

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the 3 months period ended 31st March 2015.

Operating performance:

REVENUE

Group **Revenue** as of March'15 has grown to RO 129.4 million, an increase of 7.6% compared to RO 120.2 million for the corresponding period of year 2014.

Domestic Revenues has recorded a growth of 8.5% and now reached RO 127.5 million compared to RO 117.6 million for the corresponding period of year 2014 mainly contributed by broadband services. Fixed Line and Mobile Business retail revenues recorded a growth of 8.8% and 8.6% respectively mainly driven by Fixed and Mobile Broadband revenues, which witnessed an increase of 27.0% and 28.5% respectively. The increase in revenues also boosted by innovative bundled promotions with handsets and other devices such as play station etc., which has resulted in overall increase in revenues. . However, revenues from national calls, international calls and SMS have continued its declining trend due to Over The Top (OTT) services.

EXPENSES

Group Operating expenses increased by 11.7% to RO 92.9 million compared to RO 83.1 million for the corresponding period of year 2014. The major reasons for increase in operating expenses are attributed to increase in operating & maintenance (O&M), depreciation, employee costs, marketing cost and administrative expenses. The increase in O&M and depreciation is the result of increased investment in network expansion for both mobile and fixed networks to meet the growing demand of broadband services, increase in costs related to submarine cable capacity IRU sales, cost of devices etc.,.

NET PROFIT

Group Net Profit after tax is RO 34.6 million compared to RO 34.4 million of the corresponding period of year 2014, which is an increase of 0.6%. Net Profit is impacted by the loss incurred by Omantel's subsidiaries. However, net profit from domestic operations recorded an increase of 5.1% to RO 35.9 Mn compared to RO 34.2 Mn in the corresponding period of 2014

Group Earning per Share (EPS) for the period ended 31 Mar'15 is RO 0.046, which is an increase of 0.6% over the corresponding period of year 2014.

SUBSCRIBER BASE

The total domestic subscriber base as of March 2015 (including mobile and fixed businesses) has reached 3.268 million (*excluding Mobile Resellers*) compared to 3.143 million of the corresponding period of the previous year, recording a growth rate of 4.0% 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'15 is RO 1.9 million, a decrease of 29.4% over the corresponding period, mainly due to reduction in Wireless Local loop (WLL) segment. The company has incurred a loss of RO 2.5 Mn, as compared to a profit of RO 0.9 Mn in the previous period. Omantel's share of loss is OMR 1.4 mn compared to a profit of OMR 0.5 mn in the previous period. As announced last year, most of the turnaround strategies are in place. The management expects relatively better performance in the coming months. .

- 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 revenue as of Mar'15 is RO 0.55 Mn a decrease of 6.7% compared to RO 0.6 Mn for the corresponding period of year 2014. The company has incurred a loss of RO 0.36 Mn for the period ended March 2015 as compared to a loss of RO 0.22 Mn in the previous period.

- 3) 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 in 2016.

Associate Companies:

- (1) Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue as of Mar'15 decreased by 23.7% to RO 4.289 million compared to RO 5.621 million for the corresponding period ended Mar'14. The company has achieved a net profit after tax of RO 0.242 million for the period ended Mar'15 compared to RO 0.345 million for the corresponding period ended Mar'14.

- (2) Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Mar'15 increased by 51.7% to RO 1.335 million compared to RO 0.880 million for the corresponding period ended Mar'14. The Company's net profit after tax for period ended Mar'15 is RO 42 K compared to corresponding period profit of RO 57 K a decrease of 26.3%.

Market Share:

Omantel Mobile's network market share (*including Mobile Resellers*) is estimated at 57.4%. The Fixed Telephone (post & pre-paid) market share is estimated at 81%.

Regulatory Measures

Reference to the disclosure on April 14, 2015 concerning the Telecom Regulatory Authority decision No (6/2015), we are pleased to state that discussions are on-going with the concerned officials of the Telecom Regulatory Authority regarding this matter.

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 and has extended its support to various organizations and events.

The major initiatives and events supported during the 3 months period ended 31st March 2015 are;

1. Treasure Hunt Competition to raise funds to support Dar All Atta's charity program to needy students by providing scholarship and other facilities
2. Support to Omani Society for People with disabilities through provision of Prosthetic devices
3. Support to visually impaired students in SQU by providing Braille devices
4. Support to Al Rahma Charity team for green environment initiatives and other initiatives such as "Akhtar min Hayyah" to promote reading habit in society etc.,

Future outlook:

The market dynamics in the Omani telecom market context are changing substantially, similar to what is observed globally. Core telecom markets are saturating, with a slowing voice and messaging market while potential remains in the broadband market. At the same time, competitive pressure is increasing. Historical competitive advantages are eroding and increased presence of international OTT (over-the-top) players leads to market value destruction. Uncertainty on new local licenses adds additional pressure. At the same time, new opportunities are emerging, especially in the emerging IT market.

In order to tackle these market dynamics in the best possible way, Omantel has developed a new Corporate Strategy with a focus on maximizing the share of wallet and value per customer, through expansion beyond the current core business and become a key differentiator companion of choice and creator and enabler of digital ecosystems.

Oman Telecommunications Co (S.A.O.G)

Board of Directors' Report for the First Quarter Results – Year 2015

This strategy will be driven across 4 strategic thrusts:

1. Exceed customer expectations, consistently across all touch point and make our customers our brand ambassadors.
2. Lead Omani digitalization, and become a true partner of the government to drive Oman towards eGovernment and leverage “e” as the key means to interact with our customers.
3. Innovate our offering to strengthen the core while minimizing risk exposure and increasing share of wallet.
4. Transform to an agile Omantel, fostering innovation and leadership in collaboration and fast decision making.

The execution of this strategy will enable Omantel to maintain its leading position in the market and continue to maximize returns to our shareholders. This is already demonstrated in our continued investments in our network to support the core business and our position as a true Carrier of Carriers within the region.

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 Board of Directors, executive management and the staff, we are honoured 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