

Oman Telecommunications Co (S.A.O.G)

Final Results - 2006

Respected Shareholders,

On behalf of the Board of Directors of Omantel, I am pleased to present a summary of the results of the operations for the year ended 31st December 2006.

General Economic Environment:

Year 2006 saw robust growth of Oman's economy in all sectors under the leadership of His Majesty Sultan Qaboos bin Said. This has contributed to the overall growth of the telecom industry.

Group operating performance:

Omantel group has witnessed one of the most outstanding performances in the history of the company. The revenue growth of 20% in all respects is commendable especially in a competitive environment. Both Mobile and Fixed businesses have contributed to this memorable growth. We are proud of this great performance and thank our valued customers for their relentless and uncompromising support, without which this would not have been realized.

The group has achieved a Net Profit after Tax of RO 81.1 Million during the year ended 31st December 2006 compared to the Net Profit after Tax of RO 68.1 Million of the corresponding period of year 2005, a growth of 19%. The main reason for the increase in profitability is due to impressive revenue growth as well as effective cost reduction program implemented across the group.

The total group revenue as of Dec'06 rose by 20% to RO 323.6 million compared to RO 270.6 million for the corresponding period of the previous year.

The operating expenses increased by 19% 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 Dec'06 is RO 0.108, which is 19% 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 1,629 K as of Dec'06 compared to 1,453 K of the corresponding period.

Major Group Achievements:

During the period, the group has entered into series of national and international agreements, which would impact on the overall business potential of the group. Also, it has launched series of new products and innovative consumer promotions during the year. Some of the major agreements, achievements, activities and awards are summarized below.

Agreements aimed at positioning Omantel as "Carrier of Carriers" provider: Omantel has signed number of agreements aimed at enhancing the revenue growth and to position Omantel

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as “carrier of carriers” when the telecom sector is fully liberalized. Agreement with FLAG Telecom will make the Sultanate an Internet transit point between the Middle East and Africa. Omantel has also signed a MOU with M/s Belagacom International Carrier services, which would establish the framework for a partnership that will further develop respective international carrier services.

Agreements aimed at enhancing the revenue growth: Agreements with Central Bank of Oman (CBO), Information Technology Authority (ITA), Petroleum Development Oman (PDO) and Ministry of Information (MoI) are to provide a fully managed state of the art advanced and secured communication solutions. While, these agreements would provide an integrated telecommunication solution, they would also support diverse needs of telecommunication requirements of each of these entities

New Service Launches / Consumer promotions: During the year, the group has launched series of new and value added services as well as Value for Money consumer promotions. This includes WiFi Hotspot service under the brand name of “Ibhar”, Managed advanced Services for business segments (using Multi Protocol Label Switching Technology), Wireless Fixed phone services to provide the telecommunication facilities to rural population and series of value added mobile services such as OM chat, Money Transfer, MMS International, International roaming agreement with more than 290 operators in 116 countries, over 80 agreements with TV stations from the MENA region for SMS based services etc.,. Also, during the year, the group has unveiled over 20 Value for Money consumer promotions that suits various market segments.

Success in managing issues related to sector liberalization: The 2nd Mobile operator in Oman has filed a request for determination on International / Asymmetric Termination rates with Telecommunications Regulatory Authority (TRA) of Oman. The issue was managed efficiently by the group. Similarly, in line with TRA directive, the Mobile Number Portability (MNP) was launched in Aug 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, which signifies increased customer loyalty towards Oman Mobile.

Awards: Omantel won the 2006 Gulf Economic Award organized by Dubai-based Datamax Company. Also, it has won the “Deals Of The Year” award from British Magazine (The Banker) and the “Gulf Excellence Award” for playing active role in the economic diversification drive. Omantel has been acknowledged as the number one public listed company in the Sultanate of Oman by Oman Economic Review, Oman’s leading business magazine. The OER Top 20 Rankings are based on revenues and a combination of financial performance indicators for the period 2005.

Awards for Oman Mobile: The mobile business has also been recognized in 2006 with following awards: 1) The “New Telecoms Service of the Year” of the Middle East and Africa Region for SMS Parking (event organized by CommsMEA) 2) The Network Middle East Innovation Award for “Best Wireless Network Implementation in the Middle East” and 3) Award for Distinction in Offering Vocational Training to National Cadre at the GCC Level.

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 157

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K (from 1,089 K to 1,246 K). The gross revenue from mobile operations for the year 2006 is RO 228.0 million compared to the corresponding period of previous year's revenue of RO 186.06 million, an impressive growth rate of 23%.

Associate Companies:

- 1) **Oman Fibre Optic Co SAOG (OFOC):** Omantel has 25.96% shareholding in the OFOC. The company has achieved a net profit after tax of RO 561 K for the year 2006, which is 7% lower than the corresponding period of the previous year.
- 2) **Infoline LLC:** Omantel has 45% shareholding in the company. The company has achieved a net profit after tax of RO 208 K (un-audited) for the year 2006.
- 3) **Omania e-commerce LLC:** Omantel has 40% shareholding in the company and it has started operation from 4th Qtr of year 2005. The company has incurred a loss of RO 307 K for the year.

Corporate Governance and Internal Controls:

Your company follows Corporate Governance issued by Capital Market Authority (CMA) that are applicable on MSM's listed companies and ensures full compliance of the rules and regulations. Directors periodically assign specific areas of internal controls for the review of internal auditors and thus ensure its effectiveness.

Future outlook:

In spite of competition, the group was able to pose a healthy growth in revenue and profitability. Our continued efforts to reduce costs and strengthen the service efficiencies are paying off. With the implementation of the Free Trade Agreement with USA, the sector liberalization program will intensify in the coming months. The internet and value added services would be opened up for competition and Omantel will continue to face challenges of competition in the local market.

The Company has already initiated steps to prepare for this evolving competitive scenario and it has appointed the renowned international consultant to assist Omantel in this process. Also, the group has recognized the potential of broad band services; both wire line and wireless services in the years to come and intensified its implementation across the Sultanate. Our international expansion plan is yet to be successful, but we understand its importance and will focus more efforts in this direction. We will continue to invest in enhancing our customer service aspects to ensure that service standards are at par with the best of telecom service providers.

On behalf of the Board of Directors, I take this opportunity to express our heartfelt thanks to our shareholders and loyal customers, whose support provided the company to achieve this commendable performance. Also, we, wholeheartedly appreciate the executive management and employees for their sincere contribution in achieving these good results. We are confident with all your support we would be able to take the company to new heights.

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We, also express our special thanks to the Telecommunications Regulatory Authority of Oman and our suppliers for their valuable co-operation and contributions.

Also, 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