

## **Directors' Report**

**Dear Shareholder,**

On behalf of your Board of Directors, I am pleased to present the Annual Report of Oman Oil Marketing Company SAOG for the financial year ended 31 December 2009. This report should be read together with the Audited Financial Statements, Corporate Governance Report and Management Discussion and Analysis report, to avoid duplication and overlap, except where considered necessary.

### **Business Performance**

The period under review was a challenging year for the Company amidst the uncertainty and fears of recession. Widespread caution was prevalent at the beginning of the financial year. Nevertheless improvements in all sectors of the economy began to gain momentum markedly during the <sup>second</sup> quarter of 2009.

The Company's total sales were marginally lower by 1% at RO 168.4 million as compared to RO 170.0 million in 2008. The pre-tax profit dropped by 17% to RO 6.1 from RO 7.2 million. After providing for corporate tax, the Company's net profit amounted to RO 5.4 million, a 15% decrease from that of the previous year. Earnings per share stood at 83 baisa.

The Company's financial position remained healthy with total assets at approximately OMR 49 million as at 31<sup>st</sup> December 2009. The company spent a total of OMR 3.3 million on capital expenditure financed solely by internal generated funds. 2009 saw the introduction of new regulations namely the license fee imposed by the ministry of Commerce and Industry which is based on 0.4 % of the turnover as well as new product prices on supply obtained from Sohar Refinery.

These new regulations made 2009 a challenging year and changed the business landscape drastically.

During the financial year, the Company further expanded its market share. Overall volumes grew albeit at a slower pace over the past year. The year focused on strengthening and consolidating market share especially within the retail and commercial business.

The Board of Directors recommends a final dividend of 35 baisa per share for the financial year 31 December 2009, subject to approval by the shareholders at the Annual General Meeting.

The Company today has increased its presence with a nationwide network of 113 stations offering the Company's full array of petroleum products. The Retail Business continues to be the engine growth of the company. The Company's strategies and focus have been geared towards network expansion in increasing the market share, presence and dominance in Oman. The retail network will continue to be expanded

and supported. The Company's focus on total customer convenience is gaining ground as the popularity of convenience stores increases. International outlets such as Dunkin Donuts and Burger King as well as the local creation Ahlain coffee have all created an impact and raised awareness among consumers to add to the total convenience experience. The contribution from the Non Fuel Revenue business has shown a mark increase of more than 25%.

The Company is continuously exploring new and potential business activities to further strengthen the retail network and its offerings. The focus in the coming year is to further improve, upgrade and enhance the image of the fuel stations.

The Commercial Business performance was directly correlated with the economic activities in the Country. The <sup>first</sup> Quarter of 2009 reflected a consolidation of construction businesses with most projects coming to an end. Nevertheless, the Company's fortunes began to change with the notable acquisition of the government tender notably RAECO and the increase of supply for the completion of major highways in the Sultanate. The bunker fuel supply also gained momentum with a notable increase in product supply namely to The National Ferry Company. The Company is committed to support the nation's growth in all sectors including major infrastructure and tourism projects.

The lubricant business's unit performance for 2009 was mixed. The prices of the BP brand of lubricant products as well as Castrol continued to increase during the year. This had effectively resulted in lower sales volume by more than 10%. However the local brands MAXIMO and OPTIMO which are geared for export have grown exponentially. The brands are well accepted in the Middle East and the Northern African region and being regarded as a premier product within the same category. Bigger promotions and campaigning are in the pipeline to further expose and propel the local brand in more countries in the African and Asian regions.

The Aviation business unit is continuing its drive and focus on aviation customers chiefly governmental customers. The aviation unit continuous effort to increase and become the market leader in Muscat International Airport is gaining ground. The Company during the year had acquired 2 new major airlines namely Turkish Airways and Thai Airways. The Company has further secured to supply the entire fuel requirement of Gulf Air which has begun to operate actively from Muscat International Airport.

The Company has also been awarded with a few regional airlines namely Saudi Airlines, Alia Jordanian and Kuwait International Airways.

Continuous efforts are made to position the Company to become the leading service provider at Muscat International Airport. The Company will continue working with Air BP in providing technical expertise to its customers.

During the year under review, the Company continued to undertake various improvement and upgrading initiatives to ensure an efficient and reliable logistics

support system. Focused on effective asset management, operational improvements as well as development of knowledgeable and skilled manpower, these initiatives are crucial in supporting the Company's various business portfolios to achieve their respective sales targets and remain competitive in product distribution to all locations nationwide.

The Company's focus continues to be on cost and operational efficiencies and effective margin management in all aspects of the business segments.

### **Health, Security, Safety and Environment**

The Company continues to place priority on Health, Security, Safety and Environment (HSSE) in all its operations. Demonstrating this commitment, the company conducted various HSSE exercises, drills, audits and educational activities during the year. These activities were aimed at enhancing the knowledge and capability of not only the staff, but also our partners and the public at large.

The Company is also proud to declare that it has achieved a record of 17 years of No Loss Time Injury at its main terminal – Mina Al Fahal.

### **People**

Human capital development will continue to be a focus for the company in 2010. The employees are the Company's most important asset. Great efforts have been exerted to attract, develop and retain the right talent to ensure fruition of the Company's vision of becoming the leading Omani company. Omanisation is at the highest thus far at 88%. Specialized training programs have also been introduced and implemented to ensure staff at all levels are equipped to enhance their capabilities and execute the long term plans and vision of the Company effectively and efficiently.

### **Outlook**

The outlook for the coming year appears to be positive with the demand for petroleum products expected to grow in line with Oman's projected economic growth. The new budget for 2010 reflects the Government's relentless focus in developing the country. The government committed itself to invest highly in major development projects which include road construction, airports, ports, health facilities, town planning, and municipalities, as well as projects in the water and electricity sectors.

The company has placed itself in a strong position for the future. Competition in all business sectors, particularly the retail business is expected to heighten. New lucrative sites will be added on top of new Convenience Stores with the Ahlain brand as well as new Quick Service Restaurants, all adding to the Company's offerings. Competitors are anticipated to continue to invest in new stations to defend their market share. Customers are also expected to be more discerning in their requirements and demands.

The commercial team is focusing in obtaining new contracts to supply infrastructure projects as announced by the Government. 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 Sohar especially at Port of Sohar would only contribute positively to the Company's earnings. All these developments augur well 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 to ensure that it remains relevant and ahead of competitors. The Company will continue to focus on human capability development, high systems reliability, good HSE practices, and inventory optimization. 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 be continuously improved.

The Board and the Management are fully geared and committed for the challenges in 2010 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 our many customers, the Government departments we have had dealings with and our dealers, their staff and our own 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, I would like to express our sincere gratitude to His Majesty Sultan Qaboos bin Said. Under his wise leadership and guidance, Oman continues to be on the path to further prosperity, growth and development.

Thank you.

**Salim Abdullah Al Rawas**  
**Chairman**