

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

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**Respected Shareholders,**

We are pleased to present to you a summary of the results of the operations for the 3 months period ended 31<sup>st</sup> March 2014.

**Operating performance:**

**REVENUE**

Group **Revenue** as of March'14 is RO 120.2 million, an increase of 5% compared to RO 114.5 million for the corresponding period of year 2013.

**Domestic Retail Revenues** has recorded a growth of 6.1% and now reached RO 117.6 million compared to RO 110.8 million for the corresponding period of year 2013, contributed by all business streams (Fixed, Mobile and wholesale). Domestic Service revenues and Wholesale revenues have recorded a growth of 1.8% and 29% respectively. Increase in Wholesale Revenue is mainly contributed by one off revenues from capacity sales amounting to RO 7.5 Million. Fixed and Mobile businesses continued its growth plateau mainly driven by mobile & fixed broadband and corporate data services. However, SMS, National and International Call revenues declined compared to the corresponding period.

**EXPENSES**

Group Operating expenses declined marginally by 0.9% to RO 83.1 million compared to RO 83.9 million for the corresponding period of year 2013.

**NET PROFIT**

Group Net Profit after tax is RO 34.4 million compared to RO 29.1 million of the corresponding period of year 2013, which is an increase of 18.1%. Domestic Net Profit after tax has recorded an increase of 15.2% to reach RO 34.2 million compared to RO 29.7 million of the corresponding period of year 2013.

Group Earning per Share (EPS) for the year period ended 31 Mar'14 is RO 0.046, which is an increase of 18.1% over the corresponding period of year 2013.

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**SUBSCRIBER BASE**

Total subscriber base has reached 4.042 million as of Mar'14 compared to 3.883 million of the corresponding period of the previous year, a growth of 4.1%. The subscriber base includes WTL subscribers, which has now reached 929 K. The total domestic subscriber base (including mobile and fixed businesses) has reached 3.113 million (*excluding Mobile Resellers*), recording a growth rate of 5.3% 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 Mar'14 is RO 2.6 million, a decrease of 29.8% over the corresponding period. The company has incurred a net profit of RO 0.89 Mn compared to a loss of RO 0.997 Mn in the previous period. The WTL profit for the current period includes an exchange gain of RO 2.965 mn which is on account of conversion of their foreign currency denominated liabilities to the closing exchange rates. During 1st Quarter 2014 PKR appreciated by 9.3% against Omani Rial, which resulted in the gain. Excluding the foreign currency gains, Worldcall loss for the current period is RO 2.732 Mn with Omantel share being RO 1.5 Mn.
- 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 March 2014 is RO 0.6 Mn. The company has incurred a loss of RO 0.2 Mn for the period ended March 2014.

**Associate Companies:**

- (1) Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue as of Mar'14 decreased by 4.6 % to RO 5.621 million compared to RO 5.891 million for the corresponding year of 2013. The company has achieved a net profit after tax of RO 0.345 million for the period ended Mar'14 compared to corresponding year loss of RO 0.690 million.
- (2) Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Mar'14 increased by 49.5% to RO 0.876 million compared to RO 0.586 million for the corresponding period of year 2013. The Company's net profit after tax for period ended Mar'14 is RO 57 K compared to corresponding period profit of RO 48K.

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

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### **Market Share:**

Omantel Mobile's network market share (*including Mobile Resellers*) is estimated at 58.6%. The Fixed Telephone (post & pre-paid) market share is estimated at 85.5%.

### **Selling Part of the Government Shares in the Company:**

On 17 September 2013, the Government announced to sell 19% of the shares through a public offering. As of 31 March 2014, 9.5% of the shareholdings was sold and allocated to qualified institutions and high net worth investors. The allotment of the remaining 9.5% was completed in April 2014.

The Extraordinary General Assembly of Omantel held on 24<sup>th</sup> March 2014 approved the amendment of the Company's Articles of Association to increase number of Board members to 9, reduce the government representation to 5 and increase the seats allocated for private shareholders to 4.

### **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 participated in Treasure hunt initiative with Dar Al Atta association to help constructing KG classes for a school in town of Yiti.
- 2) Omantel released 2nd Omantel Sustainability report.
- 3) Omantel launched "Think Green" campaign internally to promote paper recycling.

### **Future outlook:**

In 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 (especially in messaging, but also increasingly in voice) as well as competition in the international call segment, putting pressure on traditional telecom services. Omantel is well positioned to face evolving competition, and

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

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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, and we continue to expand roll-out of our network in ADSL, 3G and 4G LTE as well as our backbone infrastructure. With the announcement of the Asia Africa Europe-1 (AAE-1) submarine cable landing in Oman, Omantel further strengthens 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.

### **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**