

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the 6 months period ended 30th June 2018.

Operating performance:

REVENUE

Group Revenue as of June'18 has grown to RO 914.2 million compared to RO 265.5 million for the corresponding period 2017. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 630.3 Mn. The Group results for the period Q2'18 include fully consolidated Zain Group results, while Q2'17 results do not include Zain Group.

Omantel legal entity¹ Revenues recorded a growth of 6.9% and reached RO 282 million compared to RO 263.8 million for the corresponding year 2017. The Retail revenue posted a growth of 1.8%, whereas Wholesale revenues recorded an increase of 27.3%, which is due to higher revenues from submarine capacity sales. The retail revenue growth is mainly driven by Fixed Broadband revenues, which recorded a growth of 13.2%. Conventional revenue streams such as national calls, international calls have continued their declining trend due to Over The Top (OTT) services.

EXPENSES

Group's total Operating expenses increased to RO 748.8 million compared to RO 218.6 million for the corresponding year 2017, of which costs related to Zain group is RO 514.9 Mn.

Omantel legal entity costs increased by 7.4% to RO 232 million compared to RO 216.1 Mn. The increase is mainly due to increase in Cost of Sales and provision of impairment of receivables.

NET PROFIT

The Group achieved an after tax Net Profit of RO 125.4 Mn (RO 38.0 Mn net off non-controlling interests) compared to the after tax profitability of RO 39.8 Mn in 2017.

The Group net profit include acquired business of Zain Group, which contributed net profit of RO 111.3 Mn to the Group. After adjusting for the non-controlling interest, the acquired business contributed profit of RO 23.7 Mn to the Group Profit.

¹ Omantel Legal Entity is its domestic integrated operations of fixed and mobile businesses.

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Net Profit of the Omantel legal entity for the period ended 30 June 2018 (excluding the finance costs related to Zain acquisition) is RO 43.8 Mn. Total interest cost related to Zain Group acquisition for the period ended 30 June 2018 is RO 29.7 Mn of which RO 19.9 Mn is included in Omantel legal entity results and the remaining is accounted under group results.

Group Earning per Share (EPS) for the period ended 30 Jun'18 is RO 0.051 compared to RO 0.059 for the corresponding period of year 2017.

SUBSCRIBER BASE

The total domestic subscriber base as of June 2018 (including mobile and fixed businesses) was recorded at 3.43 million (excluding Mobile Resellers) compared to 3.44 million of the corresponding period of the previous year, recording a decline of 0.3% over the last period. Total subscriber base with mobile resellers reached 4.42 Mn.

Subsidiary Companies:

- 1) Mobile Telecommunication Company (Zain):** During the second half of 2017, Omantel completed the acquisition of 21.9% shareholding in Zain Group and acquired a controlling interest in the Zain Group. Since then Omantel financials are consolidated with Zain Group financials and disclosed to the market.

Zain Group revenues recorded a growth of 0.3% and reached US\$ 1.674 Bn (*RO 630.3 Mn*) as of Q2'2018 compared to the corresponding period revenues of US\$ 1.669 Mn (*RO 628.4 Mn*). EBITDA stands at US\$ 563 Mn (*RO 211.8 Mn*), a decline of 19%. Net profit is US\$ 287 Mn (*RO 111.3 Mn*), an increase of 6% over the previous period. EBITDA is impacted mainly due to lower growth in some of the key markets and forex translation impact. One of the contributing factor for net profit increase is overall growth across key market segments and net monetary gain. Total customer base grew by 5% from 45.2 Mn compared to 47.4 Mn of the previous period.

- 2) Oman Data Park LLC:** is a joint venture of Omantel and 4Trust LLC. The paid up capital is RO 2.8 million and Omantel owns 80%. The revenue for the period ended Jun'18 is RO 2.6 Mn an increase of 23.5% compared to RO 2.1 Mn for the corresponding year 2017. The company has shown an improved performance with EBITDA at 25% and reduced the net loss to RO 0.12 Mn for the period ended Jun'18 compared to a loss of RO 0.23 Mn in the previous year.

Bond Offering:

On 17th April 2018, Omantel has successfully issued bonds worth US\$ 1.5 Bn in two tranches – 5.5 Years and 10 Years under 144 / Reg S. This is the largest Corporate offering from Oman. 5.5 Year Bond valuing US\$ 600 Mn maturing in 2023 paying an annual coupon of 5.625% and 10 Years Bond valuing US\$ 900 Mn maturing in 2028

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paying an annual coupon of 6.625%. The proceeds of the bonds are used to repay the bridge loan facility taken for the investment of Omantel in Zain Group, Kuwait.

Equinix:

Omantel and Equinix, USA have entered into a joint venture to establish a first, world-class carrier neutral data center in Oman where international carriers, content providers and cloud providers can collocate and interconnect critical IT infrastructure. The new data center will benefit from extensive international connectivity of Omantel's submarine cables network. Under the agreement, both Equinix and Omantel are equal shareholders in the venture. The first of the three phases of the project is expected to commence commercial operations in Q2 2019.

Market Share:

Omantel's Mobile network market share (*including Mobile Resellers*) is estimated at 57.7% with a revenue share of 59.1%. The Fixed Telephone (post & pre-paid) market share is estimated at 75.0% with a revenue market share of 83.0%.

Corporate Social Responsibility (CSR):

As part of its ongoing commitment to support the society and environment, Omantel has embarked on number of CSR initiatives and programs and has extended its support to various organizations and events. The below summarizes the major initiatives and events supported during the 3 months period ended 30 June 2018:

1. **Mehnat program:** Omantel signed an agreement with Sadara institute for a training program that will graduate 100 Omani job seekers from 5 different governances of the Sultanate specialized in mobile phones maintenance and repairing.
2. Also, Omantel continued its participation Hosting Charity associations (Al Rahma Association and Dar Al Atta'a Association), participated in Fak Kurbah campaign, ICT internship for the forth batch of Omantel & Huawei ICT internship program designed for fresh graduates.

Future outlook:

The introduction of several fundamental regulatory changes in 2018 will have a substantial impact on the Omani telecom market in the coming periods. First of all, the new Access & Interconnect regulation will inevitably lead to increased pressure on overall market value and profitability. Secondly, the award of a 3rd Mobile License, even though the conditions and timeline are not clear at this stage, will substantially shift the competitive forces in the market. Current macro-economic environment did impact the overall growth and especially impacted the growth in mobile segment. However, on a positive note, the stabilization of the oil price and economic environment is expected to result in a positive market growth in the medium to long term.

The OTT (over-the-top) trend continues to put pressure on the traditional markets in the telecom sector, both globally and in Oman. Especially the explosion of data usage in social media and streaming content

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provides opportunities as well as challenges to operators in Oman. The growth in data consumption in both fixed and mobile increases demand for broadband services providing an opportunity to grow revenues. At the same time, the popularity of free services and the dominance of global content players with a capability to leverage a global customer base while being subjected to limited regulation makes it challenging for local players to compete on value added services. Furthermore, building the required infrastructure to support this demand remains a substantial burden on operators, putting a substantial pressure on EBITDA levels.

The execution of our “Omantel 3.0” strategy remains the essential tool for Omantel to defend our position in the market and deal with the changing market dynamics. Our focus is on maximizing the share of wallet and value for customer, through excelling in customer experience as well as expanding in beyond the core services such as ICT solutions. This will assure we can further grow our position in the market. We continue to invest in our network to meet the increasing demand for data services and to enhance customer experience. Our Carrier of Carriers strategy as part of Wholesale proposition in the region enables us also to assure we provide the best connectivity to international players.

Moreover, the acquisition of a stake in Zain will enable Omantel to diversify its revenue sources and contribute to the creation of an added value to the shareholders of both companies, and will provide opportunities for integration between the two companies as well as to find a strong platform to compete more effectively in the market and overcome the risks of being in a single market.

Thanks and appreciation

We take this opportunity to express our heartfelt thanks to our shareholders and loyal customers for their continued support that enabled us to achieve these excellent results. Also, we wholeheartedly appreciate the sincere contribution of the Executive Management and Employees for the remarkable performance in the challenging situation. With your support, we are confident that Omantel will continue its good performance and will be able to reach new heights of excellence.

On behalf of the Board of Directors, executive management and the staff, we are honored to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for His visionary leadership. We pray to Almighty Allah to shower him with his blessings, and 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