

## **REPORT ON THE PERFORMANCE OF THE GROUP**

### **THREE MONTH PERIOD ENDED 31 MARCH 2008**

We are pleased to report on the unaudited Group and Parent Company financial statements for the three month period ended 31 March 2008.

The Group has recorded a profit of RO 7.7 million, an increase of 57.1% versus RO 4.9 million in the corresponding period last year. The share of profit attributable to the shareholders of the Parent Company from the Group profit is RO 4.2 million, an increase of 44.8% compared with RO 2.9 million recorded in 2007.

At the end of the period, the equity attributable to the shareholders of the Parent Company stood at RO 67.3 million on the paid up share capital of RO 18m (180m shares of 100 baisas each), reflecting net assets per share of RO 0.374.

The Parent Company profit for the period is RO 5.7 million, an increase of 21.3% versus RO 4.7 million in '07. Investment income of RO 940,173 ('07: RO 1,263,676) has been recorded by the Parent Company on its investment portfolio excluding cash dividends from subsidiaries. The quoted investments in the local market gained 11.5% and closely matched the Muscat Securities Market (MSM) General Index which increased to 10102.57 at 31 March '08 from 9035.48 at 31 December 2007, recording a gain of 11.8% for the period. This translates to a gain of RO 1,113,865 vs. RO 576,172 in Q1'07. Positive investor sentiment due to impressive annual results reported by most companies ensured a healthy return in the period. Other local investments (mainly dividends from associates) recorded an income of RO 542,027 vs. RO 364,828 in '07. Returns from overseas markets were negative – the marketable portfolio lost RO 743,324 (-8.08% compared to the MSCI \$ World Index loss of 9.06%) versus a gain of RO 182,895 in Q1'07. Profit on realisations from the non-marketable portfolio amounted to RO 27,605 vs. RO 139,781 in Q1'07.

Oman Arab Bank ('OAB'), our banking subsidiary (we hold 51% of the equity) reported a profit of RO 7.2 million for the period compared to RO 4.1 million in 2007, a growth in profits of 75.60%. Gross loans and advances at RO 448.46 million increased by 21% and customer deposits at RO 623.5 million increased by 33.92% compared with Q1'07. A cash dividend of RO 4.90 million vs. RO 3.88 million in '07 was received from the banking subsidiary during the period and this forms part of the Parent Company's reported earnings. During the period, the Parent Company subscribed to its rights in OAB's capital increase amounting to RO 3.57 million (50.99% of RO 7 million). At 31 March 2008, OAB's paid up share capital stands increased to RO 60 million by a rights issue of RO 7 million and the issue of RO 5 million in bonus shares, versus RO 48 million at the '07 year end.

The Parent Company continues to progress its evaluation of the integrated tourism project in the Dhofar Governorate. As stated previously, we are taking all necessary measures to convert this project into a rewarding opportunity for the Company. Following significant increases in construction and related costs arising from the prevailing inflationary environment in the GCC and worldwide generally, the project estimates are being updated and reassessed. Approvals and clearances from the concerned authorities are also being finalised and we hope to update the shareholders further on the project in Q2'08.

We expect to continue the good performance achieved by the Group and the Company for Q1'08 and to report satisfactory earnings for the remainder of 2008.

HANI BIN MUHAMMAD AL ZUBAIR  
CHAIRMAN

May 12, 2008