

## Directors' Report

Dear Shareholders,

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 2017.

### Business & Financial Performance

Following a challenging period, the fundamentals in the fuel market show positive improvement - and our ambitious improvement strategy is yielding positive results positioning OOMCO for a brighter future.

Despite a challenging business environment, your Company witnessed a 21% increase in revenue of RO 514.5M compared to RO 425.9M for the same period in 2016. Net Income for the period was OMR 8.9M in 2017 compared with OMR 9.6M in 2016. This can largely be attributed to your Company's adherence to financial discipline, cost optimization program, and its integrated business model. This growth was also supported efficient inventory management, introduction first of its kind in Oman of commercial mobile tankers, the opening of new service stations, and successful promotion campaigns.

Your Company is preparing for its future by pursuing its strategic growth by investing in the most competitive projects and be more focused and resilient. Our investments in overseas markets, products innovations, and value added services, have placed your Company in a stronger position to benefit from sustainable long-term profitability.

Your Company's financial position remained healthy with total assets as of 31st December 2017 are OMR 135M. Your Company spent a total of OMR 4.5M on capital expenditure financed solely by internally generated funds.

The Board of Directors recommends a final dividend of 60 baisa per share for the financial year 31 December 2017, subject to approval by the shareholders at the Annual General Meeting.

OOMCO intends to be strategically focused and adaptive towards the market conditions to operate in a competitive cost environment and positioned to execute profitable projects.

Your Company today has increased its presence with a nationwide network of 196 Service Stations offering a full array of petroleum products. The **Retail Business** continues to be the growth engine of your Company. Your Company's strategies and focus have been geared towards network expansion by increasing market share, and presence by continuing to expand the retail network.

Your Company's focus on total customer convenience is gaining ground with the popularity of convenience stores increases. International franchises in our service stations the Company's own **Ahlain** convenience stores have all created an impact and raised awareness enhancing total customer experience. Your Company is continuously exploring new and potential business activities to exploit the retail network and its offerings. The focus in the coming years is to further improve, upgrade and enhance the image of the service stations.

The **Commercial Business segment** witnessed growth in its volumes compared to 2016. The business continued to perform and contribute positively to your Company despite intense competition and challenges pose by adverse economic conditions. Your company is determined to explore further opportunities to scale higher by capitalizing on new development projects especially in newly identified economic zones and innovative technological advancement such as commercial mobile tankers.

The **Lubricants business unit** performance for 2017 was mixed. The prices of third party brand of lubricants continued to increase during the year, which had adversely affected the sales volumes. However, our own lubricants brand, has made positive progress. The brand is well accepted in the Middle East and the Northern African region and being regarded as a premier product within the same category. Additional promotions and campaigning are in the pipeline to further enhance and promote the own brand in more countries in the African and Asian regions.

The **Aviation business** was able to achieve comparable volumes as compared to the same period of the previous year and retained its market leadership at Muscat International Airport.

The **Marine Business** unit continues to be focused in widening the customer base in the ports. The challenge remains to secure and service the existing customers while acquiring new ones at a reasonable margin.

Your company's 40% stake in **Lubechem International Industry LLC "Lubechem"**; a lubricants blending plant, has secured the supply chain for our own lubricants brand and opened new areas of opportunities.

The company is preparing its future growth with its footprint in the Kingdom of Saudi Arabia ("KSA") by signing an agreement to construct its first service station.

## Health, Safety, Environment and Quality

HSEQ Assurance remains a key focus of your Company and have been enforced across all our operations.



OOMCO achieved new safety record of 25 years of operation without lost time injuries “LTI” s at the Joint Fuel Terminal at Mina AL Fahal.

After being certified with four international standards of integrated management system (“IMS”); 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, we successfully maintained the compliance with IMS standards and successfully completed the first surveillance audit.

### Human Resources

Human Resources: are the main assets of your Company as great companies are built by great people. Omanoil continues to invest in its human capital through continuous training, team building, and development of in-house capabilities. This has transformed your Company to be one of the preferred employers in Oman.

Your Company has progressed in implementing a complete new strategy in human resource’s management and development, which has proved to enhance employees’ engagement and long-term commitment.

### Corporate Social Responsibility

As part of the CSR strategy, your Company celebrated the first year of Tasweik initiative, focusing on strengthening the branding arms of SMEs in collaboration with Al Raffd Fund. Grants will be utilized on marketing the winning projects very professionally. Your company also supported all sports clubs in the Sultanate through our fuel program WQOODNA to reduce the burden on the clubs in terms of fuel consumption. As well your company launched a campaign to promote the culture of giving in the community by donating 10% of Ahlen selected shops to a charity.

### Outlook

Your Company has launched transformation program to further enhance corporate culture, efficient service delivery standards and streamlining processes to meet the future challenges. The primary purpose is to transform it your Company into a more dynamic organization of exceptional ethical and service standards to fulfill the needs of its stakeholders. The business plan 2016 – 2021 has provided a basis your Company to identify issues and operational challenges and explore ways and means to undertake more proactive measures to improve performance and meet the future challenges.

New retail premium sites are to be launched with the ever-popular **Ahlain** convenience stores and other facilities in strategic locations nationwide.

The commercial team is focused on securing supply to infrastructure projects as announced by the Government and Private Sectors. This will contribute positively as





the construction of various infrastructure related projects, upgrading of highways and roads will support demand for our products and services.

The aviation sector is also expected to benefit from the growth of the new Muscat International Airport.

In facing these challenges, it is imperative your Company continues to be innovative and undertake changes through new investment opportunities to ensure that it remains relevant and ahead of competitors. your Company will continue to focus on operational and service excellence, cost efficiency initiatives and realigning business strategies to cope with the market uncertainties ahead.

Your Company will continue to focus on human capital development, IT systems reliability, and good HSEQ practices. Strong emphasis will be placed upon cost efficiency and delivery without compromising customer service and product quality. Customer service will continuously be improved with the spirit of our motto “**Care Beyond Fueling**”

Your Company is committed and prepared for the future challenges and we are confident your Company will continue to deliver value to all our stakeholders.

#### **Acknowledgments**

I would like to take this opportunity to thank all our customers, the Government Ministries and Authorities, our dealers, and our dedicated employees for their continued support.

On behalf of the Board of Directors 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.

**Mulham Al Jarf**  
Chairman