

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 2019.

Operating performance:

REVENUE

Group Revenue for period ended 30th June 2019 has grown to RO 1,258.9 million compared to RO 914.2 million for the corresponding period 2018. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 1,002.8 Mn.

The H1-2019 includes the effect of consolidation of results of Zain KSA whereas in H1-2018 Zain KSA was an associate and as such only share of profits/losses were considered in the results. Zain KSA was consolidated with effect from Q3-2018. Consolidation of Zain KSA resulted in additional RO 423.6 million in revenue (USD 1.1 billion) and RO 194.8 million in EBITDA (USD 506 million).

Omantel (Domestic performance) Revenues recorded a decline of 8.5% and reached RO 259.8 million compared to RO 283.9 million for the corresponding period 2018 mainly due to reduction in Mobile prepaid revenues and IRU capacity sales. Fixed line revenues grew by 6.5% Y-o-Y whereas Mobile revenues (excluding device) declined by 6%. Also, 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 1,026.2 million compared to RO 771.8 million for the corresponding period 2018. The increase in expenses attributed to the consolidation of Zain KSA, which was not during same period last year.

Omantel (Domestic performance) costs decreased by 8.1% to RO 215 million compared to RO 234 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 126.5 Mn (RO 33.2 Mn net off non-controlling interests) compared to the after tax profitability of RO 101 Mn in 2018 (RO 32.9 Mn net off non-controlling interests).

The increase in Group profit is against the backdrop of an excellent performance in key markets of Zain Group notably in Kuwait, KSA and Iraq. Zain Group contributed RO 114.8 million (USD 298 Million) to the net profit (before non-controlling interest) of Omantel Group in H1-2019 compared to RO 86.8 million (USD 225.4 Million) in H1-2018 a growth of RO 32.2%. After adjusting for non-controlling interest Zain group contributed RO 21.4 million (USD 55.5 Million) in H1-2019 compared to RO 18.6 million (USD 48.4 million).

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The above performance of Zain Group during half year demonstrates the underlying potential of the investment, which is also reflected by way of increase in the market value of the investment by 17.5% from the date of inception of the investment.

Net profit of Omantel (*Domestic Performance*) for the period ended 30th June 2019 is RO 39.2 Mn compared to RO 43 Mn, a decrease of 8.8%.

Group Earning per Share (EPS) for the period ended 30th June 2019 is RO 0.044 compared to RO 0.044 for the corresponding period of year 2018.

SUBSCRIBER BASE

The total domestic subscriber base as of June 2019 (including mobile and fixed businesses) was 3,425 million (excluding Mobile Resellers) compared to 3,429 million of the corresponding period of the previous year, recording a decline of 0.1% over the last period. Total subscriber base with mobile resellers reached 3,991 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 59% and reached *RO 1002.8 Mn* as of Jun'19 compared to the corresponding period revenues of *RO 630.3 Mn*. EBITDA stands at *RO 437.8 Mn*, recording a growth of 107%. Net profit is *RO 114.8 Mn* an increase of 32.2% over the previous period.

The six-month period was highlighted by 39% increase in net income in Zain Iraq; healthy net profit growth of 10% by Zain Kuwait and 9% 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 four quarters with revenues growing quarter on quarter. Net income for Zain KSA for H1-2019 reached RO 26.6 million compared to a loss of RO 11.8 million in H1-2018.

Total customer base of Zain Group grew by 4% to 49.2 Mn compared to 47.4 Mn of the previous period.

- 2) Oman Data Park LLC:** is a joint venture of Omantel and 4Trust LLC, of which Omantel owns 80%. The revenue for the year ended Jun'19 is RO 2.8 Mn an increase of 9.8% compared to RO 2.6 Mn for the corresponding period 2018. The company has shown a lower performance with EBITDA at 21.5%.

Market Share:

Omantel's Mobile network market share (*including Mobile Resellers*) is 51.3% with a revenue share of 57.3%. The Fixed Telephone (post & pre-paid) market share is 72.1% with a revenue market share of 79.8%.

Awards and Achievements:

Omantel achieved the followings during the 2nd Quarter of Year 2019:

1. **Launched (eSIM):** a digital-embedded SIM card to enjoy unprecedented digital experience.
2. Signed an agreement with University City (Oman University and Science and Technology City) to develop ICT services in the city, and turning it into a model for smart cities. Also, Signed an MoU with SEZAD to offer ICT services in Duqm.

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 Q2 2019:

1. **ICT internship program with Huawei:** Omantel celebrated the completion of the training and knowledge transfer program for 100 ICT graduates from different higher education institutions where 47 have been employed till date.
2. **Ramadan Campaign:** Omantel annual charity campaign with collaboration with Dar Alatta & MoSD to enhance the standard of living for lower income families from different Governorates by revamping their houses.
3. **Other CSR Initiatives:** , **Mehnat4:** 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, **Omantel Wal Awael 5:** a 2 days training program to familiarize the elderly with the latest means of communication, information programs and train them on how to use smart devices in their daily lives.

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, only partially compensated by growth in fixed line services. The announcement of new players in the market, such as the 3rd 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.

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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 that 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 is started showing positive results for Omantel. We could able to to diversify its revenue sources and contribute to the creation of an added value to the shareholders of both companies. We are working on various opportunities 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.

EXCELLENCE. ABDUSALAM BIN MOHAMMED AL MURSHDI
CHAIRMAN, OMANTEL BOARD OF DIRECTORS