

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

## **Chairman's Report for the year ended 31<sup>st</sup> December 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 year 2009.

### **General Economic Environment:**

The world economy in 2009 turned as a result of incentive policies taken by the various governments to recovery from the recession caused by the global financial crisis, which reduced the rate of contraction in 2009 to about 1.1%, with expectation to achieve a positive growth rate of 3.1% in Year 2010.

Despite the substantial drop in oil prices from about U.S. \$ 101.1 per barrel in 2008 to U.S. \$ 56.7 a barrel in Year 2009, the national economy managed to achieve a positive growth at a rate of about 3.7%. This is due to higher oil production, financial policies, policies of economic diversification and supportive monetary policies, which contributed to the stability of the financial sector.

### **Group operating performance:**

The group has achieved a Net Profit after Tax (excluding Minority Interest) of RO 125.2 million (*an increase of 5.5%*) during the year ended 31<sup>st</sup> December 2009 compared to Net Profit after Tax of RO 119.2 million for the year 2008. This is the highest net profit ever recorded by the Omantel Group. The group results for the year 2009 include Worldcall Telecommunications Ltd (WTL) results for the period July-Dec'09.

The total group revenue as of December'09 has increased by 0.2% to RO 412.3 million compared to RO 411.5 million for the previous year 2008. The increase is mainly contributed by the consolidation of WTL revenues, while last year revenues exclude WTL revenues. The revenue from the domestic market is RO 394.6 million, which is lower by 4.1% compared to last year. One of the main reasons for the decline is lower consumer spending resulting from the economic downturn, which mainly impacted the growth of mobile pre-paid segment. The revenue decline could also be attributed to new super off-peak rates at 98 bz to India, Pakistan and Bangladesh as well as the loss of revenue from the increased access to illegal VoIP service for international calls. However, with strict crackdown of illegal operations, revenue seems to be on the recovery path especially since Oct'09.

The operating expenses have increased by 6% to RO 268.3 million compared to RO 253.5 million for the previous year 2008. The major reason for the increase in operating expenditure is the increase in employee cost, operations & maintenance, marketing & advertising and depreciation expenses, which are mainly due to the introduction of 3.5G services.

To enhance the internal efficiency and achieve right sizing of the Group, the company has implemented the Voluntary End of Service (VEoS) program covering 134 employees of the Parent Company and its subsidiary company, Oman Mobile amounting to RO 9.5 million.

The Earning per Share (EPS) for the period ended 31<sup>st</sup> December'09 is RO 0.167, which is higher compared to the previous year figure of RO 0.158.

Total subscriber base (all services including Worldcall) increased to 3.03 Mn as of Dec'09 as compared to 2.08 Mn for the corresponding period of the previous year, a growth of 46%. Year 2009 subscriber figures include WTL subscriber base of 799 K.

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#### **Major Group Achievements:**

Some of the major activities / achievements of the year 2009 are summarized below:

- (1) Launch of 3.5G Mobile services by Oman Mobile in March 2009 offering high speed wireless broadband services. Also, for the first time in Oman, it has launched "Mobile TV" (high-quality TV with exciting new channels).
- (2) Oman Mobile has launched new services such as E-top up service for Hayyak subscribers as well as new services such as Corporate Ring Back tone aimed at corporate clients, whereby they can assign specific tones for their callers or advertise their services and products.
- (3) 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.
- (4) To increase the off-take of Fixed Broadband services (ADSL), Omantel has waived the connection fees and has provided free modems.
- (5) Omantel has launched 3 new packages at attractive prices for hosting websites of public and private institutions and companies.
- (6) 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.
- (7) Omantel offered free national calls for fixed to fixed line service on Fridays for a limited time period.
- (8) Omantel and Oman Mobile have launched attractive consumer promotions during Muscat Festival, Salalah Tourism Festival and Comex covering all major Fixed Line and Mobile services.
- (9) Oman Mobile has offered series of value promotions like Hayyak Bonus Rewards, Hayyak Starter Kit Promotions (Hayyak Starter Kit RO 2 with RO 2 talk time), Mobile Broadband Post-paid Package promotion (3 GB download for only RO 19 instead of 1 GB), Hayyak Internet Broadband offer at RO 1 for 24 hours (1 day) and RO 3 for 72 hours (3 days) access as permanent tariff and Ramadan MMS Push Channels Offers.
- (10) New International Call Super off-peak Rates to India, Bangladesh and Pakistan from 9 PM to 7AM at 98 Baizes/ minute for calls originated from Mobile services and reduction of 10% on retail rates to Pakistan and Bangladesh from Fixed line services.
- (11) Oman Mobile has launched credit transfer services from its post-paid (Mada) to pre-paid (Hayyak).

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

- (1) Omantel Group has sponsored some of the main events held during the period Jan-Dec'09. The major events sponsored are 1) Muscat Festival, 2) Muscat Book Fair, 3) 3rd Women in Business Conference 4) Media Creativity Forum 5) COMEX 6) Salalah Tourism Festival 2009 and the group has achieved good results and substantial appreciation from visitors.

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- (2) Omantel and Oman Mobile present corporate solutions to participants of Gulf Tourism and property investment forum in the exhibition organized at the sidelines of the three-day Gulf Tourism and Property Investment Forum held at Al-Bustan Palace Hotel.
- (3) Omantel Group sponsored Oman Football Association in a 3 year deal as a title sponsor to the league, which is now known as the Oman Mobile League. The company is also the title sponsor of the Omani National football team.
- (4) Omantel and Bank Muscat promoted "Together for Happy Eid", a charity campaign to help the under privileged children with the supervision of the Ministry of Social Development during the holy month of Ramadan, which raised RO 250,000. This campaign has been awarded the Best Social Investment Program by Tawasul Civil Society Leader Project.
- (5) As part of its Corporate Social Responsibility, the Group continued to support charitable organizations. Oman Mobile has launched a campaign to collect donations for Gaza population and for its reconstruction under the slogan "together to support Gaza".

#### **Awards:**

- (1) Omantel has been awarded the no. 1 top brand in Oman and 26th 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 honour from the Ministry of Education during a ceremony held at Al-Bustan Palace Hotel in view of its continued support for educational programmes.
- (3) Omantel group companies were honoured 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 registered in MSM, the research conducted by the Oman Economic Review Magazine using various economic and financial performance indicators.
- (5) Omantel Call Centre won the Middle East Best Strategy Award.

#### **Subsidiary Company:**

- (1) **Oman Mobile Telecommunications Co (LLC):** Omantel has 99% shareholding in Oman Mobile. The number of Oman Mobile customers has reached 1,870 K as of December 2009 recording a growth rate of 9.4% over the last year. The gross revenue from mobile operations for the year ended December'09 is RO 253.1 million compared to the previous year's revenue of RO 271.1 million, a decrease of 6.6%.
- (2) **Worldcall Telecom Limited:** Omantel acquired 56.8% of the share capital of Worldcall Telecom Limited (WTL) on 2 May 2008. Effective 1 July 2009, the Group acquired control over Worldcall Telecom Limited. Accordingly WTL is accounted for as a subsidiary in accordance with IFRS 3-Business Combinations with effect from 1 July 2009. The gross revenue for the period July-Dec'09 is RO 20.4 million and the company incurred a net loss RO 1.12 Mn

#### **Associate Companies:**

- (1) **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 1.7 million for the year ended Dec'09 compared to corresponding year profit of RO 2.05 million.

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- (2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Company's net profit after tax for year ended December'09 is RO 174.5 K compared to corresponding year profit of RO 194.4 K.
- (3) **Omania e-commerce LLC:** Omantel has 40% shareholding in the company. The company started its operation in 4<sup>th</sup> Qtr of 2005. The company has incurred a loss of RO 185.7 K for the year ended Dec'09 compared to corresponding year loss of RO 153 K. However, efforts are being made to turn around the company and to bring it back to profitable lines, which we expect to happen within next two years.

#### **Market Share:**

Oman Mobile's subscriber market share (*including Mobile Resellers of Oman Mobile*) is estimated at 53% as of December'09 based on the total subscriber figures released by Oman Telecommunications Regulatory Authority (TRA).

#### **Future outlook:**

The sign of gradual economic recovery is started reflecting in the Omani economy. With Oman set to grow at 6.1% in year 2010 and government commitment on increased spending on infrastructure projects, it is expected to stimulate telecom sector as well. However, the telecom sector is poised for further market liberalization. Commencement of operations by 2<sup>nd</sup> fixed line operator, 5 Mobile resellers and other new service providers for internet services will increase competitive landscape in the telecom sector. To face the competition, Omantel Group Board has made series of decisions to enhance the overall competitive position of the group and, most important, to focus even more on our valued customers. The decision to integrate both Omantel and Oman Mobile as a single operating entity to enhance the operational synergy, branding, programs to enhance customer experience, etc., would undoubtedly retain Omantel's position as leading telecom service providers in the Sultanate.

#### **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 the Executive Management and Employees. With your support, we are confident that the Omantel Group 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 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, I am honored to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for His visionary leadership 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**