

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

First Quarter Results - 2007

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 3 months period ended 31st March 2007.

Group operating performance:

The group has achieved a Net Profit after Tax of RO 24.1 Mn during the first quarter of the year 2007 compared to the Net Profit after Tax of RO 21.4 Mn of the corresponding period of year 2006, a growth of 12.7%.

The result is due to revenue growth achieved in the 1st Qtr. The total group revenue as of March'07 rose by 10% to RO 85.7 million compared to RO 77.9 Mn of the corresponding period of the previous year.

The operating expenses reach RO 58.5 million compared to RO 53.1 million for the same period of last year. The major increase in operating expenditure came from interconnection expenses, depreciation, provision of impairment of receivables and royalty charges. The increase in operating expenses is in line with the increased business activities and at the same time to prepare the market for the impending competition expected in the Fixed Business segment.

The Earning per Share (EPS) as of March'07 is RO 0.032, which is 12.7% higher than the corresponding period of previous year.

Total subscriber base (all services) increased to 1,669 K as of March'07 compared to 1,513 K of the corresponding period of previous year, a growth of 10.3%.

Major Group Achievements:

- (i) Omantel has signed a RO 7 million agreement for the provision of multi-purpose Broadband services covering all regions of the Sultanate. This agreement is part of the Omantel strategy to pursue an aggressive roll-out of over 100,000 broadband lines within next couple of years.
- (ii) The group has launched the **Easy Learning Service** in Jan 2007. The new service is offered in cooperation with the Ministry of Manpower and Etisalat Academy of the United Arab Emirates. Over 400 internationally recognized courses are currently offered, which could be accessed through internet by using pre-paid cards available at Omantel outlets at minimal prices. This would also support the government initiative to moving towards the digital economy and accelerate its adoption in the Sultanate.
- (iii) Oman Mobile has signed a Roaming Agreement with Du of UAE in Feb'07. With this Oman Mobile provides mobile roaming services in 131 countries with 305 internationally distinguished operators across the world.
- (iv) Omantel as well as Oman Mobile have launched attractive and innovative consumer promotions during the Muscat Festival and Comex.

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Subsidiary Companies:

Oman Mobile Telecommunications Co (LLC): Omantel has 99% shareholding in Oman Mobile. During the period April'06 to March'07, the number of Oman Mobile customers increased by 148 K (from 1,141 K to 1,289 K). The gross revenue from mobile operations as of March'07 is RO 58 million compared to the previous years corresponding period revenue of RO 56 million, an increase of 4%.

Associate Companies:

- 1) **Oman Fibre Optic Co SAOG (OFOC):** Omantel has 25.96% shareholding in the OFOC. The Company's net profit after tax for the 1st Quarter 2007 is RO 69 K, compared to the previous years corresponding period net loss of RO (23) K.
- 2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Company's net profit after tax for the 1st Quarter 2007 is RO 102 K compared to the corresponding previous years period profit of RO 59 K.
- 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 (71) K for the 1st Quarter 2007 compared to the previous years corresponding period loss of RO (68) K.

Future outlook:

TRA has already announced the liberalization of Internet and Value Added Services. This would result in new service providers in the fixed business segment competing with Omantel. Realizing the challenges of evolving competition, Omantel will soon be implementing "*Fixed Competitive Readiness*" strategy, which is being finalized with the assistance of an internationally renowned consultant.

We will continue to work towards maintaining the impressive performance achieved so far by introducing innovative services and promotions, while enhancing our customer service standards. Cost management would be given high priority to ensure that group synergies are effectively captured across the organization. Our thrust for the diversification across other regional markets is still pursued strongly.

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