

Respected Shareholders,

On behalf of the Board of Directors of Omantel, I am pleased to present a summary of the results of the operations covering 9 months period ending 30th September 2006.

Group operating performance:

The group has achieved a Net Profit after Tax of RO 60.9 Mn during the 9 months period ending 30th September 2006 compared to the Net Profit after Tax of RO 51.8 Mn of the corresponding period of year 2005, a growth of 17.6%.

The main reason for the increase in profit primarily due to impressive revenue growth achieved during the period. The total group revenue as of Sep'06 rose by 21.3% to RO 239.6 million compared to RO 197.5 million for the corresponding period of the previous year.

The operating expenses increased by 20.5% compared to the same period of last year. The increase in operating expenses is the result of increased business activities.

The Earning per Share (EPS) as of Sep'06 is RO 0.081, which is 17.4% higher than the corresponding period of last year.

Total subscriber base (all services) has recorded a growth of 15%. Total number of subscribers has increased to 1,600 K as of Sep'06 compared to 1,395 K of the corresponding period.

During the period 3rd quarter, the following major issues were resolved / implemented, which might impact on the overall business potential of the group. This includes;

- i) **Determination on International / Asymmetric Termination rates:** 2nd Mobile operator filed a request to Telecommunications Regulatory Authority (TRA) of Oman for determination on the aforesaid rates. TRA has issued on 7th October 2006, a determination on the termination rates between operators.
- ii) **Mobile Number Portability (MNP):** In line with TRA directive, the MNP was launched on Aug 26, 2006. MNP facilitates the customer to switch to competing mobile operator (s) with the same mobile number. The trend so far indicates that Oman Mobile has successfully managed this issue contrary to the expectation, which signifies increased customer loyalty towards Oman Mobile.

Subsidiary Companies:

Oman Mobile Telecommunications Co (LLC): Omantel has 99% shareholding in Oman Mobile. During the period, the number of customers subscribed to Oman Mobile service increased by 178 K (from 1,043 K to 1,221 K). The gross revenue from mobile operations as of Sep'06 is RO 170 million compared to the corresponding period of previous years revenue of RO 136 million, an impressive growth rate of 25%.

Future outlook:

The 9 months performance of the group has been outstanding. In spite of intense competition in adverse conditions, the group was able to pose a healthy growth in revenue and profitability. Our continued efforts to reduce costs and strengthen the service efficiencies would have a positive impact on our financials.

Company has initiated steps to prepare for the competition expected in Fixed and Internet businesses. It is in the process of appointing an international consultant on this regard.

On behalf of the Board of Directors, I would like to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for His visionary leadership and we pray to the Almighty to grant him all strength to continue to lead the country on the path of development.

CHAIRMAN, OMANTEL BOARD OF DIRECTORS