

Management Analyses Report 2018

Introduction

Despite the challenges faced in 2018, Oman Oil Marketing is proud to continue leading the growth of the fuel marketing sector. With dedication, evolving around customer centricity and bringing innovations, we have spared no efforts to exceed our customers' expectations toward targeting their wants and not their needs only.

Looking towards a promising future, we are committed to reinforce and contribute to Oman's economic and social advancement as we keep innovating, enriching and advancing all sectors of the industry. As always, we will align our ambitions with the country's developments, driving the progress of both the company and Oman in the years ahead. As a market leader, we believe in our responsibility toward all stakeholders while growing in a sustainable manner only.

1- HSEQ

At OOMCO, our most valued resources are our employees, our customers, and the communities we serve. We are dedicated to provide a safe environment for employees and customers, protecting the public, and preserving OOMCO properties and assets. This year 2018, Oman Oil Marketing has achieved a historical safety record of zero Lost Time Injury LTI for around 9 million working man-hours and less than 0.5 as Total Recordable Injury Rate (TRIR). OOMCO also achieved a new safety record for the second year since it didn't record any major road traffic accident considering the number of kilometers driven to transport fuel and fuel the country i.e. around 20 million kilometers. None of OOMCO facility has witnessed any fire or environmental accidents.

Promoting a culture of safety within the organization, Oman Oil Marketing launched its first HSEQ week where all employees and contractors reinforced our safety culture. Road Safety remained a focus for Oman Oil Marketing; in 2018 Oman Oil continued its

defensive driving training program and monitoring driving behaviors for its employees and contractors through IVMS and the Safe Journey Management System. Oman Oil Marketing exemplified its responsibility toward the community and public safety by launching Road Safety Awareness Villages which target the young generation.

Our HSEQ philosophy is adopted across our operations and is a combination of culture and practice. We strategically implement policies as well as audit our management system and develop performance review systems to identify areas for greater improvement. This leads to have OOMCO sustain its compliance with four different Management system standards: ISO9001:2015 (Quality Management System), ISO14001:2015 (Environmental Management System), OHAS18001:2007 (Occupational Health & Safety Management System) and ISO27001:2013 (Information Security Management System).

As part of its commitment to deploy sustainable and clean energy at its operations, OOMCO has powered three of its service stations with Solar Power. Among all, one is linked directly to the electricity distribution network for the first-ever solar powered service station that can power back to the grid in exchange for an agreed tariff as per the agreement with Authority for Electricity Regulation. Another first in the Sultanate, OOMCO installed a rapid electric vehicle (EV) charger at its Mazoon Street service station in Muscat. We are looking at the future of green motoring, in line with Oman's national strategy to adapt and reduce CO2 emissions.

OOMCO has responded efficiently to the national crises cases of Mekunu & Luban tropical cyclone by implementing its business continuity plan. Furthermore, OOMCO participated effectively in the national military exercise and proved its abilities as a trusted and safe energy supplier.

We are proud of our HSEQ achievements and we thank our senior management, employees, contractors and customers for their unwavering support. With high ambitions, we plan to continue fostering a safe and secure working environment by thoroughly assessing our performance and developing innovative methods for improvement.

2- Human Resource

OOMCO brand image, reputation and success are built on a foundation of personal and professional integrity. OOMCO has also become an employer of choice, offering premium employment and career development opportunities to a wide cross section of people.

The total number of employees at 31 December 2018 was 800 employees including contractors, 222 of them being direct employees. OOMCO achieved an Omanisation ratio of 83%, without compromise on the quality of service provided to customers. This is a significant achievement considering the fact that the field requires staff with dedicated skills to serve a wide spectrum of customers across the retail network. In order to continue raising our performance, we dedicate our efforts on developing the capacities of our human capital across our business by providing them with opportunities to further enhance their knowledge on specialized and specific competencies in addition to a wide range of applied, scientific and creative skills.

We believe in growing our employee skills through consistent training programs and based on that, we have created OMMCO Academy with both external and internal speakers to equip our employees with the right skills and competencies. We have also started online training programs whenever deemed efficient for our colleagues in addition to our new mentorship program, where each of our general managers will coach and advise one mentee every month.

As a young and energetic Omani organization that prides itself on being a pioneer in the Sultanate's energy sector and partner in the development of its infrastructure, OOMCO continuously seeks to bolster its existing workforce. A key factor of its long-term corporate objectives, the company recruits the right Omani talents on the right job at the right time to become the preferred employer of choice within the fuel marketing sector.

3. Retail

The Retail division is one of the core businesses of the company and exhibited a vigorous growth in 2018. Throughout the year, OOMCO Retail network introduced 15 new service stations for the first time in a single year, increasing the number to a total of 211 service stations. It is worth highlighting that OOMCO opened one more Service Station on the Muscat Express Highway and started the construction of another one, bringing us to four service stations on the Muscat Express Highway. Besides building new service stations, OOMCO has also improved and optimized our network's existing stations, while reconstructing 6 stations with greater potential to contribute higher volume in the years ahead. In addition, we have enriched our customer service on our forecourts by conducting training programs for pump attendants. This boosted the team's competency, resulting in enhanced performance.

Ultimax, the only 98 octane fuel in Oman was introduced beginning of 2018. This unleaded fuel is already sold in 17 service stations in Muscat, Salalah, Suhar and Shinas.

The Retail department directly operates 89 service stations accounting for 42% of the current network, and the excellent operational management of these service stations has resulted in outstanding customer care standards and better cash-flows.

The Shop, Food and Services (SFS) is another important segment of the Retail business. OOMCO is working on transforming its service stations into one-stop-shop with a diversity of products and services. Ahlain Convenience Stores is considered as the main contributor of SFS segment. In 2018, our total network of convenience stores reached 120 Ahlain Convenience Stores including third party shop operators, 34 restaurants, 23 Car Care Centers, 13 Ahlain Cafés and 2 Café Amazon (a specialized Thai coffee house which introduced for the first time in GCC). The offerings and services at our service stations included also ATM facilities bill payment facilities, laundry, post office and more to come and fulfil customer wants.

Fuel Cards is one of the most dynamic division in Retail Business which added great value to OOMCO and the end user. The excellent services of OOMCO fuel cards and the

variety of fueling solutions resulted for OOMCO to be the preferred choice in the market and to continue leading.

We managed in 2018 to deliver a remarkable achievements including:

- Sustaining the incremental growth of fuel cards sales
- Successfully increase “e-Fill” customers which reflected in the growth of our sales
- Secured 52% of the NSS market share reflecting an outstanding level of customers trust in OOMCO fuel cards
- Enhance Bank Card sales though increasing the number of POS machines in our service stations

4. Commercial

Commercial Fuel business sustained its good performance and delivered a good result in 2018. Business continued to focus in taking a strategic approach of enhancing delivery efficiency, alliances and offering solutions to customers through technological advancement. Innovation and integrated solutions were again the pillars for the commercial fuel growth in 2018. We have developed a distinct value proposition offering clear segmentation plans for our business. This enabled us to expand our market shares in several segments since we have focused on addressing customer needs and now targeting the customer wants in each segment. Other key factors enabling the growth were winning new businesses and retaining of existing customers across all sectors with healthy margins. These key initiatives resulted in increasing our market share in key sectors and significantly developed our marine business. We have also launched our brand identity to our corporate customers “B2Smart”. This identity will shape up our new future offerings for our clients, riding on digital platforms and focusing on delivering both delightful and enhanced customer experience.

Despite all economic and collection challenges, our commercial team managed to continue working with OOMCO clients across the country. Today, we are proud to be part of several strategic projects that will enhance Oman’s competitiveness and realize a sustainable growth for the nation in the future.

5. Aviation

During the year 2018 we have been able to maintain a significant growth compared to last year. Most of our major airline contracts were retained and we managed to secure additional business with Salam Air at the Muscat International Airport and Suhar. The continued expansion activities of the national airline Oman Air in 2018 has contributed significantly to our volume increase. The opening of the new Muscat International Airport on the 21st of March 2018 and commencement in using our new state of art refueling dispensers enabled our well trained aviation team to perform the majority of fueling operations by using dispensers and optimize its resources very efficiently.

With more than 20 regular aviation clients, we managed to refuel over 20,000 aircrafts during the year, while exceeding our customer expectations and complying with the highest HSEQ standards.

6- Lubricants

Oman Oil Marketing lubricants is one of the fastest growing brand in Oman: products continued to receive wide acceptance with an increased customer base across the country. The sales volume stabilized in 2018. In addition, our lubricants continued to grow in several overseas markets. It is anticipated that our brand will continue acquiring more market share in the coming years in Oman and overseas focusing more on stronger marketing activities, capitalizing on the dedicated marketing campaign started in Q4 2018.

The BP Castrol lubricants business had a steady growth in 2018 by maintaining their premium position. Business showed a considerable increase in the market share of Retail and B2B segments. Under the flag of Castrol redefining the lubricants category, our focus is on innovation and meeting our high standards with quality products.

7- Customer Care

2018 was another very important and a unique year for our Customer Care Department as it was a continuation of the success of 2017. One of the major milestones of 2018 was the move of cards operations to customer care whereby all our customers will have a one stop shop for all their related requirements. Also, a lubricants order centralization was launched where the lubricants customers now have all their orders processed and managed by the customer care department, as well as the enhancement of the complaint management and many new services introduced.

With the new approach of the Global Customer Care Week and keeping our promise “Oman Oil Marketing: You trust. We care.” in 2018, customer care organized two Customer Care weeks in April and October. Part of the Global Customer Care Week that our Executive Management team led by the CEO visited several prime stations and took up the role of fuel attendant in solidarity with employees. They also interacted with customers to gain insight into how we could be of better service to them.

On another note and to increase the interactions with our beloved customers, a new social medial quizzes initiative was launched by customer care in 2018 where customers could win OMR 25 worth of fuel.

With leading market share of the NSS (National Subsidy System), Customer care continued its services by attending a massive number of calls with regard to the citizens' feedback and inquiries.

8- Technical Operations

Mina Al Fahal Terminal currently has limited operations due to the fuel now stored in Jifnain depot operated by Orpic and CLH. Management has analysed different options to utilize these assets and is optimistic to put these assets into use during the year 2019.

9-Business Development

Following the bunkering license and land lease agreement signed with Port of Duqm Company (PDC) Oman Oil Marketing Company is currently advancing the development of a bunkering terminal and ancillary facilities at the Port of Duqm, the project is at tender stage. The terminal will provide heavy fuel oil and marine diesel oil as well as marine lubricants to ships calling at the port and its surrounding waters. Development work and the project is on track vs timeline and the terminal is expected to be completed in early 2021. On an interim basis, bunker services and activities by OOMCO are currently active and continuing at the Port of Duqm, utilizing barge delivery for heavy fuel oils and marine gasoil and road truck deliveries as appropriate and to serve customer requirements. OOMCO remains proud of its partnership with the Port of Duqm Company to help develop the marine business at what is envisaged to be a future strategic bunker hub.

10- Information Technology

During 2018, IT has completed major projects with high business impacts. A Business Continuity Disaster Recovery System been successfully implemented, which will lead to have smooth operation in case of disaster or main data center impacted. Going towards OOMCO green, the IT team with a support of business units and finance had managed to automate invoice delivery to be electronic using emails instead of printing a hard copy. More than 10 service stations have been connected to the head office in 2018 using Service Station Automation (SSA) system to increase the total number of stations that connected to the head office to 207 including retail network as well commercial customer sites. This system has a lot of features in terms of security, remote price change, online fuel consumption reporting and many more. In coordination with MOG, more services been added to National Subsidy System (NSS), with this system the subsidy eligible citizens able to apply and avail fuel subsidy using OOMCO subsidy card. In addition to mentioned achievements, OOMCO IT team managed to do a lot of internal processes automation and enhancements.

11- Marketing

Stemming from the company's vision to Become the most customer-centric Marketer in GCC, the Marketing department was formed in 2018 with the goal of differentiating OOMCO from its competitors by offering new and innovative services to our beloved customers and reaching them wherever they are.

Our aim is to delight our customers and create memorable experiences by putting our customers at the heart of what we do and afford them what they want on their journey under one roof.

The Marketing team has reviewed each segment in every business and defined the needs in order to develop value propositions which will transform your company through offering a delightful customer experience.

Marketing is also engaged with the customers and the organization. We get involved to make things better and grow together. We provide valuable input and feedback to ensure the organization moves forward and our customers experience the best.

12- Digital

Digital, which is primarily a customer facing domain, has been evolving at an incredible pace over the past decade. Since organizations become more customer-centric Digital assumes a more prominent role within progressive business entities. Indeed, most of our customers are now being engaged online.

Being a relatively new phenomenon at Oman Oil Marketing, Digital has led our transformation to become a more responsive company by revamping our online address, our website, and reflect the forward-looking and dynamic ethos that marks this chapter in OOMCO's transformation. Results have been very encouraging if not surprising: more than 100% growth in web traffic over last year with a large proportion of first time visitors. What's more, till December, 31st customers have initiated 455 conversations using the forms on our site. These include 200+ leads for our fuel and loyalty cards. All of this is



organic and without any advertisement that showing the strength of our contents and design.

While laying the foundation for our Digital roadmap we were also able to facilitate multiple social media campaigns with millions of ad impressions and hundreds of thousands of customers reached to spread our marketing message while promoting our brand.

Moving forward we will deploy and manage new tools to revolutionize customer engagement giving them customized access to OOMCO and its offerings. And in the process we will get the unparalleled consumer insights which will be used to create a legion of “brand advocates” for all our products and services

13. Outlook

We are positive about the county’s overall growth and performance next year. In fact, according to the International Monetary Fund (IMF), Oman is set to become the region’s fastest growing economy as its real GDP is expected to grow by more than five per cent.

As a company, we are dedicated to continue playing a key role in contributing to Oman’s upward trajectory. Implementing a forward-thinking strategy, we are exploring new investments, joint ventures, and growing non-fuel revenue “shop, food and services” while continuing to invest in human capital in order to be part of the top 5 fuel marketers in the GCC by 2025.

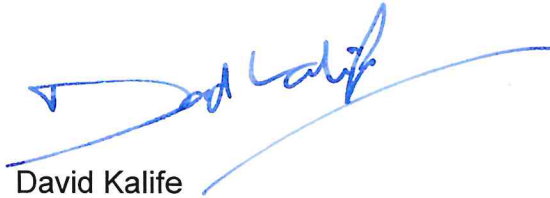
Our goal is to become the most customer-centric marketer in the GCC while sustainably developing the company’s presence both locally and internationally. We are expanding our service stations outside the Sultanate into the Kingdom of Saudi Arabia and beyond. We have also set plans to implement a unique business model that will help build our reputation as the preferred one-stop shop. In addition, our roadmap also includes

expanding our line of lubricants within the Kingdom and the region; and this is just the beginning.

We are expanding our footprint, diversifying the number of revenue streams while exceeding customer needs to always give them what they want.

We are also pushing ahead with our ambitious plans to set up service stations outside the country as well as expanding our lubricants sales in new countries such as Kenya, Qatar and Bahrain; all the while targeting sustainability. In addition, two new mega stations with a host of facilities including money exchange outlets, gyms, restaurants, post offices, a laundry, play areas for children and shopping centers for families are set to open in Muscat and Nizwa during 2019.

This concludes my review of the company's operational performance for the year 2018.



David Kalife

Chief Executive Officer

