

**Oman Oil Marketing Company SAOG**  
**Directors Report for the period ended 30th September 2005**

I am pleased to present the Directors' report outlining activities for Oman Oil Marketing Company for the 3 quarters ended 30<sup>th</sup> September, 2005.

**Performance Highlights**

	<b>9 months ended 30 Sept 2005 RO 000's</b>	<b>9 months ended 30 Sept 2004 RO 000's</b>	<b>Growth %</b>
<b>Sales</b>	63965	51728	24
<b>Profit before tax</b>	2614	1984	32
<b>Profit after taxation</b>	2308	1724	34

The year on year growth aside, the company continues to grow and improve on all key financial parameters quarter on quarter during 2005 whether it be on volumes, gross profit, net profit and margins (gross and net) in baisa per litre terms (margins as a % of sales turnover, we believe, is not a good measure as the sale price to the customer is linked to globally rising crude oil prices whereas the margins per ltr are fixed by the government). On a trailing quarter basis, the company has grown by 5% in volumes (1.9% last year) and 7% in Profit after tax (7.8 % last year).

All businesses except for aviation grew their volumes over last year and over June quarter. The growth in the volumes can be attributed to: a) aggressive targeting & bidding for new commercial business, pricing disparity between Oman and UAE, growth in the construction and economy as well as new retail sites being opened. The company continues to monitor base costs and explore operational efficiencies constantly which has led to an improvement in gross and net margins (baisa per ltr). The Board is confident that given the performance to date the expected profitability for the year will be attainable.

The Balance Sheet continues to look strong. The net current assets has increased marginally compared to the same period last year due to increase in value of gas oil & aviation fuel inventory (as a result of increase in costs of product) and accounts receivable (primarily as a result of increased selling price of gas oil). The receivables (average number of debtor days) has shown a significant improvement from 59 days in 2004 to 53 days; the company strives to reduce it further during the periods to come. The company continues to fund its capital expenditure requirements entirely from internal accruals resorting to only short term working capital financing.

**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 1<sup>st</sup> listed fuel marketing company to declare its quarterly /annual results. There were no governance issues over the period in question.

**Business Developments/Outlook**

- Since the last quarter's report, UAE has increased the prices of fuel by around 30% which has again led to a price disparity between Oman and UAE resulting in substantial increase in offtake in border filling stations for all marketing companies. The increase in volumes has lead to shortages in these sites with the result that rationing has taken place.
- The company has commissioned 2 sites one at Ghala Industrial Area and another at Hail Firq YTD. Another 4 sites are at advanced stages of construction and will be commissioned by year end. These new builds are in line with our original plan and will complement the network and grow volumes in the periods to come.

On behalf of the Board of Directors

**Mulham Bashir Al Jarf**  
Deputy Chairman

Muscat  
15 October 2005