

BOARD OF DIRECTORS' REPORT

Introduction

On behalf of the Board of Directors, I welcome you to the fifteenth General Assembly of Oman Fiber Optic Co. (OFO). It is my pleasure to present to you the annual report along with the audited financial statements of the company for the year ended 31st December 2010.

Financial Performance

Your company's turnover for the year showed an increase of 13% at Rials 11,041,806 compared to previous year's turnover at Rials 9,780,322. The operating profit for the year is Rials 2,353,443 as compared to the previous year's operating profit of Rials 2,073,632, which indicates a growth of 13%. The net profit for the year is Rials 2,121,542 as compared to the previous year's figure of Rials 1,748,530, which indicates a growth of 21%.

Earnings per share in 2010 stood at 581 baizas as compared to 479 baizas in 2009.

Oman Telecommunications Company SAOG and Omani Qatari Telecommunications SAOC are the major customers contributing to more than 10% of the revenue of OFO.

Dividend

As approved in the 14th Annual General Meeting, a cash dividend 25% for the year 2009 amounting to Rials 912,318.750 was disbursed.

Dividends paid during past 5 years:

Year	Dividend
2009	25%
2008	21%
2007	21%
2006	14%
2005	12%

The Board is of the view that your company should pay dividend consistently as and when reasonable profits and/or free reserves are available.

The Board is pleased to recommend a cash dividend of 30% for the year 2010.

Omanisation

The success of any enterprise depends on the skill sets of the employees. Your company constantly endeavours to enhance these skills of Omani employees and elevate them to higher levels., according to their capabilities. Currently, the Omanisation in the Company stands at 50%.

Internal Control

The Board is aware of the significance of having in place an effective internal control system in all areas of operations of the company. The Board is pleased to have reviewed the internal control system and finds it effective. It has used the services of a reputed firm of Chartered Accountants in conducting the Internal Audit and reviewing these controls. During the year, no major internal control weakness has come to the notice of the Board.

Telecom Installation Services

The Telecom Installation Services Division has maintained its trend and contributed significantly to the operations of the company during the current financial year also. As on 31st December 2010, the Division has good order book from reputed clients in the Sultanate.

As a part of extending its operations in the Middle East, your company has started its services in Qatar also in the year 2010.

Wireless Field Communications Network

This year, your company was awarded a major, multi-year contract to replace the existing wireless field communications network of Petroleum Development Oman LLC (PDO). The contract represents a major new strategic direction for Oman Fiber, as it expands its business activities and diversifies its portfolio of products and services in Oman. Implementation of the new PDO network will take place over a three-year period. Following deployment of the network, Oman Fiber will assume responsibility for network operations and maintenance also.

Opportunities and challenges

The average fiber demand of 2010 (upto Q3) amounted for 138 million fiber Km, and overall consumption for year 2010 is marginally crossing 2009 indicator of 184 million fiber Km.

China, who had shown 46% share on Y2009 Worldwide Fiber Optic Cable Demand, reduced their Y2010 consumption by 11%. This effected worldwide market this year. Japan and Korea also showed decreased demand. But strong positive growth in Australia, India, ASEAN and other markets of Asia Pacific region helped to offset this. The region showed a total decline in demand by 6%.

In Africa, the telecom market is gaining momentum as privatization and liberalization are being introduced. Market share of Fiber Cable is increasing across the region. In North America, the American Recovery and Reinvestment Act (ARRA) spending on broadband infrastructure has just started to affect cable demand in Q3-2010, and it promises to make a noticeable contribution to 2011 demand. Europe showed a double digit growth.

The analysis of Fiber Optic market in Middle-East Asia shows continuous upward growth from the year 2005 to 2010, both in the market demand and in the production / fiber consumption by the manufacturers in the region.

In Oman, the telecom service providers are expanding at a lower pace. The focus is in the brown field areas in Muscat. However, the requirements in the infrastructure sector like aviation and other non telecom sectors are getting multiplied. "Fiber to the home" and "Fiber to the premises" network growth in the region is also promising.

New entrant in manufacturing of cable in Egypt and enhancement of plant capacities in various other countries may pull down the prices.

Our markets are vulnerable to Korean and Chinese manufacturers because of decreased internal consumption in their region.

Future Outlook

We are optimistic about the future prospects in the Middle East region and it is expected that Y2011 will show higher demand for the FTTH applications.

Acknowledgement

The Board takes the opportunity to express their sincere thanks to all the customers, suppliers, bankers and Government authorities for their valuable support and thank all the employees for their dedication and improved productivity.

We remain in gratitude to His Majesty Sultan Qaboos Bin Said for his wise leadership and express our thanks to his government for the continued support and encouragement.

Dr. Amer Al Rawas
Chairman