

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 2015. 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. 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 good performance despite stiff competition especially in Aviation and Commercial segment.

The Company has attained the best financial performance with sales equal to RO 368 million an increase of 3% compared to RO 357 million in 2014. The pre-tax profit increased by 9% to RO 13.9 million from RO 12.7 million. After providing for corporate tax, the Company's net profit amounted to RO 12.2 million, the highest profit in the Company's history, a 9% increase from that of the previous year. Earnings per share stood at 189 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 106 million as at 31st December 2015. A total of RO 4.5 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 RO 0.100) amounting to RO 3.87 million for the financial year 31 December 2015, subject to approval by the shareholders at the Annual General Meeting. This represents circa 32% payout from the Company's net profit for the year. The recommendation is in line with board policy of maintaining a consistent dividend 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 well with 8% growth in sales value. The number of stations nationwide has also increased to 174 as compared to 166 stations in 2014. 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** which is driven by price and competitive terms of trade, have performed well to sustain the business during this turbulent economic conditions. The commercial business has sustained the sales value compare to same period previous year. The volume growth of 3% was achieved by securing strategic business opportunities. Driven by a dedicated and customer focus sales team, successful strides were made to broaden the customer base. The team is determined to explore more opportunities to scale higher and capitalize on new development projects especially in new identified economic zones.

The **Lubricant Business** continues to grow positively, especially with high acceptance of Omanoil lubricant brand in the Sultanate has been enhanced in the local market which was introduced in late 2013. This accomplishment has been backed with well-planned strategy in introducing the 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.

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 has been yielding satisfactory returns, which has contributed positively to the bottom line.

In 2014, the company acquired 40% stake 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 it's 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) & Quality Assurance remains a focus of the Company and practices have been pushed hard across our operations.

The company has been certified with four international standards of integrated management system; ISO 9001:2015 Quality Management System, ISO14001:2015 Environmental Management System, ISO 27001:2013 Information Security Management System and OHSAS 18001:2007 Occupational Health and Safety Management System.

OOMCO also achieved new record of 23 years of operation without LTIs at Joint Venture Terminal.

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 employee's satisfaction level and long term relationship.

The Omanisation is one of the highest in the industry at 86%.

Corporate Social Responsibility & In Country Value

The company's interest on community engagement and corporate social responsibility is derived from the deep belief of contributing in developing the local community. Accordingly, the Company joined hands with the government's efforts to serve the community by funding four community projects of the Ministry of Social Development at a total cost of RO 114,500, which were directed to the families of the social security and families with low income. Furthermore, the total amount invested in social responsibility projects during the year 2015 amounted to RO 167,589.

A great attention is given to in country value, which is reflected clearly in awarding majority of the contracts to local SME's, which amounted approximately 11 Million Omani Rial. Moreover, the majority of filling stations owners are considered as SME's.

Outlook

The outlook for the coming year is uncertain, with lower oil prices due to the world events would mean a cut in its expenditure that could also involve infrastructure. This could have repercussions on the overall economy in the long term. Further, increase in taxation, removal of fuel price subsidies and changes in macro-economic policies could adversely affect the profitability of the Company.

However the company is positive and optimistic and poised to benefit from the opportunities available in all sectors at accelerated pace. The company seeks to maintain it's current market share while working to create new opportunities.

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.

The aviation and marine sectors are to benefit from the expected growth and extension of the new Muscat Airport. 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 product 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 2016 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