

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

Chairman's Report for the period ending 30th September 2009

Respected Shareholders,

On behalf of the Board of Directors of Omantel, I am pleased to present to you a summary of the operations' results for the first 9 months ended 30th September 2009.

Group operating performance:

The group has achieved a Net Profit after Tax (excluding Minority Interest) of RO 105.8 million in the first nine months of 2009 compared to Net Profit after Tax of RO 107.4 million for the same period of 2008. The group results include Worldcall results for the period July-Sep'09.

The total group revenue as of September'09 has declined by 1.2% to RO 303.86 million compared to RO 307.6 million for the corresponding period of year 2008. The impact of the economic recovery is yet to be seen in the consumer spending. The revenue decline could also be attributed new super off-peak rates at 98 bz to India, Pakistan and Bangladesh as well as the loss of revenue from the increased access to illegal VoIP service for international calls.

The operating expenses have increased by 3.7% to RO 190.3 million compared to RO 185.5 million for the corresponding period of year 2008. The major reason for the increase in operating expenditure is the increase in roaming operator expense, operations & maintenance, marketing & advertising and depreciation expenses, which are mainly due to the introduction of 3.5G services.

The Earning per Share (EPS) for the period ended 30th September'09 is RO 0.141 which is lower compared to the previous period figure of RO 0.143.

Total subscriber base (all services including Worldcall) increased to 2,995 K as of Sep'09 as compared to 2,085 K for the corresponding period of the previous year, a growth of 44%. Of which, WTL subscriber base is 792 K, comprises of WLL and Broadband subscribers.

Major Group Achievements:

- New ADSL Offer: Omantel waived the connection fees on ADSL service and provides free speed upgrade to enhance the service off-take.
- Oman Mobile has launched new services such as E-top up service for Hayyak subscribers through Authorized Agents and Distributors and Corporate Ring Back tone. Also, for the first time in Oman, Oman Mobile has launched "Mobile TV" (high-quality TV using its 3.5G technology) with exciting new channels.

Promotions:

- Omantel and Oman Mobile have launched attractive consumer promotions during Salalah Tourism Festival covering all major Fixed Line and Mobile services.
- Oman Mobile has offered series of value promotions like Hayyak Bonus Rewards, Hayyak Starter Kit Promotions (Hayyak Starter Kit RO 2 with RO 2 talk time), Mobile Broadband Post-paid Package promotion (3 GB download for only RO 19 instead of 1 GB), Hayyak Internet Broadband offer at RO 1 for 24 hours (1 day) and RO 3 for 72 hours access as permanent tariff and Ramadan MMS Push Channels Offers.
- Launch of New International Call Super off-peak Rates to India, Bangladesh and Pakistan from 9 PM to 7 PM at 98 Baizes/ minute for calls originated from Mobile services and reduction of 10% on retail rates to Pakistan and Bangladesh from Fixed line services.

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Sponsorships & Corporate Social Responsibility:

- Omantel Group has sponsored Salah Tourism Festival 2009 and the group has achieved good results and substantial appreciation from visitors.

Subsidiary Company:

- 1) **Oman Mobile Telecommunications Co (LLC):** Omantel has 99% shareholding in Oman Mobile. The number of Oman Mobile customers has reached 1,839 k as of September 2009 recording a growth rate of 10% over the last year. The gross revenue from mobile operations for the period ended September'09 is RO 188.5 million compared to the previous period's revenue of RO 203.1 million, a decrease of 7%.
- 2) **Worldcall Telecom Limited:** Omantel acquired 56.8% of the share capital of Worldcall Telecom Limited (WTL) on 2 May 2008. The Company has incurred a loss of RO 1.6 Million for the period Jan to Sep 09, of which Omantel's share is RO 910 K. On control issue reported earlier, we are pleased to state that this has been resolved and Omantel has established control of WTL since July'09, accordingly, the results for the period July-Sep'09 has been consolidated under Omantel Group results.

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 1.466 Million for the period ended Sep'09 compared to corresponding period profit of RO 1.648 Million.
- 2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Company's net profit after tax for period ended September'09 is RO 105.4 K compared to corresponding period profit of RO 99.5 K.
- 3) **Omania e-commerce LLC:** Omantel has 40% shareholding in the company. The company started its operation in 4th Qtr of 2005. The company has incurred a loss of RO 109.5 K for the period ended Sep'09 compared to corresponding period loss of RO 85.7 K.

Market Share:

Oman Mobile's subscriber market share (*including Mobile Resellers of Oman Mobile*) is estimated at 53% as of August'09 based on the total subscriber figures released by Oman Telecommunications Regulatory Authority (TRA).

Future outlook:

The sign of gradual economic recovery is yet to reflect in the revenues, though the revenue is more or less stable compared to quarter to quarter during the period 2009. The measures adopted by the Omantel Group has mitigated and minimized the negative impact of the crisis on Group's revenues. The increased focus on enhancing wireless (3.5G based services) and wire line (ADSL) broadband services are showing encouraging results. Increased customized corporate solutions are also resulting in very positive results.

We believe that these efforts will position the Group to provide a state-of-art telecommunications services, satisfy and meet customers' expectations and thereby enhance shareholder returns.

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 Group will continue its good performance and will be able to reach new heights of excellence.

We also express our special thanks to the Telecommunications Regulatory Authority of Oman 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