

Dierctor's Report

Dear Shareholders,

On behalf of the Board of Directors, I present the unaudited results of Oman Holdings International Co. SAOG and its subsidiaries for the Nine months period ended 31st December, 2008.

The economic situation in the world had started to deteriorate during the previous quarter. This economic slide had impacted the region as well, by way of the equity markets. The economic crisis worsened sharply during the third quarter. As against a recovery that we were hoping for, the equity markets registered a further steep decline. The liquidity in the banking sector shrank significantly, increasing the interest rates. The oil price has gone down significantly. As we have been reading in news reports and opinion of expert economists, the current situation has been described as once in a century phenomenon. It is now expected that the recovery will take some time and will be slow in coming. It is in the backdrop of this economic situation that I present the financial results of your company.

The revenue during the period under review at RO78.4m registered a 33% increase over the comparable period last year. I am happy to report that the organic subsidiaries of your company generated a core profit of RO3.8m during the period under review, as against RO3.1m during the comparable period last year. It is however disappointing that the net profit generated was RO0.6m against RO3.7m generated against the comparable period last year. The severe down turn in the Muscat security Market, during the last quarter, has been the main contributing factor to these depressed results.

I had, in my previous report, stated some of the reasons for the decline in the results during the current financial year. I will restate some of these for clarity and a better understanding of the results being currently presented.

1. The downturn in the Muscat Securities Market deepened very significantly during the last quarter, which led to an increase in the open loss position to the parent company. This open loss as of the period ending stood at RO5.2m. The investee companies are all blue chip companies with solid track record of successful performance. It is therefore our expectation that the unrealized loss will eventually be recovered.
2. As reported earlier, three of the subsidiaries changed their financial year end from March to December, whereby their results for one quarter have not been aggregated in these financials. As these subsidiaries generated a core profit of RO0.7m during the period October to December, the group's core profit would have gone up by this amount, had the financial year end change not taken place.
3. The 9 month period includes certain one off costs arising out of a debt raising exercise, which has depressed the net profit reported. The amount involved is about RO390K.

The economic downturn did not impact the core results of the subsidiaries and associates during the period under review. This gives us the belief and optimism, in the group's ability to generate sustainable profits in the medium and long terms.

As earlier reported, given the change of the financial year end by three of the subsidiaries, the operating cost during the period under review is not readily comparable with that of the same period

last year. There has been some increase in cost during the period under review due to the increase in staff cost and overhead expenses.

The full year results for your company would be dependent on the economic recovery that will take place in the region. This is not something which is easy to predict. We are quite confident that the organic subsidiaries and associates will generate financial results in line with the budget during the last quarter. We hope that the Muscat Securities Market would stage a recovery, even if it is partial, enabling the group to recover some of the unrealized loss presently recognized.

The present economic situation has impacted the real estate sector in the Sultanate of Oman quite significantly. This has had some impact on the real estate development project launched during November, 2008. We are examining various initiatives to address the current situation, and are optimistic of a positive outcome.

The 2009 Federal Budget announced by the government is encouraging. Based on the level of spending detailed in the budget, we hope that our organic subsidiaries would generate results in line with their respective budgets, going forward. We also hope that the hospitality sector and the financial services sector would not be adversely affected during 2009.

Our sincere gratitude to His Majesty Sultan Qaboos bin Said, who continues to inspire us, as he leads the Sultanate in its path of prosperity and development.

MAQBOOL HAMEED AL SALEH
Chairman