

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

Chairman's Report for the First Quarter Results – Year 2010

Respected Shareholders,

On behalf of the Board of Directors of Omantel, I am pleased to present to you a summary of the results of the operations for the 3 months period ended 31st March 2010.

General Economic Environment:

The world economic growth in 2010 is expected to turn positive, as wide-ranging public intervention has supported global demand and lowered uncertainty in the financial markets. With the upturn in the global economy, together with rising oil prices and further increases in Omani oil output, the Oman GDP growth is forecast to go up to 3.9% in year 2010.

Stronger domestic demand and government investment are likely to sustain economic growth in the year 2010. The average consumer price inflation is forecast to drop as commodity prices decline. The Telecom Sector is expected to benefit from this positive economic environment.

Group operating performance:

REVENUE

The total group revenue as of March'10 rose by 12% to RO 110.6 million compared to RO 98.8 million of the corresponding period of year 2009. Domestic Revenues achieved a growth rate of 2.3% over last year, which was mainly driven by Internet Broadband services.

EXPENSES

The total group operating expenses increased by 25% to RO 75.2 million compared to RO 60.1 million of the corresponding period of year 2009. The major reason for increase in operating expenses is on account of expenses incurred for developing and enhancing the 3.5G network services. The Company has completed the installation of 647 sites that provides an extensive coverage of 3.5G services in the Sultanate. The other major reason for increase in operating expenditure is on account of increase in depreciation which is on account of implementation of the latest technology to provide best services to the customers.

NET PROFIT

The group has achieved a Net Profit after Tax (excluding Minority Interest) of RO 32.4 million during the first quarter of the year 2010 compared to the Net Profit after Tax of RO 37.9 million of the corresponding period of year 2009. The profits for the comparative period includes an amount of RO 3.64 million towards the settlement of insurance claim by one of the insurance company. Additionally the Group results for the period Jan-March 2010 includes a loss of RO 0.560 million, while year 2009 excluded WTL results.

The Earning per Share (EPS) for the period ended 31 Mar'10 is RO 0.043, which is lower compared to the previous period figure of RO 0.051.

Total subscriber base increased to 3,133 K as of Mar'10 as compared to 2,141 K of the corresponding period of the previous year, a growth of 46%. Year 2010 subscriber figures include WTL subscriber base of 817 K.

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Subsidiary Company:

- (1) **Oman Mobile Telecommunications Co (LLC):** Omantel has 99% shareholding in Oman Mobile. The number of Oman Mobile customers witnessed a rapid growth during the period and has reached 1,979 K as of March 2010 recording a growth rate of 12.1% over the last year. The gross revenue from mobile operations for the period ended 31 March'10 is RO 65.2 million compared to the previous period's revenue of RO 62.3 million, an increase of 4.8%.
- (2) **Worldcall Telecom Limited:** Omantel has 56.8% shareholding in Worldcall Telecom Limited (WTL). Total number of subscribers has grown noticeably by 9% from 745 K to 817 K., while revenue has recorded a growth of 32%. Though the company has achieved an operating profit of RO 270 K, it has incurred a net loss of RO 0.56 million for the period Jan-Mar'10.

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 0.534 million for the period ended Mar'10 compared to corresponding period profit of RO 0.443 million.
- (2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Company's net profit after tax for period ended Mar'10 is RO 56 K compared to corresponding period profit of RO 42 K.
- (3) **Omania e-commerce LLC:** Omantel has 40% shareholding in the company. The company has incurred a loss of RO (41) K for the period ended Mar'10 compared to corresponding period loss of RO (41) K.

Market Share:

Oman Mobile's subscriber market share (including Mobile Resellers of Oman Mobile) is estimated at 52.9% as of 28 February 2010 based on the total subscriber figures released by Oman Telecommunications Regulatory Authority (TRA).

Future outlook:

In line with our strategic vision and our aspiration for innovation, the Group has launched its enhanced brand during March 2010 which was accompanied by unveiling new attractive offers for its major products and programmes to enhance customer experience. The Omani Market undoubtedly witnesses intense competition between the main operators and other companies that provide mobile services. We look at this competition positively in a way which will complement and create opportunities to provide excellent services to the customers. One of the main challenge that the Group is expected to face in the foreseeable future is the commencement of operations by the 2nd fixed line and internet operator in addition to the new mobile resellers expected to enter the market. Omantel group has taken series of initiatives to face the upcoming challenges to achieve the desired growth in all sectors and diversify its product portfolio which will retain Omantel's position as the leading telecom services provider in the Sultanate.

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Thanks and appreciation

On behalf of the Board of Directors, I take this opportunity to express our heartfelt thanks to our shareholders and loyal customers for their continued support to achieve these excellent results. Also, we, wholeheartedly appreciate the sincere contribution of the Executive Management and Employees. With your support, we are confident that the Omantel Group will continue its good performance and will be able to reach new heights of excellence.

We also express our special thanks to the Ministry of Finance, the Telecommunications Regulatory Authority and the Capital Market Authority for their valuable co-operation and contributions to our success.

On behalf of the Board of Directors, I am honored 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 the strength to continue to lead the country on the path of sustainable development.

Eng. SULTAN HAMDOON AL HARTHI
CHAIRMAN, OMANTEL BOARD OF DIRECTORS