

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

Final 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 year ended 31st December 2007.

General Economic Environment:

Oman continued to witness strong economic growth in Year 2007. The provisional data suggest that the GDP was expected to grow at over 11% for the year 2007 and with significant contribution from non-oil sector, which was expected to grow over 16%. This is reflected in the overall growth of the telecom industry, resulting in one of the memorable performance of Omantel group.

Group operating performance:

In line with robust economic growth, Omantel group has achieved increased growth and good performances. In spite of the increasing competition, the group has achieved a double digit revenue growth of 13%. Both Mobile and Fixed Line businesses have contributed to this memorable growth. We proudly submit this achievement to our valued customers, without whose wholehearted support such performance would not have been achieved.

The group has achieved a Net Profit after Tax (excluding Minority Interest) of RO 112.03 Million during the year ended 31st December 2007 compared to the Net Profit after Tax of RO 80.7 Million of the corresponding period of year 2006, a growth of 39%. The main reason for the increase in profitability is impressive revenue growth with effective cost reduction program as well as the reduction in Royalty charges to 7% announced by the government in October 2007.

The total group revenue as of Dec'07 rose by 13% to RO 365.3 Million compared to RO 323.6 Million for the corresponding period of the previous year.

The operating expenses increased by 4% 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'07 is RO 0.149, which is 39% 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 1,869 K as of Dec'07 compared to 1,629 K of the corresponding period of the previous year.

Major Group Achievements:

During the period, the management remained fully dedicated in its efforts to transform itself into a customer focused, efficient and capable operator that meets the increasing requirements of its customers. Some of the major activities / achievements of the year 2007 are summarized below:

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Agreements aimed at enhancing the revenue growth:

Omantel signed agreements with Bank Muscat and National Bank of Oman for the provision of fully managed state of the art advanced and secured communication solutions based on the MPLS (Multi Protocol Label Switching) technology. While, these agreements would provide an integrated telecommunication solution, they would also support diverse needs of telecommunication requirements of each of these entities

Omantel has been awarded a special contract from the Ministry of Information to provide customized solution to support TV transmission requirements. With this, Omantel would provide TV transmission terrestrial and microwave links to carry the TV transmission across the Sultanate.

Oman Mobile has also entered into series of agreements with large and medium corporate clients to provide customized solutions.

New Service Launches / Consumer promotions:

During the year, the group (both Oman Mobile and Omantel Fixed Line business) launched series of new and value added services as well as Value for Money consumer promotions.

Fixed Line business launched Easy Learning Service, Post-paid WiFi and expanded Wireless Fixed phone services to over 200 rural villages across the Sultanate and commenced the implementation of aggressive broad band roll out beginning Nov'07.

Oman Mobile launched Corporate Private Network and Blackberry services, which were the most sought after services for the corporate segment for the year 2007. Other popular services launched during the year were Samani, a ring back tone service, Call Me service (*a useful service in times of emergencies*), weather forecast, SMS portal for Ministry of Education etc., To enhance the seamless connectivity across the world, Oman Mobile continued to sign roaming agreements with most of the operators. As of Dec'07, the total number of roaming countries has reached 136 with 314 service operators. Also, it has signed up with over 25 operators for Data Roaming agreements.

Market Share:

The mobile sector was opened up for competition in March 2005. Oman Mobile subscriber market share is estimated at 62% as of Nov'07 based on the total subscriber figures released by *Oman Telecommunications Regulatory Authority (TRA)*.

Awards:

The Arab States Gulf Co-operation Council honored Omantel for its leading position in the area of job localization. Omantel as a group achieved 93% Omanization, which is well above the stipulated level by the Ministry of Labor. This award was presented in November 2007 during the 24th session of the meetings of the Council of Ministers of Labor and Social Affairs of the Arab Gulf Co-operation council.

Oman Mobile was awarded with Best Call Centre as well as Most Strategy Efficient Call centre in the region.

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Affects of exceptional climate disturbances, which hit Oman:

The exceptional climate disturbances, which hit Oman on 6th June 2007, had partially disrupted the communication services in some areas in the Sultanate. As part of the damage and destruction caused by this disturbance, some properties of the company were damaged and destroyed. The company is lodging a claim of approximately R.O 7.6 Million. The claim is being reviewed by insurance consultants before final submission to the insurance company. The insurance company has sanctioned an interim payment of R.O 2 Million which is recognized as claims receivable. The gain arising out of this interim payment is R.O 92 K.

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 237 K (from 1,246 K to 1,483 K). The gross revenue from mobile operations for the year 2007 is RO 257 Million compared to the corresponding period of previous year's revenue of RO 228 Million, an impressive growth rate of 13%.

Associate Companies:

- 1) Oman Fibre Optic Co SAOG (OFOC): Omantel owns 25.96% shareholding in the OFOC. The company has achieved a net profit after tax of RO 1.133 million (un-audited) for the year 2007, which is 102% higher than the corresponding period profit.
- 2) Infoline LLC: Omantel has 45% shareholding in the company. The company has achieved a net profit after tax of RO 188.3 K (un-audited) for the year 2007, which is 11% lower than the corresponding period profit.
- 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 192.7 K for the year (un-audited), which is 45% lower than the corresponding period loss.

Corporate Governance and Internal Controls:

The 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. Board of Directors periodically assign specific areas of internal controls for the review of internal auditors and thus ensure its effectiveness.

Challenges and Future outlook:

Sector liberalization program:

The sector liberalization process has gained further momentum in the year 2007. TRA has already requested applications from interested parties for the "*Resale of mobile calls offered by the country's two mobile operators*". Also, following the TRA directive, Omantel has submitted the Reference Access offer (RAO) as part of the market liberalization of Internet and Value Added services. This is currently under review by the TRA. In addition to the above, TRA issued series of consultation papers / documents soliciting operator (s) and public opinion on:

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- 1) Resale of International Calls.
- 2) Consultation on Quality of Service (QoS) framework and Network Standards.
- 3) Rules and Procedures for Class III License Application.

Challenges

The company will start working through the next phase to implement the Ministerial Committee recommendations to merge both Omantel and Oman Mobile organizations, prudent cost management and enhancing the return on investment. To carry out this organization restructuring, a specialized consultant has been appointed. The assignment would include review and develop appropriate internal policies and procedures aimed at enhancing the employee competencies. Also, the restructuring program envisages inculcating a sense of dedication and motivation to employees, which would prepare them to excel in their assigned responsibilities. Implementing this program would result in attracting the best of talents, while retaining the competent work force, as the telecommunication market is increasingly competing to attract good competent and experienced human resources across the globe.

As per the planned strategy, the group will continue to enhance its subscriber base despite the domestic market moving towards saturation. It also focuses on strategies aimed at retaining its valued customers by providing more value added services, which will result in continued good and acceptable financial performance.

Also, the group will continue to work towards introducing the latest service offerings and it is all set to exploit the growing broad band service market for both wire line and wireless services. Its planned introduction of 3G+ mobile services in 3rd Qtr 2008 in line with global trend, migration towards services based on Next Generation Network and more aggressive roll-out of wire line broad band strategy would revolutionize the service offerings in coming months.

The planned international investment in WorldCall Telecom Limited (WTL), Pakistan is in the final stages. Omantel will be acquiring 65% stake in Worldcall at a cost of US\$ 193 million.

On behalf of the Board of Directors, I take this opportunity to express our heartfelt thanks to our shareholders and loyal customers, whose continued support has led the company to achieve this excellent performance. Also, we, wholeheartedly appreciate the Chairman and Members of Board Sub-Committees, 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.

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 His Majesty all strength to continue to lead the country on the path of development.

ENG. SULTAN BIN HAMDOON AL HARTHI
CHAIRMAN, OMANTEL BOARD OF DIRECTORS