

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

Chairman's Report for the Second 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 6 months period ended 30th June 2010.

General Economic Environment:

Oman Economic growth is projected to strengthen in 2010, supported by strong fiscal spending and the global recovery. The Telecom Sector is expected to benefit from this positive economic environment. However, the evolving competition with the opening up of fixed line business segment and international gateway services will have its impact on the overall revenue growth of Omantel Group.

Group operating performance:

REVENUE

The total group revenue as of June'10 rose by 10% to RO 218.4 million compared to RO 198.5 million of the corresponding period of year 2009. Domestic Revenues achieved a growth rate of 1.1% over last year, which was mainly driven by Mobile business.

EXPENSES

The total group operating expenses increased by 25% to RO 149.9 million compared to RO 119.9 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 726 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 resulting from the 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 61 million during the second quarter of the year 2010 compared to the Net Profit after Tax of RO 73 million of the corresponding period of year 2009. The profit for the comparative period includes an amount of RO 3.64 million towards the settlement of insurance claim by one of the insurance company.

The Earning per Share (EPS) for the period ended 30 Jun'10 is RO 0.081, which is lower compared to the previous period figure of RO 0.097.

Total subscriber base increased to 3,245 Million as of Jun'10 as compared to 2,160 Million of the corresponding period of the previous year, a growth of 50%. Year 2010 subscriber figures include WTL subscriber base of 835 K.

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 2,077 K as of June 2010 recording a growth rate of 16% over the last year. The gross revenue from mobile operations for the period ended 30 June'10 is RO 133.7 million compared to the previous period's revenue of RO 125.4 million, an increase of 6.7%.
- (2) **Worldcall Telecom Limited:** Omantel has 56.8% shareholding in Worldcall Telecom Limited (WTL). Total number of subscribers has grown noticeably by 9% from 767 K to 835 K., while revenue has recorded a growth of 10.8%. The company has incurred a net loss of RO 1.9 million for the period Jan-Jun'10.

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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 1.274 million for the period ended Jun'10 compared to corresponding period profit of RO 1.01 million.
- (2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Company's net profit after tax for period ended Jun'10 is RO 112 K compared to corresponding period profit of RO 84 K.
- (3) **Omania e-commerce LLC:** Omantel has 40% shareholding in the company. The company has incurred a loss of RO (78.3) K for the period ended Jun'10 compared to corresponding period loss of RO (82) K.

Market Share:

Oman Mobile's subscriber market share (including Mobile Resellers of Oman Mobile) is estimated at 54.6% as of May 2010 based on the total subscriber figures released by Oman Telecommunications Regulatory Authority (TRA).

Future outlook:

Following the launch of enhanced brand in March 2010, the Omantel group has unveiled series of innovative products / offers. The introduction of Mada Liberty / Infinity for post-paid customers, were one of the attractive proposition to the customers, which resulted in unprecedented off-take of Mada service. Other attractive offers on major products such as Hayyak / Fixed Line Broadband (ADSL) did contribute to achieve good overall growth in customer base.

The Omani mobile market continues to experience fierce competition especially after the liberalization of international communications which have started since May'10; such is expected to impact the group revenues from the interconnection calls. However, the Omantel Group have its own strategies to overcome all these challenges, and there are plans being implemented to improve the company's services, launch new products and added value services which would ensure the group retains its position as the leading telecom services provider in the Sultanate. On the other hand, the group is working on creating sources of income and enhancing the diversifying investment portfolio directed to achieve sustainable growth in revenues and maximize returns to shareholders.

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, executive management and the staff I am honoured 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