

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the 6 months period ended 30th June 2017.

Operating performance:

REVENUE

Group Revenue as of June'17 is recorded at RO 267.7 million, a decrease of 0.8% compared to RO 270.0 million for the corresponding period of year 2016.

Parent company Revenues have recorded a decline of 0.6% and now reached RO 266.0 million compared to RO 267.6 million for the corresponding period of year 2016. Parent company contributes 99% of the group revenues. The Retail revenue posted a growth of 1.0%, whereas Wholesale revenues recorded a decline of 6.5%, 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 12.0%. 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 12.7% to RO 220.8 million compared to RO 195.9 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. Royalty Fees increased by RO 12 Mn and Depreciation and Amortization Increased by RO 8.2 Mn. The depreciation increase 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 40.8 million compared to RO 66.8 million of the corresponding period of year 2016, which is a decrease of 38.9%. The decrease in Net Profit is mainly due to the increase in Royalty charges, which increased by 71% 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 30 Jun'17 is RO 0.054 compared to RO 0.089 for the corresponding period of year 2016.

SUBSCRIBER BASE

The total domestic subscriber base as of June 2017 (including mobile and fixed businesses) was recorded at 3.438 million (excluding Mobile Resellers) compared to 3.314 million of the corresponding period of the previous year, recording a growth of 3.8% over the last year. However, total subscriber base with mobile resellers reached 4.659 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 as of Jun'17 is RO 2.1 Mn a decrease of 15% compared to RO 2.5 Mn for the corresponding period of year 2016. The company has incurred a loss of RO 0.226 Mn for the period ended June 2017 as compared to a loss of RO 0.529 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. All operators owning capacity on AAE-1 will become Omantel France customers for the termination of their traffic on AAE-1 for the lifetime of the cable system 20 years. Omantel France has implemented all the required infrastructure for landing AAE1 cable earlier than expected and the cable system will be ready for service in the second half of 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. The transaction is at an advanced stage of completion and is now subject to obtaining the relevant stakeholders consent.
- 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 57.8% with a revenue share of 59.5%. The Fixed Telephone (post & pre-paid) market share is estimated at 78.2% with a revenue market share of 83.4%.

Interim Dividend:

Following the AGM held on March 30, 2017 decision, the Board has approved to distribute interim dividend of 20% of the paid up capital for the financial year 2017 to be paid to the registered shareholders as of the end of the trading hours of 31st August 2017.

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 30th June 2017.

Omantel renewed its partnership with;

- 1) Microsoft in this annual student competition “Imagine Cup 2017” which encourage creativity and ICT skills among young Omani people,
- 2) Outward Bound Oman, an annual Coaching program that target government schools’ students to enhance their soft skills such as teamwork, self-dependence, and self-confidence skills.

In addition, Omantel has also engaged in other initiatives - Omantel Ramadhan campaign “Give. Share. Care”, SQU Hospital Blood Donation Campaign, Support to Oamr Ibn Al Khatab for developing smart phone app “Wijhati App” to monitor visually impaired students, support to “The Company Program” by Injaz Oman to equip the students to be the successful entrepreneurs and ICT Internship.

Future outlook:

The Omani telecom market in 2017 is seeing 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 3rd mobile network operator will substantially shift the competitive forces in the market. And finally, the effect of the oil price and economic environment continues 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 corresponding user behaviour, especially related to online video consumption and streaming, provides substantial growth in data consumption, which is both an opportunity to grow revenues as well as a challenge to invest in the required infrastructure to support this demand.

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 changing market dynamics. Our focus is 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

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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