



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

### **Chairman's Report for the Third Quarter Results – Year 2011**

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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 9 months period ended 30<sup>th</sup> September 2011.

#### **General Economic Environment:**

The macro-economic outlook for Oman continues to remain positive. With relatively stable oil prices and government increased public expenditure continue to provide overall positive stimulus to the local economy compared to uncertainty surrounding the global economy due to Eurozone financial crisis. Oman GDP is projected to grow by over 4% aided by a rise in oil production in 2011. Increased government spending, economic concessions to Citizens, expanding exports are the main growth drivers for Oman Economy in 2011.

#### **Group operating performance:**

##### **REVENUE**

The total **Group Revenue** as of September'11 rose by 5.5% to RO 333.2 million compared to RO 315.8 million for the corresponding period of year 2010. Service revenues recorded a growth of 9.2%, while the wholesale revenues declined by 8.9%. It is important to note that the reduction in wholesale revenue is mainly due to decline in revenues from international gateway operation, which was not opened up for competition during the major portion of the comparative period (*competition begun in May'2010*). This decline in revenue was partly mitigated from capacity sales in Europe India Gateway (EIG) submarine cable system realized in 1<sup>st</sup> Quarter 2011.

**Domestic Retail Revenues** has recorded a growth of 8% year on year, contributed by both retail fixed and mobile businesses. This impressive growth was achieved due to aggressive roll-out strategy pursued by the group since Year 2009 to provide enhanced coverage and service quality to its valued customers





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#### **EXPENSES**

The total group operating expenses increased by 9.0% to RO 244.2 million compared to RO 224 million for the corresponding period of year 2010. One of the major reasons for increase in operating expenses is the cost related to capacity sale from EIG cable systems. The other major reasons for increase in operating expenses are due to increase in depreciation and employee costs. Increase in depreciation cost is mainly due to continued expansion of Mobile 3.5G Network and the Fixed line Next Generation Network (NGN). The increase in employee costs is due to recruitment of approximately 200 employees following the government's employment initiative as well as overall increase in remuneration across all employees.

#### **NET PROFIT**

The group has achieved a Net Profit after Tax of RO 82.7 million compared to RO 83 million of the corresponding period of year 2010. Compared to 3<sup>rd</sup> Quarter 2010 (July-Sep'2010), the net profit for the Quarter (July-Sep'2011) has increased by 25%.

The Earning per Share (EPS) for the period ended 30 Sep'11 is RO 0.110, which is lower compared to the previous period figure of RO 0.112.

Total subscriber base has reached 3.437 million as of Sep' 11 compared to 3.303 million of the corresponding period of the previous year, a growth of 4.1%. The subscriber base includes WTL subscribers, which has grown by 7.1% and has now reached 912 K.

#### **Subsidiary Company:**

- Oman Mobile Telecommunications Co (LLC):** Omantel has a 99% shareholding in Oman Mobile. The number of Oman Mobile customers witnessed a marginal growth during the period and has reached 2.207 million as of September 2011 recording a growth rate of 3.9% over the last year. The subscriber growth has been slowed down due to implementation of new regulation on active subscribers. The gross revenue from mobile operations for the period ended 30 September'11 is RO 213.5 million compared to the previous period's revenue of RO 196.6 million, an increase of 8.6%. The company has achieved a Net Profit after Tax of RO 47.9 million compared to the corresponding period Net Profit after Tax of RO 47.8 million, a growth of 0.03%.



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2. **Worldcall Telecom Limited:** Omantel has a 56.8% shareholding in Worldcall Telecom Limited (WTL). Total number of subscribers has grown noticeably by 7.1% from 852 K to 912 K. The total revenue as of Sep'11 is RO 25.3 Mn, which is lower by 7.3% over the corresponding period. The decline in revenue is primarily contributed by LDI business, which was impacted mainly due to rate reduction following a regulatory decision. The company has incurred a net loss of RO 0.402 million for the period compared to a net loss of RO 3.4 Mn in the corresponding previous period. The WTL management has completed 1<sup>st</sup> tranche of funding options as approved at Omantel EGM last year and 2<sup>nd</sup> tranche is in progress. We expect that this will provide necessary impetus for further growth and turnaround for the company.

#### **Associate Companies:**

- (1) **Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue as of Sep'11 rose by 18.2% to RO 10.18 million compared to RO 8.61 million for the corresponding period of year 2010. The company has achieved a net profit after tax of RO 1.394 million for the period ended Sep'11 compared to corresponding period profit of RO 1.937 million.
- (2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Sep'11 rose by 6.6% to RO 1.6 million compared to RO 1.5 Mn for the corresponding period of year 2010. The Company's net profit after tax for period ended Sep'11 is RO 47 K compared to corresponding period profit of RO 90 K.
- (3) **Omania e-commerce LLC:** Omantel has 49% shareholding in the company. The Revenue as of Sep'11 increases to RO 2.8 mn compared to RO 0.24 mn for the corresponding period of year 2010. The company has incurred a loss of RO (197) K for the period ended Sep'11 compared to corresponding period loss of RO (133) K.

#### **Market Share:**

Oman Mobile's network market share (*including Mobile Resellers of Oman Mobile*) is estimated at 57.3% as of Sep'2011. This shows an increase of 2.3% in absolute terms compared to Sep'10. The Fixed Telephone (post & pre-paid) market share is estimated at 94% (*Source: based on Total subscriber figures released by Oman Telecommunications Regulatory Authority*).

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#### **Corporate Social Responsibility:**

Omantel has extended support of Information Technology Authority (ITA) for the first phase of its “National PC Initiative” with the objective to increase the ownership and usage of personal computers amongst certain segments (e.g. social welfare, students and teachers) of the Omani population. Omantel has provided, free installation, modem, monthly rental and included usage upto one year as part of this initiative.

During last Ramadhan, Omantel organized its third Ramadhan Charity Campaign reflecting the values of (Give, Share & Care). Around 5000 families in all regions have benefitted from the main activities of the campaign.

#### **Future outlook:**

Omantel continues its commitment in enhancing customer experience by revamping the sales outlets and most of the major locations are already completed. It is also working on improving various service offerings to enhance the broadband internet access to meet requirements of various customer segments.

The telecom sector in Oman continues to experience intense competition. Omantel is currently working on to comply with various regulatory requirements which include Carrier Call Selection and Carrier Call Pre-Selection services, which would increase competition in international call segment.

Consistent good performance in domestic retail revenues demonstrates the implementation of effective strategies by the group. We hope to continue this performance in spite of increasing competitive pressure. Our “Carrier of Carriers” business is set to diversify and strengthen further with the implementation of new express cable system “Europe Persia Express Gateway (EPEG)”. 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 the intensifying competition and increasing challenges it would pose on its operating results.





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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 that enabled us 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 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, executive management and the staff, I am honoured 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.

**ABDULKADER AHMED ASKALAN**

**DEPUTY CHAIRMAN**

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