

Young, energetic and Omani are the three main iconic representations which drive omanoil to further engraining its values into international practices and local understandings by providing unparalleled levels of service, trust, care and innovation.

Retail

The Retail Unit, one of the main core businesses in the Company showed vigorous growth, generating over one billion litres in volume. The businesses implemented an aggressive growth strategy which focused on eliminating Retail network gaps and raise the growth rate to achieve long term goals and enhance the current network services and offerings that resulted in the introduction of 12 new high volume sites located in strategic locations across the Sultanate. By the end of 2012, the number of retail filling stations reached 144 spread across the country. Additionally, three existing sites were renovated as part of the “Raze and Rebuild” program which aims to renovate retail outlets in order to attract more customers and generate new business.

The Retail Unit designed and adopted an effective growth strategy to ensure maintaining the growth and enhance the current network services and offerings. The Retail strategy crafted to tackle all the business drivers including None Fuel Retail (NFR) which has contributed significantly to the retail business income growth and size.

NFR business maintained its organic growth acrosss the country, aiming to create the “one-stop-shop” experience for all customers by focusing on convenience. Substantial number of ahlain shops and other service outlets introduced in the network and a wide range of product choice that continues to attract customers and subsequently improvise the Retail margin.

10 new ahlain were launched in the year, making a total of 81 ahlain year end, across the entire network. Furthermore, there are total of 13 omanoil branded operational Car washes in the network.

As part of the Company's direction to diversify its services, NFR launched; ahlain water, the Agreements were signed with a water manufacturer company and our shop operating partners Enhance and Khimji Ramdas. ahlain water was launched and started its distribution around the year end across the full network of ahlaains.

The Company has plans in 2013 to add revenue driver facilities within the existing and forthcoming ahlaains. There will be an increase in the number of Quick Serve Restaurants (QSRs) addition of brands like Hungry Bunny and more, in the new year.

The Retail Business continued its focus on operational excellence in 2012 by attending to HSSE violations, training all site employees enhancing current practices. Additionally, in order to ensure the company maintains its operational and customer service standards, approximately 40% of the retail network sites are managed under direct supervision of the Company and an emphasis on quality HSSE and customer service training continued for all site employees.

Throughout the upcoming year, the Retail Business Unit will continue to add new strategic outlets and upgrade its facilities to cater to customers' convenience aspirations. It continues to seek the latest and most efficient tools and equipment with the support from the omanoil Engineering and Maintenance teams in order to ensure reliable and extended assets' life. The focus to expand the Non- Fuel business will continue in 2013 to add more value to the overall performance of the Retail Unit.

Fuel Cards

In 2012, Fuel card sales contributed significantly to the overall sales of the Retail Business due to the acquisition of new customer base in both the Government and Private sectors and the increase in sales from both Ejaba and Basma cards. We are launching a revamped Basma card in early 2013.

With the projected high government spending in 2013, omanoil aims to expand the fuel card business as one of the main growth factors within the Retail business by adding new customers and maintaining existing ones while focusing on the delivery of the highest Customer Service in the Industry.

Commercial

2012 has been a good year for the Commercial Business Unit. With the vast improvement of economic conditions and increased spending by the Government into various projects related to infrastructural development, major contracts were announced and awarded for the building of new roads, dam's sites, industrial units and new power plants. With an attractive contract package and aggressive sales approach, the Commercial Business Unit continued to secure a major portion of the new projects and retained existing projects and customers.

It was indeed inspiring for the commercial department to hold on to the margins despite of stiff challenges from competition. The new additional power houses contracts from Rural Area Electricity Company and the major tenders for fuelling of major oil and gas companies are examples of the new projects obtained during 2012.

Throughout the year, the continuous focus on customers, developing relationships, delivering time, and most importantly on time collection after the delivery contributed to the successful results and has also strengthened the business relationship with all our commercial business partners.

The on-going business focus will remain in acquiring new businesses, effective execution of customer service and improving of the trust that has built up over the years with all its business partners to reach the long term objectives of the board and the management of Oman Oil Marketing Company.

The Commercial Business Unit will continue to work together with all its customers and business partners in order to maintain its international standards and network to improve its sales volume.

Aviation

Aviation faced a difficult market environment with the discontinuation of supply to a key customer. Despite that, Aviation continues to build its business portfolio by securing more customers. With more than 20 Aviation clients, Omanoil currently handles more than 10,000 aircraft refueling per year. The company has been providing refueling services meeting customer's requirement and complying with high HSSE standards.

Air BP continues to be our technical and commercial partner. This will ensure that that we maintain our high international service standards and capitalize their vast market access in the aviation fuel sales.

Marine

In 2012, our joint-venture company Omanoil Matrix Marine Services (MXO) reported another successful year in bringing more customers to refuel bunker at Port Sohar. This resulted to higher sales revenue as compared to 2011. With solid business plan already in place, the motivated team has geared up to achieve more success in 2013.

Omanoil will continue to explore opportunities to grow this business to other ports, offering various fuel grades including marine lubricants. “

Lubricants

The Lubricants Business Unit has grown by 16% overall in BP/Castrol products which are highest in the last 6 years. The main contributor in the growth of local lubes is Business to Business. Due to the increase in the country's investment in infrastructure

and construction, Lubricants success in construction segment was highly significant in the year. The focus of high-street lubes business has shifted to Synthetic and Semisynthetic engine oils.

In 2012, the Principle Castrol names omanoil The Middle East & North Africa's Leading Lubricants Distributor, we were selected among competitive global distributors for continually applying best-in-class practices and inspiring new industry standards which led to the achievement of "The ambassador club" award from Global Castrol Energy for the best performance in Rig segment.

Another feather on the cap, omanoil was one of the three from the Middle East as guest of BP to attend the London Olympics in UK.

Export Lubes

In 2012 omanoil lubricants added more countries in the export portfolio which included Yemen, Qatar, Bahrain, Bangladesh, Somalia and Myanmar. An Agreement was signed with Iraq distributor in the last quarter of 2012, for a supply to start in January 2013. The acceptance of omanoil lubes in Yemen, Qatar and Bahrain is highly encouraging and the brand has started gaining popularity in these countries and other parts of the world

Customer Service

Quality customer service lies at the core of the Company's business operations, and provides a platform for continued growth which in turn helps to build corporate reputation.

In essence, customer service is the ability to effectively understand and efficiently respond to the customer's needs and concerns which ultimately helps to create customer loyalty and drive repeat customers.

Every employee understands the standards and qualities required when interacting with customers as customer must always be made to feel their best interests are being given serious consideration.

To ensure that the company achieves excellent customer service levels, it has assigned a complete team of professionals to;

- A. Handle & Respond to Customer Feedback
- B. Design Customer Relationship Management System
- C. Develop Customer Experience Strategy
- D. Conduct Market Research/ Questioners & Service Evaluations
- E. Develop Customer Service Training Programs
- F. Design Staff Motivational Programs
- G. Continuous Review of Customer Service Processes and always Improve
- H. Monitor service delivery and Quality Assurance

The Customer Service Department conducts all operations in accordance with the company's values and brand image drivers in a Friendly and Courteous manner with Empathy & Enthusiasm full of Commitment & Optimism supported with high Listen-ability.

Operations and Engineering

The Mina Al Fahal jointly owned terminal managed by the Company has achieved yet another milestone, the completion 7,415 days (20 years and 3 months) of safe operation without Lost Time Injury in handling the substantial increase in volumes seen by both omanoil and its partner operating within the terminal both safely and efficiently. This once again is indicative of the world class safe operation and one which is pivotal to the success of the business.

2012 has been 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 deliveries.

2012 has been a challenging year with the ambitious growth plans for the Company moving it to new heights. HSSE has been the key focus for the logistics and terminal operations. The Gantry expansion project is underway and is expected to significantly increase the utilization of the existing storage infrastructure. The company has added four prime movers and five tankers to the fleet to replace existing aged ones.

The Engineering departments' support in development plans both in Retail and Commercial areas have resulted in significant expansion of our network of outlets and customer base. In 2012; the department was actively involved in more than 28 Commercial projects and 12 Retail New to Industry (NTI) Sites which resulted in substantial increase in volume growth for the Company. In addition; the department has successfully completed 3 major Raze and Rebuild for existing sites and re-branding of 5 outlet shops.

The department is also involved in maintaining the whole Company's network (commercial and Outlet Sites) which improves the performance and reliability of the network throughout the year.

Health, Safety, Security and Environment

Overall HSSE performance of the company in 2012 was in line with the set targets. The Lost time Incident frequency in 100,000 man hours was "zero" an excellent performance indicator by industry standards. Many HSSE improvement measures were implemented in 2012 which includes the introduction of revised HSSE policy and sub-policies, introduction of revised HSSE management system manual and introduction of OOMCO employee HSSE passport, launching HSSE management software and launching the "I

promise” campaign. The department is echoes the Companys’ commitment to preserving the environment by promoting a culture of safety.

Information Technology (IT)

Year 2012 was the execution year of various IT projects. Projects which were identified in 2011 and before were executed or commenced in this year; and earlier project undertakings were also carried out or closed successfully.

Major Highlights of 2012 were:

Successful implementation of a leading HSSE system, which uplifts OOMCO’s image as a leader and serious HSSE industry practitioner.

Implementation of Project e-Tatweer, an Enterprise Resource Planning (ERP) endeavour was continued upon; currently, both Phase One (Finance, Procurement, Lubricant Order Management) and Phase Two (Human Resource Management, iRecruitment, Payroll) are under progress, with implementation of Logistics’ Oracle Transportation Management to follow in 2013.

Major progress was made on the Filling Station Automation (FSA) project with three successful pilot sites completions. This automation will take our customer experience to the next level and will bring many benefits to the Retail business including fraud prevention and on-line approvals.

IT department also worked on ISO27001 frame work this year and produced a base document for actual implementation next year. ISO 27001 is the international best practice standard for an Information Security Management System (ISMS). OOMCO will formally specify a management system that will intend to bring information security under explicit management control.

SharePoint portal was successfully implemented. This system will allow users to shares documents in a secure and safe manner to begin with. Later, advanced features of

SharePoint will allow OOMCO to manage security on corporate data asset by limiting unauthorized files and data to be copied on external storage devices.

People

The success achieved by Oman Oil Marketing Company in the last period is greatly attributed to the successful implementation of sound human resources strategies at all levels, from attraction and retention of leadership to the development of omanoil' s staff, as well as the establishment of a productive work environment and effective policies and procedures.

In continuation to our staff engagement strategies, Management is monitoring the objectives of staff engagement strategies to ensure the alignment with the overall organization goals and objectives leading to the re-establishment of higher commitment and synergy between the two stakeholders towards addressing common challenges.

The systematic approach of omanoil' s Board of Directors and Management towards achieving Corporate Governance Award and positioning the Company to become one of the leading entities in its class, have been adequately complemented by the values and high standards of ethics that are practiced at all levels. The achievement reflects the transformation process which omanoil successfully went through, to attract and retain the right talents and leadership which was capable to create such a profound performance driven culture that complies with internationally recognized standards.

Management at Oman Oil Marketing Company strongly believes that the key to success is through the proper engagement of related staff in the various affairs and activities of the company. Hence, the developed frame framework for receiving staff feedback has been practised efficiently through annual staff survey, upward feedback; Meet the CEO sessions and Al-Multaqa (an innovative general staff assembly aiming to communicate with staff on key issues quarterly). Furthermore, and as per the directions from the Board of Directors and the Board Remuneration Committee, Management finalised a

remuneration benchmark study that was aimed to assess the competitiveness and fairness of omanoil's pay structure compared to the local market.

In 2012 management has supported six of its staff to attend a leadership programme at London Business School conducted locally. Another batch of four staff were been nominated to be enrolled during the year 2013. It is worth mentioning that, Management has initiated a number of projects that are aiming to develop the talent pool to insure continuity of leadership and skilled resources. Such initiatives are: Young graduate Scheme, Higher Education Scheme and conducting a number of key training and development programs for the staff, including: Leadership Development, Job Evaluation, Coaching Program, Financial Management for non-financial professionals, Customer Service training, Recruitment, retention and talent Management program.

Social Responsibility

As a visionary corporate citizen, Oman Oil Marketing Company continues to pioneer various social initiatives throughout the Sultanate through creative collaborations with various local associations and organizations.

Omanoil joined hands with the national movement to minimise road accidents by carrying out several initiatives to maintain its position as an advocate of best practices both inside and outside the workplace.

In 2012 omanoil "Be-Safe" Facebook page, aimed at youth continues to attract the publics' attention. The page utilizes social media as a tool to revolutionize the way the company communicates with the public. The company uses the Facebook page a platform to educate the public on road safety.

The company continued its support to the Pan-Arab non-profit foundation "REKAAZ" to launch its campaign "**Your friends make you who you are**". The campaign aimed to help improve people's lives by promoting behaviour in society and nurturing moral values among Omani Youth from ages 14 to 20 through a series of lectures and events.

omanoil continued its long-standing relationship with the Oman Association for the Disabled and Al Noor Association for the blind by contributing personalized wheelchairs and other equipment to those in need. The company also joined Earth Hour in 2012 with the combined billions of people around the world to raise awareness on the importance of environment preservation; the largest voluntary action ever witnessed. All non-essential appliances were switched off for one hour at omanoil head office with an educational event hosted at the parking lot aiming to set an example to all citizens to reduce their energy consumption.

Giving back to the community is reflected in the commitment and dedication demonstrated by the company's staff. The company established various staff volunteerism opportunities that show Omanoil's track record of embodying the philosophy of social integration. In addition, the company provides training opportunities to various small medium enterprises in managing car wash facilities and transportation.

Social Responsibility is an integral component of the Company's business. The company has adopted certain values in line with the aspirations of shareholders and Board of Directors towards achieving CSR goals. In 2013, the company will continue building its CSR efforts.

Outlook

The Company is very optimistic about the future, especially 2013. The plans announced by the Government as well as plans to focus on infrastructure spending will scale the country to new heights. This will ensure the demand for fuel especially diesel in the commercial sector will be sustained.

Retail being the backbone of the company's operations will continue to be the main driver in propelling the company's growth. Our strategy in increasing our presence throughout the country will continue with more strategic sites identified.

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 and adding value to all our stakeholders and shareholders.

This concludes my review of the operational performance for the year 2012.

Engr. Omar Ahmad Qatan

Chief Executive Officer