

# **Oman Telecommunications Co (S.A.O.G)**

## **Chairman's Report for the period ending 30<sup>th</sup> June 2009**

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### **Respected Shareholders,**

On behalf of the Board of Directors of Omantel, I am pleased to present to you a summary of the operations' results for the first 6 months ended 30<sup>th</sup> June 2009.

### **Group operating performance:**

The group has achieved a Net Profit after Tax (excluding Minority Interest) of RO 73.0 million in the first six months of 2009 compared to Net Profit after Tax of RO 74.8 million for the same period of 2008.

The total group revenue as of June'09 has declined by 1.3% to RO 198.5 million compared to RO 201.1 million for the corresponding period of year 2008. The lower revenue growth is due to rational spending behaviour witnessed across the telecom sector, increased market liberalization and the effects of economic slowdown.

The operating expenses have increased by 1.3% to RO 119.9 million compared to RO 118.4 million for the corresponding period of year 2008. The major reason for the increase in operating expenditure is the increase in roaming operator expense, operating & maintenance, marketing & advertising and depreciation expenses, which are mainly due to the introduction of 3.5G services.

The Earning per Share (EPS) for the period ended 30<sup>th</sup> June '09 is RO 0.097 which is lower compared to the previous period figure of RO 0.100.

Total subscriber base (all services) increased to 2,159 K as of Jun'09 as compared to 2,002 K for the corresponding period of the previous year, a growth of 7.8%.

### **Major Group Achievements:**

- Omantel has launched 3 new packages at attractive prices for hosting websites of public and private institutions and companies.
- Oman Mobile has launched a new service aimed at corporate subscribers, whereby they can assign specific tones for their callers or advertise their services and products.
- Omantel group has introduced "Pay and Win" offer to promote prompt payment by fixed , Internet and mobile subscribers giving the subscribers chance to enter draws to win attractive prizes (Toyota Sequoyas) and other promotions and offers.
- Oman Mobile and eBuddy, the world's leading independent web and mobile instant messaging (IM) service, announced the launch of online instant messaging services on Oman Mobile WAP portal via eBuddy's instant messaging platform. eBuddy's instant messaging service enables Oman Mobile subscribers to access their favourite instant messaging services including AIM, Facebook, ICQ, Google Talk, MSN Windows Live Messenger or Yahoo! anywhere and everywhere they go.

### **Promotions:**

- Omantel and Oman Mobile have launched attractive consumer promotions during Muscat Festival and Comex covering all major Fixed Line and Mobile services.
- Following the launch of 3.5G service, Oman Mobile has offered series of value promotions enhancing the use of wireless broadband services .
- Omantel and Oman Mobile will be participating in the Salalah Tourism Festival 2009 as the Main Diamond Sponsors with interesting surprises and scintillating promotions to their subscribers and festival visitors.

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### **Sponsorships & Corporate Social Responsibility:**

- ☑ Omantel Group has sponsored some of the main events held during the period Jan-June'09. The major events sponsored are Muscat Festival and COMEX and the group has achieved good results and substantial appreciation from visitors.
  
- ☑ As part of its Social Responsibility, the Group continued its support to many charitable and welfare organizations.

### **Awards:**

- 1) Omantel has been selected as the top brand in Oman and 26<sup>th</sup> top brand in the GCC by the global brand strategist firms Brand Finance plc (UK) and Water Brand Group (Dubai).
- 2) Oman Mobile has received a special honor from the Ministry of Education during a ceremony held at Al-Bustan Palace Hotel in view of its continued support for educational programmes.
- 3) The group was honored for their efforts in the Omanization, Oman Mobile came first and Omantel came third.
- 4) Omantel was selected as No. 1 Company among the best 20 companies in Oman, the research conducted by the Oman Economic Review Magazine using various economic and financial performance indicators.

### **Subsidiary Company:**

**Oman Mobile Telecommunications Co (LLC):** Omantel has 99% shareholding in Oman Mobile. The number of Oman Mobile customers has reached 1,797k as of June 2009 recording a growth rate of 11.8% over the last year. The gross revenue from mobile operations for the period ended June'09 is RO 125.4 million compared to the previous period's revenue of RO 132.9.million, a decrease of 5.7%.

### **Associate Companies:**

- 1) **Worldcall Telecom Limited:** Omantel acquired 56.8% of the share capital of Worldcall Telecom Limited (WTL) on 2 May 2008. The Company has incurred a loss of RO 253 K for the period Jan to Jun 09, of which Omantel's share is RO 144 K. On control issue reported earlier, we are pleased to state that considerable progress has been achieved towards resolution of these issues. It is expected that all issues will be resolved and control will be re-established before the end of 2009.
- 2) **Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 25.96% shareholding in the OFOC. The company has achieved a net profit after tax of RO 1.01 million for the period ended Jun'09 compared to corresponding period profit of RO 0.585 mn.
- 3) **Infoline LLC:** Omantel has 45% shareholding in the company. The Company's net profit after tax for period ended June'09 is RO 84 K compared to corresponding period profit of RO 36 K.
- 4) **Omania e-commerce LLC:** Omantel has 40% shareholding in the company. The company started its operation in 4<sup>th</sup> Qtr 2005. The company has incurred a loss of RO 82 K for the period ended Jun'09 compared to corresponding period loss of RO 66 K.

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**Market Share:**

Oman Mobile's subscriber market share is estimated at 52% as of April'09 based on the total subscriber figures released by Oman Telecommunications Regulatory Authority (TRA).

**Future outlook:**

The impact of the economic and financial crisis remains to be severe on the financial markets despite some positive sign of recovery on the global economy in the current period. Omantel Group has adopted various measures to mitigate and minimize the negative impact of the crisis on Group's revenues by adopting strategies that focuses on increased sales with enhanced service usage. These strategies are working satisfactorily. We have also signed up number of long term contracts with public and private establishments. Measures have been taken to enhance internet services by promoting ADSL services and expanding 3.5G services across Sultanate.

We believe that these efforts will position the Group to provide a state-of-art telecommunications services, satisfy and meet customers' expectations and thereby enhancing shareholder return.

**Thanks and appreciation**

On behalf of the Board of Directors, I take this opportunity to express our heartfelt thanks to our shareholders and loyal customers for their continued support to achieve these excellent results. Also, we, wholeheartedly appreciate the sincere contribution of Executive Management and Employees. With your support we are confident that the Group will continue its good performance and will be able to reach new heights of excellence.

We also express our special thanks to the Telecommunications Regulatory Authority of Oman for their valuable co-operation and contributions to our success.

On behalf of the Board of Directors, I am honored to express our sincere gratitude to His Majesty Sultan Qaboos bin Said and we pray to the Almighty to 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**