

DME 2009 - The Year in Review

2009 was a positive year for the DME characterised by four significant developments. Firstly, liquidity has increased with trading volumes achieving a 69% year-on-year increase and average daily volumes approaching 3,000 lots in the last quarter. Secondly, the DME continues to strengthen its reputation as the largest physically-delivered contract in the world and achieved a record delivery of 11.6 million barrels in September 2009. Thirdly, the adoption of DME Oman as the basis for setting the Official Selling Price (OSP) for Dubai crude by the Dubai Department of Petroleum Affairs in June 2009 further reinforces the growing acceptance of the DME Oman contract as the third global crude oil pricing benchmark. And fourthly, DME contracts were migrated seamlessly onto CME Globex® thereby allowing market participants to access the world's three crude oil benchmarks on a single electronic platform.

The industry support we have received to date has been critical to our continued development. We encourage you to share your thoughts and feedback with us as we work to cement DME Oman as the premier crude oil benchmark in the East of Suez supply / demand basin.

We look forward to working with you as we further develop and grow the DME in 2010.

Thomas Leaver

Chief Executive Officer

2009: A Year of Significant Developments

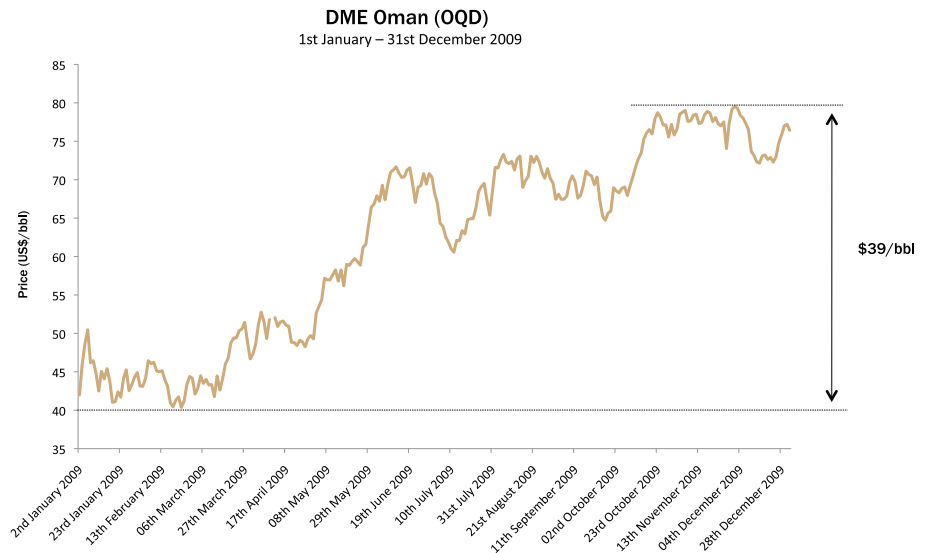
- **Volume growth:** 69% year-on-year (YoY) growth in volumes saw trading approach average daily volume (ADV) of 3,000 lots in the last quarter actively traded by more than 50 companies
- **Physical delivery:** an average 8.7 million barrels per month delivered through the Exchange with more than 25 companies participating in physical delivery
- **Dubai pricing:** Dubai Department of Petroleum Affairs (DPA) announced the adoption of an explicitly DME Oman linked Official Selling Price (OSP)
- **CME Globex®:** DME Oman Contract moved seamlessly onto the CME Globex® platform

A Year of Rising Oil Prices

2009 witnessed another dynamic year with oil prices rising from a low of \$40/bbl to end the year at close to \$80/bbl, driven by a rally that began in March (see exhibit 1).

EXHIBIT 1: 2009 OIL PRICE TREND

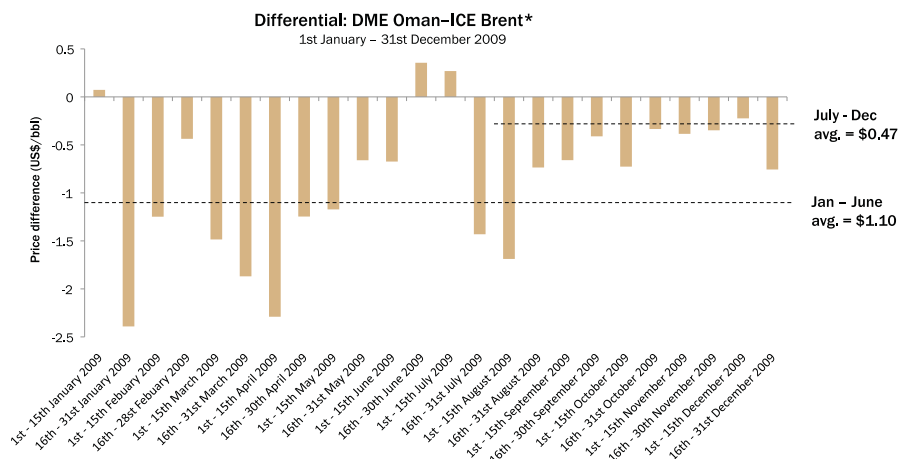
A year of rising prices



Through the course of the year there was a significant narrowing of the differentials between light sweet crudes such as Brent with more heavy and sour crudes such as Oman. Although the sweet-sour differential has been volatile, the typical price differential between Brent and DME Oman (see exhibit 2) has more than halved between an average of \$1.1 in the first half of 2009 to \$0.47 in the later half of the year. This spread reduction is significant when compared to the long-term average differentials of around \$3/bbl (for the period 2000 – 2007).

EXHIBIT 2: SWEET-SOUR DIFFERENTIALS

The sweet-sour differential has significantly reduced over the course of 2009



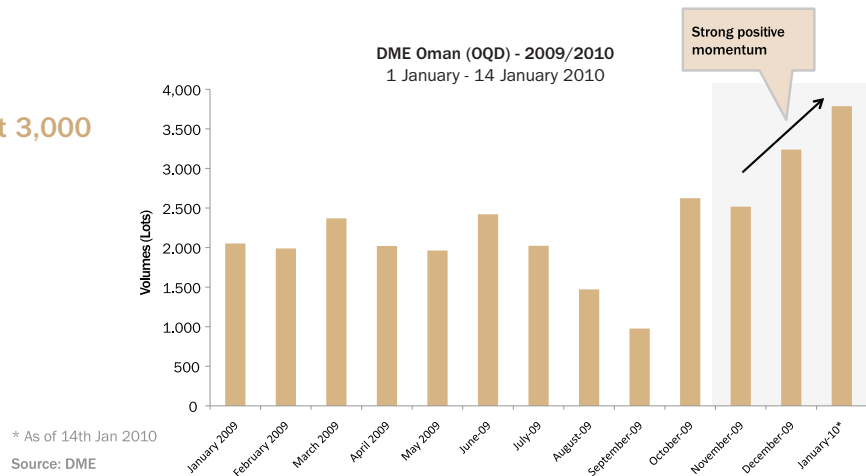
*DME Oman Post Close Price less ICE Brent
Source: DME; ICE

Volume Growth

For full year 2009 daily trading in DME Oman averaged at 2,159 lots (equivalent to 2.16 million barrels per day), representing a year-on-year increase of 69%.

EXHIBIT 3: DME OMAN ADV INCREASED BY 69% BETWEEN 2008 AND 2009

Daily volumes have averaged at 3,000 lots since November 2009, representing 3 million barrels traded per day



The growth in average daily volumes was correlated with tightening of bid/ask spreads, as the average bid/ask spread narrowed to the 3-5 cent range for significant parts of the trading day over the past three months. The continued tightening of spreads has allowed the entry of new participants (DME Oman was traded by more than 50 companies in 2009) and increased activity by existing market players, positively impacting volumes and thereby ensuring the efficiency and reliability of DME Oman as a price discovery and risk management tool.

Physical Delivery

Since its launch DME Oman has continued to demonstrate its fundamental grounding in the supply / demand balance of the region and is today considered the largest physically-delivered crude oil futures contract in the world, with an average of 8.7 million barrels delivered each month through the Exchange.

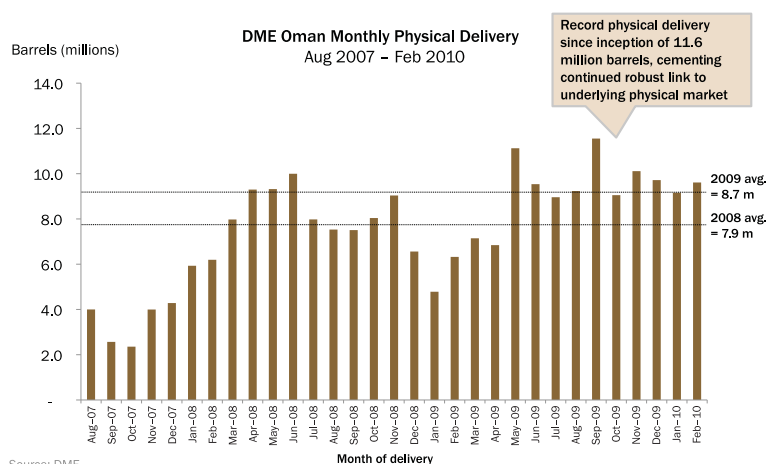
The last year has seen a number of positive developments which demonstrate the continuing strong link between DME Oman and the physical market:

- Over 100 million barrels physically traded through the Exchange by more than 25 players
- New record monthly physical delivery in September of 11.6 million barrels
- From May to December, an average of ten million barrels was delivered each month

The ten percent increase in physical delivery (see exhibit 4) was driven by an increased number and diversity of participants choosing to hold DME Oman contracts into expiry.

EXHIBIT 4: DME OMAN PHYSICAL DELIVERY

More than 235 million barrels of Oman crude have been delivered through the DME since its inception, cementing DME Oman's link to the underlying physical market



Dubai Pricing

The announcement in June 2009 by the Dubai Department of Petroleum Affairs (DPA) that it would set the Official Selling Price (OSP) for the Emirate's crude based on a differential to DME Oman was a major milestone in the Exchange's development. Although the DPA has priced Dubai in relation to DME Oman since the launch of the Exchange, the announcement closed the gap for full price discovery of the two historic and accepted benchmark crudes in the Middle East.

The DPA now announces a monthly differential to the Oman OSP. This enables customers with Dubai exposure to use the DME Oman futures contract to hedge their exposure free of concerns about basis risk.

The DPA's public announcement of setting the Dubai OSP as a differential to DME Oman paves the way for wider adoption of DME Oman as the primary benchmark for pricing Middle Eastern oil exports to Asia.

CME Globex®

February 2009 saw the DME successfully migrate its contracts to the CME Globex® electronic trading platform. The migration significantly increased the distribution of the DME Oman contract by making it readily available to trade alongside CME Group products across all major asset classes thus opening up a wide range of arbitrage trading possibilities. The transfer of DME Oman to the CME Globex® platform meant that for the first time, the three global crude benchmarks are available for trading on a single platform.

Further Growth of the DME Will Usher in a New Era of Energy Trading in the East of Suez

As part of its proposition to provide market participants with a flexible and comprehensive suite of trading and hedging tools, the DME intends to launch four new DME Oman related contracts in 2010:

- 1. Oman Swap:** a cash-settled, cleared-only contract that is settled on the monthly average of daily DME Oman settlements
- 2. Brent-Oman Swap:** a cash-settled, cleared-only contract that is settled on the monthly average differential between ICE Brent and DME Oman daily settlements
- 3. Oman Average Price Option:** a cash-settled, cleared-only options contract that is settled on the monthly average of daily DME Oman settlements
- 4. Oman European-style Option:** a cash-settled, option that will be available for trading on CME Globex® and for clearing. It is settled against the post-close price of DME Oman upon expiration.

The contracts have been drafted and put out to consultation and are awaiting regulatory approval for launch. These new contracts will provide the market with additional flexibility in hedging and trading East of Suez price risk.

Contact Details

For more information or to provide feedback please contact:

Matthew Thompson, Chief Strategy & Business Development Officer
Matthew.Thompson@dubaimerc.com

Alternatively, contact the Customer Relations representative for your region:

Asia-Pacific: **Yousif Mohammed**
Email: yousif.mohammed@dubaimerc.com

Europe/North America: **Mohammed Hussein Ismail**
Email: mohammed.ismail@dubaimerc.com

Middle East/Africa: **Mohamed Ahli**
Email: mohamed.ahli@dubaimerc.com

The DME is regulated by the Dubai Financial Services Authority (DFSA). All trades executed on the Exchange are cleared through and guaranteed by NYMEX (a member of CME Group), which is regulated by the U.S. Commodity Futures Trading Commission (CFTC) and is a Recognised Body by the DFSA.