

“2012 was marked by seismic changes in the country’s telecoms industry and in telephony provision.”

What did we achieve in 2012?



Ross Cormack
Chief Executive Officer



Renewed customer focus and state-of-the-art technology were the main highlights of 2012, contributing to a year in which Nawras demonstrated its ability to capitalise on the many opportunities presented by the rapid transformation of communications in Oman.

There can be no question that we witnessed the end of the beginning of the data revolution, a period which has seen Nawras move from a traditional telecoms operator to a data-centric company supported by a full IP network, serving customers with data, media and technology.

This marks a significant step towards realising the vision of Qtel Group, our majority shareholder, and is an extraordinary achievement considering that Nawras has been operational for only eight years.

Another noteworthy initiative was the research we conducted to give us detailed market intelligence. The outcome of this was a three-step programme: Researched, Analysed and Took Action. This has underpinned the revitalisation of our business proposition, with the introduction of new products, services and tariffs, and in effect supported the adoption of a new business model that is much more attuned to evolving customer needs.

The analysis has given us the ability to develop innovative strategies for customer acquisition and retention, a key advantage in a market that is set to become much more competitive, and to focus even more on making our customer experience dynamic, rewarding and different.

On the back of these far-reaching initiatives, it is pleasing to report that our customer numbers continued their upward trend during the year, the best acquisition since the third quarter of 2010. We now have approximately 2.2 million customers, an increase of more than 11 per cent on 2011.

The grassroots review of our operation also examined how we could enhance the dialogue with our independent distributors, who are important to our sales effort. We have now put in place a programme to work more closely with our top dealers and sub-distributors, to ensure more proactive merchandising, as well as to monitor efficiency. Their feedback has proved invaluable in helping us to shape and refine our sales strategy.

The explosive growth in data has driven the telecoms revolution in recent years: the demand for data-based services, particularly from under-25s who account for approximately half of the country's population, has fuelled this growth.

Our recognition of the importance of this youth market helped us to create really powerful youth-friendly strategies. These are designed to capitalise on the surge in data usage, yet must be adaptable enough to accommodate more smart phones on our network, using video through sites like YouTube and data apps like WhatsApp, the leading cross-platform mobile messaging service in Oman and globally. The exclusive agreement we signed with WhatsApp made Nawras just the eighth operator worldwide to enter into such a relationship.

Nawras was the only Middle Eastern telecoms company to be shortlisted in Ragan's PR Daily Digital PR and Social Media Awards 2012 in the 'Best Use of Facebook' category. This is a ringing endorsement of our youth communications strategy, and commitment to dynamic social media interaction, which resulted in 81,179 'fans' on Facebook and 400,000 interactions between us and customers on Facebook and Twitter, by the end of the year.

In continuing our support for the community, the Company joined forces with Kickworldwide and the Oman Football Association to support a grassroots football programme. This was one of several exciting initiatives to bring our country's youth and communities closer together.

We will continue to maintain our high profile in sports and community activities in the long term, and are proud to support the health and well-being of Omani citizens in this way.

Working with two of the Middle East's best-known and successful sportsmen – Ali Al Habsi, the Oman and Wigan goalkeeper, and Ahmad Al Harthy, champion Omani racing driver – brings our brand directly into the community and reinforces our commitment to sport. We also sponsored a number of major sporting events throughout the year, including the Muscat Regatta 2012, as platinum sponsor, and Summer of Sports organised by the Ministry of Sports.

Since the first Goodwill Journey in 2005, Nawras has reached out to more than 7,000 individuals and families. We have visited more than 150 charitable organisations and NGOs, travelling 48,000 kilometres during the Holy Month of Ramadan to bring joy to the people of Oman.

We continued to support Government initiatives and made Nawras even more business-friendly, our launch of bulk SMS packages and Maktabi Mobile for small and medium sized businesses being good examples of this. We remain committed to the development of a telecoms infrastructure that supports Oman's growing international commercial ambitions, and reflects its strategic geographic location.

The contribution of Oman's Telecommunications Regulatory Authority (TRA) in this respect – particularly the release of new frequencies – was no less far-reaching. The TRA has shown substantial support for our industry by easing regulatory constraints, promoting a vision of broadband for all, and maintaining an environment that supports investments.


Membership of the Qtel Group brought experience and muscle to support the modernisation of the Nawras network, as well as the launch of new customer services and shared people training and development initiatives.

Our new flagship store features a lounge where our business customers can access the latest telecoms technology to stay connected.



How can we best serve Oman?

We contribute to the development of our country by providing the technology and services that help business and people communicate effectively - wherever they are.



2010	2011	2012
New era for fixed services Fixed services launched for business and residential customers, a new era for broadband accessibility in the Sultanate.	First sea cable landed The first sea cable landed as part of the Tata Global Network - Gulf cable project and fibre-to-the-home (FTTH). Broadband speeds of up to 100Mbps trialled.	Turbo charged Turbocharging our network continues and we demonstrate 4G LTE Mobile broadband for the first time in Oman.



The under 25s market

Oman has one of the youngest populations in the region, with approximately 30 per cent between the ages of 15 and 24. This is expected to grow to nearly 40 per cent by 2020 and has become a key target market for Nawras.

Over the past three years, we have used in-depth research to develop award-winning youth products and services, with a particular focus on accessing music and social media from mobile phones. Our Shababiah product, for example, has quickly become a market leader, thanks to its competitive tariffs and easy access to social media.

We have also formed exclusive strategic partnerships with WhatsApp and Universal Music to launch services which have caught the imagination of our younger customers. Initiatives like these have served to consolidate our leadership position in the youth market.

We intend to build on this successful strategy during 2013 and beyond by continuing to bring our customers the best content from the best providers.

30% 40%

Omani population in 2012
between 15 and 24 years old

Expected increase in 2020

1m

One million Omanis
using WhatsApp

Our deal with WhatsApp

In November 2012, we entered into a strategic partnership with WhatsApp, the leading social media chat service, to offer exclusive branded plans to our customers.

There are currently more than 1 million customers in Oman using WhatsApp. This number will continue to grow - in parallel with the increase in the number of mobiles that can connect to the Internet - and as 'chat' moves from traditional SMS to 'Instant Messaging' over the Internet.



WhatsApp



2012 was marked by seismic changes in the country's telecoms industry and in telephony provision. Where competition was previously based around infrastructure and scale, access and service provision is the new territory now being fought over.

But Nawras is prepared for these fresh challenges, having started to turbocharge our network infrastructure, and upgraded our systems to meet the massive demand for broadband and other services now and in the future.

Cherishing our customers – new and old

An organisation that receives an average of 10,000 calls a day is clearly in the public eye, so customer satisfaction is, and will continue to be, the cornerstone of the Nawras philosophy.

Our own research indicates that 82 per cent of our customers are happy with their experience, but we are working hard to improve this figure through a number of customer initiatives that we expect will deliver results in 2013.

A determination to build on this customer-centric culture, which has quickly become part of our DNA, was a feature of the year. Customer-facing companies like Nawras need to evolve, stay nimble, exceed expectations and convert customer promises into actions.

So we focused heavily on addressing three key issues: offering more personalised choices, enriching the customer experience, and making the customer journey more engaging and exciting. A Customer Experience Programme provided the impetus for these initiatives.

Although Nawras has a reputation for listening, we still carried out a far-reaching analysis of usage patterns to better understand how our market is segmented, so we could make more personalised offers to existing and potential customers.

We carried out hundreds of interviews and activated many focus groups in order to better understand how our customers view the 'Nawras experience'. One of our objectives was to use this information to strengthen loyalty to the brand. The full impact of this exercise will be felt in the first half of 2013.

A complete re-evaluation of all our customer touch points and points of sale resulted in the commitment of further resources to up-skilling our family of sales and customer champions, and equipping all our front-line people with the tools necessary to help our customers. A suite of exciting new offers further served to re-energise the customer experience.

The opening of the Nawras flagship store at Muscat Grand Mall at the end of the year marked an important breakthrough for the Company, and one that we are confident will quickly earn 'best in class' status among Oman's retailing businesses.

This shift from transaction-based to relationship-based retailing is an interesting development in the customer journey. We expect this trend to continue, particularly with the increase in new apps and data services.

We received the strongest possible endorsement for our customer initiatives, winning Best Customer Strategy at Telecoms World Middle East; Best Loyalty Programme Award at the CMO Asia Awards 2012; Telecoms Sector Winner at the Oman Customer Service Excellence Awards; and the CommsMEA Award for Customer Service Provider of the Year. We are delighted to have been nominated to receive these prestigious awards.

However, while we are confident that our initiatives have put us on track to deliver customer satisfaction consistently, we will not rest. Our aim is to become the benchmark for positive consumer relationships, not just in the telecoms sector, but for industry in Oman generally. Customer growth in successive quarters this year is an encouraging step towards achieving this ambition.

The Nawras family

In promoting his vision for Oman's on-going development, His Majesty Sultan Qaboos bin Said also emphasised the importance of the contribution that people could make individually. Nawras continued to play a valuable role in this process, not only as one of the country's major employers, but in helping people get closer through the power of communications.

The Company has always taken very seriously its duty of care to develop the skills of Omani nationals in the workplace, so we welcome the news that the number of Omani managers doubled during the year, giving deserved promotions to some of our most promising people.

We sought to promote our talent wherever possible, so also appointed a number of new line managers – people changes that reflect the Company's move to a more lifestyle-focused model, based on quality service.

Our HR teams worked to define clear career paths for our sales and store people, a major accomplishment among a number of other milestones that were reached during the year. We organised a two-day 'All Hands' gathering, which brought everybody in the Company together to celebrate our achievements, set shared goals for the year ahead, and underscore the importance of outstanding customer experience.

In close collaboration with our colleagues in Qtel Group, we formed a new People Experience Department, to make work more rewarding and motivating for all Nawras family members. The Department is responsible for conducting motivational and awareness workshops, communicating benefits and managing weekly team activities.

We received further recognition for our HR policies, winning the category for the Best Organisation with Innovative HR Practices at the 2012 Asia Pacific HRM Congress Communications Awards.

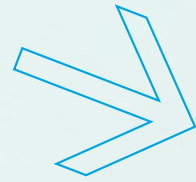
In progressing towards the adoption of international best practice across a number of operational areas, we developed a template for a more performance-based culture, only deploying staff with the right skill sets for specific roles and rewarding them accordingly.

A central plank in our HR strategy is to customise training to develop national talent, since it ensures long-term stability and continuity. We will continue to invest in specialist workshops, seminars and events, such as 'Me and My Customer' and 'Me and My Manager,' which are typical of the effort we devote to up-skilling people throughout the organisation.

Looking ahead, we intend to act on His Majesty's call to change perceptions of the private sector. Our recruitment message is clear: the private sector offers similar opportunities to the public sector; has high standards of training and development; is well remunerated; and individuals can have great fun and make a real and positive contribution to the country's future commercial success by working for leading companies like Nawras.

How can we work smarter?

We re-evaluated our customer touch points and points of sale, resulting in the commitment of further resources to up-skilling our family of sales champions.





One team

We work together as one team, equipping our front-line people with the tools necessary to help ensure our customers receive the best possible service.

Our goal is to become the benchmark in Oman for positive customer experiences and overall satisfaction, with a target of 97 per cent of happy customers.

The growth in customer numbers to 2.2 million during 2012 was matched by rising customer satisfaction, reaching 85 per cent, but we will continue to strive to offer the ultimate customer experience.

2.2m

Growth in customer numbers

Our goal is to achieve even higher levels of customer satisfaction, in line with growing our overall customer base.



Turbocharging our technology

Turbocharging has now laid the foundations to support future technologies and, in effect, to future-proof the Company.

The release of spectrum under Oman's National Broadband Strategy will mean that we can provide a faster and better data experience, as the use of a second carrier for the 2100 spectrum means that we have another lane to our 3G data highway. Further, the TRA has provided us with the spectrum for 4G (LTE), which will lead to even faster speeds and less latency in areas where it is deployed.

It has proved to be the best possible solution in allowing us to evolve our network in response to rapidly changing market conditions. This has involved upgrading all 2G sites to 3G+, boosting speed and capacity, and finalising plans for the launch of 4G LTE at 1800 MHz, which will make the very newest technology available to our customers.

The TRA's approval for additional spectrums will double the data capacity and create a network to meet the evolving demands of customers. We continue to support the TRA in its ambition of bringing telephony services to remote areas.

Nawras expanded its national backbone infrastructure to more than 5,000 kilometres of fibre and microwave backbone, and will continue to invest in and expand this core infrastructure.

Nawras has also swapped out and expanded parts of its core network to cope with the increase in data traffic. This equipment was deployed in our new state-of-the-art Data Centre located in Muscat, of which the first phase was completed in September 2012. Further, we continue to support our business customers' facilities by deploying fibre to more and more buildings, as well as to our business customers wherever they may be located in Oman.

WiMAX is a technology that has proved successful with more than 40,000 customers, an increase of 63 per cent on 2011, and we also intend to roll out plans for further Home Broadband and Voice services lines.

The year witnessed a massive growth in data applications and usage, demanding forensic capacity planning and forecasting. We expect no let-up in this phenomenon into 2013 and beyond, but remain confident that the programme of investment in new technology will feed through with a substantial increase in the number of base stations.

The upsurge in data usage prompted a dramatic increase in data-related revenues. Another significant financial highlight was real, substantive growth in international traffic. Continued growth in data revenues is on track to compensate for the decline in SMS revenues, which was reported previously and is a symptom of the industry's natural migration towards data services.

The Turbocharging Programme will increase capacity and bring the 3G+ network within reach of 97 per cent of the population by the end of the Turbocharging Programme in 2015. Improving our 3G+ network, redeploying existing equipment wherever possible is, and will continue to be, a consideration for our technology teams.

Three further units in our IT department achieved ISO 2700 certification during 2012, confirming that Nawras' information handling, processing and storage is aligned to best international practice and ensures security and consistency. Our IT department also received ISO 27001 certification for secure data storage and handling, making Nawras one of the first companies in the Sultanate to be granted ISO status for its entire IT Department.

While we are closer to our ambition of operating at the cutting edge of technology, nothing will distract us from our primary goal: harnessing its power and resources to improve communication and data services for the benefit of our existing and future customers.

Turning challenges into opportunities

Our future is one of immense potential and growth. The challenge – and opportunity – is to provide communications access to the majority of the population; to reduce operating costs while investing to maintain our market position; to retain existing customers; and to welcome new ones.

Our opportunity – and challenge – is to harness the huge untapped potential among customers currently not making use of data services with exciting, cost-effective offers; to encourage existing customers to spend more; to acquire new, higher-spending customers; and to make better use of the network by offering customers off-peak data bundles.

Partnerships with manufacturers and application providers will feature strongly in the next phase of the Nawras evolution. We are already working side by side with Tata Communications to offer a comprehensive range of international services, including the first Global Virtual Private Network (GVPN) in Oman. These alliances will undoubtedly help create efficiencies and economies of scale, and speed the time to market.

Revenue and network sharing, with regional or international partners, offers further exciting options once these are assessed as being in the best interests of our stakeholders.

Over 400 base stations were upgraded during the year, the latest phase in an ongoing logistical and financial commitment by the Company. Such substantial investments are but various stages on the journey towards achieving the wider coverage and capacity footprint that is now firmly within our grasp.

While we do not underestimate the scale of the task ahead, we are confident in our ability to realise the TRA's strategy for Oman.

Nawras firsts

Continued emphasis on making our customers' lives easier and increasing their choices saw a number of notable firsts in social media, apps and data: the Facebook SMS service; new data bundles, including an off-peak monthly mobile broadband bundle; a free SMS notification service to show data usage when roaming; an SMS news service in association with Reuters; and international credit transfer.

We showcased the latest 4G for the first time in Oman; were one of the first companies to obtain ISO status for its entire IT Department, with the award of ISO 27001 certification for secure data storage and handling; and our flagship store in Muscat Grand Mall opened at the end of the year – the first of its kind in the Sultanate.

The introduction of a fixed number portability (FNP) service in Oman gives our business customers the opportunity to keep their existing numbers when joining Nawras from another telecommunications operator. Additionally, the first Global Virtual Private Network (GVPN), in association with Tata Communications, offers multinational companies global reach, via our domestic network, to more than 200 of the world's main business hubs and data centres.

Awards

Over the years, Nawras has achieved widespread industry recognition by receiving a remarkable variety of awards, and 2012 was no exception.

In addition to the customer service awards noted earlier, our other awards were for *Best Merchant Kiosks Services* (Bank Muscat Partners Progress); *Top Brand – Popular Choice of Telecom Service Providers* and *Top Brand – Management Choice of Telecom Service Providers* (Business Today – Best Brands Survey); *Oman's Largest Corporates 2011 – Top 10* (Oman Economic Review); and *Best Corporate Website 2012 Oman – Investor Relations* (KWD Webranking).

Our '7x7' Facebook competition was shortlisted in Ragan's PR Daily Digital PR and Social Media Awards 2012 in the 'Best Use of Facebook' category, having impressed the judges with our innovation, ability to engage with customers and the lasting impact of the promotion. Nawras was the only Middle Eastern telecoms company to be shortlisted.

We were also recognised as *Best Organisation with Innovative HR Practices* at the Asia Pacific HRM Congress Communications Awards and received an *AI Mar'a Excellence Award* for Technology.

Acknowledgements

Our values – to be caring, excellent and pleasingly different – are worth restating in the context of this review, because they guided every one of us in the organisation and influenced key Nawras initiatives during the year.

It is a mark of a company's maturity to be able to accept rapid change and adapt accordingly. We achieved this, meeting the many challenges of the year with the customary resolve and focus on customers that have become our trademark.

We can now celebrate that achievement and look forward to the year ahead when, as before, we will pull together as one team in the interests of our customers, this great Company and its many stakeholders.

Ross Cormack

Chief Executive Officer