

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 2020.

Operating performance:

REVENUE. Group Revenue for the period ended June 2020 has reached RO 1,242.0 million compared to RO 1,258.9 million for the corresponding period 2019. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 961 Mn.

Omantel (Domestic performance) Revenues recorded a growth of 11% and reached RO 288.1 million compared to RO 259.8 million for the corresponding period 2019 with the coming mainly Wholesale International business and device revenues, which are typically of low margin compared to the core revenues. Adjusted for the above, Core revenues for H1-2020 is RO 221 Mn compared to RO 232.5 Mn in 2019, a decrease of 5%, which impacted the overall margins.

EXPENSES. Group's total Operating expenses increased to RO 1,038.6 Mn compared to RO 1,026.2 Mn for the corresponding period 2019, an increase of 1.2%.

Omantel (Domestic performance) cost of sale increased to RO 113.7 Mn compared to RO 74.9 Mn. The increase is mainly due to increase in revenue related expenses. Omantel has managed to reduce its Operating and administrative expenses by 6% YoY resulting from the Cost Optimization measures.

NET PROFIT. The Group achieved an after tax Net Profit of RO 100.5 Mn compared to RO 126.5 Mn in 2019 Zain Group contributed RO 94.8 million to the net profit (before non-controlling interest) of Omantel Group in H1'20 compared to RO 114.8 million in H1'19, a decline of RO 17.4%. After adjusting for non-controlling interest, Zain group contributed RO 18.2 million in H1'20 compared to RO 21.4 million in H1'19.

Omantel domestic operation witnessed 19% decline in Net profit in H1-2020 compared to H1- 2019. The results were achieved against the backdrop of the significant challenges posed by COVID-19 pandemic and an overall reduction in economic activity in the country on account of lower oil prices etc. However, proactive cost optimization measures taken by the management has positively contributed in achieving a 6% reduction in Operating and administrative expenses YoY.

Group Earning per Share (EPS) for the period ended 30th June 2020 is RO 0.032 compared to RO 0.044 for the corresponding period of year 2019.

SUBSCRIBER BASE

The total domestic subscriber base as of June 2020 (including mobile and fixed businesses) was 3.2 Mn (excluding Mobile Resellers) compared to 3.4 Mn of the corresponding period of the previous year, recording a decline of 6% over the last period. Total subscriber base with mobile resellers reached 3.9 Mn.

Subsidiary Companies:

1) **Mobile Telecommunication Company (Zain):**

Zain Group revenues recorded a drop of 4.2% and reached *RO 961 Mn* as of June 2020 compared to the corresponding period revenues of *RO 1,003 Mn*. EBITDA stands at *RO 409 Mn*, recording a decline of 6.5%. Net profit stands at *RO 116.6 Mn* compared to *RO 141 Mn* of the previous period.

Zain Group's resilient results were achieved despite the widespread disruption in economic and social activity. To counter the impact of the COVID-19 pandemic on Zain Group financials, management proactively took decisive cost optimization measures in areas such as contracts renegotiation, and management of cash flows that succeeded in reducing operational expenses by *RO 26 Mn*.

Total customer base of Zain Group decreased by 3.5% to 47.6 Mn compared to 49.2 Mn of the previous period.

Market Share: Omantel's Mobile market share (*including Mobile Resellers*) is 53.7% with a revenue share of 59.1%. The Fixed Telephone (post & pre-paid) market share is 69.1% with a revenue market share of 81.1%.

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 period June 2020:

1. **With you, For You, For Oman Campaign:** Support government efforts to manage COVID-19 through;
 - a. Launching a donation campaign in partnership with Dar Al Atta'a campaign to help those affected by Coronavirus.
 - b. Support people with hearing impaired: sign language translation for awareness messages on COVID-19.
 - c. **Support Health Sector** by Launching of a donation campaign from public to help the containment of Coronavirus. Other assistance include, provision of medical equipment for medical staff, awareness through 58 Million Bulk SMS campaign to spread awareness, extending support to MoH with providing 24000 test kits and 40 Modems for MoH call center.
 - d. **Support Education Sector:** (Google classroom) Omantel partners with MoE to provide G Suite for Education to support distance learning in the Sultanate. Providing 100 Tablets to support converting the educational content and uploading it to the educational platform.
2. **Other CSR Initiatives: Omantel Olympics of Coding 2 (Phase 2)** One week advanced training for the 30 qualified students preparing them for the next phase competition, **Upgrade- 4**, a program aims to transform graduating students' projects into financially viable fourth industrial revolution start-ups and **1st Gulf Autism Conference**- Extended support to hosting regional conference organized by SQUH aimed at betterment of children with autism and other mental health disorders in Oman.

Covid19 Management Response: In addition to the CSR activities and Cost Optimization measures the company has made the following:

1. Extended the community support by way of “free airtime offer” during the period March-April’20.
2. Increased investment in digital infrastructure especially customer facing activities in the recent times (Enhanced Mobile App, e-shop, Chatbots, IVR, Portal) helped in ensuring that the digital channels are available for the customers to provide uninterrupted services.
3. Assisted key business verticals through increased use of digital applications - free subscription to virtual collaboration platforms such as Webex, Microsoft team and Igtimaati platforms.
4. Postponement of its monthly payments for a period of three months for SME sector.

Future outlook:

The Covid-19 outbreak is having a profound impact on the global and local economies as well as the telecom sector in specific. The New Normal has led to a dramatic shift in how telecommunication services are being used (Working from Home, acceleration of online business transactions and extended digitalization of services), providing a unique opportunity for telecom operators to capitalize on the increased demand as well as develop new revenue streams by enabling business to adapt to the new normal. On the other hand, the economical crisis following Covid-19 will have a substantial impact on the spending capacity of consumer, business and public sector, which will put further pressure on sector revenues and margins: business closures and budget deficits will all have a direct impact on the demand for services as well as increase the risk of non-payments and termination of services.

In addition to the Covid-19 impact, the Omani market will further be impacted by 2 major evolutions: the arrival of the 3rd MNO and the emergence of a new technology: 5G.

- The arrival of the third operator in Oman will have a profound impact on the current competitive dynamics. The Omani market is showing signals of saturation and we are witnessing a decline in both core telecom market revenues (such as voice, data and messaging) and subscribers, as the number of expats is expected to decrease due to the overall economic impact. It is expected with the entry of the third operator will impose further challenges on the existing operators.
- At the same time, the continuing growth of OTT (over-the-top) services such as Netflix, WhatsApp, YouTube and Instagram drives 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, investment in expanding the infrastructure to support this demand remains a substantial burden on operators, putting an increased pressure on the margins.
- Under these circumstances, it is additionally challenging for operators to find the funding for the required investments in 5G. Even with the far superior services 5G can provide in terms of speed and latency, as well as the possibility to develop a new stream of advanced smart 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 in the short term. As with every new technology, the real use cases will only become clear once the network has been rolled out and the appropriate ecosystem is developed. This will provide a dilemma for operators to decide when and how to pace the deployment of 5G networks.

The execution of our “Omantel 3.0” strategy remains the essential tool for Omantel to defend its position in the market and deal with the changing market dynamics: Our focus will remain;

- (1) Continuous focus on Customer Experience and Digitization to face the competitive dynamics, as well as to capitalize on the new opportunities provided by the New Normal.
- (2) Expanding in beyond core services such as ICT solutions for public and private enterprise customers, and Value Added Services for the consumer market to tap the new sources of revenue growth to, offset the decline in core revenues.
- (3) Agile and efficient investment methodologies as well as focus on optimizing our cost structure enable us to support the required investment levels. In addition, the deployment of 5G provide us additional key strategic asset that deliver improved capacity and efficiencies as well as new growth opportunities in both our core and beyond core business
- (4) Continue to focus on Carrier of Carriers strategy as part of Wholesale proposition in the region to generate a diversified revenue stream.

In addition to the above, Omantel has introduced stringent controls in spending to assure the impact of Covid-19 is minimized while continuing to invest in essential strategic domains.

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 and the staff, we are honored to greet His Majesty Sultan Haitham bin Tariq on the occasion of Eid Al-Adha. We pray to Almighty Allah to return this occasion to His Majesty with good health, happiness and long life, and to the Omani people with prosperity under the wise leadership of His Majesty. We pray to Almighty Allah to grant him long live, health and welfare to achieve more progress, prosperity and welfare for Oman and its people.

CHAIRMAN