

**Respected Shareholders,**

We are pleased to present to you a summary of the results of the operations for the 6 months period ended 30<sup>th</sup> June 2016.

**Operating performance:**

**REVENUE**

Group Revenue as of June'16 has grown to RO 271.6 million, an increase of 5.9% compared to RO 256.6 million for the corresponding period of year 2015.

Parent company Revenues has recorded a growth of 6.4% and now reached RO 267.6 million compared to RO 251.5 million for the corresponding period of year 2015. Parent company contributes 99% of the group revenues. The Retail and Wholesale revenues recorded a growth of 1.7% and 27.8% respectively. The growth is mainly driven by Broadband revenues of Retail segment by 16% and Submarine cable capacity sales of Wholesale segment by 108%. 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 4.5% to RO 199.3 million compared to RO 190.6 million for the corresponding period of year 2015. Cost of Sales increased by 7.9% resulting in lower Gross Margin of 79.6% compared to 80.0% for the corresponding period. Operating Expenses (*excluding Cost of Sales, Depreciation and Royalty*) decreased by 2.4% compared to the corresponding period. Depreciation and Amortization Increased by 13.7% 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 66.8 million compared to RO 61.3 million of the corresponding period of year 2015, which is an increase of 9.0%.

Group Earning per Share (EPS) for the period ended 30<sup>th</sup> June 2016 is RO 0.089 compared to RO 0.082 for the corresponding period of year 2015.

**SUBSCRIBER BASE**

The total domestic subscriber base as of June 2016 (including mobile and fixed businesses) has reached 3.313 million (excluding Mobile Resellers) compared to 3.329 million of the corresponding period of the previous year, recording a decline rate of 0.5% compared to last year. However, total subscriber base with mobile resellers reached 4.389 Mn, an increase of 5.7%.

**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 for as of Jun'16 is RO 2.45 Mn an increase of 57.6% compared to RO 1.6 Mn for the corresponding period of year 2015. EBITDA margin for the period is 8% compared to 6.8% of the corresponding period. The company has incurred a loss of RO 0.5 Mn for the period ended June 2016 as compared to a loss of RO 0.41 Mn in the previous period.
- 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 end of this year.
- 3) Worldcall Telecom Limited (WTL):** Group has not accrued for any additional losses for WTL for Q2-2016 considering the fact that the investment was fully impaired in year 2015. During the 2<sup>nd</sup> quarter, Omantel received a non binding offer from an investor based in Pakistan to acquire Omantel shares in Worldcall. However a final deal could not be reached with the investor. Omantel management and the Board is evaluating its further options with respect to the investment.

**Associate Companies:**

- (1) Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue as of Jun'16 increased by 51.4% to RO 14.84 million compared to RO 9.8 million for the corresponding period of year 2015. The company has achieved a net profit after tax of RO 1.5 million for the period ended Jun'16 compared to RO 0.5 million for the corresponding period of year 2015.
- (2) Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Jun'16 increased by 25% to RO 3.5 million compared to RO 2.8 million for the corresponding period of year 2015. The Company's net profit after tax for the period ended Jun'16 is RO 162 K compared to corresponding period profit of RO 85 K an increase of 91%.

**Market Share:**

Omantel's Mobile network market share (*including Mobile Resellers*) is estimated at 58.5% with a revenue share of 59.4%. The Fixed Telephone (post & pre-paid) market share is estimated at 74.4% with a revenue market share of 85.1%.

### **Interim Dividend:**

As decided at the AGM held on March 24, 2016, the Board has approved to distribute the interim dividend of 40% of the paid up capital for the financial year 2016. This is 40 bz per share and will be paid to the registered shareholders as of the end of the trading hours on 31<sup>st</sup> August 2016.

### **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 April- June 2016:

1. Omantel launched an initiative “Saloon Maan”, aimed at SMEs and other entrepreneurs to communicate, collaborate and grow their enterprises. The initiative provides videoconferencing suites installed by Omantel throughout the Sultanate, in OCCU offices and Riyada.
2. Omantel has also participated in promoting sports and other creative skills. Omantel Olympic School days, a joint initiative with Ministry of Education to promote sports and along with Microsoft launched an annual student initiative “Imagine CUP 2016”, to encourage creativity and IT skills among young people.
3. Other CSR activities include 1) Autism awareness day in collaboration with SQU hospital, 2) Arab Orphan Day (*by providing media pads for successful graduates*), 3) Provides special printer to Omar ibn Al khatab institute for blinds for printing in braille and Tablet devices to Almal School for deaf, 4) House Maintenance Project for underprivileged in association with Dar Ataa as part of Ramadan Campaign.

### **Future outlook:**

The Omani telecom market in 2016 will be mainly influenced by 3 key dynamics: increased local competition through substantial changes in the regulatory framework (including the potential introduction of a 3rd mobile network operator, the new Access & Interconnection regulation and a new Telecom Law), the impact of the oil price and the continuous evolution of OTT (over-the-top) players in the domains of voice, messaging and content. These market dynamics will likely pose challenges for the growth opportunities for Omantel.

The measures taken by the drop in oil price will potentially have an impact on consumer and business spending patterns. We believe that the overall reduction in spending power might have an impact in telecom spend.

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, but for mobile and fixed services.

**Oman Telecommunications Co (S.A.O.G)**  
**Board of Directors' Report for Second Quarter Results – Year 2016**

---

Through the execution of our "Omantel 3.0 – Leapfrog to Lead" strategy, Omantel is very well positioned to manage these market dynamics and continue to grow. Our focus on maximizing the share of wallet and value per customer, through building new 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 proposition in the region enables us also to assure we provide the best connectivity to international players.

**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**