

**Respected Shareholders,**

We are pleased to present to you a summary of the results of the operations for the year 2016.

**Operating performance:**

**REVENUE**

Group Revenue for the year ended 31<sup>st</sup> December 2016 has grown to RO 523.6 million, an increase of 3.2% compared to RO 507.3 million for the corresponding period of year 2015.

Parent company Revenues has recorded a growth of 3.1% and now reached RO 519.3 million compared to RO 503.7 million for the corresponding period of year 2015. Parent company contributes 99% of the group revenues. The growth is mainly driven by Broadband revenues which increased by 11% and Wholesale revenues by 19%. 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 6.5% to RO 396.1 million compared to RO 372 million for the corresponding period of year 2015. Operating Expenses (*excluding Cost of Sales, Depreciation and Royalty*) increased by 0.2% compared to the corresponding period. Depreciation and Amortization Increased by 16.3% 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 116.7 million compared to RO 48.5 million of the corresponding period of year 2015, which is an increase of 140.6%. The group net profit for Year 2015 includes one off charges of impairment with respect to its investment in subsidiary and Voluntary end of services. If this is excluded, the net profit for year 2015 would have been RO 115 Mn.

Group Earning per Share (EPS) for the year ended 31 Dec'16 is RO 0.156 compared to RO 0.065 for the corresponding period of year 2015.

**Final Dividend:** Board has recommended a final dividend of 70 bz per share which will be subject to the approval of AGM. This is in addition to the interim dividend of 40 bz per share paid in Aug 2016. This is bringing the total dividend of 110 bz per share for the financial year 2016.

**Royalty Increase:** Telecom Regulatory Authority in Oman has formally reverted the royalty percentage rate from 7% to its previous rate of 12% on gross revenue. The rate will be effective from January 2017. A Royal Decree issued on February 19<sup>th</sup>, 2017, increasing the Corporate Taxation from 12% to 15%.

**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 the year ended 31 Dec'16 is RO 4.8 Mn an increase of 26.6% compared to RO 3.8 Mn for the corresponding period of year 2015. EBITDA margin for the period is 20% compared to 13% of the corresponding period. The company has incurred a loss of RO 0.4 Mn for the year ended 31 Dec'16 as compared to a loss of RO 0.9 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 mid of next year.
- 3) **Worldcall Telecom Limited (WTL):** On 11 October 2016, Omantel signed a Share Purchase Agreement with WorldCall Services (Pvt) Limited and Ferret Consulting FZC for sale of ordinary and convertible preference shares respectively of WTL held by Omantel. The acquirers are working on completion of the transaction process, which is subject to the approval of the regulators including the Public Offer to minority shareholders of WTL in Pakistan. At 31 December 2016, Worldcall Telecom Limited (WTL) was classified as "*asset held for sale*". The completion of the transaction is not expected to have any material financial impact on the Group's reported profit.
- 4) **Internet of things LLC (Momkin):** Omantel owns 55% shareholding in the company. The Company is engaged in the development of applications and services across a wide spectrum of smart, connected objects and M2M communications. The commercial operation is expected to start in 2017.

**Associate Companies:**

- (1) **Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue for the year ended 31 Dec'16 increased by 29% to RO 29.1 million compared to RO 22.6 million for the corresponding period of year 2015. The company has achieved a net profit after tax of RO 2.5 million for the year ended 31 Dec'16 compared to RO 1.6 million for the corresponding period of year 2015.
- (2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue for the year ended 31 Dec'16 increased by 14% to RO 7.2 million compared to RO 6.3 million for the corresponding period of year 2015. The Company's net profit after tax for the year ended 31 Dec'16 is RO 261 K compared to corresponding period profit of RO 340 K.

**Market Share:**

Omantel's Mobile network market share (*including Mobile Resellers*) is estimated at 58.4% with a revenue share of 59.1%. The Fixed Telephone (post & pre-paid) market share is estimated at 73.7% with a revenue market share of 82.4%. The total domestic subscriber base as of December 2016 (including mobile and fixed businesses) has reached 3.350 million (excluding Mobile Resellers) compared to 3.384

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million of the corresponding period of the previous year. However, total subscriber base with mobile resellers reached 4.521 Mn.

**Awards and recognitions:**

Omantel won the following awards during the Year 2016:

1. Omantel was awarded His Majesty Sultan Qaboos Excellence in e-Government Services Award, for best mobile application (mobile app) in the private sector.
2. Omantel got the prestigious award in the field of brand within the prize of "World Branding Awards" in a ceremony held in London, where Omantel got "Brand of the Year".
3. The best company in the field of Investor Relations and Best Investor Relations Professional in the field of investor relations in the Sultanate of Oman for the year 2016 by the Middle East Investor relations Society, Dubai.

**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 year 2016:

1. Edlal (Partnership with the The Lounge) is the first Omani digital platform to enrich the Arabic e-content and targeting Arab youth. This knowledge-based platform aims to contribute in preparing young Omanis to join the workforce by equipping them with the required skills and knowledge for the market. It also plays a role in enhancing the Arab content on the internet with timely and reliable information.
2. Omantel in partnership with The Research Council "TRC", Information Technology Authority, Public Authority for SME development, Riyadh & Innovation Development Oman "IDO" Initiated "Upgrade" an ICT startup project focusing on E-government, Smart city solution, Internet of things, cyber security etc.
3. Omantel also launched an interactive IT program for Kids named "Hour of Code" in partnership with a local SME "Engineering Village". This initiative aims to educate school children about the basics of programming and was held in Dhofar Governorate.
4. 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. 5) Support to Oman Cancer Association (In partnership with OCA) and 6) Supporting with IT systems for Early Intervention Association

### **Future outlook:**

The Omani telecom market in 2017 will see the impact of several fundamental regulatory changes. First, the increase of royalties from 7% to 12% on gross revenue, which is estimated at 17% of the year 2016 net profit. This is in addition to the increase in corporate taxation from 12% to 15%. This is expected to conclude to a negative impact on Omantel's net profitability in 2017. Secondly, the advent of a 3<sup>rd</sup> licensed mobile operator becomes a strong reality, as TRA finally invited bids for a 3<sup>rd</sup> class-1 license in November 2016. Omantel and all the existing operators are expected to get significantly impacted by the hyper competition, coupled with the newly imposed Access & Interconnection ('A&I') regulations going forward. And finally, the effect of the oil price and economic environment will continue to affect consumer and enterprise spending behaviour. At the same time, the OTT (over-the-top) players in the domains of voice, messaging and content are further putting pressure on the traditional markets in the telecom sector. Combined, these market dynamics will likely pose challenges for the growth opportunities as well as the capability for operators to maintain their current levels of investment and profitability.

The execution of our "Omantel 3.0" strategy is the essential tool for Omantel to defend our position in the market and deal with the changed market dynamics. Our focus on maximizing the share of wallet and value for customer, through excelling in customer experience as well as expanding in beyond the core services such as ICT solutions will assure further growth in the market. 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**