

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the 9 months' period ended 30th September 2019.

Operating performance:

REVENUE

Group Revenue for period ended 30th September 2019 has grown to RO 1,893.4 million compared to RO 1,546.7 million for the corresponding period 2018. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 1,501.6 Mn.

Nine months ended 2019 includes the effect of consolidation of results of Zain KSA which was consolidated with effect from Q3-2018. This resulted in additional RO 613.6 million in revenue (USD 1.64 billion) and RO 283.8 million in EBITDA (USD 761 million).

Omantel (Domestic performance) Revenues recorded a decline of 4.5% and reached RO 396.3 million compared to RO 414.9 million for the corresponding period 2018 mainly due to reduction in revenues from Mobile Prepaid and IRU capacity sales. Fixed line revenues grew by 5.3% Y-o-Y, whereas Mobile revenues (excluding device) declined by 7%. Also, revenues from voice calls continued its downward trend and declined by 13% YoY due to Over The Top (OTT) services.

EXPENSES

Group's total Operating expenses increased to RO 1,538.1 Mn compared to RO 1,289.2 Mn for the corresponding period 2018 due to the effect of consolidation of results of Zain KSA.

Omantel (Domestic performance) costs decreased by 2.6% to RO 326.7 Mn compared to RO 335.4 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 198.3 Mn (*RO 52.7 Mn net off non-controlling interests*) compared to the after tax profitability of RO 112.9 Mn in 2018 (*RO 43.6 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 and KSA. Zain Group contributed RO 179.6 million (USD 466.4 Million) to the net profit (before non-controlling interest) of Omantel Group in Q3 2019 compared to RO 87.5 million (USD 227.2 Million) in 2018 a growth of RO 105%. After adjusting for non-controlling interest, Zain group contributed RO 33.8 million (USD 87.7 Million) in year 2019 compared to RO 18 million (USD 46.7 million) in year 2018.

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Net profit of Omantel (*Domestic Performance*) for the period ended 30th September 2019 is RO 59.3 Mn compared to RO 68.9 Mn, a decrease of 13.9%.

Group Earning per Share (EPS) for the period ended 30th September 2019 is RO 0.078 compared to RO 0.092 for the corresponding period of year 2018.

SUBSCRIBER BASE

The total domestic subscriber base as of September 2019 (including mobile and fixed businesses) was 3.458 Mn (excluding Mobile Resellers) compared to 3.454 Mn of the corresponding period of the previous year, recording a growth of 0.1% over the last period. Total subscriber base with mobile resellers reached 4.050 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 32.7% and reached *RO 1,501.6 Mn* as of Sep'19 compared to the corresponding period revenues of *RO 1,131.8 Mn*. EBITDA stands at *RO 660.2 Mn*, recording a growth of 63.2%. Net profit is *RO 218.7 Mn* an increase of 21.9% over the previous period.

The nine-month period was highlighted by the healthy net profit growth of 10% by Zain Kuwait and 7% by Zain Iraq; 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 five quarters with revenues growing quarter on quarter. Net income for Zain KSA for nine months ended 30 September 2019 reached RO 37.8 million compared to a loss of RO 6.9 million in nine months ended 30 September 2018.

Total customer base of Zain Group grew by 3% to 49.1 Mn compared to 47.8 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 Sep'19 is RO 4.1 Mn an increase of 7.7% compared to RO 3.8 Mn for the corresponding period 2018. The company has maintained a similar level of EBITDA compared to year 2018 with EBITDA margin at 22%.

Market Share:

Omantel's Mobile network market share (*including Mobile Resellers*) is 52.1% with a revenue share of 57.3%. The Fixed Telephone (post & pre-paid) market share is 71.4% with a revenue market share of 79.9%.

Awards and Achievements:

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Omantel achieved the followings during the 3rd Quarter of Year 2019:

1. Omantel winning “Leading Corporate for Investor Relations in Oman” Award at Middle East Investor Relations Conference held in Dubai.
2. Winning “Best Employer Brand Award” in 2019 on “Best HR Strategy in line with business” category and “Best Employer” category from 14th International HR Awards Summit.
3. Omantel ranked as No. 1 best performing company in 2018 in the Annual 20 Best MSM Performing Companies Awards Ceremony organized by Oman Economic Review magazine.
4. Winning “Best Data Centre in the Middle East 2019” Award from Telecom World Awards conference held in UAE.

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 Q3 2019:

1. **Innovation & Technology Transfer Center:** Signing a cooperation agreement with SQU to support development of the center.
2. **Mehnati:** completion of training program of 100 Omani job seekers from 5 different governances of the Sultanate (Dakhliya, Muscat, North Batinah, South Sharqiah & Dhofar) in mobile phones repairing & software.
3. **Upgrade.3 :** announcement of the 3 winning graduation projects. The program objective is to transform graduating student projects into financially viable one for Information and communication technology (ICT) start-ups.
4. **Omantel Olympic for Coding.2:** announcing the 2nd edition of a collaborative program between Omantel & MoE, which aims to discover and encourage young talents of students and draw attention to the importance of information technology and coding through different levels of competition among schools throughout Oman. Around 4500 students registered for the program

Future outlook:

In the next 12 months, the outlook of the telecom market will be dominated by 2 major evolutions - the arrival of the 3rd MNO and the launching of the “5G” technology.

The arrival of the Vodafone brand in Oman as 3rd MNO will have a profound impact on the current market dynamics. As the current market is getting saturated and we are witnessing a slowdown in core mobile telecom market revenues due to the overall economic situation,. At the same time, the continuing growth of OTT (over-the-top) services such as Netflix, WhatsApp, Youtube and Instagram drive an increasing demand of bandwidth volumes, which is in principle a potential for operators to grow revenues. Nevertheless, 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

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required infrastructure to support this demand remains a substantial burden on operators, putting an increased pressure on the margins.

Under these circumstances, it will be increasingly challenging for operators to find the funding for the required investments in 5G, which will cause a fundamental challenge to find the necessary digital eco system to facilitate the take-up of such technology. Even with the far superior services 5G provides in terms of speed and latency, as well as the possibility to develop a new stream of advanced smart digital services and IoT (Internet of Things) solutions, history in previous network upgrades such as 4G has proven that the monetization of these advanced features is challenging. As with every new technology, the real use cases will only become clear once the network has been rolled out. This will provide a dilemma for operators to decide when and how to pace the deployment of 5G networks. However, Omantel is working towards to introduce 5G services and will be targeted in Key areas across Oman as initial stages of deployment in line with the digital economy system in the Sultanate.

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 in order to increase customer stickiness and find new sources of revenue growth. 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. Also, Our Wholesale Strategy proposition in Oman as a regional hub for data and transmission centers will enable us to provide the best connectivity services to international players. At the same time, the company is undertaking various initiatives aimed at increasing operational efficiency through cost optimization to compensate the decline in profit margins.

Moreover, the acquisition of a stake in Zain is started showing positive results for Omantel, creating a diversification of our revenue sources and contributing 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 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 the occasion of the 49th National Day. 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.

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ABDUSALAM BIN MOHAMMED AL MURSHDI
CHAIRMAN, OMANTEL BOARD OF DIRECTORS