

**Oman Telecommunications Co (S.A.O.G)**  
**Board of Directors' Report for the year ended 31<sup>st</sup> December 2014**

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**Respected Shareholders,**

We are pleased to present to you a summary of the results of the operations for the year 2014.

**Operating performance:**

**REVENUE**

Group **Revenue** for the year ended 31<sup>st</sup> December 2014 has grown to RO 481.2 million, an increase of 4.0% compared to RO 462.9 million for the corresponding period of year 2013.

**Domestic Retail Revenues** has recorded a growth of 4.3% and now reached RO 392.6 million compared to RO 376.3 million for the corresponding period of year 2013 mainly contributed by broadband and corporate data services. Fixed Line and Mobile Business retail revenues recorded a growth of 10.9% and 2% respectively. Fixed Broadband, Mobile Broadband and Data services revenues increased by 30.4%, 32.1% and 15.4% respectively. Fixed Broadband subscriber net addition in Year 2014 was the highest ever recorded so far. However, revenues from national, international calls and SMS have continued its declining trend due to Over The Top (OTT) services.

**EXPENSES**

Group Operating expenses increased by 2.8% to RO 350.8 million compared to RO 341.4 million for the corresponding period of year 2013. The major reasons for increase in operating expenses are attributed to increase in operating & maintenance (O&M), depreciation, employee costs and administrative expenses. The increase in O&M and depreciation is the result of increased investment in network expansion for both mobile and fixed networks to meet the growing demand of broadband services as well as to provide the enhanced customer experience.

**NET PROFIT**

Group Net Profit after tax is RO 122.4 million compared to RO 119.3 million of the corresponding period of year 2013, which is an increase of 2.6%.

Group Earning per Share (EPS) for the year ended 31 Dec'14 is RO 0.163, which is an increase of 2.6% over the corresponding period of year 2013.

**SUBSCRIBER BASE**

Total subscriber base has reached 4.296 million as of Dec'14 compared to 4.022 million of the corresponding period of the previous year, a growth of 6.8%. The subscriber base includes WTL subscribers, which has now reached 955 K. The total domestic subscriber base (including mobile and fixed businesses) has reached 3.341 million (*excluding Mobile Resellers*), recording a growth rate of 7.9% over the last year.

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### Subsidiary Companies:

- 1) **Worldcall Telecom Limited:** Omantel has a 56.8% shareholding in Worldcall Telecom Limited (WTL). The total revenue as of Dec'14 is RO 8.9 million, a decrease of 26.2% over the corresponding period, mainly due to reduction in Wireless Local loop (WLL) segment. The company has incurred a net loss of RO 14.1 Mn, as compared to a loss of RO 9.7 Mn in the previous period. Omantel's share of loss is OMR 8 mn compared to OMR 5.5 mn in the previous period. As part of the business turnaround strategies, the company has concluded a network sharing agreement with one of the local companies in Pakistan. Omantel Board of Directors and Management have been working with WTL on several strategic initiatives aimed at improving its operations, financial position as well as its competitive advantages, which is expected to bring improvement in the overall operation of WTL.
- 2) **Oman Data Park LLC:** this company was established in the year 2011 as a joint venture of Omantel and 4Trust LLC (a subsidiary of National Trading Co). The paid up capital is RO 1 million, split by 60% Omantel and 40% 4Trust LLC. The revenue as of Dec'14 is RO 3.3 Mn an increase of 38.7% compared to RO 2.4 Mn for the corresponding period of year 2013. The company has incurred a loss of RO 0.76 Mn for the year ended December 2014 as compared to a loss of RO 0.83 Mn in the previous period. Within 4<sup>th</sup> year of operation, the company has achieved EBITDA positive of 3.4% compared to -24.5% of the corresponding period.
- 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 as of Dec'14 decreased by 13.8% to RO 23.314 million compared to RO 27.056 million for the corresponding year of 2013. The company has achieved a net profit after tax of RO 7.873 million for the year ended Dec'14 compared to RO 4.262 million for the corresponding year of 2013. The company has claimed an insurance claim of RO 10.183 mn against the fire incident in Year 2012. The company has received the full claim, of which RO 7.377 Mn in Year 2014 and RO 2.806 Mn in Year 2013 has been recognized.
- (2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Dec'14 (9 months period) increased by 6.4% to RO 2.5 million compared to RO 2.4 million for the corresponding year 2013. The Company's net profit after tax for year ended Dec'14 is RO 92.4 K compared to corresponding period profit of RO 179 K a decrease of 48.4%. The decrease in profit is mainly due to increase in employee costs by 20.6%. The company is currently developing an action plan to improve the revenue resources and profit.

### Market Share:

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Omantel Mobile's network market share (*including Mobile Resellers*) is estimated at 58.9%. The Fixed Telephone (post & pre-paid) market share is estimated at 82.9%.

### **Corporate Social Responsibility:**

As part of its ongoing commitment to support the society, environment and national economy, 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 2014.

1. Financing the maintenance and renovation 21 houses for under-privileged families across the Sultanate as part of Omantel annual Ramadhan campaign
2. Scholarships for students from under-privileged families in collaboration with Oman Chamber of Commerce & Industry.
3. Financial support to various charitable / social institutions (Omar bin Al Khatab Center for Blind People, White Hands Center for Autistic Children.
4. Customized special telecom offers (LANA) for NGOs registered with Ministry of Social Development.
5. Adatee Hayaty Expo for People with Disability.
6. Training elderly people on the use of new technology.
7. Supporting Oman Sustainability Summit.

Moreover, Omantel issued its second sustainability report in 2014 which covers Omantel sustainability efforts and activities.

### **Awards/ Recognitions:**

Omantel efforts have been recognized locally and regionally which was reflected by a number of Awards that were presented to Omantel throughout the year. Among these were:

1. In April 2014, The Emir of the State of Kuwait, conferred Omantel Excellence Award of the second grade on the GCC level which comes in recognition of Omantel major contributions to youth fields.
2. The Golden Gear Award from Ministry of Sports Affairs being the most outstanding supporter of sports activities in the Sultanate in year 2014.
3. Best performing company in MSM from Oman Economic Review for the ninth consecutive year.

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### **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 adds additional pressure. At the same time, new opportunities are emerging, especially in the emerging 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. 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.

### **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 appreciate the contribution of the Executive Management and Employees for the remarkable performance in the challenging situation. With your support, we are confident that Oman Telecommunications Company will continue its good performance and will 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 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 the strength to continue to lead the country on the path of sustainable development.

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