

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the 3 months period ended 31st March 2016.

Operating performance:

REVENUE

Group Revenue as of March'16 has grown to RO 135.5 million, an increase of 4.7% compared to RO 129.4 million for the corresponding period of year 2015.

Parent company Revenues has recorded a growth of 4.9% and now reached RO 133.3 million compared to RO 127.1 million for the corresponding period of year 2015. Parent company contributes 98% of the group revenues. The Retail and Wholesale revenues recorded a growth of 3.1% and 12.2% respectively. The growth is mainly driven by Broadband revenues on Retail segment by 18% and Submarine cable capacity sales on Wholesale segment by 12%. Conventional revenue streams such as national calls and SMS have continued its declining trend due to Over The Top (OTT) services, however, International call revenues have recorded a growth of 21.5% compared to last year mainly due to introduction of segmented bundle offers.

EXPENSES

Group Total Operating expenses increased by 4.3% to RO 96.9 million compared to RO 92.9 million for the corresponding period of year 2015. Cost of Sales increased by 8.4% resulting in lower Gross Margin of 79.5% compared to 80.2% for the corresponding period. Operating Expenses (excluding Cost of Sales, Depreciation and Royalty) decreased by 3.5% compared to the corresponding period. Depreciation and Amortization Increased by RO 3.0 Mn 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 34.8 million compared to RO 34.6 million of the corresponding period of year 2015, which is an increase of 0.6%. Net Profit increase is impacted by the loss incurred by Omantel's subsidiaries and reduction in finance & other income categories resulting from the decline in the carrying value of portfolio investments.

Group Earning per Share (EPS) for the period ended 31 Mar'16 is RO 0.046 compared to RO 0.046 for the corresponding period of year 2015.

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SUBSCRIBER BASE

The total domestic subscriber base as of March 2016 (including mobile and fixed businesses) has reached 3.365 million (excluding Mobile Resellers) compared to 3.268 million of the corresponding period of the previous year, recording a growth rate of 3.0% over the last year.

Subsidiary Companies:

- 1) Oman Data Park LLC:** is a joint venture of Omantel and 4Trust LLC. The paid up capital is RO 1 million and Omantel owns 60%. The revenue for as of Mar'16 is RO 0.7 Mn an increase of 32.5% compared to RO 0.6 Mn for the corresponding period of year 2015. The company has incurred a loss of RO 0.37 Mn for the period ended March 2016 as compared to a loss of RO 0.36 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 in 2016.
- 3) Worldcall Telecom Limited (WTL):** Omantel has impaired the investment in WTL in Year 2015. Currently, Omantel management is working with WTL management on various strategic options.

Associate Companies:

- (1) Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue as of Mar'16 increased by 62% to RO 6.943 million compared to RO 4.289 million for the corresponding period of year 2015. The company has achieved a net profit after tax of RO 0.601 million for the period ended Mar'16 compared to RO 0.242 million for the corresponding period of year 2015.
- (2) Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Mar'16 increased by 32% to RO 1.762 million compared to RO 1.335 million for the corresponding period of year 2015. The Company's net profit after tax for the period ended Mar'16 is RO 89 K compared to corresponding period profit of RO 61 K an increase of 45.9%.

Market Share:

Omantel's Mobile network market share (*including Mobile Resellers*) is estimated at 58.9% with a revenue share of 59.6%. The Fixed Telephone (post & pre-paid) market share is estimated at 78.2% with a revenue market share of 84.7%.

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 ended 31st March 2016.

1. As part of ICT initiatives signed MOUs with SQU, GUTech and Caledonian college for 3 months internship program for ICT students, MoU with SQU on Telecom Researches and MoU with Ministry of Education (MoE) to provide 3500 tablet devices to schools.
2. Other CSR initiatives are Traffic Safety awareness videos, joint initiatives with MoE for sports promotion, Supporting Arab Orphan Day and to raise funds to support Dar Al Atta's empowerment programs.

Major Events:

Omantel provides its utmost support to the different events held in the sultanate in a bid by the company to serve the different sectors of our society:

- 1- Sponsoring the annual event Muscat Festival 2016 ,the most loved and highly anticipated annual cultural events in the sultanate.
- 2- Sponsored Tour of Oman 2016 by providing fleets branded vehicles that carried back-up cycles for the international race teams
- 3- Supporting Comex 2016 as a company's long-lasting partnership with the sultanate's major telecom and IT show and the company's vision to support sustainable development of the telecom sector.

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.

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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.

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