## Total customers grew steadily throughout the year to reach 2.2 million, an increase of 12 per cent from 2011 and the best acquisition figure since 2010.

**Encouraging growth across all customer segments, record revenue in the last quarter, and growth in mobile and fixed data revenue combined to offset a small decline in full-year revenue.**

The 1.7 per cent decline in full-year revenue, to OMR 193.5 million from OMR 196.9 million in 2011, was driven by a reduction in SMS and on net voice revenue. However, Q4 revenue from international voice, and fixed and mobile data helped the company to achieve record quarterly revenue of OMR 51.4 million, compared to OMR 50.8 million in 2011.

Total customers grew steadily throughout the year to reach 2.2 million, an increase of 12 per cent from 2011 and the best acquisition figure since 2010.

The investment in upgrading the Nawras network, which will generate more broadband data across a much wider spectrum, will benefit many of these new customers with a faster and higher-quality service.

### Revenues and EBITDA

EBITDA, which stands for 'earnings before interest, taxes, depreciation and amortisation', compares over time the profitability of a company's operations without the potentially distorting effects of changes in depreciation, amortisation, interest and tax.

Lower revenue and an increase in international call volumes, which led to higher operating expenses, caused EBITDA to decline during 2012 to OMR 94.9 million, against OMR 103.4 million in 2011, a fall of 8.2 per cent.

### Margin and operating expenditure

Nawras' EBITDA margin (EBITDA as a percentage of sales) was 49.1 per cent, against 52.5 per cent in 2011, reflecting the increase in international call volumes, which impacted gross margins. However, we were able to increase our international customer base by exploiting our international capacity.

As in previous years, the company's focus on operational efficiency and tight cost control, allied to high levels of staff productivity, slowed the growth in total expenses. General, administrative and sales costs were OMR 44.3 million, a drop of approximately OMR 0.2 million on 2011.

### Capital expenditure

The first half of 2012 was occupied with the renegotiation of a major vendor contract, to turbocharge the Nawras Radio Access Network (RAN) by upgrading all sites to enhanced 3G+, enhancing penetration, and increasing the entire network's coverage, capacity and speed. The contract was awarded at the end of June.

### Selected Financial and Operating Data

| For the year ended 31 December 2012 | | 2007 | 2008 | 2009 | 2010 | 2011 | **2012** |
|---|---|---|---|---|---|---|---|
| (OMR million, except where stated) | | | | | | | |
| **Revenues** | Prepaid | 74 | 104 | 117 | 124 | 126 | **123** |
| | Postpaid | 18 | 32 | 43 | 53 | 57 | **52** |
| | Other | 2 | 3 | 12 | 12 | 14 | **19** |
| | Total | 94 | 139 | 172 | 189 | 197 | **194** |
| **EBITDA** (note 1) | | 25.5 | 53.8 | 87.5 | 102.5 | 103 | **95** |
| **EBITDA Margin** (%) | | 27.0 | 38.7 | 51.0 | 54.2 | 52.5 | **49.1** |
| **Net Profit** | | 8 | 20 | 42 | 50 | 48 | **37** |
| **Net Debt** (note 2) | | 47.6 | 38.0 | 39.3 | 21.6 | 10.7 | **2.9** |
| **Cash Flow Before Working Capital** | | 21.5 | 44.0 | 72.5 | 87.0 | 86 | **77** |
| **Capital Expenditure** (note 3) | Mobile | 30 | 36 | 27 | 24 | 29 | **56** |
| | Fixed | — | — | 25 | 50 | 12 | **5** |
| | Total | 30 | 36 | 52 | 74 | 41 | **61** |
| **ARPU** (OMR) | Mobile Prepaid | 9.4 | 7.2 | 6.1 | 5.7 | 6.9 | **5.6** |
| | Mobile Postpaid | 29.8 | 28.0 | 27.1 | 26.0 | 26.6 | **24.2** |
| | Mobile Blended | 10.3 | 8.8 | 7.7 | 7.4 | 8.7 | **7.2** |
| **Customers** (thousands) | Mobile Prepaid | 938 | 1,401 | 1,714 | 1,857 | 1,760 | **1,970** |
| | Mobile Postpaid | 79 | 111 | 147 | 169 | 173 | **179** |
| | Mobile Total | 1,016 | 1,511 | 1,861 | 2,026 | 1,933 | **2,149** |
| | Fixed | | | | 8 | 27 | **44** |
| **Employees** (number) | | 493 | 636 | 757 | 873 | 1,019 | **1,027** |

(1) EBITDA = Revenues minus operating expenses minus general and administrative expenses (excluding service fees). (2) Net debt = Gross debt minus cash and cash equivalents. (3) Including licensing fees.

However, the company has invested a total of OMR 331 million in network and IT-related capital expenditure since operations started in 2004, against a total of OMR 272 million by end 2011. Capex for the mobile network amounted to OMR 56.6 million during the year, with a further OMR 4.8 million invested in the fixed network. Nawras has also paid OMR 64 million towards licence fees since its inception.

### Profitability

Net profit, which was affected by lower EBITDA and higher depreciation, declined 22.2 per cent to OMR 37 million, compared to OMR 47.5 million the previous year. The fall in net profit was partially offset by lower interest costs. Increased investment in network modernisation contributed to the higher depreciation, while a decrease in overall outstanding debt and the end of an above LIBOR interest rate swap agreement resulted in lower interest costs.

Tight control of total expenses (excluding royalties) contained the increase to 6 per cent, up from OMR 130.5 million to OMR 138.5 million.

Earnings per share of OMR 0.057 were down from the previous year's OMR 0.073, and the Board has recommended a dividend of OMR 0.038 per share for approval at the annual general meeting on 27 March 2013.

### Net debt

A strong cash flow position supported the on-going reduction in long-term debt, resulting in a 72.9 per cent improvement in the net debt position, from OMR 10.7 million to OMR 2.9 million.

### Cash flow

Net cash from operating activities totalled OMR 73.9 million, compared to OMR 77.8 million in 2011. Cash and cash equivalents at the year-end stood at OMR 25 million, down from OMR 44 million in 2011.

### Balance sheet

The 3.2 per cent rise in total assets, to OMR 309 million from OMR 299 million, was attributable mainly to growth in property, plant and equipment.

Total equity of OMR 180 million increased by OMR 12 million (7.5 per cent) over 2011, and net assets per share from OMR 0.257 to OMR 0.277. There was a decline in total liabilities from OMR 132 million to OMR 129 million, largely due to a reduction of OMR 27.5 million in interest-bearing borrowings. Total equity and liabilities increased to OMR 309 million, from OMR 299 million, an increase of 3.2 per cent.

### Prospects

Efforts to maximise productivity through operating efficiencies, and continuing the preparations for the introduction of 4G LTE, a major cornerstone of our plans to boost the Nawras network to achieve higher levels of performance, remain firmly on track.

Our comprehensive network modernisation programme will provide the platform for the increased coverage, and the range of new data services, that will drive volumes and future revenue growth.

There will be an on-going focus on customer acquisition and retention, particularly in the business sector, where there is massive underlying demand. Nawras will use the results of the comprehensive market research and analysis it conducted during 2012 to develop the appropriate strategies to meet these objectives and to retain its competitive advantage.