

Management's Discussion and Analysis Report

Oman Fiber Optic Co. SAOG (OFO) commenced its commercial operations from 1999. OFO is engaged in the design and manufacture of optical fiber and fiber optic cables. The Company is also undertaking telecom installation services, such as cable laying, termination, trading of cables etc. OFO uses state of the art technology to draw fiber and manufacture world class fiber cable products. OFO manufactures cable for long haul backbone communication links, LAN networks, video transmission and cable TV, traffic signalling, FTTH solutions, security solutions defence and speciality applications.

OFO is an ISO certified company and has won His Majesty's trophy for three years, since inception, for being one of the best factories in the Sultanate of Oman. In 2009, OFO received His Majesty's Certificate for achievement of good result in Quality.

Industry Structure and Development:

Reliable and secure communication is of prime importance in day-to-day life and fiber cables are a vital backbone to communicating networks globally. OFO is witnessing a revolution in high speed transmission of voice, video and data and endeavours to fulfil the growing demands of business and technology. The primary objective of OFOF is Playing a proactive role, improving the way of life and enriching the society.

Based on the market study, there is a steady demand for Fiber Optic Cable for networking by major Telecom Operators in Oman.

Apart from the installation of fiber optic cables, Telecom Services Division of OFO has also enhanced its capabilities in executing Fiber projects.

Opportunities & Challenges:

OFO will have their new machinery line by 1st quarter of 2010 to add micro dia cable for new fiber applications.

OFO is optimistic about the growing demand for fiber optic cable in the market.

Severe competition from South Asian and Middle East countries is one of the major challenges for the company.

Risks and Concerns:

Due to the economic boom that prevailed few years ago, OFO and their competitors in the region have enhanced their manufacturing capacity. OFO may have a threat of severe competition as the supply might exceed the demand in the region.

Product Development:

- OFO has developed and supplied steel wire armoured cable which can take more mechanical loads; recommended for harsh and desert terrain.
- OFO is in the process of developing tight buffer type fiber cable for the indoor application.
- OFO will be launching the micro duct cable suitable for new application by the end of 1st quarter of 2010. OFO has added 288F Cable in their product domain.

Outlook:

Although the global economy is down, it did not have a major impact on the telecom segment. More precisely, in the MENA region, most of the telecom projects are still getting implemented. In the Sultanate of Oman, most of the infrastructure projects are rolling out.

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 2009, the total revenue of the company for the year was Rials 9,780,322, (previous year – Rials 8,533,788). Significant revenues were generated from the telecom installation services division.

The net profit for the year is Rials 1,748,530 (previous year – Rials 1,911,157). Previous year net profit includes, Rials 386,386 of profit on sale of investments and dividend income of Rials 50,000.

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

Year	Net profit (Rials)	Dividend (Rials)	Net Equity (Rials)
2008	1,911,157	766,348	6,983,328
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

