

**Respected Shareholders,**

We are pleased to present to you a summary of the results of the operations for the 3 months' period ended 31<sup>st</sup> March 2019.

**Operating performance:**

**REVENUE**

Group Revenue for 3 months' period ended 31<sup>st</sup> March 2019 has grown to RO 628.6 million compared to RO 470 million for the corresponding period 2018. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 500.6 Mn. The Q1-2019 result includes the effect of consolidation of results of Zain KSA whereas in Q1-2018 the Zain KSA was an associate and as such only share of profits/losses were considered in the results. Zain KSA is consolidated with effect from Q3-2018.

Omantel (Domestic performance) Revenues recorded a decline of 9.7% and reached RO 130.5 million compared to RO 144.5 million for the corresponding period 2018. Fixed line revenues grew by 5.6% Y-o-Y whereas Mobile revenues declined by 14.4% mainly due to device sales and prepaid revenues. Also, the decline in one off IRU revenue Y-o-Y also contributed for the revenue decline. 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 512.9 million compared to RO 404 million for the corresponding period 2018.

Omantel (Domestic performance) costs decreased by 11.9% to RO 109.6 million compared to RO 124.5 Mn. The decrease is mainly due to decline in revenue related expenses and cost optimization measures.

**NET PROFIT**

The Group achieved an after tax Net Profit of RO 60.5 Mn (RO 14.9 Mn net off non-controlling interests) compared to the after tax profitability of RO 45.2 Mn in 2018 (RO 13.4 Mn net off non-controlling interests).

The Group net profit include acquired business of Zain Group, which contributed net profit of RO 55.8 Mn to the Group (RO 10.3 Mn net off non-controlling interest). Interest costs incurred by Omantel Group relating to Zain acquisition is RO 13.3 Million in Q1-2019 (Q1-2018: RO 13.4 Million) and is accounted at Omantel Group level.

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Net profit of Omantel (*Domestic Performance*) for the 3 months period ended 31<sup>st</sup> March 2019 is RO 19.1 Mn compared to RO 17 Mn, an increase of 12%.

Group Earning per Share (EPS) for the period ended 31<sup>st</sup> March 2019 is RO 0.020 compared to RO 0.018 for the corresponding period of year 2018.

**SUBSCRIBER BASE**

The total domestic subscriber base as of March 2019 (including mobile and fixed businesses) was 3,455 million (excluding Mobile Resellers) compared to 3,426 million of the corresponding period of the previous year, recording a growth of 0.8% over the last period. Total subscriber base with mobile resellers reached 4,202 Mn.

**Subsidiary Companies:**

- 1) Mobile Telecommunication Company (Zain):** Omantel acquired 21.9% shareholding in Zain Group in Year 2017 and acquired a controlling interest in the Zain Group.

Zain Group revenues recorded a growth of 56% and reached *RO 501 Mn* as of Mar'19 compared to the corresponding period revenues of *RO 326 Mn*. EBITDA stands at *RO 220 Mn*, recording a growth of 108%. Net profit is *RO 69 Mn* an increase of 30.7% over the previous period.

The three-month period was highlighted by 77% increase in net income in Zain Iraq; healthy net profit growth of 11% by Zain Kuwait and 55% by Zain Bahrain; with Zain Sudan continuing to perform exceptionally well in all key financial indicators in local SDG currency terms. Further Zain KSA recorded net profit for the last three quarters with revenues growing quarter on quarter. Net income for Zain KSA for Q1-2019 reached RO 12.9 million compared to a loss of RO 8.1 million in Q1-2018.

Total customer base of Zain Group grew by 6% to 50 Mn compared to 46.9 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 4.75 million and Omantel owns 80%. The revenue for the year ended Mar'19 is RO 1.4 Mn an increase of 9.1% compared to RO 1.3 Mn for the corresponding period 2018. The company has shown a lower performance with EBITDA at 21.2%.

**Market Share:**

Omantel's Mobile network market share (*including Mobile Resellers*) is 55.4% with a revenue share of 57.4%. The Fixed Telephone (post & pre-paid) market share is 72.7% with a revenue market share of 80.4%.

**Awards and Achievements:**

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Omantel won and achieved the followings during the Year 2019:

1. **EFloos launch:** Omantel launched 'eFloos' digital wallet in collaboration with Arab Financial Services (AFS), the region's leading FinTech enabler. The newly introduced digital wallet enables smartphone users to pay merchants, add, send and receive funds to and from other wallets.
2. **Omantel – Duqm MoU:** The Oman Company for the Development of the Special Economic Zone at Duqm (Tatweer), and Oman Telecommunications Company (Omantel), signed an MoU that provides technical solutions to make Duqm a smart city.
3. The Information Technology Authority (ITA) and Omantel have signed a pact for smart city services. As per the agreement, Omantel will provide the required communication and support services like the Internet of things (IoT), cloud computing, and big data to the smart city pilot project being implemented in the Knowledge Oasis Muscat (KOM).
4. Omantel won "IoT Security Champions Award" from GSMA, in recognition of its contribution to GSMA IoT working group and successful adoption of GSMA IoT Security Guidelines & Assessment Scheme. The company now stands among the top 14 operators worldwide that have adopted these guidelines.

### **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 Q1 2019:

1. **Omantel Olympic for Coding (2nd Phase):** is a collaborative program between Omantel & Ministry of Education which aims to discover and encourage young talents of students on the importance of information technology and coding through different levels of competition among schools throughout Oman.
2. **Renewable Energy Lab:** Omantel has recently announced the opening of a fully-fledged renewable energy lab at the Science and Technology Centre in the Wilayat of Nizwa, in collaboration with the Ministry of Education..
3. **Internet of things Lab:** Omantel has recently opened a lab at SQU with support of Momkin Company.. The aim of this lab is to transform SQU campus into a leading developer and exporter of smart campus solutions in the region by 2022 by utilizing ICT and other technologies.
4. **Other CSR Initiatives: Education Innovation Program** in association with The Research Council and Ministry of Education ,, **Mehnati3**, conducting a training program in mobile phones maintenance and repairing which targets the job seekers including a group of disabled people, **Outward Bound Oman:** continues for the Fifth year targeting school students to enhance soft skills such as surviving skills, self-dependence, and self-confidence etc, and **Upgrade 3**, program aims to transform graduating students' class projects into financially viable Information, Communication & Technology (ICT) start-ups.

### **Future outlook:**

Since 2018, we are witnessing a slow-down on the core telecom market revenues mainly resulting from economic slowdown and increased competition in the domestic market. Reduced disposable income for consumers, enterprises and government entities and a change in demographics has led to a significant change in consumer behavior, characterized by a more controlled utilization of core telecommunication services (such as voice, data and messaging). Under these market circumstances, we start to see a more aggressive competitive behavior between existing players, putting additional pressure on revenue growth and margins. This is impacting especially the mobile market, which is showing signs of stagnation or even slight declines, only partially compensated by growth in fixed line services. The introduction of new players in the market, such as the 3<sup>rd</sup> Mobile License and the new license for Oman Broadband, will further accelerate the pressure on the market conditions, and will likely limit the revenue growth potential across all players.

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 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 domestic regulation, makes it challenging for domestic telecom operators to compete on value added services. Furthermore, building the required infrastructure to support this demand remains a substantial burden on operators, putting an increased pressure on the margins.

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 for enterprise and government customers. This will assure that 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. At the same time, we focus on optimizing our cost base in order to compensate the decline in margins.

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**

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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 on the occasion of the holy month of Ramadan. 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**