

Oman Telecommunications Co (S.A.O.G)
Board of Directors' Report for the Second Quarter Results – Year 2014

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the 6 months period ended 30th June 2014.

Operating performance:

REVENUE

Group **Revenue** as of June'14 is RO 238.6 million, a decrease of 0.3% compared to RO 239.3 million for the corresponding period of year 2013.

Domestic Retail Revenues has recorded a growth of 0.6% and now reached RO 233.6 million compared to RO 232.3 million for the corresponding period of year 2013 mainly contributed by fixed and mobile broadband services and corporate data services. The declines in revenues from national, international calls and SMS have impacted the overall revenue growth. Group revenue growth is impacted by decline in WTL revenue resulting from reduction in Wireless Local Loop (WLL) segment revenues.

EXPENSES

Group Operating expenses declined by 3.5% to RO 169.1 million compared to RO 175.2 million for the corresponding period of year 2013. The major reasons for decrease in operating expenses are attributed to decrease in external administration (international calls), depreciation expenses and continued cost optimization drives to manage the increase in other operating costs.

NET PROFIT

Group Net Profit after tax is RO 65.9 million compared to RO 60.5 million of the corresponding period of year 2013, which is an increase of 8.9%. Domestic Net Profit after tax has recorded an increase of 10.8% to reach RO 68.6 million compared to RO 61.9 million of the corresponding period of year 2013.

Group Earning per Share (EPS) for the period ended 30 Jun'14 is RO 0.088, which is an increase of 8.9% over the corresponding period of year 2013.

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SUBSCRIBER BASE

Total subscriber base has reached 4.170 million as of Jun'14 compared to 3.953 million of the corresponding period of the previous year, a growth of 5.5%. The subscriber base includes WTL subscribers, which has now reached 937 K. The total domestic subscriber base (including mobile and fixed businesses) has reached 3.233 million (*excluding Mobile Resellers*), recording a growth rate of 6.8% over the last year.

Subsidiary Companies:

- 1) Worldcall Telecom Limited:** Omantel has a 56.8% shareholding in Worldcall Telecom Limited (WTL). The total revenue as of Jun'14 is RO 5 million, a decrease of 28.3% over the corresponding period, mainly due to reduction in Wireless Local loop (WLL) segment. The company has incurred a net loss of RO 4.1 Mn, as compared to a loss of RO 2.4 Mn in the previous period.
- 2) Oman Data Park LLC:** this company was established in the year 2011 as a joint venture of Omantel and 4Trust LLC (a subsidiary of National Trading Co). The paid up capital is RO 1 million, split by 60% Omantel and 40% 4Trust LLC. The primary objective of the company is to set up, operate, and manage data centers and provide colocation, disaster recovery, and other related services to corporate clients. The company started its commercial operation by end of 2012. The revenue for the period ended June 2014 is RO 1.5 Mn. The company has incurred a loss of RO 0.6 Mn for the period ended June 2014.

Associate Companies:

- (1) Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue as of Jun'14 decreased by 18% to RO 12.081 million compared to RO 14.694 million for the corresponding year of 2013. The company has achieved a net profit after tax of RO 3.902 million (includes insurance claim of RO 3.712 million) for the period ended Jun'14 compared to RO 1.860 million for the corresponding year of 2013.
- (2) Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Jun'14 increased by 26.2% to RO 1.684 million compared to RO 1.334 million for the corresponding period of year 2013. The Company's net profit after tax for period ended Jun'14 is RO 114 K compared to corresponding period profit of RO 123K.

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Market Share:

Omantel Mobile's network market share (*including Mobile Resellers*) is estimated at 59%. The Fixed Telephone (post & pre-paid) market share is estimated at 86%.

Corporate Social Responsibility:

As part of its ongoing commitment to support the society, environment and national economy, Omantel has embarked on number of CSR initiatives and programs in 2014 and has extended its support to various organizations and events. Major initiatives and programs are summarized below:

- 1) Omantel Olympic School days: Omantel and MOE initiative to organize Olympic days for school sport around the country.
- 2) Imagine CUP: Omantel sponsored Microsoft annual student initiative to encourage creativity and IT skills among young people.
- 3) Outward Bound Oman: Support national program with the purpose of unlocking the potential of Omani youth and identifying future leaders
- 4) Oman Autism Society: It is a newly established NGO, Omantel supports their different activities and programs for the benefit of Autism affected children and their families

In addition to support different Government & NGOs institutions and celebrated Arab Orphan Day with Omantel staff.

Future outlook:

In the second half of 2014, we continue to place emphasis on providing enhanced customer experience as well as bringing innovative services that suite our various customers' needs.

The telecom sector in Oman will continue to see increased pressure from over-the-top players as well as competition in the international call segment, putting pressure on traditional telecom services. Omantel is well positioned to face evolving competition, and continues to successfully execute its corporate strategy with a focus on enhancing customer experience across all services through investment in employees, network and brand.

The exponential growth in broadband services and international capacity demonstrates the implementation of effective strategies by the company, providing consistent growth in total revenue and profitability. Broadband data in both the fixed and mobile segment remains a key growth area, supported by a consistent growth in subscriber and network market share. Today, Omantel provides the broadest choice, largest coverage and superior quality for broadband services across our fixed and mobile networks.

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We continue to expand roll-out of our network in ADSL, 3G and 4G LTE as well as our backbone infrastructure. Omantel continues further strengthen its position as a key interconnection point for carriers from Asia and Europe. The Carrier of Carriers business continues to be a key contributor to revenue growth and diversification for the company.

We will continue to focus on creating sources of income and diversifying the investment portfolio directed to achieve sustainable growth in revenues wherever possible and maximize returns to shareholders. However, we continue to remain cautious with limited market size, the intensifying competition and increasing challenges from evolving regulatory policies, which would have an impact on our operating results.

Change in Management

On behalf of Omantel Board, we are pleased to announce the appointment of Mr Talal Said Al Mamari as Chief Executive Officer and we wish him all the success in his new role. Prior to this appointment, he was holding the position of CFO. Also we take this opportunity to express our gratitude to Dr Amer Al Rawas whose contribution in positioning Omantel as the leading telecom operator, will always be remembered.

Thanks and appreciation

We take this opportunity to express our heartfelt thanks to our shareholders and loyal customers for their continued support that enabled us to achieve these excellent results. Also, we wholeheartedly appreciate the sincere contribution of the Executive Management and Employees for the remarkable performance in the challenging situation. With your support, we are confident that Omantel Company will continue its good performance and will be able to reach new heights of excellence.

We also express our special thanks to the Ministry of Finance, the Ministry of Transport and Communications, the Telecommunications Regulatory Authority and the Capital Market Authority for their valuable co-operation and contributions to our success.

On behalf of the executive management and the staff, we are honoured to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for His visionary leadership and we pray to the Almighty to grant him all the strength to continue to lead the country on the path of sustainable development.

Eng. SULTAN HAMDOON AL HARTHI
CHAIRMAN, OMANTEL BOARD OF DIRECTORS