

OMAN OIL MARKETING COMPANY SAOG

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DIRECTORS' REPORT FOR THE PERIOD ENDED 31st MARCH 2006

I am pleased to present the Directors' Report outlining activities for Oman Oil Marketing Company for the 1st quarter ended 31st March, 2006.

Performance Highlights

	3 months ended 31 March 2006 RO 000's	3 months ended 31 March 2005 RO 000's	Growth %
Sales	24,814	19,847	25.0
Profit before tax	776	749	3.5
Profit after taxation	700	659	5.9

Performance for the first three months of the year is better than that for the same period last year. Year-on-year basis, volumes have increased marginally by 3% and the profit after tax by 6%; however this performance is significantly lower than what would have been achieved had we received our full requirements from the supplier. This shortfall has led to the need to ration supplies to customers. The rationing and multiple despatches to each location strategy adopted by us to counter the problem and minimize disruptions at our filling stations and customers sites has resulted in a significant increase in our logistics related costs. The issue has been taken up with the relevant parties involved and your Board is hopeful that the situation will improve in the near future; this would help the company to capture the additional growth in terms of volumes and profits.

All businesses except for aviation & lubricants grew in volumes over last year, albeit marginally only for reasons elaborated above. The lubricants business has been facing continual period of increasing prices which need to be passed onto customers in large part; this is now impacting lubricant volumes.

In terms of the general economy, interest rates charged by the banks have been slowly increasing; this coupled with a higher working capital (due to increased prices of aviation and diesel) as also higher credit in the market has resulted in higher interest costs. The Company continues to be virtually debt free resorting to only short term loans for meeting working capital financing.

The Extraordinary General Meeting and Annual General Meeting of the Company was held on 25th March 2006 with all proposals/ resolutions being approved by the Shareholders including payment of cash dividend of 450 baisa per share and a stock split in the ratio of 10 shares for every 1 share held in the company.

The dividend distribution has been completed with the task entrusted to the Muscat Depository and Securities Registration Company this time. The split share was listed

and traded on the Muscat Securities Market (MSM) within 2 working days of the AGM. Your Board is pleased to report that the split has achieved the desired result with significant increase in the traded volumes on the MSM of the Company's shares. More importantly, the split has increased the value of the Company by a stupendous 26.3% (ex-dividend basis) to RO 61.6 m from RO 48.8 m prior to the stock split – this has resulted in a significant gain in the hands of our shareholders apart from the dividend received by them.

Health, Safety and Environment (HSE)

There were no serious health, safety or environment issues this quarter and this continues to be an area of focus for the Company.

Corporate Governance

The Company continues to lead in terms of being the 1st listed fuel marketing company to declare its quarterly/annual results and disclosure. There were no governance issues over the period in question.

Business Developments/Outlook

- A Memorandum of Understanding (MoU) has been signed by the joint venture company (in which the company has 50% share with the Al Sarooj Group) with the Yemen Petroleum Company to explore opportunities for developing mutually beneficial developments in the down stream fuels market in Yemen.
- UAE continues to increase prices of fuel leading to a significant disparity in the pricing between the UAE and Oman, Oman being lower.
- The Company has already commissioned 3 sites this year at Al Ashkhara Port, Khubara (Wilayat Ibri) and at Salalah. Several other sites are at advanced stages of construction and will be commissioned during the course of the year. These new builds are in-line with our plans and will complement the network and grow volumes in the periods to come.

On behalf of the Board of Directors

Salim Abdullah Al Rawas
Chairman
Muscat
18th April 2006