

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 2015.

Operating performance:

REVENUE

Group Revenue as of September'15 has grown to RO 383.3 million, an increase of 7.2% compared to RO 357.6 million for the corresponding period of year 2014.

Domestic Revenues has recorded a growth of 7.8% and now reached RO 377.7 million compared to RO 350.4 million for the corresponding period of year 2014 mainly contributed by broadband services. Fixed Line and Mobile Business retail revenues recorded a growth of 8.0% and 7.4% respectively mainly driven by Fixed and Mobile Broadband revenues, which witnessed an increase of around 26%. The increase in revenues also boosted by innovative bundled promotions with handsets and other devices, which has resulted in overall increase in revenues. Conventional revenue streams such as national calls, international calls and SMS have continued its declining trend due to Over The Top (OTT) services. However, we were able to arrest the decline in international revenues and achieved a growth in Q3'15 compared to previous periods.

EXPENSES

Group Operating expenses increased by 10.1% to RO 283.6 million compared to RO 257.6 million for the corresponding period of year 2014. The major reasons for increase in operating expenses are attributed to increase in roaming, operating & maintenance (O&M), depreciation, employee costs, marketing cost and administrative expenses. The increase in O&M is mainly on account of revenue related costs such as submarine cable IRU sales costs, cost of devices and roaming operator costs. Increase in depreciation is resulting from increased investment in network expansion for both mobile and fixed networks to meet the growing demand of broadband services. Administrative costs include payment to TRA and consultancy costs related to new Corporate Strategy and Spend optimization initiatives, which are of non-recurrent nature.

NET PROFIT

Group Net Profit after tax is RO 90.7 million compared to RO 95.9 million of the corresponding period of year 2014, which is a decrease of 5.4%. Net Profit was impacted by the loss incurred by Omantel's subsidiaries. Net profit from domestic operations recorded a decrease of 3.9% to RO 97.8 Mn compared to RO 101.8 Mn in the corresponding period of 2014 mainly due to non-recurrent costs and significant reduction in finance & other income categories resulting from the steep decline in the carrying value of portfolio investments due to meltdown in the global and regional security markets during August and September 2015.

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Group Earning per Share (EPS) for the period ended 30 Sep'15 is RO 0.121, which is a decrease of 5.4% over the corresponding period of year 2014.

SUBSCRIBER BASE

The total domestic subscriber base as of September 2015 (including mobile and fixed businesses) has reached 3.383 million (*excluding Mobile Resellers*) compared to 3.259 million of the corresponding period of the previous year, recording a growth rate of 3.8% over the last year.

Subsidiary Companies:

- 1) Worldcall Telecom Limited:** Omantel has a 56.8% shareholding in Worldcall Telecom Limited (WTL). The total revenue for the period ended September 30, 2015 is RO 5.6 million, a decrease of 21.3% over the corresponding period, mainly due to reduction in Wireless Local loop (WLL) segment. The company has incurred a loss of RO 12.9 Mn, as compared to a loss of RO 10.2 Mn in the previous period. Omantel's share of loss is OMR 7.3 Mn compared to a loss of OMR 5.8 Mn in the previous period. In view of the continued losses despite the turnaround strategies, the Omantel is exploring alternative strategies, which will be disclosed in due course.
- 2) 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 the period ended September 30, 2015 is RO 2.3 Mn an increase of 22.9% compared to RO 1.9 Mn for the corresponding period of year 2014. The company has incurred a loss of RO 0.88 Mn for the period ended September 2015 as compared to a loss of RO 0.9 Mn in the previous period. However, it has achieved positive EBITDA of 1.9%.
- 3) 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.

Associate Companies:

- (1) Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue for the period ended September 30, 2015 decreased by 13.56 % to RO 14.813 million compared to RO 17.137 million for the corresponding period ended Sep'14. The company has achieved a net profit after tax of RO 0.573 million for the period ended Sep'15 compared to RO 5.838 million (includes insurance claim of RO 4.831 million net of tax) for the corresponding period ended Sep'14.
- (2) Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue for the period ended September 30, 2015 increased by 83.08% to RO 4.599 million compared to RO 2.512 million for the corresponding period ended Sep'14. The Company's net profit after tax for period ended Sep'15 is RO 251 K compared to corresponding period profit of RO 126 K an increase of 99.21%.

Market Share:

Omantel's Mobile network market share (*including Mobile Resellers*) is estimated at 58.9% with a revenue share of 60.6%. The Fixed Telephone (post & pre-paid) market share is estimated at 78.8% with a revenue market share of 82.3%.

Award & Recognition

Omantel was awarded the Leading Corporate for Investor Relations and Best Investor Relations Professional in Oman for the year 2015, at the seventh Annual Middle East Investor Relations Society (ME-IRS) award ceremony held in Dubai.

Corporate Social Responsibility (CSR):

As part of its social commitment, Omantel has embarked on number of CSR initiatives and programs and has extended its support to various organizations and events.

During the 3 months period ended 30th Sep 2015, the major programs carried out are

- Wal Al Awael: for elderly people to connect generations through technology.
- Ramadan campaign: aiming at improving housing and other facilities for the needy.

In addition to Omantel has sponsored series of activities including supporting Oman Cancer Association and sponsoring students from various programs to upskill their talents which include LSSM inventors to USA, leadership skills in an adventure treks etc.,

Future outlook:

The market dynamics in the Omani telecom market context are changing substantially, similar to what is observed globally. Core telecom markets are saturating, with a slowing voice and messaging market while potential remains in the broadband market. At the same time, competitive pressure is increasing. Historical competitive advantages are eroding and increased presence of international OTT (over-the-top) players leads to market value destruction. Uncertainty on new local licenses, is considered as an additional challenge on the variables related to the market. At the same time, new opportunities are emerging, especially in the developing IT market.

In order to tackle these market dynamics in the best possible way, Omantel has developed a new Corporate Strategy with a focus on maximizing the share of wallet and value per customer, through expansion beyond the current core business and become a key differentiator companion of choice and creator and enabler of digital ecosystems.

This strategy will be driven across 4 strategic thrusts:

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1. Exceed customer expectations, consistently across all touch point and make our customers our brand ambassadors.
2. Lead Omani digitalization, and become a true partner of the government to drive Oman towards eGovernment and leverage “e” as the key means to interact with our customers.
3. Innovate our offering to strengthen the core while minimizing risk exposure and increasing share of wallet.
4. Transform to an agile Omantel, fostering innovation and leadership in collaboration and fast decision making.

The execution of this strategy will enable Omantel to maintain its leading position in the market and continue to maximize returns to our shareholders. This is already demonstrated in our continued investments in our network to support the core business and our position as a true Carrier of Carriers within the region.

Omantel has been continuously upgrading its network capacity and increasing the footprint across the Sultanate of Oman in 2015. The 2015 network rollout focused on Enhancing the Mobile Coverage for both voice and data network through new 3G/4G deployments and upgrade of existing network elements. Major focus is on Enhancing User Experience, which has been showcased by initiating the deployment of UMTS 900 technology across Oman in 2015, which was originally planned for 2016 to cater for Customer demand.

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.

We are honored to express our sincere greeting to His Majesty Sultan Qaboos bin Said on the occasion of the 45th National Day praying to Almighty Allah to ensure the many happy returns of the day while His Majesty and Oman is enjoying welfare and prosperity under the wise leadership of His Majesty.

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