

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

## **Chairman's Report for the year ended 31<sup>st</sup> December 2010**

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### **Respected Shareholders,**

On behalf of the Board of Directors of Omantel, I am pleased to present to you a summary of the results of the operations for the year 2010.

### **General Economic Environment:**

The Year 2010 witnessed recovery of world economy from the global economic down turn experienced in Year 2008. As per the recent estimate, the economic activity in Oman grew by 4.1% in Year 2010 due to improved oil prices, increased public spending and well managed macroeconomic policies. With stable oil prices and the expected increase in public spending by 13%, the Omani economy is projected to grow at 5% in Year 2011. This would undoubtedly boost the telecom sector. However, increasing competition following the sector liberalization would put extensive pressure on the revenue growth.

### **Group operating performance:**

#### **REVENUE**

The total group revenue as of December'10 rose by 1% to RO 416.6 million compared to RO 412.3 million of the corresponding period of year 2009. In spite of increased competition in the domestic market, the retail revenues have recorded a growth of 2%, while the wholesale revenues have declined by 17% mainly due to opening up of international gateway business.

#### **EXPENSES**

The total group operating expenses increased by 10.7% to RO 297.1 million compared to RO 268.3 million of the corresponding period of year 2009. The major reason for increase in operating expenses is on account of expenses incurred for developing and enhancing the 3.5G network services. The Company has completed the installation of 795 sites that provides an extensive coverage of 3.5G services in the Sultanate. The other major reason for increase in operating expenses is on account of increase in depreciation resulting from the implementation of the latest technology to provide best services to the customers. The operating expenses of our subsidiary Worldcall Telecommunications Ltd, Pakistan (WTL) represents 11% of the total group operating expenses.

#### **NET PROFIT**

The group has achieved a Net Profit after Tax (excluding Minority Interest) of RO 112 million compared to the Net Profit after Tax of RO 125.2 million of the corresponding period of year 2009. These results were made in very challenging conditions as the Company had seen an increase in expenses mainly driven by depreciation, adverse impact on the revenue from the opening up of international gateway operation and additional expenditure resulting from the consolidation of our subsidiary Worldcall. Also, the year 2009 results included extra ordinary income from settlement of insurance claim impacting the comparability of the results of the two periods.

The group financials for the period ended December 31, 2010 are not comparable to the previous period, since it includes full 12 months operations of WTL whereas Year 2009 includes only 6 months operational results, since WTL was accounted as a subsidiary with effect from July 1<sup>st</sup>, 2009.

The Earning per Share (EPS) for the period ended 31<sup>st</sup> December 2010 is RO 0.149, which is lower compared to the previous year figure of RO 0.167.

Total subscriber base (all services including Worldcall) increased to 3.329 Mn as of Dec 2010 as compared to 3.033 Mn for the corresponding period of the previous year, a growth of 9.8%. 2010 subscriber figures includes WTL subscriber base of 869.9 K.

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### **Subsidiary Company:**

- 1) Oman Mobile Telecommunications Co (LLC):** Omantel has 99% shareholding in Oman Mobile. The number of Oman Mobile customers has reached 2.133 Mn as of December 2010 recording a growth rate of 14.1% over the last year. The gross revenue from mobile operations for the year ended December 2010 is RO 263.6 million compared to the previous year's revenue of RO 253.1 million, an increase of 4.1%. The company has achieved a Net Profit after Tax of RO 61.3 million compared to the corresponding period Net Profit after Tax of RO 58.8 million, an increase of 4.3%.
- 2) Worldcall Telecom Limited:** Omantel has 56.8% shareholding in Worldcall Telecom Limited (WTL). Total number of subscribers has grown noticeably by 8.9% from 798.5 K to 869.9 K. The total revenue as of Dec 2010 is RO 33.9 Mn, which is lower by 11.2% over the corresponding period. The company has incurred a net loss of RO 5.3 million for the period. Necessary actions are being taken to turn around the company.

### **Associate Companies:**

- 1) Oman Fibre Optic Co SAOG (OFOC):** Omantel owns now 41% shareholding in the OFOC, increased its shareholding from 26 to 41%. The company has increased achieved a net profit after tax of RO 2.1 million for the year ended Dec2010 compared to corresponding year profit of RO 1.7 million.
- 2) Infoline LLC:** Omantel has 45% shareholding in the company. The Company's net profit after tax for year ended December2010 is RO 140 K compared to corresponding year profit of RO 174 K.
- 3) Omania e-commerce LLC:** Omantel owns 49% shareholding in the company, increased its shareholding from 40 to 49%. The company has incurred a loss of RO (76) K for the period ended Dec 2010 compared to corresponding period loss of RO (186) K. However, efforts are being made to turn around the company and to bring it to profitable lines, which we expect to happen within next two years.

### **Market Share:**

Oman Mobile's network market share (*including Mobile Resellers of Oman Mobile*) is estimated at 54% as of December'10 based on the total subscriber figures released by Oman Telecommunications Regulatory Authority (TRA).

### **Future outlook:**

Year 2010 witnessed series of innovative and attractive product / service offerings such as Mada Liberty / Infinity, Hayyak Liberty, Pre-paid Blackberry services, etc., which have been well accepted by customers. We continue to work on innovative offers being the leading telecommunications service provider.

Oman's Budget 2011 and 7<sup>th</sup> Five Year Plan projects an average GDP growth of 6% with increased government spending on infrastructure projects. This would undoubtedly stimulate the growth in telecom sector. However, as the telecom sector is poised for further market liberalization with the implementation of Carrier Call Selection, increased competition on international call segment and fixed line business segment, overall revenue growth will be under pressure. To face the competition, Omantel Group has put right strategies in place to overcome these challenges, which would see highly attractive product offers in the market in addition to enhancing overall customer experience through our revamped customer counters across Oman. On the other hand, the group is working on creating sources of income and diversifying the investment portfolio directed to achieve sustainable growth in revenues and maximize returns to shareholders.

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**Thanks and appreciation**

On behalf of the Board of Directors, I take this opportunity to express our heartfelt thanks to our shareholders and loyal customers for their continued support to achieve these excellent results. Also, we, wholeheartedly appreciate the sincere contribution of the Executive Management and Employees. With your support, we are confident that the Omantel Group 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 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, I am honored to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for His visionary leadership and we pray to the Almighty to 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**