



Omantel Group Performance – Q4 2017

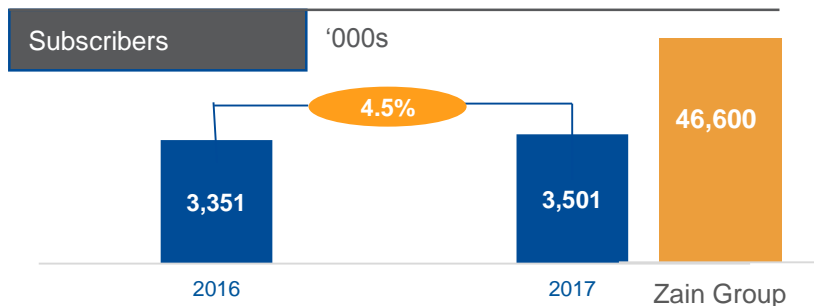
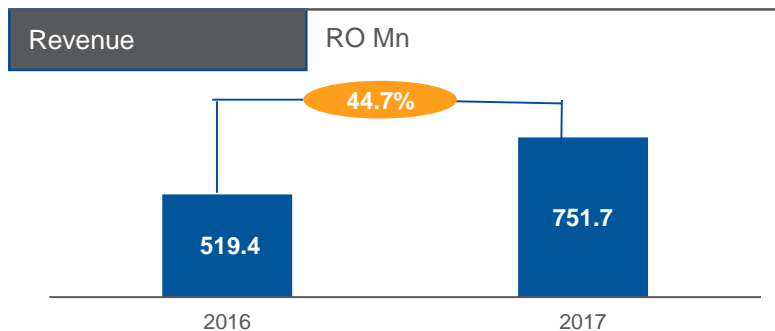
Presentation to Investor Community

Conference call

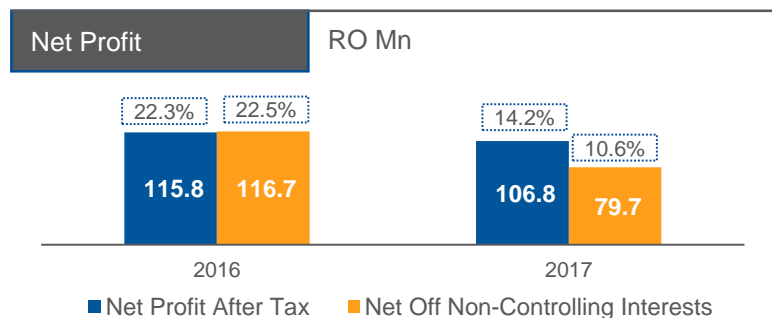
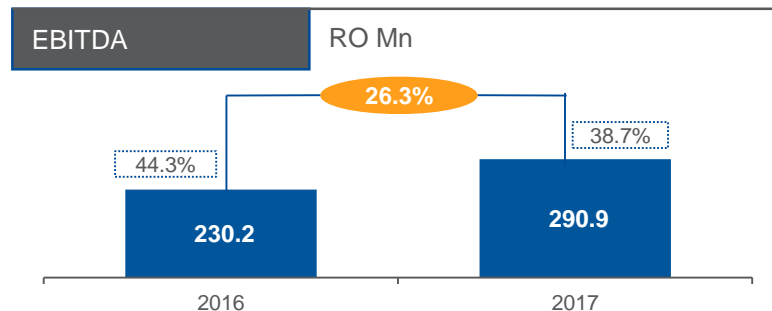
22nd February 2018 at 2 PM (Oman Time)

Group Revenue for the Year 2017 is RO 751.7 Mn and Net Profit is RO 106.8 Mn. Net profit margin is impacted mainly due to increase in Royalty from 7% to 12%, Tax, Depreciation charges and Interest Costs

Revenues & Subscribers growth



EBITDA (Post Royalty) & Net Margin



- The Group results include Zain Group results for the period from 15 November 2017 to 31 December 2017.
- Group Revenue is RO 751.7 Mn compared to RO 519.4 Mn of the corresponding period. Yr 2017 include consolidation of Zain Group, which contributed RO 219.6 Mn.
- Parent company (domestic Fixed & Mobile business operations) revenue growth is 2.4%.
- Zain Group Managed Active Customer base is 46.6 Mn.

- Domestic customer base including Mobile Resellers is 4,559 K, a growth of 0.8%. Continued growth in Subscriber acquisition. Overall Mobile and Fixed Line subscribers grown by 3.3% and 9.4% respectively.
- Group Net Profit after tax declined by 7.8%. The net profit include acquired business of Zain Group, which contributed net profit of RO 35.7 Mn to the Group. After adjusting for the minority interest, the acquired business contributed profit of RO 7.6 Mn to the Group profit and as an associate RO 3.453Mn (24th Aug to 14 Nov 2017).
- Increase in Royalty by RO 17.6 Mn (16% of the net profit) has impacted the group profit.

Income Statement for Year 2017 (High Level Summary)

Profit & Loss Statement	Parent Company			Consolidated		
	2017	2016	% Change	2017	2016	% Change
<i>RO in 000's</i>						
Revenue	527,515	515,058	2.4%	751,725	519,351	44.7%
Cost of Sales	(163,254)	(134,871)	-21.0%	(230,125)	(136,778)	-68.2%
Gross Profit	364,261	380,187	-4.2%	521,600	382,573	36.3%
Operating & Other Costs	(157,394)	(150,883)	-4.3%	(230,746)	(152,327)	-51.5%
EBITDA	206,867	229,304	-9.8%	290,854	230,246	26.3%
Depreciation & Amortization	(115,163)	(101,828)	-13.1%	(151,729)	(102,768)	-47.6%
EBIT	91,704	127,476	-28.1%	139,125	127,478	9.1%
Financing Income/Cost & Others	(9,308)	6,207	-250.0%	(23,014)	6,208	470.7%
Profit before Taxation	82,396	133,683	-38.4%	116,111	133,686	-13.1%
Taxation	(11,767)	(16,174)	27.2%	(8,985)	(16,174)	44.4%
Profit for the Period from Continuing Operations	70,629	117,509	-39.9%	107,125	117,512	-8.8%
Profit Net Off Discontinued operations / Others	70,629	117,509	-39.9%	106,779	115,781	-7.8%
Profit Net Off Non-Controlling Interests	70,629	117,509	-39.9%	79,717	116,671	-31.7%

Note: Cost of Sales include Royalty charges

Key Balance Sheet, Investment Performance & Leverage ratios

Key Balance Sheet Ratios

- Debt Ratio – Group 64.3% & Parent 64.9%
- Total assets – Group RO 4,478 Mn, Parent RO 1,670 Mn.
- Net worth – Group RO 1,598 Mn, Parent RO 586 Mn.
- Net Asset per share – Group RO 0.757, Parent RO 0.781.

Investment Performance & Leverage Ratios

- Year 2017 - Dividend Yield 5.8% and Dividend Payout ratio is 66%. (*Dec'17 Closing Price RO 1.205*)
- Market Capitalization at RO 0.904 Bn (Dec'2017)
- Price Earning Ratio {P/E 11.34}
- Price to Book Value 1.69.
- EV / EBITDA 3.11.
- Net Debt / EBITDA 3.85

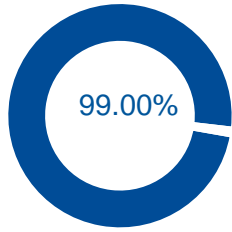
Achievements

- Omantel was awarded the '**Quality Choice Prize 2017**' by the European Society for Quality Research (ESQR) for the second year in a row.
- Omantel was awarded the '**Most Trusted Brand**' in the telecommunications sector in Oman for the second year in a row, according to a survey conducted by Muscat Daily.
- The best company in the field of Investor Relations and **Best Investor Relations Professional** in the field of investor relations in the Sultanate of Oman for the year 2017 by the Middle East Investor relations Society, Dubai.

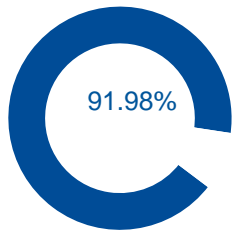
Continuous improvement in network coverage and initiatives to improve customer experience

Coverage

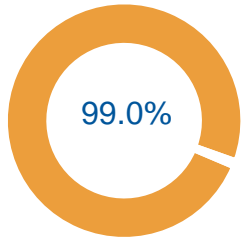
3G (Population)



4G (Population)



Fixed Broadband (Household)



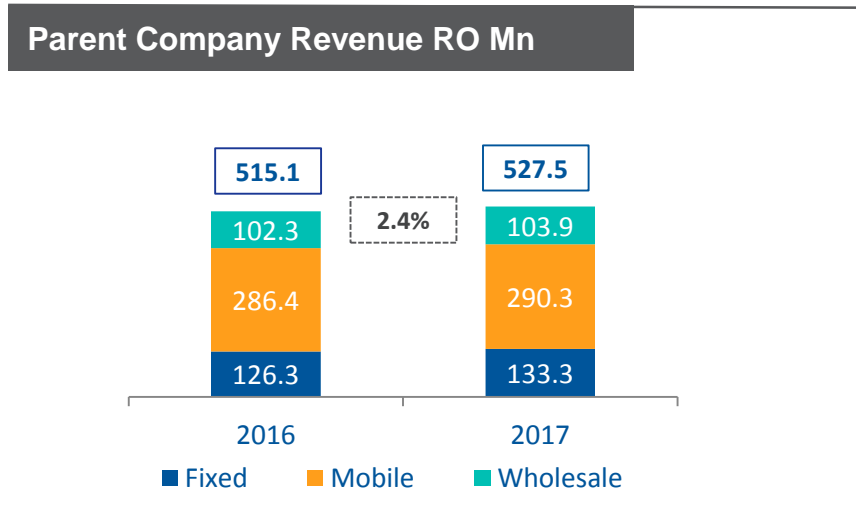
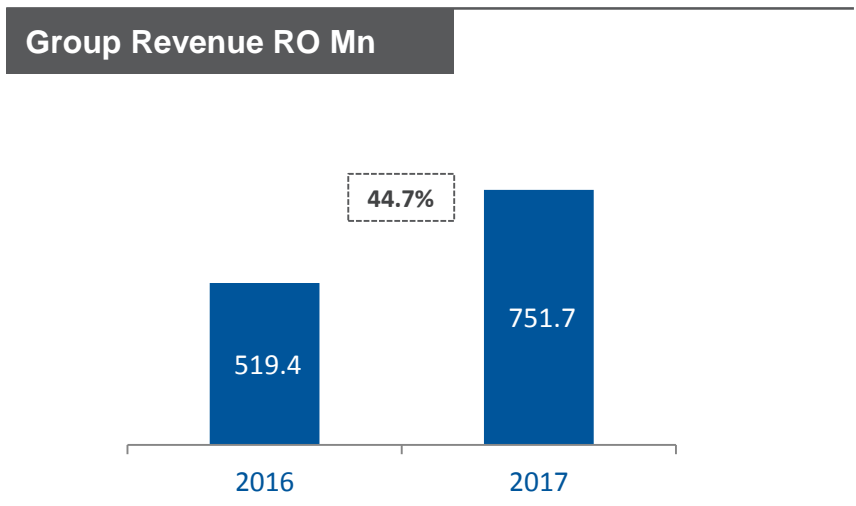
Key Focus Area

- Continued focus to enhance Customer Experience:**
- Enhanced **Call Quality Compliance** resulting in increase in Customer Satisfaction.
 - Pushing for Increase on **Digital Interaction** with enhanced Digital Customer Experience:
 - a) Increase ebill Subscribers,
 - b) Increase Social Media Interactions.
 - **Increased focus on Fixed Broad Band customer acquisition door to door activities** in major cities.
 - Increase use of Big Data for campaign management

Launches / Achievements

- Launched Mobile Postpaid **contracts with additional Data** targeting postpaid customers to extend lifetime value
- **iPhone X promotion:** zero down payment and monthly installments as low as RO 14.
- **Launched a Start kit** acquisition offer to drive Prepaid market acquisitions which resulted enhancing market share
- Launched **national day offer and GCC Cup** unlimited data roaming joint offer through Zain Kuwait.
- **Innovative HBB Family plan** with higher speed, free minutes to Omantel fixed line and discounts on International calls.
- **Launched TV offer:** unlimited internet, landline and OSN TV packages all together starting from RO 39.

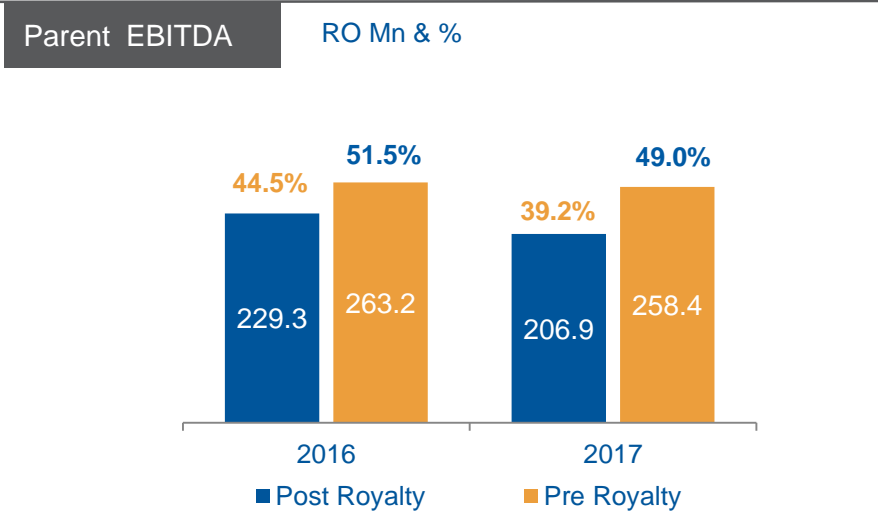
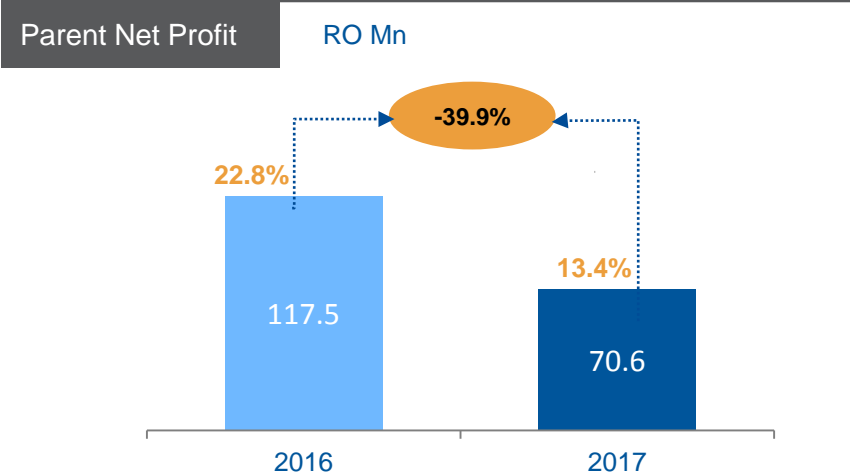
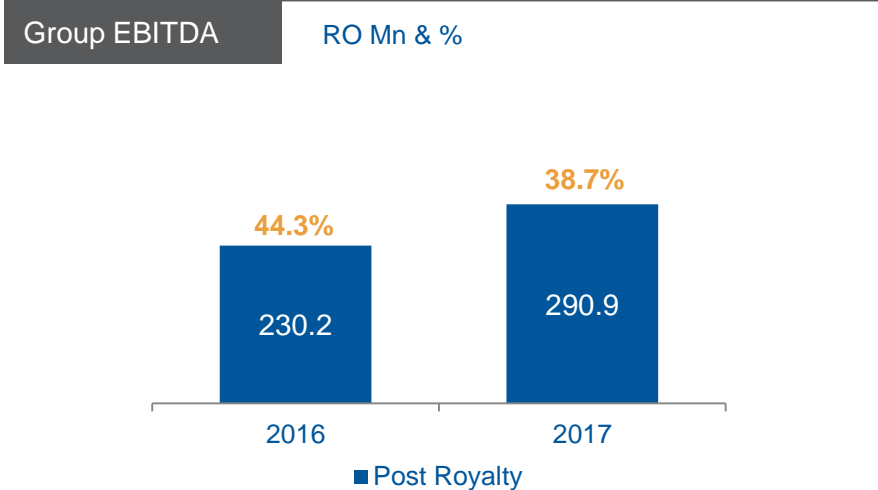
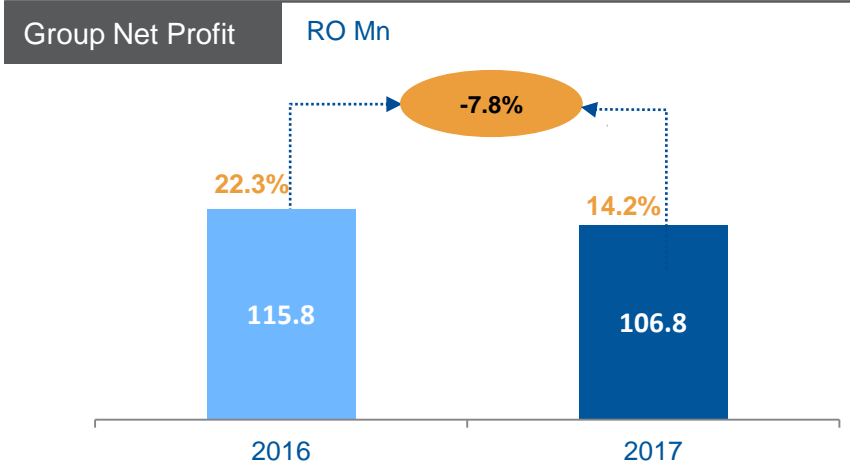
Parent company revenue compared to last year is higher by 2.4% mainly contributed by Fixed & Mobile Broadband Revenues.



- ### Parent Company Revenue Highlights
- **Parent company revenue has increase by 2.4% compared to last year.**
 - **5.5%** growth from Fixed Line e Retail revenues compared to last year.
 - Mobile Retail revenues increased by **1.3%** compared to last year.
 - **16.6%** increase in Fixed Broadband revenue.
 - **13.4%** increase in Mobile Broadband revenue.
 - Growth in Fixed Broadband subscriber by **16.4%**.
 - Growth in mobile broadband subscribers by **10.6%**
 - Wholesale revenue grown by 1.6% mainly due to higher submarine capacity sales (IRU revenues).
 - **78.1%** Smartphone penetration in Omantel Mobile Network.
 - Continue decline in voice revenues (both national and international calls).



Parent Net Profit declined by 39.9% mainly due to higher Royalty charges of 12% compared to 7% last year and increase in the corporate tax rate from 12% to 15%



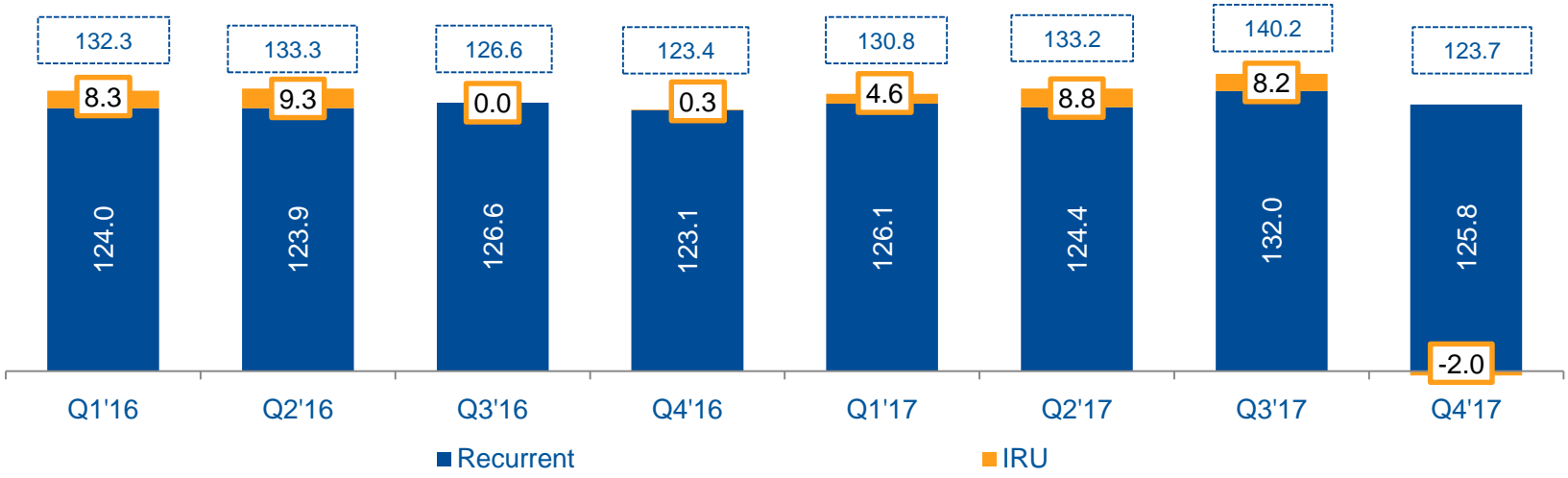
The above net profit include impairment losses of WTL amounting to RO 4.430 Mn and this gets eliminated in Group accounts. Excluding this adjustment, the parent net profit is RO 75.1 Mn.

Parent

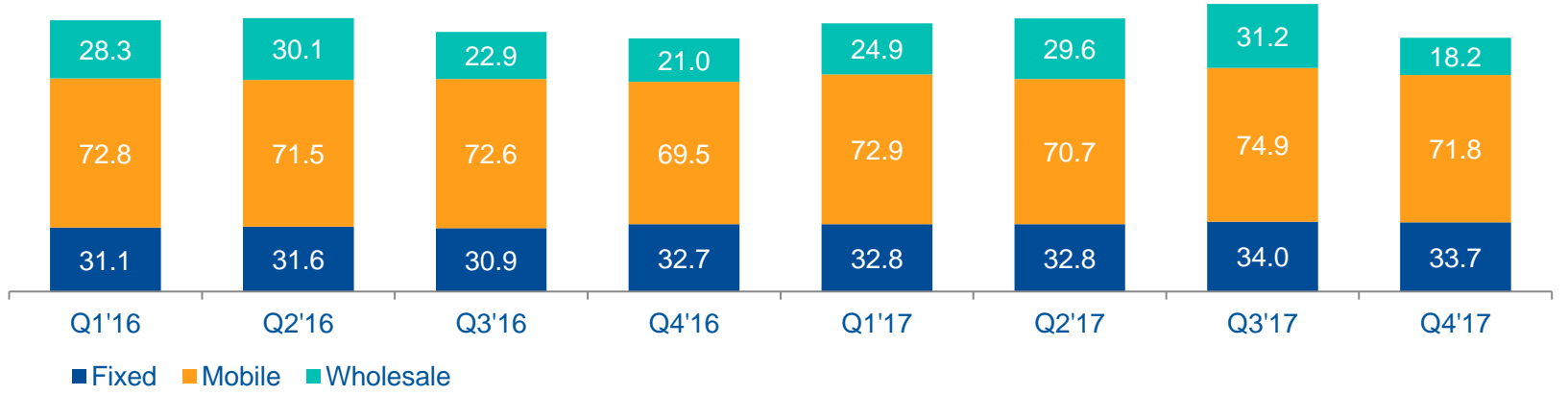
Parent Company Performance Q4 2017 (detail analysis)

Parent Revenue - Quarterly Trend

Revenue in RO Mn



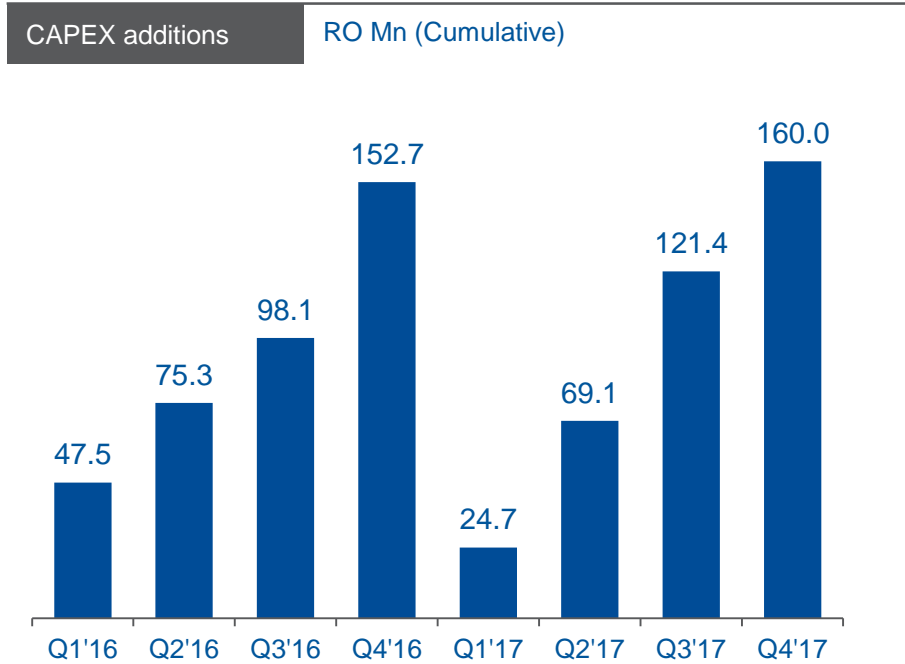
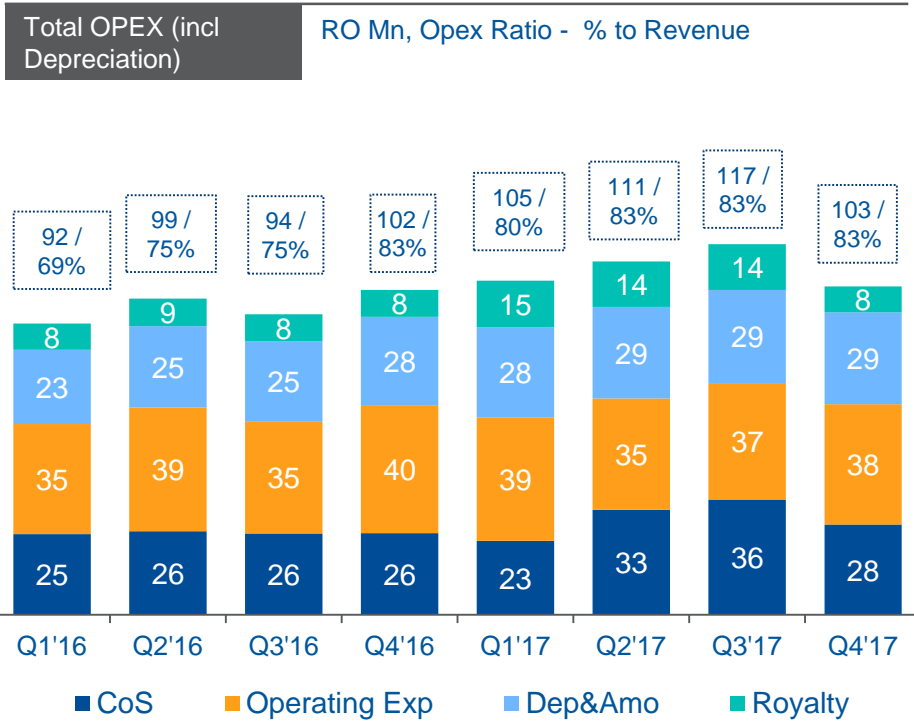
Revenue by Segment in RO Mn



Note: IRU – Revenues from Submarine cable system based on Indefeasible Right of use (IRU), which are non-recurrent nature



OPEX ratio for Q4'17 is 83% mainly on account of increase in Royalty charges and Depreciation. Capex to revenue ratio is at 30.3%



Capex to Revenue ratio is at 30.3% (cumulative)

YTD Opex to Revenue ratio for 2017 is 82.6%. Increase in depreciation amounting to RO 12.8 Mn over year 2016 is mainly from increased investment in network expansion both mobile and fixed networks.

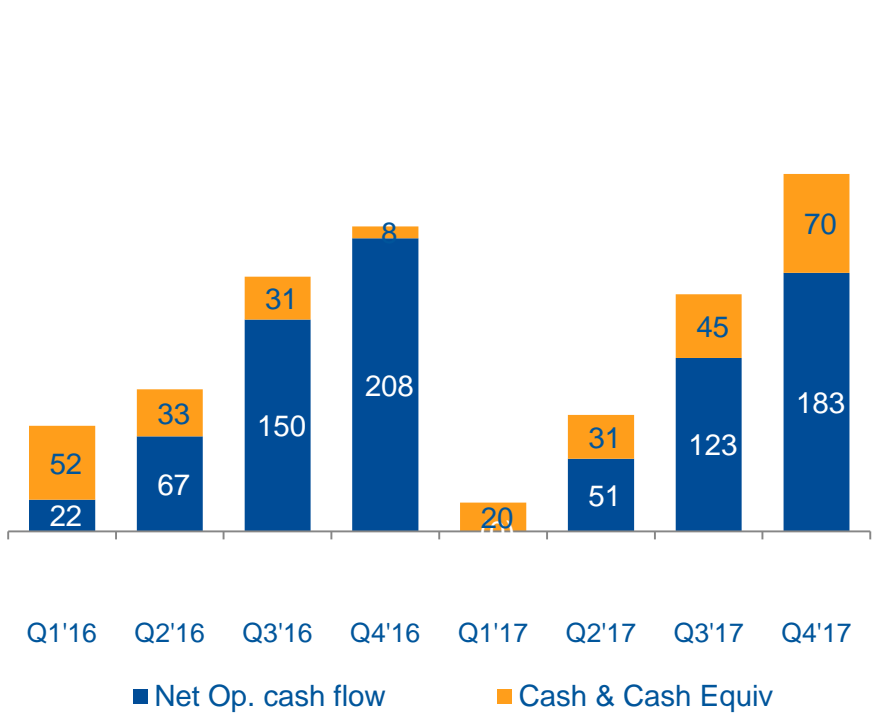
Employee Cost amounting to RO 4.573 Mn is capitalized

Note: Operating expenses includes costs related to Employee, O&M, admin, marketing and annual license fees

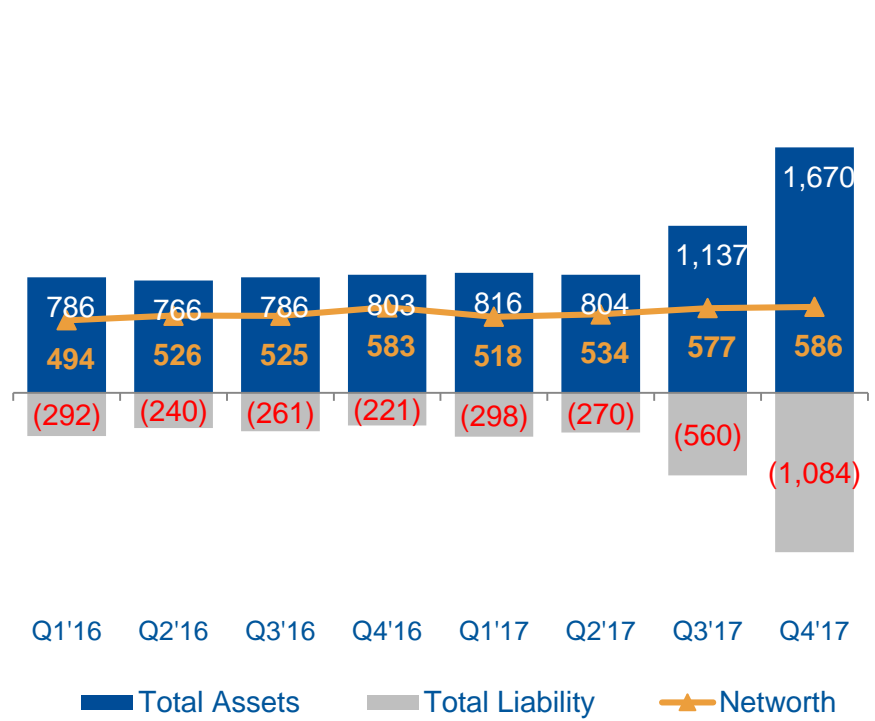


Cash flow and Financial Position as of 31st December 2017

Cash Flow (Cumulative) RO Mn



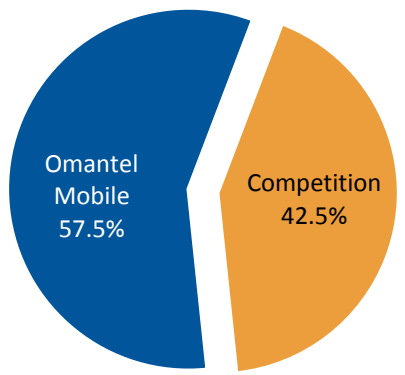
Assets, Liability & Net worth RO Mn



Increase in Liability due to the Parent Company acquired a bridge loan facility and term loan of USD 1,450 million and USD 800 million respectively for the purpose of financing the acquisition of shares in Zain Group.

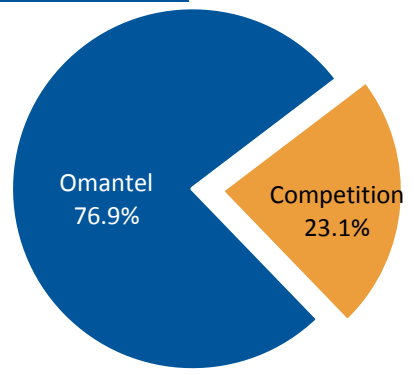
Both Mobile & Fixed Market Share have been mostly stable during the period

Mobile Subscriber Market share % - including Mobile Resellers



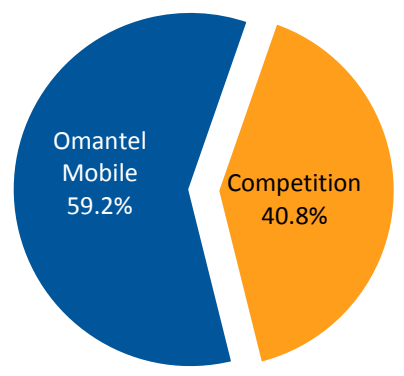
Omantel Mobile (incl Mobile Resellers) achieved a decline rate of 0.4%, net addition is around -18 K.

Fixed Line Subscriber Market share %

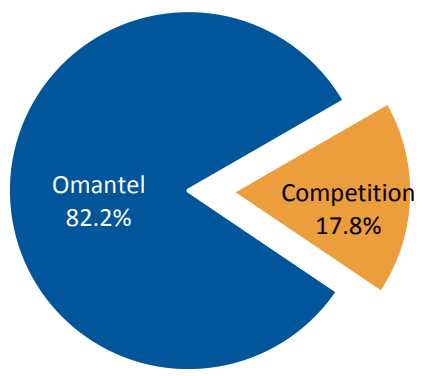


Omantel fixed line subscriber base achieved a growth rate of 9.4%, net addition is around 33 K.

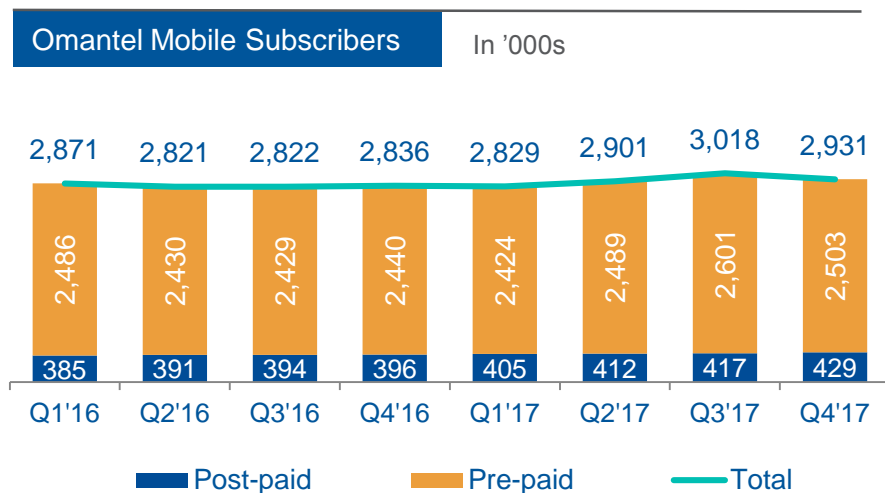
Mobile Revenue Market share % - including Mobile Resellers



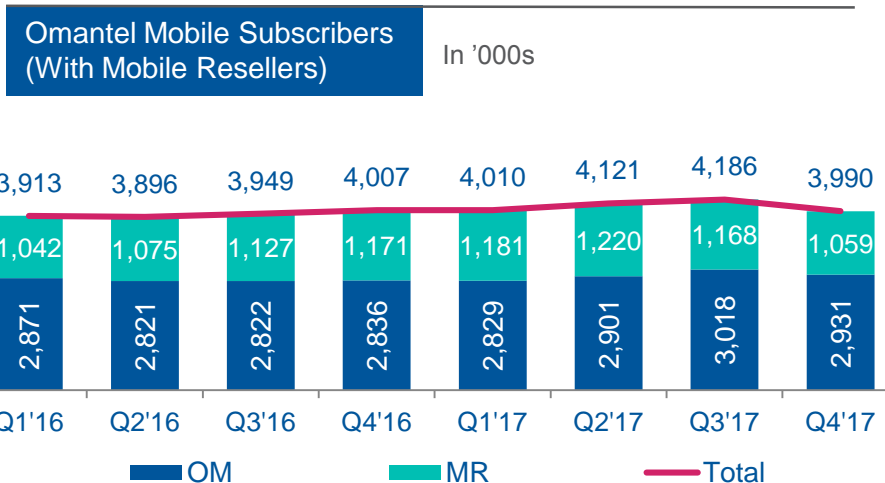
***Fixed Line Revenue Market share** %



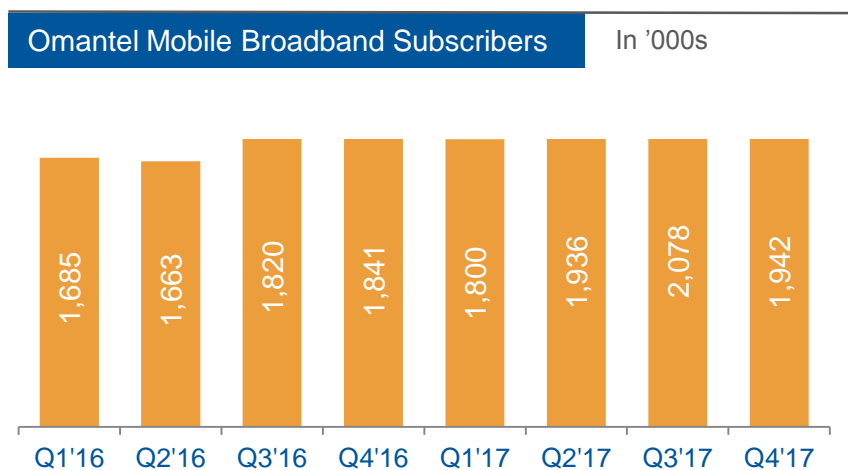
Mobile subscriber base – Overall subscriber base including mobile resellers grown by 0.8%. Post paid achieved 8.2% growth YoY.



Growth in postpaid Omantel mobile subscriber base by 8.2% compared to Q4'16.

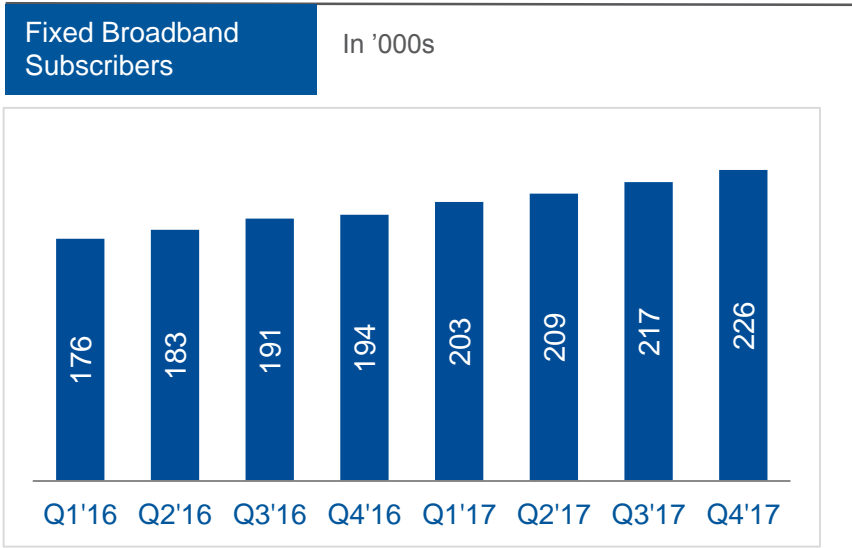
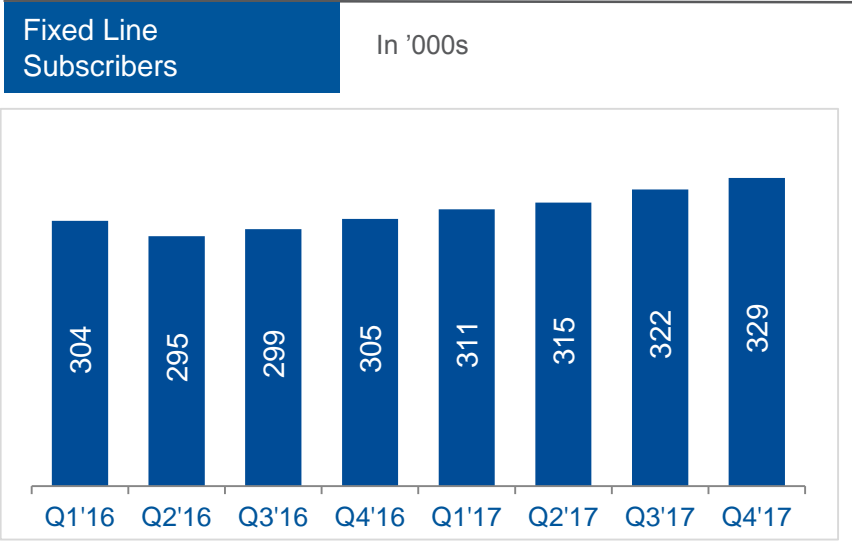


Overall Omantel mobile market declined by 0.4%.



- 1) Mobile Broadband grown by 5.4% compared to Q4'16.
- 2) Mobile Broadband subscribers includes Pay As You Go (PAYG).
- 3) Mobile Broadband unique subscribers subscribed to any one of the packages including Blackberry service is around 1132 K as of Dec'17 compared to 1023 K, an increase of 10.6%.

Fixed line and Fixed Broadband Subscriber base continued its growth trend

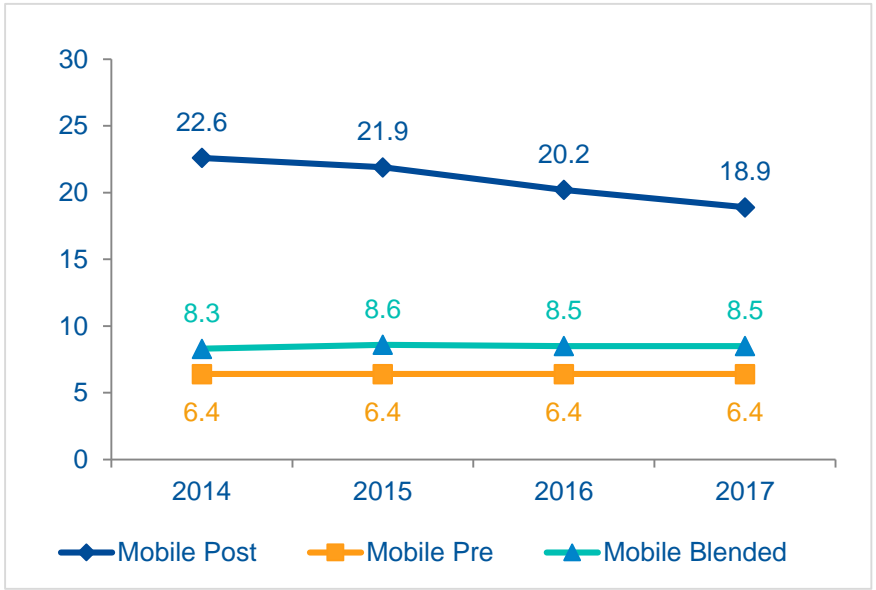


1) Fixed line subscribers include postpaid, pre-paid and payphone. Including ISDN primary, the total fixed line reported is 382,667.

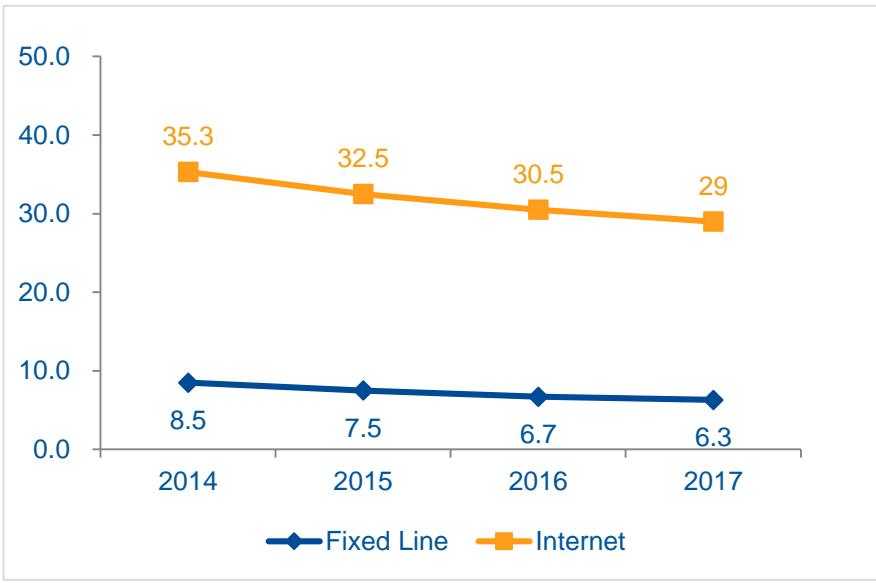
Fixed broadband increased by 16.4% compared to Q4'16.

ARPU / month for major products shows marginal variation compared to previous year

Mobile Services RO / Month



Fixed Line Services RO / Month



- 1) Fixed line include post & pre-paid and payphone.
- 2) Internet include Broadband and all internet services (dialup post & prepaid, dedicated)

Financial Statements 2017

Statement of Financial Position

ASSETS	Notes	Parent Company		Consolidated	
		2017	2016	2017	2016
Current assets		RO'000	RO'000	RO'000	RO'000
Cash and bank balances	5	73,184	66,956	380,996	68,522
Trade and other receivables	6	118,873	97,031	693,620	97,075
Inventories	7	9,246	9,339	52,400	9,340
Other financial assets	8	23,168	30,444	24,144	30,444
Dues from subsidiaries		1,626	1,181	-	-
		<u>226,097</u>	<u>204,951</u>	<u>1,151,160</u>	<u>205,381</u>
Non-current assets					
Other financial assets	8	37,655	50,626	57,870	50,626
Other assets	10	94	9,411	19,070	9,411
Investment in associates and Joint ventures	11, 12	3,937	3,896	245,329	9,776
Due from an associate	13	-	-	521,445	-
Investment in subsidiaries	9	854,768	1,676	-	-
Property, plant and equipment	14	528,787	507,954	1,468,231	516,679
Intangible assets and goodwill	15	18,462	24,704	1,005,135	25,094
		<u>1,443,703</u>	<u>598,267</u>	<u>3,317,080</u>	<u>611,586</u>
Assets classified as held for sale	3 (a) & 3(b)	-	-	9,602	9,136
Total assets		<u>1,669,800</u>	<u>803,218</u>	<u>4,477,842</u>	<u>826,103</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	16	206,489	197,232	854,761	202,182
Borrowings	17	601,393	-	854,934	2,431
		<u>807,882</u>	<u>197,232</u>	<u>1,709,695</u>	<u>204,613</u>

Statement of Financial Position – Continue

Non-current liabilities					
Borrowings	17	265,654	-	1,111,421	5,740
Provisions		-	13,667	-	-
Other liabilities	18	10,563	9,622	58,899	9,674
		<u>276,217</u>	<u>23,289</u>	<u>1,170,320</u>	<u>15,414</u>
Liability associated with asset held for sale	3	-	-	-	59,375
Total liabilities		<u>1,084,099</u>	<u>220,521</u>	<u>2,880,015</u>	<u>279,402</u>
Equity					
Share capital	19	75,000	75,000	75,000	75,000
Legal reserve	19	25,000	25,000	25,000	25,000
Voluntary reserve	19	49,875	49,875	49,875	49,875
Capital contribution	19	44,181	44,181	44,181	44,181
Foreign currency translation reserve	19	-	-	(25,475)	-
Fair value reserve	19	35	37	(207)	890
Hedge reserve	19	(122)	-	(81)	-
Other reserve		-	-	(68)	-
Retained earnings		391,732	388,604	399,616	387,399
Attributable to equity holders of the parent		<u>585,701</u>	<u>582,697</u>	<u>567,841</u>	<u>582,345</u>
Non-controlling interests relating to discontinuing operations		-	-	-	(720)
Non-controlling interests relating to continuing operations		-	-	1,029,986	(34,924)
Non-controlling interests		-	-	<u>1,029,986</u>	<u>(35,644)</u>
Total equity		<u>585,701</u>	<u>582,697</u>	<u>1,597,827</u>	<u>546,701</u>
Total liabilities and equity		<u>1,669,800</u>	<u>803,218</u>	<u>4,477,842</u>	<u>826,103</u>

Statement of Income

	Notes	Parent Company		Consolidated	
		2017	2016	2017	2016
		RO'000	RO'000	RO'000	RO'000
Continuing operations:					
Revenue	20	527,515	515,058	751,725	519,351
Cost of sales		(163,254)	(134,871)	(230,125)	(136,778)
Operating and administrative expenses	21	(148,216)	(148,796)	(218,941)	(150,245)
Depreciation and amortisation	14,15	(115,163)	(101,828)	(151,729)	(102,768)
Impairment of receivables – net	6	(9,178)	(2,087)	(11,805)	(2,082)
Operating profit		91,704	127,476	139,125	127,478
Net monetary gain	33	-	-	25,337	-
Impairment loss on property, plant and equipment	33	-	-	(20,655)	-
Impairment losses on investment in a subsidiary		(4,430)	(905)	-	-
Interest income		1,806	2,991	11,250	2,991
Investment income/(loss)	22	2,746	2,292	2,116	1,515
Share of results of associates and joint venture	11,12	-	-	4,581	1,172
Other income/(expense) -net		1,862	1,829	(10,782)	1,825
Finance cost		(11,439)	-	(20,050)	(1,295)
Gain/(loss) from currency revaluation		146	-	(14,811)	-
Profit before taxation from continuing operations		82,396	133,683	116,111	133,686
Taxation	23	(11,767)	(16,174)	(8,985)	(16,174)
Profit for the year from continuing operations		70,629	117,509	107,126	117,512
Loss from discontinued operations		-	-	(3,023)	(1,731)
Gain on deconsolidation of a subsidiary		-	-	2,676	-
Profit for the year		70,629	117,509	106,779	115,781
Attributable to:					
Equity holders of the parent		70,629	117,509	79,717	116,671
Non-controlling interests		-	-	27,062	(890)
Profit for the year		70,629	117,509	106,779	115,781
Basic and diluted earnings per share (RO)	24	0.094	0.157	0.106	0.156

Cash Flow

	Parent Company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Operating activities				
Profit before tax from continuing operations	82,396	133,683	116,111	134,038
Loss before tax from discontinuing operations	-	-	(3,023)	(2,083)
Adjustments for:				
Depreciation and amortisation	115,163	101,828	151,729	102,768
Profit on sale of property, plant and equipment	(39)	(478)	(246)	-
Investment income	(551)	(83)	(853)	(84)
Dividend income	(2,327)	(2,210)	(1,395)	(1,433)
Share of results of associates and joint controlled entity	-	-	(4,581)	(1,172)
Gain on deconsolidation of a subsidiary	-	-	(2,676)	-
Interest income	(1,806)	(2,818)	(11,250)	(2,818)
Interest expense	11,439	-	20,050	1,360
Impairment losses on investment in subsidiary	4,430	-	-	-
(Gain) loss on exchange translation	-	-	14,957	(478)
Impairment loss on property plant and equipment	-	-	20,655	-
Net monetary gain	-	-	(25,337)	-
	208,705	229,922	274,141	232,488
Working capital adjustments:				
Inventories	194	(1,696)	(11,593)	(1,689)
Trade and other receivables	(26,270)	530	32,737	547
Trade and other payables	14,776	(4,788)	(28,590)	(4,692)
Receivable from subsidiaries	(1,340)	(1,368)	-	-
	196,065	222,600	266,695	227,097
Cash generated from operations				
Interest received	1,806	2,687	10,860	2,687
Tax paid	(14,703)	(17,604)	(17,073)	(17,604)
	183,168	207,683	260,482	212,180
Net cash from operating activities				

Cash Flow – Continue

Investing activities

Net purchase of property, plant and equipment	(129,684)	(149,396)	(188,526)	(152,653)
Proceeds from sale of property, plant and equipment	46	379	49	379
Purchase of intangibles	(179)	(1)	(461)	(1)
Net acquisition of investments	16,755	(3,181)	16,627	(3,181)
Proceed from fixed deposits	59,500	(10,046)	59,620	(10,046)
Investment in subsidiaries	(1,364)	(550)	-	-
Acquisition of a subsidiary (note 4)	-	-	(557,894)	-
Loan to a subsidiary	(851,728)	-	-	-
Dividend received (including associates)	2,327	2,210	3,263	2,210
Net cash used in investing activities	(904,327)	(160,585)	(667,322)	(163,292)

Financing activities

Share capital raised from non-controlling interests	-	-	966	200
Dividend paid	(67,500)	(75,000)	(67,500)	(75,000)
Dividend paid to minority shareholders	-	-	(666)	-
Proceeds from borrowings net of transaction costs	852,541	-	891,093	-
Repayment of borrowings	(1,341)	-	(84,029)	(237)
Finance lease liability paid	-	-	-	(78)
Payment of put option	-	(6,634)	-	(6,634)
Interest paid	(813)	-	(6,753)	(350)
Net cash from/(used) in financing activities	782,887	(81,634)	733,111	(81,203)

Net change in cash and cash equivalents

Cash and cash equivalents at beginning of the year	8,456	42,992	11,768	44,980
Currency translation adjustments	-	-	(7,345)	-
Cash and cash equivalents	70,184	8,456	331,339	11,768
De recognition of subsidiary	-	-	(315)	-
Cash and cash equivalent of discontinued operation	-	-	-	(1,747)
Cash and cash equivalent of continued operation (note 5)	70,184	8,456	330,379	10,022

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