

Management's Discussion and Analysis Report

Oman Fiber Optic Co. SAOG (OFO) is engaged in the design and manufacture of optical fiber and cables and also in telecom installation services, such as cable laying, termination, trading of cables etc. The Company commenced its commercial operations from 1st January 1999. OFO is the only company, in the Middle East Region, which is integrated with optical fiber manufacturing facility.

OFO is an ISO certified company and has won His Majesty's Cup 3 times for being one of the best factories in the Sultanate of Oman.

Industry structure and Development:

Telecommunication services are the indices of a nation's economic standing. With changing economic and business conditions and rapid technological innovation, customers are increasingly demanding improved products at faster delivery terms and competitive rates.

In Oman, there is a strong thrust from the existing and new telecom operators to deploy fiber optic cables speedily for long haul, metro and access networks due to which requirement of these cables has increased subsequently. There are projects in other areas of activity, where appreciable quantities of fiber optic cable are required and OFO is aggressively bidding with the help of partners. Due to the upcoming demand for broadband services i.e., voice, data and video, Fiber To The Home (FTTH) projects, (where fiber goes to the individual homes), are on the anvil and detailed study is being undertaken by the service providers.

Some of the countries in Middle East and North Africa region(MENA) are set to replace their existing telecom infrastructure with the new generation technology.

Opportunities & Challenges:

OFO is all set to have their new machinery in place in the later part of the year 2009 which will help OFO to add micro dia cable for FTTH applications. Moreover there are numerous projects where the client is looking for a comprehensive solution. In such cases our installation services department will add value to the manufacturing unit by giving total solution to our customers. With the additional capacity, OFO will be in a better position to meet the demand in the competitive market. This will also help OFO to speed up the delivery schedules.

OFO has most of its customers from MENA region whose economy depends predominantly on oil revenue. But with demand squeezing across all the key oil consuming regions, benchmark crude oil prices continue to fall. This economic slow down may cause a set back to OFO's business growth. OFO is exploring opportunities in different parts of the world.

Risks and Concerns:

Severe competition, mainly from India and China is one of the concerns of the company.

With the slow down in the global economy, the major projects may be deferred. OFO will seriously look for alternate markets.

The available capacity of all the GCC manufacturers is more than the requirement in the region, OFO will surely have a threat of severe competition.

With the induction of the new machinery, the capacities will be substantial in order to compete in the market, by introducing new product range and giving extra benefits and value added services.

Product Development:

- Conventionally corrugated steel tape design is the most suitable for underground direct burial application due to its robustness. Some of the oil and gas companies in the region are looking for steel wire armoured cable as it can take more mechanical loads; recommended for harsh and desert terrain, which OFO has developed.
- For fiber optic cables deployed in close vicinity to EHV power cables, some of the electrical transmission and distributing companies have specific requirement of semi-conductive jacket material for better grounding. Our engineering team has successfully developed a cable which can be laid alongside.
- OFO has already designed the micro duct cable suitable for FTTH application. OFO will be able to manufacture such cables once the new machinery is in place. In addition, 288F count cable can also be manufactured by OFO.

Outlook:

The future outlook of the fiber optic cable is encouraging. With the awarding of the 2nd fixed line license in the Sultanate and the continued demand from the incumbent service provider, the deployment of cable will be more. Although there is a slow down in the global economy, the impact on Sultanate does not appear to be that significant, so far. With the new machinery in place by later part of 2009, OFO is all set to venture into different parts of the world. OFO also plans to appoint more business affiliates in the MENA region to handle the requirements in their respective markets.

Internal Control System and their adequacy

OFO understands the importance of having in place an adequate system of internal control. The Audit Committee of the company reviews these controls periodically. The Committee has appointed a reputed firm of Chartered Accountants to support them and

independently report on the control system and the manner in which business is conducted at OFO. There has been no major observation of internal control weakness, misconduct or non compliance on the part of the company.

Financial and Operational Performance

During the year 2008, significant revenue was generated from the telecom installation services division. This division was started in the year 2007. Out of total revenue of RO.8,533,788, (previous year – RO.5,287,179) RO. 1,707,210 (previous year – RO.368,376) pertaining to telecom installation services division.

The total net profit of RO.1,911,157 (previous year – RO.1,068,044) includes, RO.386,386 of profit on sale of investments and dividend income of RO.50,000.

Statement of Net profit, Dividend and Net Equity for the previous 5 years

Year	Net profit (RO)	Dividend (RO)	Net Equity (RO)
2007	1,068,044	766,348	6,107,988
2006	561,847	510,899	5,281,374
2005	602,587	437,913	5,157,440
2004	495,099	437,913	4,992,766
2003	97,175	182,464	4,680,131

