

## RETAIL

The Retail Business Unit's network expansion and growth continued with full force in 2010. Retail Business growth led the market growth of the Fuel Retailing Industry in 2010 as a result of a rational positioning strategy for new filling stations.

For the year ended 31 December 2010, the Retail Business Unit contributed more than 55% of the Company's turnover which is the highest ever in the Company's history. The main focus of 2011 will be on the continuous improvement of the retail plan and strategies to maintain and maximize potential returns for the business.

As for network expansion, in 2010 a total of 10 new Filling Stations began operation, increasing the total of Service Stations nationwide to 122 which is considered a record as the total additional new Retail in one year. Three more filling stations are currently under construction and expected to open during the first quarter of 2011.

Owing to the current economic outlook, the company's Management will be more prudent and rigorous in its growth and expansion strategy to protect and enhance shareholder value.

Operational efficiency, conveniences and best in class customer service will remain the integral focus of the Company. Our journey into achieving total customers' satisfaction will continue by ensuring all the basic customer service and needs are passionately done. Continuous upgrading of retail and forecourt staff training, HSE and service level will also be ensured

The business unit will continue to upgrade its retail facilities to align with our customer inspirations. It will seek to obtain the latest and most efficient tools and equipments from the Engineering and Maintenance team to ensure reliable and extended assets' life.

In 2010, **eight** new Ahlain stores, **one** new Car Wash facility and **two** Quick Service Restaurants (QSR) were opened. More strategic locations are being earmarked to complement the existing Retail network in order to provide convenience to customers. The focus to expand the Non- Fuel business will continue in 2011 to add more value to the overall performance of the Retail business. New outlets and services are expected to attract more customers and improvise the Retail margin. Omanoil's new convenience store brand under the name "ahlain" was introduced in March 2009. In 2010, Most of the previous convenience stores have been rebranded to Ahlain and the remaining outlets will

be covered in 2011 to spread the young and energetic shopping experience across the entire network.

The basmaRewards program's contribution to the Retail segment has also grown significantly and can be further tapped into to help the Retail business's performance in 2011 and beyond. There are plans to include more Basma merchants, and to introduce more rewards and redemption to loyal customers in order to enable them to enjoy more benefits from the program.

The company is confident that its Retail business plans and strategies will bear fruits in the immediate future. The retail business continues to form the foundation of the Company and expected to continue the growth momentum.

## **Fuel Cards**

With the vast improvement of economic conditions and increased spending by the Government, the Fuel Cards business has grown by nearly 20% over the past year. Sales of Fuel through Basma Cards have made a great leap and are now according to Industry standards the highest.

2011 looks very encouraging with the Government announcing new projects. The primary focus will be to bring in new customers and at the same time maintain the existing ones. The aim will be to increase the Customer service to the next higher level and induce Customers utilize the Basma Card to its full potential.

We had a successful Basma Points Redemption Promotion and the redemption has increased by 20%. More and more people are becoming aware of Basma card and its benefits.

## **Commercial**

In 2010, the commercial market in Oman showed vast improvement compared to 2009, particularly in the construction segment. Many new infrastructural projects including airports were announced and some of them were mobilized during the year.

Several factors brought about a growth in overall business. These factors include the business unit's realignment of its focus and strategies into various other segments such as mining and power industry.

The recovery of international oil prices and its stability much higher than what was budgeted gave a boost to the economy and spending increased everywhere. The

commercial business unit has successfully captured a number of new projects during the year and has poised itself to deliver a better performance in 2011 if the recovery trend continues.

Throughout the year, the focus was simple, spending more time with customers, developing relationships, delivering the product on time, and most importantly collecting money after the sales. All these measures helped deliver results and have also strengthened the business relationship with all its customers.

With the year 2011, there is a sense of hope due to the overall improvement in the global financial circles. The investment plan unveiled by the Omani Government and the assurance that nothing will change for the coming year will add to restore confidence and spur economic activities further in Oman.

The Commercial Team's focus will remain on hunting new businesses, effective execution of customer service and improvement of the trust that has built up over the years with all customers.

## **AVIATION**

2010 has been a remarkable year for omanoil's aviation business. With an attractive contract package and aggressive sales approach, the Company successfully secured 60% of aviation fuel supply contract for Oman Air. The contract is for two years beginning 1st March 2010. With the fuel supply contract, omanoil has become a market leader in the aviation fuel supply at Muscat International Airport. The Company is proud to be part of the national carrier's success in expanding its route to new world cities throughout the year.

Adding to an existing list of major commercial airlines and key government accounts, omanoil also secured Ruslan International Airline (Volga Dnepr) in June 2010 for the aviation fuel supply at Muscat International Airport. Ruslan International is the world's leading heavy cargo lifter specialists.

The aviation fuel demand at the Muscat International Airport will grow positively in years to come with additional aircraft deliveries from Oman Air and route expansion.

The Company will continue to work together with Air BP as technical and commercial partners in order to maintain its international service standards and capitalize their vast market access and networking to improve its sales volume.

## **MARINE**

2010 marked an exciting year for marine business. omanoil together with its reputable joint venture partner from Germany, Maratrix Marine Holdings GmbH secured a bunker license from Port Sohar. The joint venture company, Omanoil Matrix Marine Services (MXO) offers various grades of bunker fuel to shipping companies at the port including lubricants.

omanoil looks forward to have a strong presence at the port, supplying quality bunker fuels with highest operational standards The Company is also looking for opportunities to present at other key ports in the Sultanate of Oman for similar offerings.

## **Lubricants**

The price increases of 2010 had severe impact on high street lubricant business in Oman. However the commercial lubricant business had shown growth mainly because of new franchisee business (Saud Bahwan) and major construction company business (Galfar).

The company effectively implemented the Fifa world cup promotion with Castrol and thus improved synthetic lubricant business. (Magnetic)

There is improvement in sales in Sohar and Salalah with more customer focus from dedicated staff.

The Power generation and Rig segment had shown 8 % growth in volume in 2010 and the indications are positive to have better share of volume in 2011.

### **Export Lubes:**

The Gulf Market has shown great acceptance of omanoil lubes and the main volume for export lubes in 2010 has come from Kuwait and UAE.

In addition, Kenya distributorship started in 2010. The overall export lubricant business was down in 2010 mainly due to not securing any tender business of Turbine and Transformer oil.

## **Customer Service**

Customer Service is at the heart of omanoil's operations. As a customer oriented company the company has thus strived to create new systems and processes to promote superior customer service quality.

The company projects the expectations of the customers in advance and reacts to them in a proactive manner. The Customer Service department was created in 2009 with a set-up extensive monitoring systems. The company conducts monthly surveys to determine customer shortcomings and rectify the same. Customer Service has achieved good progress so far and managed to improve in a number of areas.

## **Operations, Engineering, Health, Safety & Environment**

The Mina Al Fahal jointly owned terminal managed by Oman Oil Marketing Company has achieved yet another milestone of completing 6,713 days of safe operation without Lost Time Injury in handling the substantial increase in volumes seen by both companies omanoil & Al Maha operating within the terminal both safely and efficiently. This once again is indicative of the world class safe operation we have and one which is pivotal to the success of the business. JV Terminal has managed successfully to pump out a total throughput of 2,154,000M3 safely.

The Company has initiated changes in its 'ways of safe working' for the logistics and terminal operations which are expected to significantly increase the utilization of the existing storage infrastructure and distribution fleet. This initiative is expected to contribute to reducing the distribution cost which is the single largest cost component after product cost whilst at the same time significantly reducing the need to invest in storage & other infrastructure.

Investments have also been made in improving the supply chain network to optimize utilization of our fleets.

2010 has been yet another successful year for the terminal and all efforts are being made to maintain its world class performance. Having 7 days a week, 24 hours terminal operations scheme has substantially enhanced the operating performance of meeting our daily throughput of 6000M3 / day.

2010 has been a challenging year with the ambitious growth plans for the company moving it to new heights.

Engineering department support in developments plans both in Retail as well as Commercial areas has resulted in significant expansion of our network of outlets and customer base. The department was actively involved in more than **25 Commercial projects and 10 Retail NTI Sites** which resulted in substantial increase in volume growth in 2010

Terminal has been vigilant to monitor and supervise all employees and contractors that, they strictly follows and adhere to a company HSSE regulation by communicating through Induction, Training, Group Meetings and Toolbox Talks.

With dedicated team of in house maintenance, JV terminal has achieved meeting its objective of maintaining entire operating equipments without any significant breakdown. As a result, JV terminal performance of twenty four– seven (24/7) had been very successful.

JV Terminal has recently been recertified with ISO 9001:2008

## **INFORMATION TECHNOLOGY (IT)**

2010 was challenging yet exciting year for the IT Team. With several projects running in parallel and existing systems to be supported at the same time, the team successfully delivered the required level of service and support.

IT department supports all functions and departments of OOMCO which are spread over five locations, HO, Aviation, Terminal, Sohar, and Salalah.

In 2010, several software systems and studies were carried out including:

### **Enterprise Resources and Business Management System (eRBMS):**

After extensive study of user requirements, the RFP was floated. E&Y consultants were right along from the beginning to the awarding of the contract.

First Phase of the project is estimated to complete by July 2011.

### **Filling Station Automation:**

Detailed study has been performed by representatives from Engineering, Retail and IT. The state-of-the-art solution being sought is being put through a POC setup in a lab-environment; this is primarily to test the GSM network response speed and connectivity issues. The envisaged solution will connect all filling stations with the IT back-office through IP based GSM network. The communication will be bi-directional, i.e. we will be able to monitor underground Tank Gauging, dispenser meter readings and modify dispenser meter prices from HO. Cash Sales data would also be collected from each station for accurate sales trend analysis. Fuel Card data would be collected on on-line basis.

### **e-Service Request:**

This is an in-house developed IT help desk system that takes care of IT SLA requirements within the company and also addresses some of auditor's requirements. The system produces reports to monitor IT time spent with different departments and helps in IT staff time utilization.

### **CALL Center Alert and Notification Software (CARE):**

This is also an in-house development effort. It is an answer to professionally manage the in-coming customer calls. System registers the calls and forwards it via email and SMS notifications to concerned staff for prompt action. Full follow-up and reporting features are available.

### **FortiGate and VPN:**

For security and controlled access to OOMCO network systems, FortiGate was installed. VPN connectivity was established for our staff to connect remotely to attend to their work just as if they were working in the office.

### **ORACLE Licenses**

Oracle Licenses for several modules were upgraded and purchased.

## **People**

The success achieved by Oman Oil Marketing Company is greatly attributed towards the successful implementation of sound human resources strategies at all levels, from attraction and retention of top management to the effective development of key staff as well as establishing a productive work environment.

Recovering from the economical slow down, Management successfully developed objective performance management systems that integrated corporate strategies and plans

for team objectives and individual goals, leading to the reestablishment of higher visibility in HR value propositions to core business operations.

The Competitive advantage OOMCO talents delivered towards achieving top brand awards and positioning the Company to become one of the fastest growing companies in its class, have been adequately complemented by the values and high ethical standards demonstrated by Management and practiced by staff.

At the corporate governance level, the Board of Directors and top management have successfully aligned directions through the establishment of "Board Remuneration Committee" aiming to provide additional focus on the development of the Human Resources at all levels, starting from conducting effective HR Policy reviews, developing succession planning, benchmarking to internationally recognized practices and local remuneration scales as well establishing an effective framework for managing risks associated with the development and deployment of the human capital.

Management at Oman Oil Marketing strongly believes that the key to success is through the proper engagement of its staff in the various affairs and plans for its growth. For that a collective frame for receiving staff feedback was developed, including annual staff survey, upward feedback, Meet the CEO Sessions and Al-Multaqa (an innovative general staff assembly held on a quarterly basis aiming to communicate with staff on company performance and future plans and directions).

Oman Oil Marketing has proudly exercised its corporate Social responsibilities towards the nation through hiring and investing in young talented and energetic Omanis, increasing Omanization to 87%, which was recently recognized by the Ministry of Labor by awarding a prestigious award for the purpose. Furthermore Management continues to contribute in developing Omani young graduates by providing internships and training programs aiming to prepare them for future jobs and carrier development.

Recognizing the importance of collaboration with its peers and sister companies in supporting its CSR objectives and the development of the human resources, the Company has recently contributed in the establishment of an HR Forum to share experiences and attempt to positively influence common challenges.

### **Corporate Social Responsibility**

omanoil continues to pioneer various social activities and initiatives around the Sultanate. In 2010 its main focus was on the support of youth through education and sports by creatively collaborating with various local associations.



The company was an active participant of the Traffic Safety Expo. Introducing its newly established brand “be safe” which symbolizes the company’s HSSE initiatives including road safety. During the exhibition the company joined hands with al Mustadama aka “Salim and Salimah” offering them a platform to communicate their road safety initiatives.

In 2010, the company also decided to join hands with NGOs “ Rekaaz” to launch '**Cool To Live Responsibly**' campaign. The campaign is about promoting values of Omani culture, and is directed towards youngsters. The campaign was launched in February and lasted till May. It started with a number of lectures and workshops in different parts of the country like SQU and Salalah.

The company also continued its contribution to the Oman Association for the Disabled. This year Omanoil contributed personalized wheelchairs as part of its responsibility to fulfil its duty as a socially responsible corporation.

omanoil has adopted certain values in line with the aspirations of shareholders and Board of Directors towards achieving CSR goals. In 2011, the company plans to strengthen its CSR strategy by collaborating in more projects dealing with Road Safety and continuing to target youth through sports and education.

## **OUTLOOK**

Looking ahead, 2011 is promising, with demand for petroleum products is expected to grow in line with Oman’s projected economic growth.

The Retail Business unit continues to be the growth engine for the Company. Strategic and selective investments had been made to increase the shareholders’ value as well as meeting the Company’s commitment in fuelling the Nation. The company will reap the rewards for all this in years to come.

With the projected record spending by the Government in 2011, the Company has positioned itself to increase its market share in the commercial market. This projected spending augurs well to sustain the demand of diesel in the country.

Heighten activities in Muscat International Airport will further consolidate Oman Oil Marketing Company as the preferred jet fuel provider. Strategic investments in manpower and high power equipments would increase the efficiency level of the airport operations.

The introduction of marine business was timely as Oman moves towards becoming a trading nation. The Company's presence will be felt not only in Port of Sohar but also in other ports around the Sultanate. This development will contribute positively to the bottom line.

Despite many favorable prospects, omanoil expects competition in all business sectors particularly in the retail business, to continue. In anticipation of the increasing challenges ahead, the Company will remain focused on expanding its network, improving the quality of its products and services, optimizing costs and developing its human capital even further. The Company will also continue to play its part in contributing towards the development of the industry.

The focus in the coming year will be to strengthen the market position whilst achieving operational excellence.

This concludes my review of the operational performance for the year 2010.

Best wishes for 2011.

Thank you.

Eng. Omar Ahmed Qatan  
Chief Executive Officer