

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the year 2015.

Operating performance:

REVENUE

Group Revenue for the year ended 31st December 2015 has grown to RO 514.3 million, an increase of 6.9% compared to RO 481.2 million for the corresponding period of year 2014.

Parent company Revenues has recorded a growth of 7.3% and now reached RO 503.7 million compared to RO 469.2 million for the corresponding period of year 2014. Parent company contributes 98% of the group revenues. The Fixed and Mobile Business retail revenues recorded a growth of 8.3% and 6.9% respectively. The growth is mainly driven by Broadband revenues, which witnessed an overall increase of around 24%. Conventional revenue streams such as national calls and SMS have continued its declining trend due to Over The Top (OTT) services, however, decline in International call revenues have been more or less arrested. International call revenue during July-Dec'15 recorded a growth of 20% compared to the 1st half of Year 2015 mainly due to introduction of segmented bundle offers.

EXPENSES

Group Operating expenses increased by 11.8% to RO 392.3 million compared to RO 350.8 million for the corresponding period of year 2014. Cost of Sales increased by 13.3% mainly on account of mobile and other customer devices impacting marginally the gross margin. Gross margin for the Year is 80.4% compared to 81.5% for the corresponding period. Most of the increase in admin costs are of non-recurrent nature, which includes payment to TRA and consultancy costs on new Corporate Strategy and Spend optimization initiatives. Depreciation and Amortization Increased by RO 12.1 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

VOLUNTARY END OF SERVICE (VEOS) PROGRAM

As part of the cost optimization strategy, the group has initiated the implementation of the 4th phase of the Voluntary End of Service (VEoS) program covering 266 employees of its parent company. The total cost of the program is estimated at RO 12.578 million, which has been provided in Year 2015 accounts in line with International Financial Reporting Standards. The program implementation will be spread over 7 quarters starting from Q1'2016.

IMPAIRMENT OF INVESTMENT IN SUBSIDIARY

Group Net Profit has been impacted due to impairment of investment in Subsidiary Worldcall Telecom Limited (WTL), Pakistan. The impairment charge after adjusting for the tax and the share of minority interest amounts to RO 55.1 Mn.

From inception, Omantel has been constantly engaged with WTL investment management activities and in monitoring and evaluation of performance on a continuing basis. However, this has not resulted in the desired returns on account of significant competition and changes in the regulatory landscape. Our evaluation has indicated that given the current financial situation of WTL, coupled with market challenges, it is not likely that turnaround can materialize without significant capital injection. Having taken all possible measures, we reflected a loss for impairment in our year end results in line with International Financial Reporting Standards (IFRS).

WTL's total revenue for the year ended 31 Dec'15 is RO 7.2 million, a decrease of 19.3% over the corresponding period. The company has incurred a loss of RO 22.5 Mn, as compared to a loss of RO 14.1 Mn in the previous period. Omantel's share of loss is OMR 12.8 Mn compared to a loss of OMR 8.0 Mn in the previous period.

On the way forward, Omantel management is working with WTL management on various strategic options.

NET PROFIT

As stated above, the Group Net Profit has been impacted due to impairment of investment in WTL and VEOS program. Prior to these impact, the Group Net Profit has been RO 115 Mn, and after impairment and VEOS program adjustments, the Group net profit stands at RO 48.5 Mn.

Group Earning per Share (EPS) for the year ended 31 Dec'15 is RO 0.065 compared to RO 0.163 for the corresponding period of year 2014.

Group Liquidity Position:

The exceptional items arising out of impairment of investment in WTL and VEOS programs have significantly impacted the profitability of Omantel in the current financial year. Notwithstanding the above, Omantel's overall financial results shows a steadily increasing revenue base from its domestic operations and the Wholesale business. Excluding the impact of Impairment and VOES program, net profits for the domestic operations remained robust at a net margin of 22.4%, EBITDA margin of 48.4% and a Free Cash Flow of RO 84 Mn, an increase of 10% over corresponding period. In addition, the Company maintained its historically strong cash position allowing it to reaffirm its investing-grade credit ratings from the rating agencies in their recent review. Most of the impairment impact related to WTL is an accounting loss and will not have any impact on the future liquidity position of the Company. Further the

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implementation of VEOS program is spread over 7 quarters and as such will not have an immediate impact on cash position of the Company.

Final Dividend: Board has recommended a final dividend of 60 bz per share which will be subject to the approval of AGM. This is in addition to the interim dividend of 55 bz per share paid in Aug 2015. This is bringing the total dividend of 115 bz per share for the financial year 2015 which is same as Year 2014 dividend.

SUBSCRIBER BASE

The total domestic subscriber base as of December 2015 (including mobile and fixed businesses) has reached 3.384 million (excluding Mobile Resellers) compared to 3.341 million of the corresponding period of the previous year, recording a growth rate of 1.3% 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 the year ended 31 Dec'15 is RO 3.8 Mn an increase of 14.7% compared to RO 3.3 Mn for the corresponding period of year 2014. The company has incurred a loss of RO 0.9 Mn for the year ended 31 Dec'15 as compared to a loss of RO 0.8 Mn in the previous period. However, it has achieved positive EBITDA of 3.4%.

- 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.

Associate Companies:

- (1) **Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue for the year ended 31 Dec'15 decreased by 3% to RO 22.6 million compared to RO 23.3 million for the corresponding period of year 2014. The company has achieved a net profit after tax of RO 1.6 million for the year ended 31 Dec'15 compared to RO 7.8 million (includes insurance claim of RO 6.5 million net of tax) for the corresponding period of year 2014.

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- (2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue for the year ended 31 Dec'15 increased by 45.7% to RO 6.3 million compared to RO 3.4 million for the corresponding period of year 2014. The Company's net profit after tax for the year ended 31 Dec'15 is RO 340.1 K compared to corresponding period profit of RO 168 K an increase of 102.4%.

Market Share:

Omantel's Mobile network market share (*including Mobile Resellers*) is estimated at 59.1% with a revenue share of 60.6%. The Fixed Telephone (post & pre-paid) market share is estimated at 77.5% with a revenue market share of 82.5%.

Award & Recognition

Omantel won the following award during the Year 2015:

1. 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.
2. Best Performing company in Muscat Securities Market (MSM) by Oman Economic Review for the 10th consecutive year
3. Voted as the Most Trusted Brand in the Telecom Sector in the Sultanate by Oman Economic Review. Also, maintained its position as Oman's Most Valuable Brand, according to a study published by Brand Finance, one of the world's leading intangible assets and brand valuation independent consultancies. Omantel moved 8 positions upwards to become 33rd among the 50 most valuable brands in MENA region with a total value of \$479 million.

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 year 2015.

1. Financing the maintenance and renovation for houses for under-privileged families across the Sultanate as part of Omantel annual Ramadhan campaign.
2. Financial support to various charitable / social institutions in Oman (Oman Association for the Disabled, Oman Cancer Association, Dar Al Atta, Environment Society Of Oman, Al Amal Deaf School).

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3. Providing Braille devices to SQU students with visual impairments. It is a fundamental work tool for them to complete educational assignments, and participate equally with their colleagues.
4. Omantel Olympic School days in a joint initiative with Ministry of Education to promote sports across the country among schools students.
5. Omantel Wal Al Awael: An initiative targeting training elderly people on the use of modern communications technology, and latest educational programmes to employ them in their daily lives.
6. Financing Summer camp for LSSM inventors: Omantel sponsored sending Omani students to USA to improve their skills especially in the area of innovation, and equip them with experience of others in this area.
7. Innovation and Technology Exhibition: Omantel sponsored this exhibition with the aim of creating a platform to Omani innovators to demonstrate their innovations and to share and learn the latest advancements.

Moreover, Omantel issued its Third sustainability report in 2015 which covers Omantel sustainability efforts and activities during 2014.

Future outlook:

The Omani telecom market in 2016 will be mainly influenced by 2 key dynamics: the impact of the oil price and the continuous evolution of OTT (over-the-top) players in the domains of voice, messaging and content. Also, we expect that the increasing competitive pressure will pose challenges for the growth.

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.

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