

**Oman Telecommunications Co (S.A.O.G)**  
**Board of Directors' Report for the Third 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 9 months period ended 30<sup>th</sup> September 2014.

**Operating performance:**

**REVENUE**

Group **Revenue** as of September'14 is RO 357.6 million, an increase of 1.7% compared to RO 351.5 million for the corresponding period of year 2013.

**Domestic Retail Revenues** has recorded a growth of 3.3% and now reached RO 291 million compared to RO 281.8 million for the corresponding period of year 2013 mainly contributed by broadband and corporate data services. Fixed Line and Mobile Business retail revenues recorded a growth of 9.9% and 1% respectively. Revenues from national, international calls and SMS have continued its declining trend due to Over The Top (OTT) services.

**EXPENSES**

Group Operating expenses increased by 0.2% to RO 257.6 million compared to RO 257.1 million for the corresponding period of year 2013. The major reasons for increase in operating expenses are attributed to increase in employee costs, operating & maintenance and depreciation expenses.

**NET PROFIT**

Group Net Profit after tax is RO 95.9 million compared to RO 89.6 million of the corresponding period of year 2013, which is an increase of 7.0%. Domestic Net Profit after tax has recorded an increase of 9.4% to reach RO 101.8 million compared to RO 93 million of the corresponding period of year 2013.

Group Earning per Share (EPS) for the period ended 30 Sep'14 is RO 0.128, which is an increase of 7.0% over the corresponding period of year 2013.

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### SUBSCRIBER BASE

Total subscriber base has reached 4.204 million as of Sep'14 compared to 4.002 million of the corresponding period of the previous year, a growth of 5.0%. The subscriber base includes WTL subscribers, which has now reached 944 K. The total domestic subscriber base (including mobile and fixed businesses) has reached 3.259 million (*excluding Mobile Resellers*), recording a growth rate of 6.0% 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 Sep'14 is RO 7.1 million, a decrease of 32.7% over the corresponding period, mainly due to reduction in Wireless Local loop (WLL) segment, as Worldcall entered into an understanding with one of the local companies in Pakistan for sharing the spectrum of this sector which will bring many benefits that will be realized later. The company has incurred a net loss of RO 10.2 Mn, as compared to a loss of RO 6.4 Mn in the previous period. Omantel's share of loss is OMR 5.8 mn compared to OMR 3.6 mn in the previous period. As part of the business turnaround strategies, the company has concluded network sharing deals. Omantel Board of Directors is working through its representatives in Worldcall on several strategic initiatives aiming at improving Worldcall's operations, financial position as well as its competitive advantages to realize the aspired change where positive indicators of this change have been seen.
- 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 September 2014 is RO 1.9 Mn. The company has incurred a loss of RO 0.9 Mn for the period ended September 2014 as compared to a loss of RO 0.7 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 Sep'14 decreased by 16% to RO 17.137 million compared to RO 20.467 million for the corresponding year of 2013. The company has achieved a net profit after tax of RO 5.838 million

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(includes insurance claim of RO 4.831 million net of tax) for the period ended Sep'14 compared to RO 2.423 million for the corresponding year of 2013.

- (2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Sep'14 increased by 25.6% to RO 2.512 million compared to RO 2 million for the corresponding period of year 2013. The Company's net profit after tax for period ended Sep'14 is RO 126 K compared to corresponding period profit of RO 182K a decrease of 30.8%. The company is currently developing an action plan to improve the revenue resources and profit.

### **Market Share:**

Omantel Mobile's network market share (*including Mobile Resellers*) is estimated at 59.1%. The Fixed Telephone (post & pre-paid) market share is estimated at 84.1%.

### **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 the third quarter of 2014 and has extended its support to various organizations and events. Major initiatives and programs are summarized below:

1. **Students Excellence Awards:** Omantel sponsored this initiative in order to motivate and inspire Omani graduate students in Accounting, Finance, Business Administration domains.
2. **Ramadhan campaign: Give, Share, Care:** Omantel organized the sixth version of its Ramadhan charity campaign. The focus this year was on house maintenances and clothing for under-privileged families. .
3. **CSR Oman 2014 Summit:** Omantel took part in this first CSR conference in order to support the initiative to spread awareness about importance of sustainability among corporates in the Sultanate.

Other initiatives include supporting one of Farmers Association to set up two stores for post-harvest operations, continued support to Government and other charitable institutions, NGOs such as Oman Cancer Association, Rahma Charity team etc.

### **Future outlook:**

In the final quarter 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.

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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. 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.

### **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**