

## Directors' Report

**Dear Shareholder,**

On behalf of your Board of Directors', it gives me great pleasure to present the Annual Report of Oman Oil Marketing Company SAOG for the financial year ended 31 December 2012. 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 & Financial Performance**

This is a significant year for us as we reflect on our successful journey over the last 9 years and look forward to the future with renewed enthusiasm. The Company continues with its aggressive expansion plan with all Strategic Business units are required to achieved its highest growth. We have continued to grow our business and record strong performance despite stiff competition from our competitors.

The Company has attained the best financial performance with sales of approximately RO 278.5 million a modest increase of 0.1% compared to RO 278.2 million in 2011. The pre-tax profit increased by 10% to RO 10.2 million from RO 9.2 million. After providing for corporate tax, the Company's net profit amounted to RO 9.0 million, the highest profit in the Company's history, a 11% increase from that of the previous year. Earnings per share stood at 140 baisas. This significant performance represents the Company's commitment to grow its businesses in all business sectors as well as to improve operational efficiencies and cost optimization.

The Company's financial position remained healthy with total assets at approximately RO 75 million as at 31<sup>st</sup> December 2012. A total of RO 7.6 million was spent on capital expenditure. This was financed by internally generated funds and long term financing obtained from Banks.

**The Board of Directors is recommending a final dividend of approximately 70 baisas per share (representing 70% of the nominal share value of RO0.100) amounting to RO 4.5 million for the financial year 31 December 2012, subject to approval by the shareholders at the Annual General Meeting. This represents circa 50% payout from the Company's net profit for the year.**

The Company's retail network growth is in continuum. The **Retail Business** being the back bone of OOMCO has performed remarkably with double digit growth in sales volume. The number of stations nationwide has also increased by two fold to 144 as compared to its humble beginning of 70 stations in 2003. The expansion programme to increase the market share as well as presence will continue on selective premium sites and locations that yield maximum returns.

The Ah Lain convenience shops have grown its prominence with more than 81 outlets in operations. The contributions of these Ah Lain shops towards the sales at the

forecourt have been immense and plans are afoot to further increase our services and offerings. The smart partnership with renowned fast food chain specialists namely Burger King, Dunkin Donuts and Subway will continue and be enhanced. Plans are afoot to increase the contribution of Ah Lain in the near future. New retail business will be explored to further strengthen the vision of the retail business to be the premium retailer in Sultanate of Oman.

The **Commercial Business** unit even though is driven by price and competitive terms of trade have performed reasonably well. The volume growth has been maintained benefitting from the continuous government spending. Driven by a dedicated and customer focus sales team, successful strides are made to broaden the customer base. As a result the business unit achieved a marked growth in volumes. The team is determined to explore more opportunities to scale higher and capitalize on new development projects especially in new identified economic zones.

The performance of **lubricant business** was one of the best in the recent years with volume growing at 16% year on year and this represents approximately 35% of the market share, a market which is inundated by numerous brands. This accomplishment has been backed by BP & Castrol, the product supplier as well as our loyal customers in Commercial and High Street sectors. Plans are in the pipeline to further solidify this partnership with our suppliers and the end users.

Our home grown lubricant brands, MAXIMO & OPTIMO, are well accepted in GCC and African countries. The Company is planning to introduce, promote and market the homegrown products in the Sultanate.

The **Aviation** business suffered a major loss due to the failure insecuring a second term of fuel supply to Oman Air. Nevertheless the business unit is exploring areas to widen their services to the existing and new aviation customers. The collaboration with Air BP will continue in providing technical expertise to its customers.

The **Marine Business** unit is focus in widening the customer base to include other ports such as Salalah and Muscat. The challenge remains to secure and service the existing customers while acquiring new ones at a reasonable margin.

The Company continues to invest in its existing infrastructure and assets to enhance their integrity as part of continuous efforts expended to ensure that our delivery network and operations especially reliable logistics support system are geared towards supporting our aggressive business growth.

The Company continues to focus on delivering quality products and services to across all our four core businesses to provide “value for money” to our wide segments of customers.

Our Joint Venture Company, **Oman Oil Matrix Marine Services Company**, has recorded its maiden profit in the middle of this year. This blended well with the ever

increasing activities at Port of Sohar. The Team is geared towards increasing its customer base as well as increasing its the market share at the port.

## **Health, Security, Safety and Environment**

Health, Safety, Security and Environment (HSSE) remains a focus of the Company and practices have been pushed hard across our operations. Besides training and workshops on HSSE which have been carried over the years, the Company has introduced a health campaign – *I Promise* – to ensure that our people are at the best of their health.

Another significant milestones and being one of the best in the world is that the terminal operations in Mina Al Fahal has achieved a record of 20 years of No Loss Time Injury. This achievement underpins the commitment of the Company to be SAFE in all aspects of its operations.

## **People**

People are the main asset of any companies and great companies are built by great people. The Company continues to invest in its staff through continuous training and team work building to develop in house capability and a united workforce. Some of the key initiatives include our joint training programmes with Takatuf to create future leaders for the Company as well as the Country.

The Omanisation is one of the highest in the industry at 83%.

## **Outlook**

The outlook for the coming year is positive with the demand for petroleum products expected to grow in tandem with Oman's projected economic growth of approximately 7% in 2013.

The Company is gearing itself for intense competition in all of its core markets especially in the retail segment. Current market share to be defended while new ones to be created and the margins to be managed.

New retail premium sites are to be launched with the ever popular Ah Lain convenience stores. Strategic growth locations especially in the Southern Region will be one of the growth area targeted.

The commercial team is focused in obtaining new infrastructure contracts as announced by the Government & Private Sectors. This will contribute positively 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

Port of Sohar as well as increased activities in Duqm and Port of Salalah 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.

The Company will continue to focus on human capability development, high systems reliability, and good HSSE 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 Company will continue to work closely with its holding Company, Oman Oil Company SAOC, in participating in several strategic initiatives which include joint training programmes with Takatuf to create and identify future leaders among the ranks of the Company senior management team. The programmes include development and training in leadership capabilities in preparing them for future challenges. These initiatives were shared and provided within the Oman Oil Group of Companies.

The Board and the Management are fully geared and committed for the challenges in achieving aggressive growth targets in 2013 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**