

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 2014. To avoid duplication and overlap except where considered necessary, this report should be read together with the Audited Financial Statements, Corporate Governance Report and Management Discussion and Analysis report.

Business & Financial Performance

Our successful journey is continuing with another good year, to enhance your company's strong position for the future. The Company continues with its expansion plan with all Strategic Business units required to achieve their highest growth. We have continued to grow our business and record strong performance despite stiff competition.

Oman's economy continued with persistent growth by 4.4% for 2014 and inflation rate at 2.2%. The drop of the international oil price in last quarter of 2014 did not affect directly the company's performance as the company is operating in regulated market.

The Company has attained the best financial performance with sales of approximately RO 357 million an increase of 21% compared to RO 296 million in 2013. The pre-tax profit increased by 10% to RO 12.7 million from RO 11.5 million. After providing for corporate tax, the Company's net profit amounted to RO 11.2 million, the highest profit in the Company's history, a 10% increase from that of the previous year. Earnings per share stood at 174 baisas. This significant performance represents the Company's commitment to grow its businesses in all business sectors as well as to improve operational efficiencies.

The Company's financial position remained healthy with total assets at approximately RO 97 million as at 31st December 2014. A total of RO 10 million was spent on capital expenditure.

The Board of Directors is recommending a final dividend of approximately 60 baisas per share (representing 60% of the nominal share value of RO0.100) amounting to RO 3.87 million for the financial year 31 December 2014, subject to approval by the shareholders at the Annual General Meeting. This represents circa 35% payout from the Company's net profit for the year. The recommendation is in line with board policy of maintaining a consistent dividend policy whilst addressing the business and investment requirement for funding.

The Company's retail network growth is in continuum. The **Retail Business** being the back bone of OOMCO has performed remarkably well with 10% growth in sales value. The number of stations nationwide has also increased by two fold to 166 as

compared to 152 stations in 2013. The expansion program to increase the market share as well as presence will continue on selective premium sites and locations that yield maximum returns.

The **ahlain** convenience shops have grown its prominence with 97 outlets in operations. The contributions of these **ahlain** shops towards the sales at the forecourt have been remarkable and plans are afoot to further increase our services and offerings. The smart partnership with prominent fast food chains will continue and be enhanced. Plans are afoot to increase the contribution of **ahlain** 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 immensely well. The commercial sales value has grown by 31% compare to same period previous year. The volume growth has been maintained benefitting from the continuous government spending. Driven by a dedicated and customer focus sales team, successful strides were made to broaden the customer base. Resulting in the business unit is achieving a 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** has been enhanced with introduction of Oman Oil lubricant in the local market during the last quarter of 2013. This accomplishment has been backed with well planned strategy in introducing the new born brand to our loyal customers in Commercial and High Street sectors. Plans are in the pipeline to further solidify this partnership with our end users.

The **Aviation** business unit is the single largest jet fuel supplier at Muscat International Airport. With the continued expansion of Oman Air fleet as well as the increase in international airlines to Muscat International Airport, the aviation fuel demand has continued with its upward trend. The Company's focus is to continuously improve its service efficiency at Muscat International Airport. The collaboration with Air BP will continue in providing technical and commercial expertise to aviation business. During the year 2014, the Aviation business unit expended their operation to provide refueling services at other local airports.

The **Marine Business** unit is focused 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.

Our Joint Venture Company, **Oman Oil Matrix Marine Services Company**, offers various grades of bunkering fuel to shipping companies at the port of Sohar. The JV performance has been unfavorable due to competition from other ports at the region and the high operation cost. The Team is geared towards increasing its customer base as well as increasing the market share at the port to ensure positive return on investment.

As part of the company's growth strategy, the company owns 9.18% interest in **Muscat Gases Company SAOG**, a LPG bottling and manufacturing industrial gases company. The associate company is working on new strategic investment projects to strengthen its pillars.

During the current year the company acquired 40% stack in **Lubchem International Industry LLC "Lubchem"**. This investment was in line with the company's strategy to secure lubricant supply chain and open new areas of opportunity. Lubchem is registered in the Emirate of Ras Al Khaimah (UAE) as a Limited Liability Company and the principle activity of the company is manufacturing of grease and lubricants.

As part of continues expansion plan the Company continues to invest in its existing infrastructure and assets to ensure that the delivery network and operations especially logistics support system are geared up to support the aggressive business growth.

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

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 trained the executive management certifying them with IOSH certificate to ensure that our people are at the best of their knowledge of HSSE. During the current year the company has been awarded "Oman Green Award" for its contribution in environmental initiative.

Another significant milestone has been recorded of 22 years of No Loss Time Injury at the terminal operation at Mina Al Fahal. This achievement is considered to be one of the best in the world. This underpins the commitment of the Company to be SAFE in all aspects of its operations.

People

People are the main assets of all organizations and great companies are built by great people. Omanoil continues to invest in its staff through continuous training, team building, development of in house capabilities and a united workforce. This has transformed the company to be one of the best local companies in Oman.

The company has progressed in implementing a complete new strategy in human resource's management and development, which is going to enhance the employees satisfaction level and long term relationship.

The Omanisation is one of the highest in the industry at 85%.

Corporate Social Responsibility

The company's interest on community engagement and corporate social responsibility is derived from the deep belief of contributing in developing the local community. This is reflected clearly by awarding majority of the contract to local SME's. During the financial year 2014, the company invested on many corporate social responsibility activities targeting different spectrum of society members. Road HSSE was given great attention through conducting HSSE campaign in a number of filling station as well as sponsoring HSSE exhibition. Furthermore, several non-government organizations such as Al-Bahja Association for Orphans have been supported to serve the society. The company has also sponsored different social activities which has had a positive impact on the community and the environment.

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 5% in 2015.

The company is poised to benefit from the growth of the national economy in all sectors at accelerated pace. The company seeks to maintain its current market share while working to create new opportunities for improved margins.

New retail premium sites are to be launched with the ever popular *ahlain* convenience stores in strategic locations nationwide. .

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 are promising 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 through new investment opportunities 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.

The Company will continue to focus on human capability development, high IT 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 continuously be improved with the spirit of our motto of “**Care Beyond Fuelling**”

The Board and the Management are fully geared up and committed for the challenges in achieving aggressive growth targets in 2015 and are 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, the management and all our employees, we 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 in the forefront path of prosperity, growth and development.

Thank you.



Salim Abdullah Al Rawas
Chairman