

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the 9 months period ended 30th September 2016.

Operating performance:

REVENUE

Group Revenue as of September'16 has grown to RO 399.8 million, an increase of 4.3% compared to RO 383.3 million for the corresponding period of year 2015.

Parent company Revenues has recorded a growth of 5.1% and now reached RO 395.2 million compared to RO 376.1 million for the corresponding period of year 2015. Parent company contributes 99% of the group revenues. The growth is mainly driven by Broadband revenues by 15% and Wholesale revenues by 26%. Conventional revenue streams such as voices and SMS have continued its declining trend due to Over The Top (OTT) services.

EXPENSES

Group Total Operating expenses increased by 4.1% to RO 295.4 million compared to RO 283.6 million for the corresponding period of year 2015. Operating Expenses (*excluding Cost of Sales, Depreciation and Royalty*) decreased by 2.8% compared to the corresponding period. Depreciation and Amortization Increased by 11.7% is mainly from increased investment in network expansion and modernization of both mobile and fixed networks to meet the growing demand of broadband services.

NET PROFIT

Group Net Profit after tax is RO 95.1 million compared to RO 90.8 million of the corresponding period of year 2015, which is an increase of 4.8%.

Group Earning per Share (EPS) for the period ended 30th September 2016 is RO 0.127 compared to RO 0.121 for the corresponding period of year 2015.

Subsidiary Companies:

- 1) **Oman Data Park LLC:** is a joint venture of Omantel and 4Trust LLC. The paid up capital is RO 1.5 million and Omantel owns 60%. The revenue as of Sep'16 is RO 3.38 Mn an increase of 47.1% compared to RO 2.3 Mn for the corresponding period of year 2015. EBITDA margin for the period is 15% compared to 2% of the corresponding period. The company has incurred a loss of RO 0.5 Mn for the period ended Sep'2016 as compared to a loss of RO 0.9 Mn in the previous period.

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- 2) Omantel France SAS:** is a 100% Omantel owned company that will be responsible for landing and maintaining the Asia Africa Europe - 1 (AAE-1) cable in France. The setting up of this company gives Omantel a worldwide recognition by becoming the only Middle-east operator to build a presence in European Union (EU) and provide open access into EU to all other owners in AAE-1 consortium. AAE-1 cable system is expected to be ready for service by mid of next year.
- 3) Worldcall Telecom Limited (WTL):** Omantel signed a Share Purchase Agreement with WorldCall Services Limited and Ferret Consulting for sale of its entire stake in WTL which is subject the approval of the regulators including the Public Offer to minority shareholders of WTL. The completion of the transaction will not have any material financial impact on the Group Income statement.
- 4) Internet of things LLC:-** Omantel owns 55% shareholding in the company. The Company is engaged in the development of applications and services across a wide spectrum of smart, connected objects and M2M communications. The commercial operation is expected to start in 2017.

Associate Companies:

- (1) Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue as of Sep'16 increased by 44% to RO 21.38 million compared to RO 14.81 million for the corresponding period of year 2015. The company has achieved a net profit after tax of RO 2.02 million for the period ended Sep'16 compared to RO 0.6 million for the corresponding period of year 2015.
- (2) Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Sep'16 increased by 15% to RO 5.3 million compared to RO 4.6 million for the corresponding period of year 2015. The Company's net profit after tax for the period ended Sep'16 is RO 222 K compared to corresponding period profit of RO 251 K.

Market Share:

Omantel's Mobile network market share (*including Mobile Resellers*) is estimated at 58.2% with a revenue share of 59.3%. The Fixed Telephone (post & pre-paid) market share is estimated at 73.5% with a revenue market share of 82.8%. The total domestic subscriber base as of September 2016 (including mobile and fixed businesses) has reached 3.326 million (excluding Mobile Resellers) compared to 3.383 million of the corresponding period of the previous year. However, total subscriber base with mobile resellers reached 4.453 Mn.

Awards and recognitions:

Omantel got the prestigious award in the field of brand within the prize of "World Branding Awards" in a ceremony held in London on September 20, 2016, where Omantel got "Brand of the Year". The company also won the best company in the field of Investor Relations and Best Award Professional in the field of investor relations in the Sultanate of Oman for the year 2016 as part of the prize the Middle East Investor relations Society in a ceremony held in Dubai during the third quarter of this year.

Corporate Social Responsibility (CSR):

As part of its ongoing commitment to support the society and environment, Omantel has embarked on number of CSR initiatives and programs and has extended its support to various organizations and events. The below summarizes the major initiatives and events supported during the 3 months period July - September 2016:

1. Edlal (Partnership with the The Lounge) is the first Omani digital platform to enrich the Arabic e-content and targeting Arab youth. This knowledge-based platform aims to contribute in preparing young Omanis to join the workforce by equipping them with the required skills and knowledge for the market. It also plays a role in enhancing the Arab content on the internet with timely and reliable information.
2. Omantel in partnership with The Research Council "TRC", Information Technology Authority, Public Authority for SME development, Riyadh & Innovation Development Oman "IDO" Initiated "Upgrade" an ICT startup project focusing on E-government, Smart city solution, Internet of things, cyber security etc.
3. Omantel extended their support to the Association for Welfare of Physically Challenged children through a program named "Color their world".
4. Omantel also launched an interactive IT program for Kids named "Hour of Code" in partnership with a local SME "Engineering Village". This initiative aims to educate school children about the basics of programming and was held in Dhofar Governorate.

Future outlook:

The Omani telecom market continues to be dominated by a couple of major economical drivers. First of all, the impact of the oil price will affect consumer and enterprise spending behaviour. Secondly, a set of substantial changes in the regulatory framework (including the introduction of a 3rd mobile network operator, the new Access & Interconnection regulation and a new Telecom Law) which are expected to come into effect in 2017 will alter the competitive forces in the market. Finally, the continuous evolution of OTT (over-the-top) players in the domains of voice, messaging and content puts pressure on the capacity for telecom operators to continue their current levels of investment. Combined, these market dynamics will likely pose challenges for the growth opportunities.

At the same time, the explosion of video services continues to be the key driver for a growing broadband market. 2016 already saw the global launch of Netflix and Omantel has launched its own IPTV solutions, further driving broadband speed and bandwidth demand, both for mobile and fixed services.

Through the execution of our "Omantel 3.0" strategy, Omantel is preparing to position to manage these market dynamics to sustain the growth. Our focus on maximizing the share of wallet and value for customer, through building beyond the core services and ICT solutions will assure we are able to further grow our revenues. We continue to invest in our network to meet the increasing demand for data services and to enhance customer experience. Our Carrier of Carriers strategy as part of Wholesale

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proposition in the region enables us also to assure we provide the best connectivity to international players.

It is worth mentioning that the company operates under the issued license since 2004, which defines the duties and obligations as well as the quality standards of service.

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 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 Board of Directors, Executive Management and the staff, we are honored to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for His visionary leadership. We pray to Almighty Allah to shower him with his blessings, and guard him as a precious asset and a source of pride for his beloved homeland and loyal people, and 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