

Chairman's Report

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present the Annual Report pertaining to Oman Oil Marketing Company SAOG for the financial year ended December 31st 2007. 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 period under review has been a successful year for Oman Oil Marketing Company SAOG. The Company's total revenue increased by 26% to RO 152.7 million from the previous year's RO 121.4 million. The revenue growth is due to improved sales recorded for most products as well as increments in product prices in line with international prices.

As a result, the Company's pre-tax profit rose by 39% to RO 6.5 million. After corporate tax, the Company's net profit amounted to RO 5.7 million, a 41.5% increase from the previous year. This is a commendable performance and positive growth in shareholders' value.

The Board of Directors is recommending a final dividend of 47.5 baisa per share for the financial year ended December 31st 2007.

During the financial year, the Company further expanded its market share. Overall volumes grew by 29% over last year to 1.12 billion litres, the highest ever recorded in the Company's history. Furthermore, solid growth was recorded in almost all product categories namely, gasoline, diesel, lubricants and aviation fuel.

The **Retail Business** continued to be the main focus of the Company's growth. The Company's strategy has been geared towards increasing its market share, presence and dominance in Oman.

As at December 31st 2007, the Company's retail network comprised of 103 service stations and this will continue to expanded across the Sultanate. The Company's focus on total customers convenience is gaining ground as the popularity of convenience stores is increasing. This network will be one of the main thrusts of the Company going forward.

The **Commercial Business** performance in respect to volume and profitability was the highest in the Company's history with 56% growth compared to last year. This was achieved by higher sales performance as a result of sustained

efforts in understanding customer needs and continued focus on customer service.

The **Lubricant** sector registered a commendable performance despite the pressure of continuous increase in base oil prices. This performance was achieved as a result of unvarying efforts by the team in promoting the BP Visco 2000 brand and CASTROL. The Company has also embarked on developing its own brand, namely Maximo and Optimo in the overseas market. These lubricants are currently being marketed in Yemen, Somalia and Sudan. Efforts to penetrate larger markets in the region and Africa are underway.

The **Aviation** business unit was severely affected by the decision of the Sultanate to pull out of Gulf Air in addition to increasingly fierce competition in the market. Nevertheless, persistent focus is directed to other aviation customers together with Air BP in providing technical expertise and superior services to its customers.

The achievements are accredited to the initiatives undertaken to improve the reliability and support functions of business operations comprising of a comprehensive logistics and distribution system, bulk and aviation depots, and prime movers which have also been enhanced in tandem with the Company's business growth

Health, Security, Safety and Environment

In its continued pursuit for excellence, Oman Oil Marketing Company remains committed to ensuring the highest possible standards of health, safety and environment (HSE) management practices which are applied throughout the organization. Despite organizational changes, commitment to the highest levels of HSE has helped the Company achieve a record of 15 years of LTI-free in the MAF terminal.

People

As its most important asset, the staff body is a key factor of the Company's success. Great efforts have been exerted to attract and retain the right talent to ensure the fruition of the Company's vision of becoming the leading Omani company in fuel and lubricants marketing. Omanisation is also at its highest level of 85% as at December 31st 2007. Specialized training programs have also been introduced and implemented to ensure staff, at all levels, are equipped to enhance their capabilities, realize their potential and execute the long term plans and vision of the Company both efficiently and effectively.

Highlights of the Year

As a responsible corporate citizen, the Company joined hands with the Government to support and help the re-building efforts of the nation from the destructive trail of cyclone Gonu. The Company donated RO 100,000 cash to Oman Charitable Organization in its commitment and solidarity with the Sultanate.

The other outstanding achievements by the Company include:

- Best financial performance in the Company's history
- New historical best Company LTI – Free record of 15 years
- Highest Omanisation rate of 85%;
- Completion of the Company's business re-engineering
- Successful promotion and export of omanoil lubricants
- Best collection of debtors for the year
- Employment of Omanis at senior key positions

Outlook

The Company built a strong foundation for the future and has also identified the expansion of its retail network as the main thrust in 2008. The launch of omanoil branded lubricants in overseas markets is also expected to drive growth for the Company; the continued viability of the existing lubricants business will need to be kept under tight monitoring. Leveraging relationships with customers and authorities will help drive growth of commercial fuels to realize greater potential in increased economic activity in the country. The aviation industry and business will also witness reasonable growth in the future with the planned expansions of the Muscat and Salalah airports to compete with aggressive airport expansions in neighboring countries.

With increased competition in the market and aggressive marketing efforts undertaken by competitors, The Company will remain focused on expanding its network of facilities, improving the quality of its products and services, optimizing costs and developing its human capital even further.

The Board has set challenging targets for the Company in 2008 and is confident that the management and staff will continue to deliver growth in line with or exceeding market growth.

Acknowledgments

I would like to take this opportunity to thank our customers, Government departments, dealers, and the Oman Oil Marketing Company staff for their dedication, commitment and efforts to making the Company reach even higher levels of excellence.

On behalf of the Board of Directors, I would like to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for his vision and leadership in steering the nation along its path of growth and prosperity.

Thank you,

Salim Abdullah Al Rawas
Chairman