

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the 3 months period ended 31<sup>st</sup> March 2017.

Operating performance:

#### REVENUE

Group Revenue as of March'17 is recorded at RO 132.6 million, a decrease of 1.0% compared to RO 133.9 million for the corresponding period of year 2016.

Parent company Revenues have recorded a decline of 1.2% and now reached RO 131.6 million compared to RO 133.3 million for the corresponding period of year 2016. Parent company contributes 99% of the group revenues. The Retail revenue posted a growth of 1.6%, whereas Wholesale revenues recorded a decline of 11.8%, which is due to lower revenues from Capacity sale. The growth is mainly driven by Fixed and Mobile Broadband revenues, which recorded a growth of 13%. Conventional revenue streams such as national calls, international calls have continued their declining trend due to Over The Top (OTT) services.

#### EXPENSES

Group's total Operating expenses increased by 14.3% to RO 106.9 million compared to RO 93.5 million for the corresponding period of year 2016 and the increase is mainly due to change in Royalty Fees from 7% to 12% and Depreciation. Operating Expenses (excluding Cost of Sales, Depreciation and Royalty) increased by 11.8% compared to the corresponding period 2016. Royalty Fees increased by RO 6.4 Mn and Depreciation and Amortization Increased by RO 5.0 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 23.8 million compared to RO 34.8 million of the corresponding period of year 2016, which is a decrease of 31.6%. Main contribution in the decrease in Net Profit comes from the increase in Royalty charges, which increased by 78% compared to the corresponding period in 2016. The Group recorded a tax credit relating to deferred tax asset related to prior years. This is one off adjustment.

Group Earning per Share (EPS) for the period ended 31 Mar'17 is RO 0.032 compared to RO 0.045 for the corresponding period of year 2016.

#### SUBSCRIBER BASE

The total domestic subscriber base as of March 2017 (including mobile and fixed businesses) was recorded at 3.356 million (excluding Mobile Resellers) compared to 3.365 million of the corresponding period of the previous year, recording a decline of 0.3% over the last year. However, total subscriber base with mobile resellers reached 4.538 Mn.

#### 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 quarter ended Mar'17 is RO 0.94 Mn an increase of 29% compared to RO 0.73 Mn for the corresponding period of year 2016. The company has incurred a loss of RO 0.368 Mn for the period ended March 2017 as compared to a loss of RO 0.131 Mn in the previous corresponding 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 2<sup>nd</sup> Qtr 2017.
- 3) **Worldcall Telecom Limited (WTL):** Omantel signed a Share Purchase Agreement with WorldCall Services Limited and Ferret Consulting for sale of ordinary and convertible preference shares of WTL held by Omantel in Oct 2016. On March 8, 2017 Worldcall Services Limited announced the public offer to acquire shares from the minority shareholders. The public offer is open till May 7, 2017. The transaction is subject to the successful completion of the public offer, closing formalities and processes as per applicable regulations. We expect that the transaction will be completed by Q2 2017. Since December 2016, WTL investment 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 this year.

#### Market Share:

Omantel's Mobile network market share (*including Mobile Resellers*) is estimated at 57.5% with a revenue share of 59.7%. The Fixed Telephone (post & pre-paid) market share is estimated at 78.9% with a revenue market share of 82.4%.

#### 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 31<sup>st</sup> March 2017.

- 1) Supporting Oman National Non-Communicable Diseases Survey and Risk Factors Surveillance with MoH, which aimed to establish a national baseline data for non-communicable diseases for effective monitoring.
- 2) To promote ICT initiative, Launched Edlal platform, the first Omani digital platform to enrich the Arabic e-content targeting Arab youth, Trained the 2nd batch of “Omantel & Huawei ICT training program” a 3 months internship program for ICT students and Program called “Hour of code 2”, an educational initiative for kids to learn basics of coding and computer sciences.
- 3) Also, supported Dar Alatta to raise funds to support the Orphan Students and extended support by funding their new HQ.

#### Future outlook:

The Omani telecom market in 2017 will see the impact of several fundamental regulatory changes. First, with the increase of royalties from 7% to 12% the bottom line of all telecom players is impacted directly. Secondly, the introduction of the new Access & Interconnection regulation as well as the introduction of a 3<sup>rd</sup> mobile network operator will substantially shift the competitive forces in the market. 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 we can further grow our position 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.

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 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**