

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the 9 months period ended 30th September 2017.

Operating performance:

REVENUE

Group Revenue as of September'17 is recorded at RO 406.8 million, an increase of 3.0% compared to RO 394.8 million for the corresponding period of year 2016.

Parent company Revenues have recorded a growth of 3.1% and now reached RO 403.9 million compared to RO 391.8 million for the corresponding period of year 2016. Parent company contributes 99% of the group revenues. The Retail revenue posted a growth of 2.4%, whereas Wholesale revenues recorded an increase of 5.5%, which is due to higher revenues from Capacity sale. The growth is mainly driven by Fixed and Mobile Broadband revenues, which recorded a growth of 13.3%. 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 16.2% to RO 335.5 million compared to RO 288.7 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 17.9 Mn and Depreciation and Amortization Increased by RO 12.2 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 65.0 million compared to RO 95.1 million of the corresponding period of year 2016, which is a decrease of 31.6%. The decrease in Net Profit is mainly due to the increase in Royalty charges, which increased by 70.5% compared to the corresponding period in 2016.

Group Earning per Share (EPS) for the period ended 30 Sep'17 is RO 0.087 compared to RO 0.127 for the corresponding period of year 2016.

SUBSCRIBER BASE

The total domestic subscriber base as of September 2017 (including mobile and fixed businesses) was recorded at 3.572 million (excluding Mobile Resellers) compared to 3.326 million of the corresponding period of the previous year, recording a growth of 7.4% over the last period. However, total subscriber base with mobile resellers reached 4.740 Mn.

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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 Sep'17 is RO 3.43 Mn an increase of 1.4% compared to RO 3.38 Mn for the corresponding period of year 2016. The company has incurred a loss of RO 0.242 Mn for the period ended September 2017 as compared to a loss of RO 0.538 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.. Omantel France has completed all the required infrastructure for landing AAE1 cable and operational since Q3 2017.
- 3) **Worldcall Telecom Limited (WTL):** As disclosed earlier, in Oct 2016, Omantel concluded Share Purchase Agreement with WorldCall Services Limited and Ferret Consulting (the "Purchaser") for sale of ordinary and convertible preference shares of WTL held by Omantel. The sold shares have now been issued in the name of the Purchaser which marks the completion of the share transfer. Henceforth its financials would not be consolidated.
- 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 has already started this year.

Investment in Associated Companies:

On 24 August 2017, Parent Company acquired 425.7 million treasury shares representing 9.84% of the Share capital in Mobile Telecommunication Company (Zain) at a price of 0.600 Kuwaiti Dinar. The total consideration for the acquisition amounted to RO 326.6 Mn. The group accounts include Share of Profits from Zain Group amounting to RO 2.3 Mn.

Market Share:

Omantel's Mobile network market share (*including Mobile Resellers*) is estimated at 58.9% with a revenue share of 59.4%. The Fixed Telephone (post & pre-paid) market share is estimated at 77.2% with a revenue market share of 84.1%.

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.

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The below summarizes the major initiatives and events supported during the 3 months period ended 30th September 2017.

1. **Honoring Outstanding Teachers:** Omantel partnered with Ministry of Education to honor outstanding teachers during the teacher's day.
2. **Sponsorship of GU Summer Academy:** The program for the school students aimed to develop student's talents and abilities in a very unique environment combining knowledge and fun together.
3. **ICT & Nanotechnology Research Fund:** Omantel partnered with Sultan Qaboos university to establish Fund for ICT & Nanotechnology researches to help support the researches in the Sultanate.

Future outlook:

The Omani telecom market in the last quarter of 2017 & will continue to see the impact of several fundamental regulatory changes as well as the economic situation during 2018. First, the increase of royalties from 7% to 12% has impacted the bottom line of all telecom players 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 (both in fixed and mobile), 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 remains 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. This 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.

Moreover, the recent acquisition of a stake in Zain will enable Omantel to diversify its revenue sources and contribute to the creation of an added value to the shareholders of both companies, and will provide opportunities for integration between the two companies as well as to find a strong platform to compete more effectively in the market and overcome the risks of being in a single market.

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 seize the opportunity to extend our sincere greetings to His Majesty Sultan Qaboos bin Said for the occasion of the 47th National Day, coupled with our heartfelt prayers to grant his Majesty good health, happiness and a long life and to grant Oman and its people more security, stability and welfare.

Eng. SULTAN HAMDOON AL HARTHI
CHAIRMAN, OMANTEL BOARD OF DIRECTORS