dealers, their staff and our own dedicated employees for their continued support. I would reiterate our unwavering commitment to the provision of the highest level of service at all times.

On behalf of the Board of Directors, I would like to express our sincere gratitude and appreciation to His Majesty Sultan Qaboos bin Said and His Government. Under his wise leadership and guidance, Oman continues to be on the path to further prosperity, growth and development.

Thank you.

Salim Abdullah Al Rawas
Chairman