

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 2015.

Operating performance:

REVENUE

Group **Revenue** as of June'15 has grown to RO 256.6 million, an increase of 7.5% compared to RO 238.6 million for the corresponding period of year 2014.

Domestic Revenues has recorded a growth of 8.3% and now reached RO 253 million compared to RO 233.6 million for the corresponding period of year 2014 mainly contributed by broadband services. Fixed Line and Mobile Business retail revenues recorded a growth of 8.1% and 7.6% respectively mainly driven by Fixed and Mobile Broadband revenues, which witnessed an increase of 24.7% 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 12.7% to RO 190.6 million compared to RO 169.1 million for the corresponding period of year 2014. The major reasons for increase in operating expenses are attributed to increase in roaming, operating & maintenance (O&M), depreciation, employee costs, marketing cost and administrative expenses. The increase in O&M and depreciation are 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.,. Administrative costs include RO 1 Mn towards penalty imposed by TRA on account of network outage in Nov'14 and consultancy costs related to new Corporate Strategy and Spend optimization initiatives, which are of non-recurrent nature.

NET PROFIT

Group Net Profit after tax is RO 61.3 million compared to RO 65.9 million of the corresponding period of year 2014, which is a decrease of 7.1%. Net Profit is impacted by the loss incurred by Omantel's subsidiaries. Net profit from domestic operations recorded a decrease of 2.5% to RO 66.9 Mn compared to RO 68.6 Mn in the corresponding period of 2014 mainly due to non-recurrent costs incurred in Q2 2015 as explained before.

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

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

Group Earning per Share (EPS) for the period ended 30 Jun'15 is RO 0.082, which is a decrease of 7.1% over the corresponding period of year 2014.

SUBSCRIBER BASE

The total domestic subscriber base as of June 2015 (including mobile and fixed businesses) has reached 3.329 million (*excluding Mobile Resellers*) compared to 3.233 million of the corresponding period of the previous year, recording a growth rate of 3.0% 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 Jun'15 is RO 3.6 million, a decrease of 28.8% over the corresponding period, mainly due to reduction in Wireless Local loop (WLL) segment. The company has incurred a loss of RO 9.9 Mn, as compared to a loss of RO 4.1 Mn in the previous period. Omantel's share of loss is OMR 5.6 Mn compared to a loss of OMR 2.3 Mn in the previous period mainly contributed to reversal of deferred tax asset due to change in Tax regulations in Pakistan. As announced last year, most of the turnaround strategies are in place and we are assessing the possible opportunities to improve the subsidiary management in future.

- 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 Jun'15 is RO 1.6 Mn an increase of 3.3% compared to RO 1.5 Mn for the corresponding period of year 2014. The company has incurred a loss of RO 0.41 Mn for the period ended June 2015 as compared to a loss of RO 0.58 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 Jun'15 decreased by 18.4% to RO 9.855 million compared to RO 12.081 million for the corresponding period ended Jun'14. The company has achieved a net profit after tax of RO 0.522 million for the period ended Jun'15 compared to RO 3.902 million for the corresponding period ended Jun'14.

- (2) Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Jun'15 increased by 62.4% to RO 2.736 million compared to RO 1.684 million for the corresponding period ended Jun'14. The Company's net profit after tax for period ended Jun'15 is RO 85 K compared to corresponding period profit of RO 114 K a decrease of 25.4%.

Market Share:

Omantel Mobile's network market share (*including Mobile Resellers*) is estimated at 58.0%. The Fixed Telephone (post & pre-paid) market share is estimated at 80.4%.

Regulatory Measures

The TRA vide its decision No.6/2015 dated 25 March 2015 imposed a penalty of RO 5 million in relation to disruption of Company's telecommunication services on 17 November 2014. On 9 July 2015, TRA passed a resolution as provided below:-

- Omantel to pay a penalty of RO 1 Mn in cash
- Omantel to build telecom towers to provide voice and broadband at the rural areas to be determined by the TRA and under its supervision for a total amount equal to RO 2 Mn.

Additional Spectrum on 800 / 2600 Mhz

Omantel has acquired additional spectrum in 800 and 2600 Mhz to enhance its mobile Broadband service offerings for RO 7.7 Mn. This is expected to boost the deployment of LTE and enable to have wide coverage of LTE services across the Sultanate resulting in improved quality of broadband services.

Interim Dividend:

As decided at the AGM held on March 22, 2015, the Board has approved to distribute the interim dividend of 55% of the paid up capital for the financial year 2015. This is 55 bz per share and will be paid to the registered shareholders as of the end of the trading hours on 31st August 2015.

Corporate Social Responsibility (CSR):

As part of its social commitment, 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 30th June 2015 are;

1. Omantel Olympic School days a joint initiative with Ministry of Education to promote sports across the country.
2. Imagine CUP 2015: Omantel sponsored Microsoft annual student initiative to encourage creativity and IT skills among young people.

3. World Autism Awareness Day: Omantel Supported Autistic children by providing them with “Proxtalker” as communicative device.

In addition to support Student Excellence Award in partnership with E&Y, Arab Forum for the Blind, support to Environment Society of Oman for fund raising activities in the field of environment conservation and supported the Arab Orphan Day.

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, is considered as an additional challenge on the variables related to the market. At the same time, new opportunities are emerging, especially in the developing 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.

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.

Omantel has been continuously upgrading its network capacity and increasing the footprint across the Sultanate of Oman in 2015. The 2015 network rollout focused on Enhancing the Mobile Coverage for both voice and data network through new 3G/4G deployments and upgrade of existing network elements. Major focus is on Enhancing User Experience, which has been showcased by initiating the deployment of UMTS 900 technology across Oman in 2015, which was originally planned for 2016 to cater to Customer demand.

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