



الشركة العمانية للغاز الطبيعي المسال ش.م.م
Oman LNG L.L.C.

A New Decade Beckons

Annual Report 2010



Annual Report 2010



الشركة العمانية للغاز الطبيعي المسال ش.م.ع.

Oman LNG L.L.C.

Head Office:

P.O. Box 560, Mina Al Fahal, P.C. 116, Sultanate of Oman.

Tel: (+968) 24609999, Fax: (+968) 24609900

Qalhat Complex Office:

P.O. Box 888, Sur, P.C. 411, Sultanate of Oman.

Tel: (+968) 25547777, Fax: (+968) 25547700

www.omanlng.com



His Majesty Sultan Qaboos Bin Said

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The Shareholders:



Oman LNG *in brief*

Oman Liquefied Natural Gas LLC (Oman LNG) is a limited liability incorporated joint venture company established by a Royal Decree and operated under the laws of the Sultanate of Oman. It engages in the business of producing and selling Liquefied Natural Gas (LNG) and its by-product, Natural Gas Liquids (NGLs).

The Company undertakes, directly or indirectly, project operations and activities necessary to liquefy, store, transport and market Oman's natural gas and to deliver LNG to customers.

The Company operates 3 liquefaction trains - 2 owned by Oman LNG LLC and 1 by Qalhat LNG SAOC - at its site in Qalhat near Sur with a nameplate capacity of 10.4 million tonnes per annum.

The Company's activities contribute to the Government of Oman's objective of diversifying the economy away from its current level of dependency on oil. Oman LNG's Liquefaction Plant is located on the coast at Qalhat near Sur in the Sharqiyah region and its head office in Muscat.



Our Vision:

"To be a Trusted Partner throughout the LNG Value Chain and in contributing to National Growth through Operational Excellence."

Our Mission:

To produce, market and deliver LNG safely, reliably and profitably;
To develop our business and employees to their full potential;
To be a trusted partner in the sustainable development of the Sultanate of Oman and its people.

Our Core Values:

Individual Behaviour

Integrity

- Living the O LNG values
- Doing what is right even if:
 - No one is looking
 - You know you could get away with something

Professionalism

- Producing quality work at all times
- Efficiency and effectiveness in carrying out assigned roles and responsibilities

Accountability

- Delivering on promise based on agreed targets
- Demonstrating ownership of mandated assignments

Organisational Behaviour

Team work

- Collaborating with others to deliver on organisational objectives
- Value differences and leverage on diversity of the team

Care & Respect

- Listening to concerns of stakeholders
- Respecting diversity
- Considering stakeholders' needs

Empowerment

- Having confidence and trust in delegated responsibilities to staff to execute tasks competently
- Coaching and mentoring to continuously develop staff

Business Behaviour

Transparency & Fairness

- Engage staff/stakeholders in an open, transparent and timely manner
- Provide equal opportunity to all staff without prejudice
- Impartiality in staff reward and recognition
- Build courage to give objective feedback

Reputation/Loyalty

- Compliance with the law and business principles in order to maintain credibility with stakeholders and the license to operate
- Uphold business interests at all times without breaching organisational confidentiality

Our Challenges:

The management and staff of Oman LNG are committed to addressing the key business challenges and risks of Oman LNG on a regular basis and to having in place the strategies, plans, processes and competencies which will deliver our mission and achieve our vision. Our performance in 2010 was a reaffirmation of the continuing robustness of our business proposition to our customers, shareholders, employees, suppliers and communities. Energy demand in our key markets of Korea and Japan returned to pre-2008 levels as their economies recovered. Energy prices rose above 2009 levels driven by increased domestic economic activity in, amongst others, China, India and Brazil. At home, economic growth continued leading to two areas of significant challenge: gas supply and retention of talent. The strategies followed in 2010 helped Oman LNG meet these challenges, emerge stronger and be able to serve its customers and add to shareholder value. For 2010 and the subsequent years, the management identified 5 critical areas that remain vital for future success.

Our Critical Success Areas:

1. Achieve HSSE (Health, Safety, Security and Environment) Excellence
2. Maximise Commercial Value
3. Deliver Operational Excellence
4. Retain the Right Talent
5. Meet Government and Societal Expectation.

Since our 1st cargo in 2000, the Company has delivered over 10 years of ever improving returns on investment to our shareholders, uninterrupted supply of LNG and NGL to our customers, growth in professionalism, experience and recognition of our staff, successful relationships with suppliers and a unique partnership with the government and people of Oman in support of sustainable economic self-sufficiency and diversification.

We continue to build on what we have achieved, to explore new avenues of opportunities in preparation for future business growth when the external environment allows. The improvements that the management and staff are committed to achieve are captured as specific, measurable, assignable, realistic and time-framed key performance indicators (KPIs). Our performance in 2010 against these KPIs is presented in this report.

Board of *Directors*



H.E. Nasser Bin Khamis Al Jashmi
Under-Secretary of the Ministry of
Oil & Gas, Government of Oman,
Chairman of the Board of Directors
of Oman LNG L.L.C.



**H.E. Dr. Abdulmalik Bin
Abdullah Al Hinai**
Under-Secretary of the
Ministry of National Economy,
Government of Oman,
Deputy Chairman of the Board of
Directors of Oman LNG L.L.C.



H.E. Khalifa Bin Mubarak Al Hinai
Technical Advisor to
H.E. the Minister,
Ministry of Oil and Gas,
Government of Oman



Adel Bin Abdullah Al Raisi
Minister's Advisor for
Economic Affairs,
Ministry of National Economy,
Government of Oman



Tahir Bin Salim Al Amry
Director General of
Treasury and Accounts,
Ministry of Finance,
Government of Oman



Aley Bin Ahmed Al Marjeby
Director General of
Administration and Finance,
Ministry of Oil and Gas,
Government of Oman



Saif Bin Hamad Al Salmani
Director General of
Planning & Projects Evaluation,
Ministry of Oil and Gas,
Government of Oman



John Blascos
Shell Country Chairman
and General Manager,
Shell Development Oman LLC



Ryuichi Minoda
General Manager,
Oman Project Unit,
Natural Gas Business Division B,
Energy Business,
Mitsubishi



Jonathan Osborne
Vice President Finance
Middle East and North Africa,
Shell Upstream International



Toru Ukishima
Deputy General Manager,
LNG Project Division I,
Energy Business Unit II,
Mitsui & Co. Ltd.



Xavier Preel
Vice President
General Affairs Middle East
Exploration and Production,
TOTAL



Tack Cheol Shin
Managing Director and
Chief Executive Officer,
Korea LNG Limited



Dr. Antonio Jose Da Costa Silva
Chairman of the
Management Commission,
Partex Oil & Gas



Haruo Maeda
Group Manager,
LNG Global Trade Group,
Natural Gas Business Development,
Energy Division,
Itochu Corporation
* ITOCHU Corporation attends
all Board Meetings but does not
have voting rights on the Board.



Olawale Animashaun
Oman LNG's General Counsel
and Company Secretary

Chairman's Report



A New Decade Beckons

In 2010 global market demand for energy and LNG returned to pre-2008 levels and crude oil prices bounced back to an average of over US\$ 77 per bbl compared to US\$ 61 in 2009.

Oman LNG began a new decade with new challenges and opportunities for creating value with our customers in Asia and our communities in Oman as they continued their journey towards sustainable social and economic development and growth. The new decade also provides new challenges for the utilisation of gas within the Sultanate.

The investment in Oman LNG has been a great success story from the 1st export cargo just over 10 years ago. This 11th annual report bears witness to this. The impact on revenues and the GDP of the country continues to be significant – second only to oil - and Oman LNG's investment in Corporate Social Responsibility has grown to be second to none in Oman.

As LNG export volumes grew in the last decade so also did the domestic consumption of natural gas for power, industry and other strategically important commercial initiatives. By the end of the decade domestic consumption overtook exports and "Natural Gas" swung 180 degrees from being the "unwelcome by-product of oil" to being a central player in Oman's overall growth.

Today, natural gas plays a key role in meeting Oman's demand for power – which is growing by around 5% per annum. To maintain Oman's oil production levels more energy intensive EOR (Enhanced Oil Recovery) technologies are becoming increasingly prevalent. The continuing diversification of Oman's industrial base and the need to stimulate SMEs (Small and Medium Enterprises) require more gas. Not surprisingly, our government's priorities for natural gas have changed

and export in the next decade will be balanced between domestic need and the generation of foreign revenues to sustain the government's investment in the country's strategic growth.

In the coming decade, the challenges for Oman LNG will be fourfold. Firstly, it must continue to grow the value it generates along the core OLNG value chains. It must seek new ways with its Gas Supplier to maximise the value of each molecule of natural gas it receives. Maintaining the trust of key foundation buyers in Oman LNG as a reliable and valued supplier of LNG in a rapidly changing global market will be essential. Its partnership with communities and government in investing in sustainable economic self-sufficiency and preservation of Oman's cultural heritage and natural environment will not diminish in importance.

Oman LNG's ability to ensure the integrity of its plant operations and assets and the safety of everyone who works for the company remains critically important and challenging. Ensuring rigorous compliance to the highest standards will be critical.

Thirdly, Oman LNG's ability to attract, develop and retain Omani talent who now represent over 86% of its total employee pool will remain a key factor in future success. Over US\$ 4.5 million was invested in 2010 in the training and development of employees who now occupy most of the senior roles in the Company, including 5 of the 7 Executive Management Team positions. This level of investment and commitment will continue to be needed to ensure Oman's growing need for talented and experienced professionals is met.

Finally, over the last decade Oman LNG has developed a number of best practices, some of which have received international recognition. The Company has a key role to play within Oman in championing these best practices in stakeholder engagement, organisational efficiency and governance.



In conclusion, Oman LNG continues to be a significant contributor to the government's aspirations for growth and diversification of the wealth base of Oman and its people. I am pleased to record that Oman LNG's contributions to the economy of the Sultanate are now second only to that of oil. The directors of Oman LNG, its management team and staff are wholly committed to ensuring the sustained success of this Company in the challenging decade ahead and wish to thank His Majesty Sultan Qaboos Bin Said for his continued support, guidance and interest in the Company.

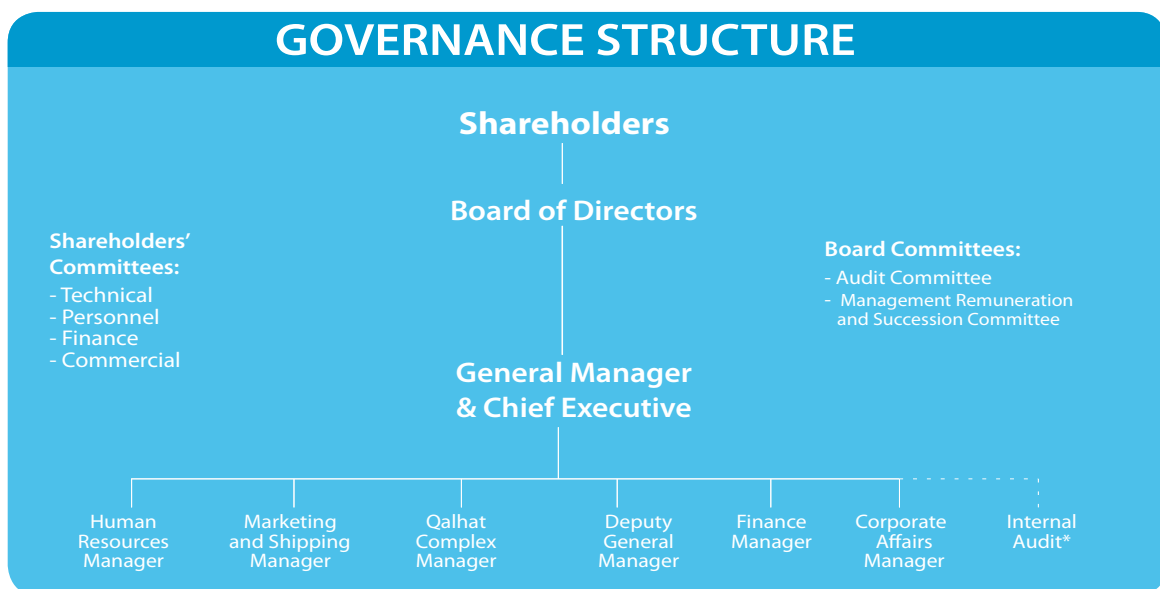
Nasser bin Khamis Al Jashmi
*Undersecretary of the Ministry of Oil and Gas,
Chairman of the Board of Directors
of Oman LNG L.L.C.*

An aerial view of Qalhat Complex



Corporate Governance

GOVERNANCE STRUCTURE



*Reports directly to the Audit Committee Chairman

Shareholders
Board of Directors
Management
Audit Activities

Corporate Governance is the set of laws, regulations, rules, policies and delegated authorities which determine how the business of a corporation is conducted, administered and controlled through its executive management and staff to achieve the long-term strategic objectives of the shareholders and other stakeholders, including creditors, employees, customers, suppliers and the community in which it operates without prejudice or bias to any one stakeholder.

Corporate Governance controls the relations among company's stakeholders and strikes a fine balance between the interests of stakeholders on the basis of accountability, transparency and cooperation to ensure protection of the interests of all the stakeholders and to prevent the unfair dominance of the interests of any stakeholder over those of the others.

Oman LNG LLC is committed to the highest standards of Corporate Governance in the belief that by doing so it will achieve exceptional performance in all areas of profitability, corporate social responsibility, growth of its business and the development of employees.

In 1994 Oman LNG LLC was formed by a Royal Decree, based upon a detailed Shareholders Agreement and Constitutive Contract. An Omani company, it is also governed by the laws and regulations of the Sultanate of Oman. Other important documents that constitute a part of Oman LNG's Governance Framework are Gas Supply Agreements, Sales and Purchase Agreements, Loan Facility Agreement as well as Oman LNG's Mission, Vision, Values and Statement of General Business Principles.

The resulting Governance Framework translates into non-executive and executive structures, policies, strategies, key business objectives and goals, delegated authorities and

controls which are regularly reviewed and updated by the Board of Directors and Management to ensure the success of the enterprise and adherence with best practice.

The Shareholders

The Shareholders of Oman LNG LLC are:

Government of the Sultanate of Oman: 51%, Shell Gas B.V.: 30%, Total S.A.: 5.54%, Korea LNG: 5%, Mitsubishi Corporation: 2.77%, Mitsui & Co. Ltd.: 2.77%, Patex (Oman) Corporation: 2%, and Itochu Corporation: 0.92%

The shareholders convene an Annual General Meeting each year (usually immediately after the first annual meeting of the Board of Directors) at which the Financial Statements for the previous year are approved along with the final dividend declaration for that year and the appointment of the Company auditor for the current year.

The shareholders' meeting for 2010 was held in Zighy Bay, Sultanate of Oman on 24 March 2010.

The Board of Directors

The Board of Directors is responsible for ensuring that the business of the company is managed in accordance with the Shareholders' Agreement. The Board delegates some of its authority to the General Manager and Chief Executive Officer for the efficient and effective management of the Company. The Board of Directors meets three times each calendar year, however if urgent matters arise between scheduled meetings, decisions can be taken through circular resolution of the directors.

Board Composition

The Board of Directors comprises a maximum of fourteen (14) non-executive members as follows:

Government of the Sultanate of Oman: Seven (7) members,

including the Chairman and the Vice-Chairman

Shell: Two (2) members

Other shareholders (except Itochu Corporation):

One (1) member each

Itochu Corporation is represented at Board meetings by an Itochu nominee who has no voting rights.

Board Activities in 2010

The Board met four times in 2010 – one more meeting than the normal thrice a year.

2010 marked the 10th Anniversary of the loading of the first LNG cargo from Oman LNG facilities in Sur, Oman. As part of the activities to commemorate this milestone, an Extraordinary Meeting of the Board of Directors was held on 23 March 2010, at the Sixth Senses, Zighy Bay, Sultanate of Oman, a day before the first Ordinary Board Meeting in the year at the same venue.

The Extraordinary Meeting was designed to give the Board and Management the opportunity to take stock of the company's performance in all aspects of its operations over the preceding 10 years and offer a strategic look-ahead into its future operations. The discussions centered on corporate performance, safety, staff capacity building and welfare, corporate social responsibility, global and regional energy markets, energy efficiency and general operational optimization.

An external speaker was invited to participate and provide perspectives from outside the Company. Special attention was also given to the learning points from the 2005 BP Texas City Refinery Incident and its ramifications for safe operations and corporate liability including Board of Directors Accountability & Responsibilities.

The other board meetings in 2010 were held in July in Strasbourg, France, hosted by Total, and in November at the Oman LNG Head Office in Muscat. Board decisions were also taken via five board circular resolutions.

The agenda of the Ordinary Board Meetings comprised recurring matters, including review and endorsement of the 2009 Financial Statement, final 2009 dividend declaration and the appointment of the external auditor for shareholder approval.

The Board, after a review of the BP Texas City Refinery incident presented at the Extraordinary Board Meeting and the "Baker Report" on the incident, approved the implementation of an Asset Integrity and Process Safety Management (AI-PSM) system compatible with the Technical Advisor's HSSE Control Framework. The IT Master Plan was approved at the November meeting. The Board also considered and approved the new Corporate Scorecard presented by the management featuring a movement from the band system to a linear system in order to encourage higher performance as every movement within the linear system counts. Some of the other significant issues considered by the Board in 2010 include the Organisational Effectiveness Project: Organisational Impacts and Way Forward, the Purchase and Sale of LNG to Mitigate Cost Exposure of the vessel "Sohar LNG" and the Social Investment Programme – Strategy for the coming 5 years.

At each meeting, the directors received updates from the management on challenges and performance in Health, Safety, Security and Environment, Production, Marketing and Shipping, Human Resources, Finance and Investments, Corporate Affairs including Social Investments and Internal Audit.

Two new directors joined the Board of Oman LNG in 2010: Mr. Xavier Prael of Total succeeded Mr. Bernard Clement and Mr. Genjiro Torii of Mitsui took over from Mr. Toru Ukishima towards the end of the year.

Shareholders' Committees

The Shareholders' Committees were established under the Shareholders' Agreement to assist the Board in an advisory capacity to manage the Company.

There are four committees which address 1) Technical 2) Personnel 3) Financial and 4) Commercial matters and meet prior to each board meeting. Each shareholder has the right to be represented on each shareholder committee.

To improve efficiency, the Personnel, Financial and Commercial Committees meet jointly, whilst the Technical Committee sits separately.

After sitting jointly for about three years and with the Board and shareholders being satisfied, the Terms of Reference of the Joint Committee was formally approved by a Board Circular Resolution in June 2009. Since

September 2008 the Joint Shareholders' Committee is chaired by a shareholder representative, whilst the Technical Committee continues to be chaired by the General Manager and Chief Executive Officer.

The Shareholder Committees do not take decisions for the company, but review and endorse the management recommendations for the Board of Directors to approve. Each committee met three times during 2010. As planned these meetings were prior to the meetings of the Board.

Board Committees

There are two Board Committees:

- 1) Audit Committee and
- 2) Management Remuneration and Succession Committee.

The Audit Committee

The purpose of the Audit Committee is to provide an independent oversight of the systems of internal controls and financial reporting processes through a review of the quality, independence and effectiveness of internal and external audits. The Audit Committee reports directly to the Board of Directors via its Chairman and comprises non-executive members as follows:

Government of the Sultanate of Oman: Three (3) representatives, including the Chairman

Shell: One (1) member

Non-Shell shareholders: One (1) representative chosen in rotation

Any Shareholder: One (1) technical representative agreed by the shareholders.

The Audit Committee met four times in 2010. The meetings were attended by the Chief Internal Auditor and the General Manager and Chief Executive Officer. The Finance Manager was present when the Statutory Financial Audit and Management Letter were presented by the Statutory External Auditor.

Audit Activities in 2010

To ensure independence, the Chief Internal Auditor reports directly to the chairman of the Audit Committee. The Internal Audit department adopts a risk based methodology in proposing and executing its audit programme in order to provide assurance that a fit-for-purpose and effective internal control framework are in place to support the achievement of the Company's objectives. Several assurance audits were also carried out by external parties, including the Company's External Auditors, Shareholders, International Standards Organisations (ISO) and Technical Advisors.

During the 2010 meetings, the various audits carried out during the year were reviewed by the committee for levels of compliance with the control framework. In addition, the Audit Committee also reviewed and approved an updated "Shareholder / 3rd Party Audit

Policy" which provides guidelines for the conduct of such audits and endorsed "Procedure for the appointment of company Auditors". As part of its mandate to ensure a fit for purpose control is in place, the committee tracked the management's compliance with proper / timely closure of agreed audit actions in order to close the control gaps identified.

The Committee also reviewed audit reports, the management letter and associated Financial Statements for 2009 by the Statutory External Auditors for endorsement by the Board of Directors. Furthermore, the committee discussed the strategy for the appointment of the next company auditors as current auditors - Deloitte and Touche will be completing four years, the maximum allowed as per Company policy.

Management Remuneration and Succession Committee

The Management Remuneration and Succession Committee was established in November 2008 by a Board Resolution to ensure that Oman LNG continues to identify, and develop its leadership talent for the future and provide the current leadership with rewards and incentives commensurate and competitive with current market practices.

The Committee reports directly to the Board of Directors via its Chairman and comprises non-executive members as follows:

Government of the Sultanate of Oman: Three (3) representatives, including the Chairman

Shell: One (1) member;

Non-Shell Shareholders: Two (2) representatives chosen in rotation.

The first sitting of the Committee was held in 2009.

The Company Management

The General Manager and Chief Executive Officer and the executive management of the Company implement an Enterprise-wide Risk Management (ERM) approach which provides a proactive framework of risk management for managing and mitigating risks and their potential impacts on the achievement of company's strategic objectives and goals.

Each identified risk is assessed and measures are introduced to provide all reasonable assurance that the risk will not materialise and in the event that it does, that any adverse impact is minimised. The process and identified risks are reviewed annually at the start of the Business Planning Cycle.

The agreed management and mitigation measures are subsequently reflected through any necessary amendments to relevant company policies, procedures and practices.

Chief Executive's Summary



Oman LNG entered into its second decade of operations in 2010 as a mature and highly successful Omani company. Its revenues had grown steadily each year with the exception of 2008, which it had weathered remarkably well, despite the financial crisis and global economic turndown of that

year. Its management and employees have had 10 years of development and experience in the fulfilment of Oman LNG's mission of delivering LNG safely, reliably and profitably to its customers. In the same period our shareholders' commitment to Social Investment saw Oman LNG grow to be the single largest corporate enabler of economic self-sufficiency in communities and individuals in Oman and a major supporter of cultural and environmental preservation and revitalisation throughout the country.

Commercially, 2010 saw a welcome return to pre-2008 GDP activities in our key markets of Korea and Japan. The return in demand for energy saw its price stabilise and then increase to an average of over US\$ 77 per barrel of oil, some 26% higher than 2009. The hike in prices more than compensated for the 10% drop in the company's sales volumes after the completion of the mid-term SPA (Sales and Purchase Agreement) with BP in 2009.

Operationally, the Company faced a number of significant technical challenges in 2010 and experienced a drop in its overall annual reliability index in 2010. However, this did not impact plant availability to produce and deliver the company's contractual commitments to its customers. More broadly, the Company can report another successful year of continuing improvements in safety performance, environmental management, overall operational reliability and controls' compliance and in meeting our corporate social responsibilities to our stakeholders, thanks to the professionalism, dedication and enthusiasm of our staff and contractors.

Our Challenges in 2010

2010 saw a return of economic confidence and growth in the Asia-Pacific markets with which Oman LNG's fortunes

are most closely linked. Energy prices stabilised at end-2009 levels. On the other hand, the 2008 crisis had left global LNG supply above demand for the first time in over 7 years at the same time as new LNG production volumes were coming on stream in Asia and the Middle East. This supply growth was further increased by the unexpected rapid growth in unconventional gas supplies from shale in the United States of America and coal bed methane (CBM) in other parts of the world. These latter developments were seen by many as the most significant "game-changer" in the gas industry for the decade!

At home, the government's continuing commitment to its public sector projects and privatisation through Public-Private partnerships buoyed economic growth and domestic demand for energy and talent. 2010 was also a year in which domestic demand for Oman's natural gas production surpassed the volumes committed to export as a result of continuing growth in the domestic power and commercial markets.

Our Responses

The management and staff of Oman LNG focused on seven critical areas to secure our market position and prepare for the new decade and its many challenges. Operational excellence remains a prerequisite and we continue to be focused on:

Achieving HSE Excellence

Delivering Operational Excellence

To address the uncertainties of our markets we put our energies into

Securing Gas Supplies

Maximising Commercial Value and

Retaining the Right Talent.

And to continue to earn the trust of all our stakeholders we did not let up on:

Addressing the needs for Social Investment and

Promoting our Brand Reputation and Culture.

Our Results

In this annual report we are happy to share with you the progress we made in these areas in 2010. We remain



a trusted partner of our Gas Supplier and customers throughout the LNG value chain and of our communities and in the growth, development and diversification of the economy of the Sultanate and its people.

The management and staff of Oman LNG are aware that our success would not be possible without the continuing guidance and support of our shareholders, the Board of Directors and its Chairman. We also recognise the opportunities that have been created for all of us through the continuing growth of Oman, a result of the remarkable vision and

stewardship of His Majesty Sultan Qaboos Bin Said. We congratulate him for his energy, insightfulness and wise leadership and wish him good health and continued wisdom in the new decade.

Dr. Brian Buckley
General Manager & CEO

Management Team



Dr. Brian Buckley
General Manager &
Chief Executive



Amor Al Matani
Deputy General Manager



Rene de Nier
Qalhat Complex Manager



Adnan Rajab
Marketing & Shipping Manager



Maqbool Al Lawati
Finance Manager



Shukri Al Mandhary
Human Resources Manager



Ali Al Hashar
Corporate Affairs Manager

HSSEQ Excellence



Beach cleaning exercise during the HSE Week. Everyone is involved.

Key Highlights

In 2010, Oman LNG remained committed to its 12 Life Saving Rules launched in 2009. Some of the achievements in the year were:

HEALTH & SAFETY

1.48 Million Man-Hours achieved without a Lost Time Injury (LTI). LTIF for 2010 was 0.36.

“Exercise Tahr” a four-day Emergency Response, Crisis Management and Business Continuity Plan was conducted to gauge Oman LNG’s response time and effective handling of a crisis.

Major campaigns undertaken:

- Road Safety in Oman (in partnership with Shell, Omantel and the Oman Observer)
- HSE Week, with the theme: “Do The Right Thing”
- Housekeeping

- Launched new version of Company’s “Omnisafe”, for real-time tracking of safety, management and audit actions with notifications to all parties when due.

SECURITY

Compliance Certification of ISPS Code was renewed and issued by the Ministry of Transport and Communications after inspection of Oman LNG facility.

Enhancement of security system for villas in HAS.

Additional security lighting fitted in certain locations to enhance security patrol.

ENVIRONMENT

Renewed Environmental License for the Discharge of Treated Sewage.

Donated fire-fighting foam to Fire College in Muscat.

No environmental incident occurred in 2010.

QUALITY

In May 2010,

- DNV recertified the Company’s HSE Management Systems against ISO 14001:2004.
- DNV certified the Company’s Management Systems against ISO 9001:2008.

Also, in 2010, the Company’s Laboratory Management Systems were audited and reconfirmed as conforming with its ISO 17025:2005 certification with RvA.

Surveillance audit successfully conducted by accreditation body RvA, authenticating Laboratory Accreditation after addressing all findings.

- Health
- Safety
- Security
- Environment
- Quality



HSE Week

Emergency response readiness at the HSE week in Muscat



Safety

Health and Safety sessions are held frequently



Environment

Caring for the Environment tells how our activities help preserve the environment

12 Life Saving Rules



Do not walk under a suspended load



Do not smoke outside designated smoking areas



No alcohol or drugs while working or driving



While driving, do not use your mobile and do not exceed speed limits



Conduct gas tests when required



Obtain authorisation before entering a confined space



Follow prescribed journey Management plan



Protect yourself against a fall when working at height



Wear your seat belt



Work with a valid Work Permit when required

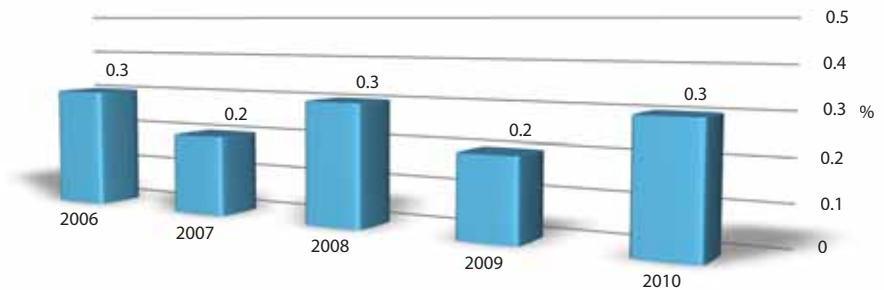


Verify isolation before work begins and use the specified life protecting equipment



Obtain authorisation before overriding or disabling safety critical equipment

Flaring (as % Weight of Feedgas)



- 0.25% of total feedgas to plant was flared against target of 0.26%.

Key Performance Indicators

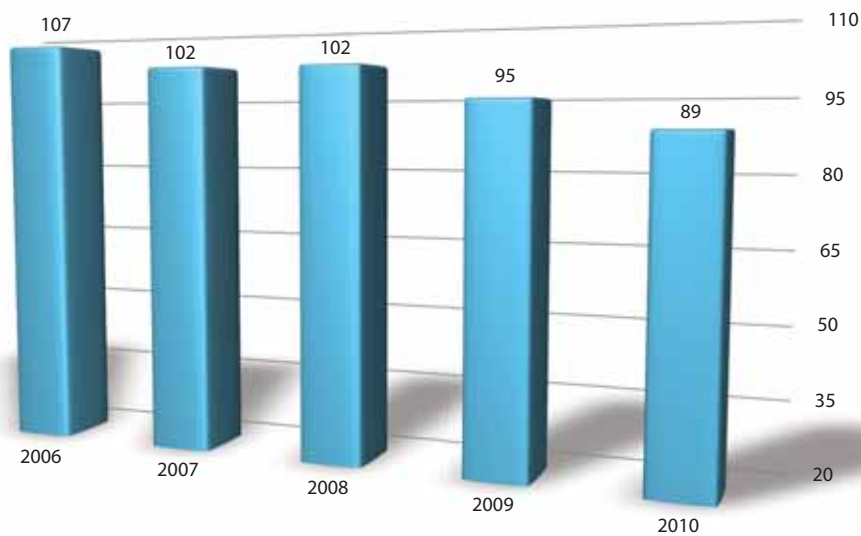
Year	2006	2007	2008	2009	2010
Loss Time Injuries	0	0	0	2	1
Total Recordable Cases	4	2	3	3	4
First Aid Cases	5	6	7	6	23
Near Miss Reports	285	335	273	187	108
Unsafe Act Audit Findings	1764	1519	1739	2530	2642

Commercial Activities



Secured win-win agreements in business relations

Number of Cargoes Delivered per year



Key Highlights

- A total of 138 cargoes delivered -- Oman LNG having 89 of these LNG cargoes delivered according to Annual Delivery Programme (ADP)
- 36 condensate cargoes delivered (for Oman LNG and Qalhat LNG)
- Achieved utilization level of 47% shipping capacity
- and accomplished outstanding performance compared to the target level in the KPI through sub-chartering the vessel (Sohar LNG) into shipping market without any long-term commitment
- Two Master Spot Agreements signed with Gail of India and ENOI of Italy

- LNG Cargoes
- NGL Cargoes
- Shipping Capacity
- Diversions
- New Agreements



Profile

Regular participation at local and international conferences and exhibitions



Relationship

Robust relationship with buyers



Deliveries

Long-term buyers: Kogas, Osaka Gas and Itochu Corporation

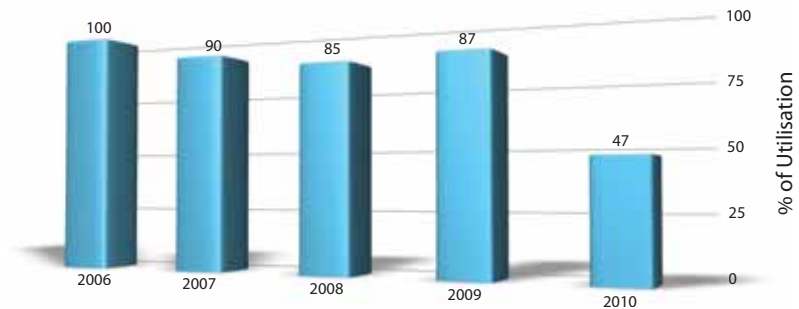


Membrane Vessel



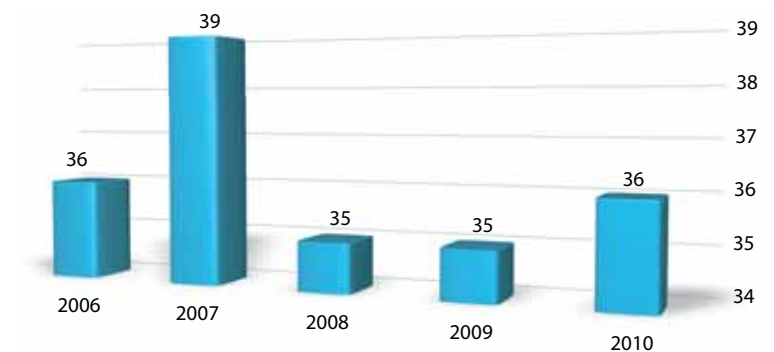
Moss Vessel

Utilisation of Shipping Capacity



- Oman LNG receives feedgas from Petroleum Development Oman's (PDO's) upstream facilities in Barik, Saih Rawl and Saih Nihayda.
- Prices of LNG cargoes are linked to Japan Crude Cocktail.
- Moss and Membrane type vessels are used in transporting LNG.

Number of NGL Cargoes

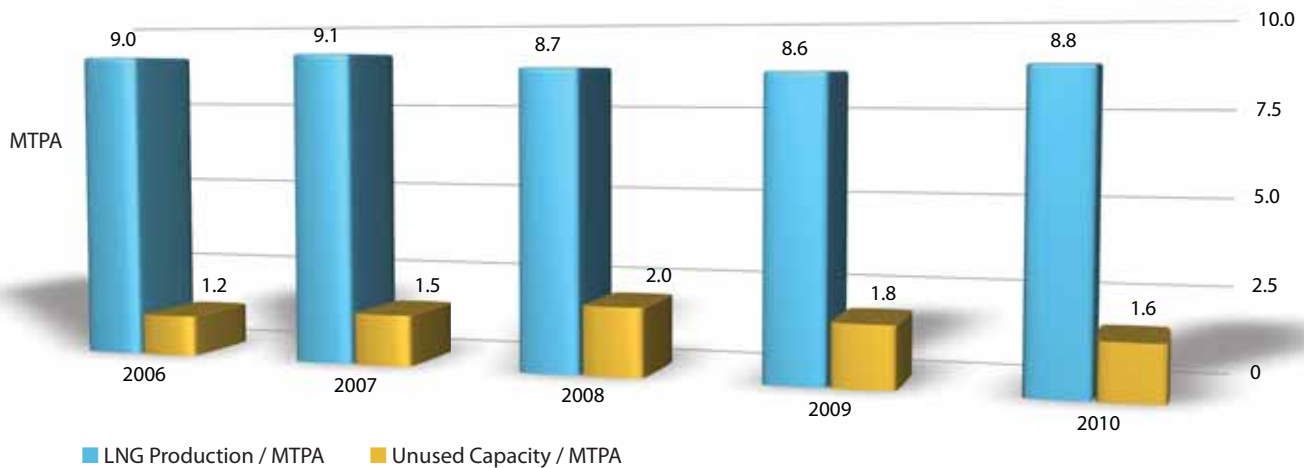


Operational Integrity



Oman LNG's world-class operations

LNG Production and Capacity



Key Highlights

OPERATIONS:

- LNG production stood at 8.8 million tonnes per annum produced against 10.4 million tonnes per annum nameplate capacity.
- Unused nameplate capacity of 1.6 mtpa.
- Plant utilisation at 84.6% of name plate capacity.
- Cyclone Phet: No adverse effect to plant machinery and operations.

RELIABILITY:

- Plant Reliability was 95.8% against a target of 97.9%.
- Complex Availability was at 91.8% against a target of 94.1%.
- Hosted the Global Jetty Workshop in Sur with Oman LNG's plant and jetty operations as focus of asset integrity management.

- Reliability
- Availability

- Capacity
- Asset management



Jetty Workshop

Operators from different countries met in Sur



Maintenance

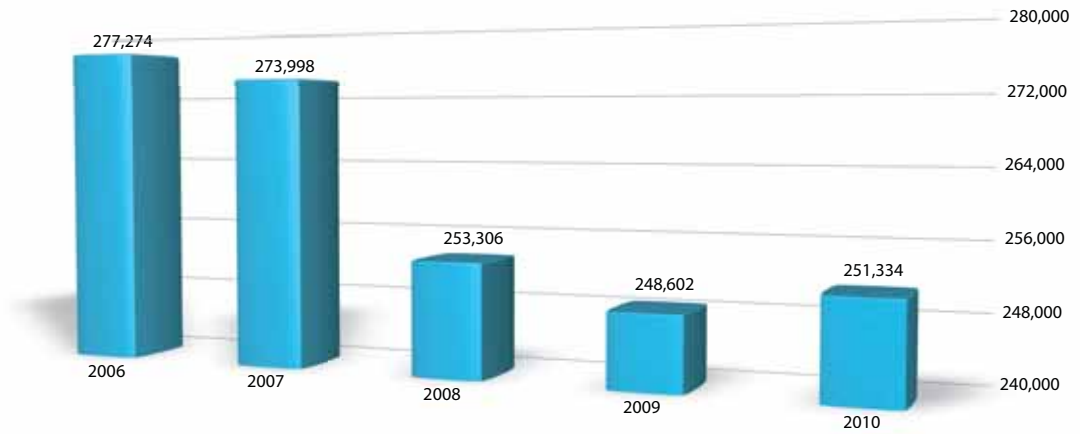
Omanis regularly lead the shutdown team



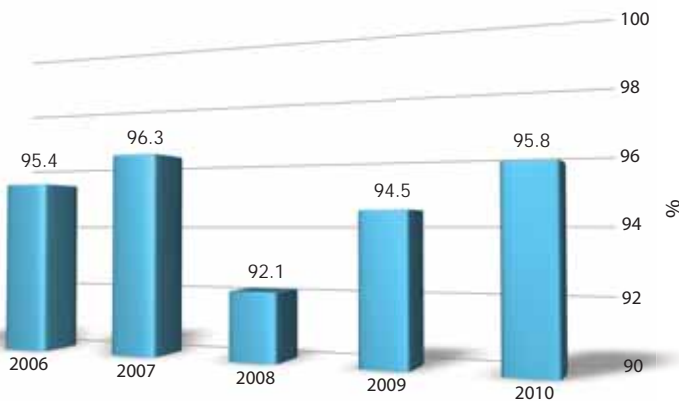
Shipment

LNG Barka at the jetty

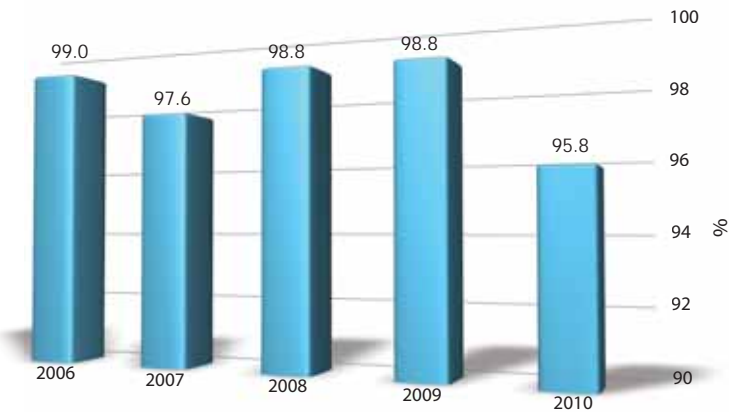
NGL Production in Tonnes



Plant Available Capacity (%)



Plant Reliability (%)

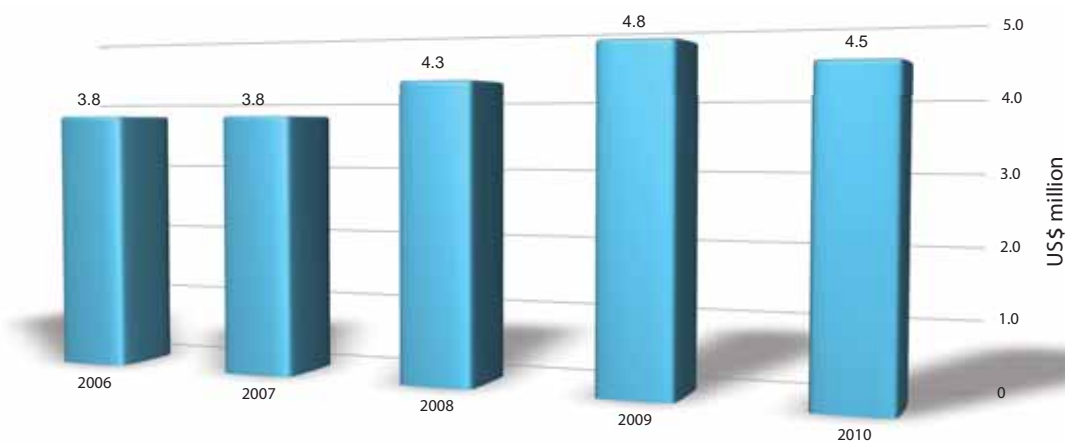


Staff *Development*



A training session at Oman LNG's world-class Learning and Development Centre, Sur

Investment in Training & Development



Key Highlights

Omanisation increased from 86.4% in 2009 to 87.4% in 2010.

RETENTION AND DEVELOPMENT

- Oman LNG's Learning Centre received accreditation for Business and Technology Education Council's (BTEC) Level 4 Diploma in Technical Support
- Amount spent on training: US\$ 4,521,882
- 99 staff enrolled in professional qualification
- 5 staff received full scholarship for further studies

STAFF ENGAGEMENT

- During the period under review, the Company proactively engaged with employees and Union Executives on issues regarding staff welfare and conditions of service. The Industrial Relations atmosphere in the Company remained peaceful, cordial and conducive.
- Annual survey was conducted from May 26 to June 25 2010 and the outcome discussed with the employees.
- Reviewed terms and conditions of service in line with updated Ministerial Directives; Omani Labour Law and changes in Company policies.

- Recruitment
- Retention

- Learning
- Development



Training
US\$ 4.5million invested in staff training

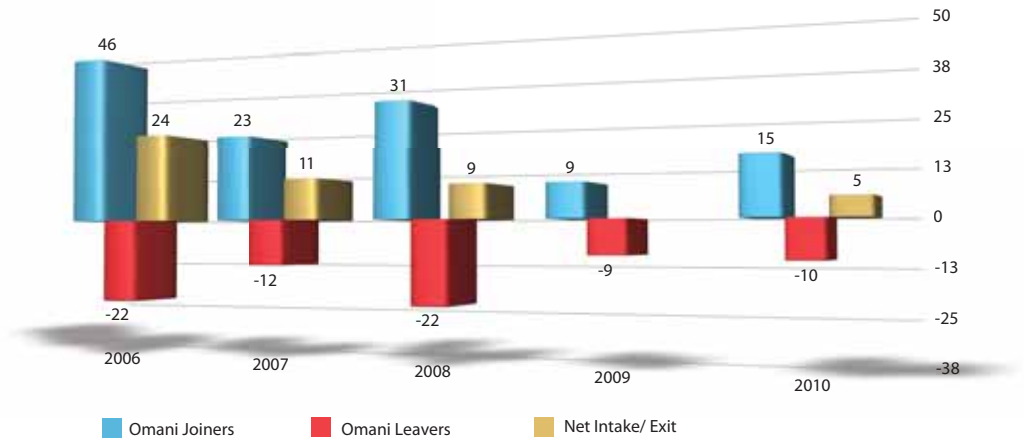


Learning Centre
Awarded BTEC Accreditation for Level 4 Diploma in LNG Technical Support

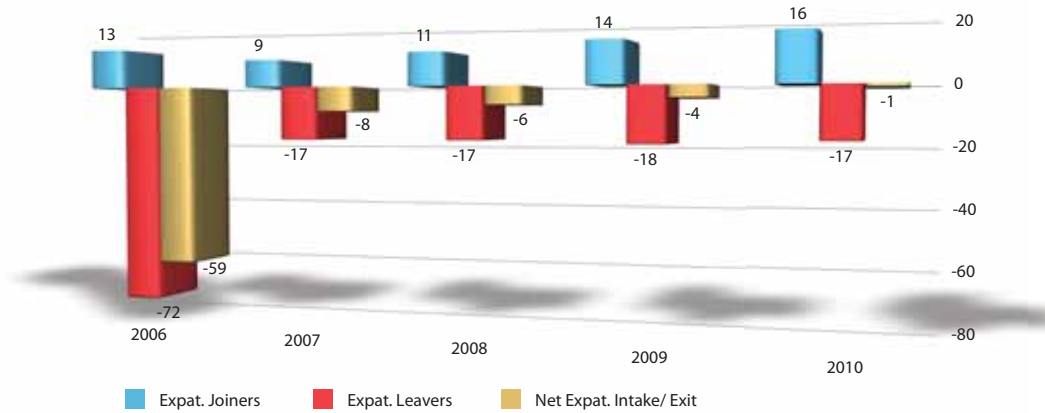


Staff Engagement
Barzab held quarterly to discuss Company's goals with staff

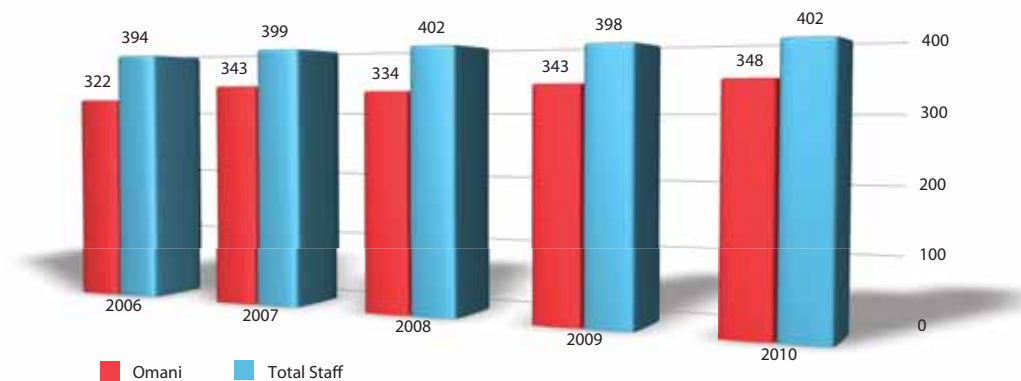
Omani Joiners & Leavers



Expatriate Joiners & Leavers



Employment Profile

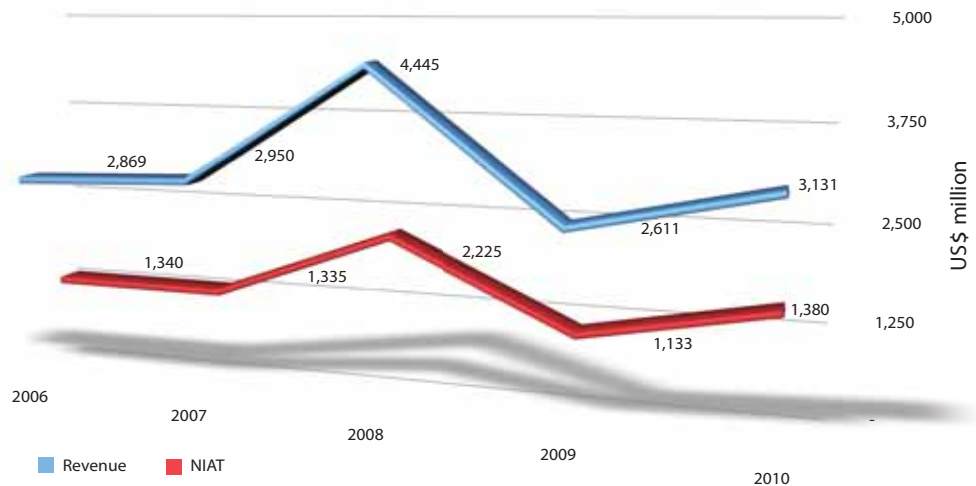


Cost Leadership



A cross-section of the Finance team at the Company warehouse in Sur

Revenue vs. Net Income After Tax 2006-2010



Key Highlights

REVENUES & NET INCOME AFTER TAX (NIAT)

- 2010 Revenue was US\$ 3,131 million, US\$ 520 million higher than 2009. This was despite six (6) fewer LNG cargoes in 2010 and due to higher average energy prices – US\$ 77.42/bbl in 2010 compared to US\$ 61.16/bbl in 2009.
- Net income after tax in 2010 was US\$ 1,380 million, an increase of US\$ 243 millions over 2009.

OPEX & FINANCING

- The Company's operating expenditure in 2010 was US\$ 150 million versus an approved budget of US\$ 167 million. Savings were mainly realised through lower financing costs associated with the Company's long-term loans and increased fixed deposits' income from working capital management.
- Achieved additional risk coverage of US\$ 300 million at no extra premium despite hardening insurance market.
- Maximised the interest income of US\$ 3.3 million through fixed deposit with local and regional banks.



Contracts

Omanisation of contracts at 74%



Revenue

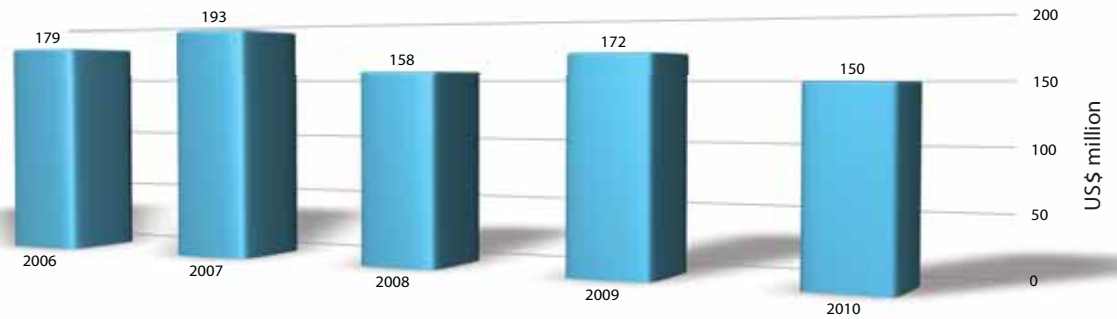
Rising energy prices drove Company revenues 20% higher than 2009



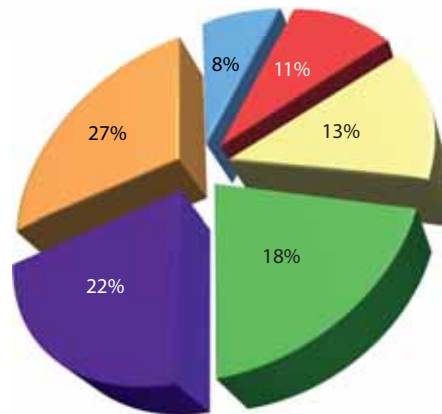
Opex

Astute financial management has guided expenditure

Historical Opex 2006-2010



Opex 2010 (Budget)



● Shutdown ● SIP ● Interest ● Manufacturing
● Corporate ● Manpower

Contractors & Suppliers

	US\$ Million			Percentage to total orders	
	International Orders	Omani Orders	Total Orders	International Orders %	Omani Orders %
Blanket Orders	0.00	0.38	0.38	0.00	100.00
Purchase Orders	6.12	9.92	16.04	38.14	61.86
Work Orders (Stand alone)	18.42	5.86	24.28	75.87	24.13
Contract Awarded	1.90	7.40	9.30	20.43	79.57
Grand Total	26.44	23.56	50.00	52.88	47.12

Brand & Reputation



Social Investment Programme relaunched to meet the challenges of a new decade by HES the Minister and Undersecretary of Oil and Gas

Key Highlights

Oman LNG was awarded the Best Company in Social Responsibility in Oman by the Gulf Cooperation Council (GCC) of Ministers for Social Affairs in 2010.

The Company has invested over OMR 35 million in more than 270 projects in its first 10 years of operation. At the end of 2010 the Company relaunched its Social Investment Programme around the three core areas of:

- A. Empowering Communities
- B. Championing Innovation
- C. Investing in People

Some examples of Oman LNG's Social Investments in 2010 include:

INFRASTRUCTURE

- Sea-side Pedestrian Promenade in Sur
- Pedestrian Bridge in Sur

HEALTH

- Training Simulator for Nursing Institute

- Cochlea implants for 7 deaf citizens
- "Seeing is Believing" – a multimedia health educational programme in collaboration with the Ministry of Health

EDUCATION

- Educated Village – to eliminate Illiteracy in Sharqiya Region
- Refitting of Applied Science & Engineering Laboratories and Workshops in Higher College of Technology, Muscat
- 10 Information Technology Laboratories in Al Dhahra and Muscat
- Pre-school classes for Jabali (Mountain) children in Dhofar

SKILLS FOR EMPLOYMENT

Training into employment for:

- 30 hearing-impaired in Desktop Publishing
- 25 young students in AutoCAD designing and drafting
- Low-income Dhofari families in carpet making
- 50 ladies in tailoring in Qalhat Village, Wilayat of Sur

CULTURE & HERITAGE

- Renovation of Tourist Facilities at Sunaysilah Fort, Sur
- Outdoor Social and Cultural Performance facilities in Sur Wilayat
- Completion of Fatah Al Khair Cultural and Heritage Museum in Sur

SPORTS

- Annual Traditional Boat Race, Sur
- Two Play Courts in Sur

ENVIRONMENT

- Recovery and clean-up campaigns after Cyclone Phet in many Wilayats
- Municipal Parks' wastewater Irrigation project in Bidiya and Jalan Bani bu Ali, Sharqiyah

SOCIAL

- Support to Omani Women's Associations throughout Oman

AGRICULTURE

- Nation-wide Falaj Renovation programmes
- Local chicken incubators and livestock stockyards in various Sur Villages

- National Fund
- Community Fund

- Sponsorship & Donations
- Human Resource Development



Road Safety

Comprehensive campaign to reduce road accidents



Healthcare

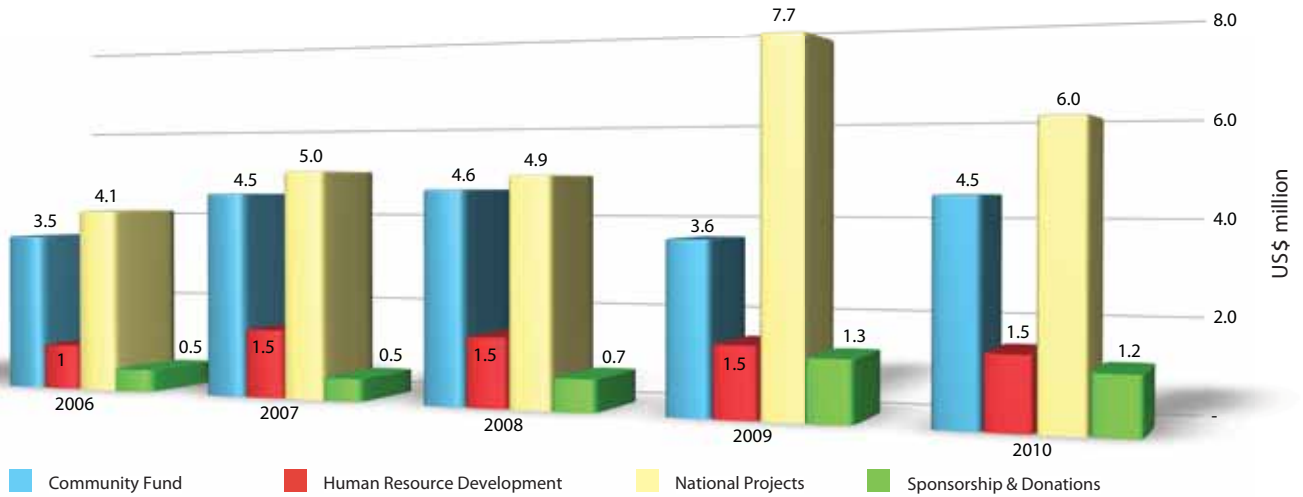
Major agreement with Ministry of Health supplying equipment for accurate diagnosis of illnesses



Award

Best Company in CSR in Oman by Council of Ministers for Social Affairs in GCC

Social Investment Programmes Budget - SIP (US\$ million)



Investing in People

Investment in new laboratories in institutions like Higher College of Technology Muscat will equip students with technical skills for Oman's growing industrialisation.



Championing Innovations

The Donation of 64 Slice CT Scanners in the presence of HE Minister of Health funded by Oman LNG to the Sur General Hospital. It will offer a more precise diagnostic evaluation of illness to patients seeking treatment.



"Together with Oman LNG, we are discovering new avenues for our all-Omani workshop. Currently, we are developing some of the corporate gifts from old Suri designs, working together to adapt traditional concepts to modern setting."

Afrah Al Sinani,
Workshop Manager,
Sur Tailoring Workshop

Empowering Communities

Touching the lives of many Omanis through various forms of support. Here, a project repackaging traditional crafts as corporate gifts, helps to develop new enterprises.

Our Numbers

87%

Omanisation - Oman LNG has remained at the forefront of attracting and retaining the best talent with Omani nationals occupying 5 positions of the seven slots in the Company's Management Team.

4.5

Million US\$, approximately - The amount expended on staff training and development.

72

Staff graduated with Business and Technology Council (BTEC) from the Company's Edexcel Accredited Training Centre.

10%

of staff sponsored by the Company for tertiary education.

112

staff are undergoing professional courses, sponsored by Oman LNG.

35

Million OMR at least - Amount invested in 270 projects all across the Sultanate of Oman in the last decade.

1.5%

of the Company's net profit is set aside for Social Investment.

Information provided as at December 2010.

35%

of yearly allocation for Social Investment is put aside as Reserve Fund to secure the future availability of Oman LNG's Social Investment Programmes.

www.omanlng.com