

Management Discussion & Analysis Report

Year Ended 31st December 2021

Global Telecom Landscape

The telecom industry demonstrated its fundamental role as the most enabling human development factor in this technology driven era, even amidst the unprecedented disruptions that Covid-19 pandemic played across the world. From healthcare to education, commerce, entertainment, science & technology, nearly all modern day human endeavors remain dependent on advanced telecom services.

From globally emerging technology trends such as rapidly growing Blockchain Industry, increasing acceptance of Cryptocurrency, adoption of services based on Internet of Things (IoT) and Robotic Processes Automation (RPA), Smart Buildings, Drone based services, real-time medical telesurgeries, online education, Esports, Augmented & Virtual Reality (AR & VR) and Self-driving cars etc., it is evident that seamless high speed connectivity will become a basic commodity in our digital future.

Telecom operators are carrying out massive structural changes in order to cope up with this technological evolution. They are adopting high performing network infrastructures, digital services offerings and delivery channels. This transformation has given rise to a completely new ecosystem of value, services and market segmentation.

Alongside these advancements, the telecom industry continues to face a series of business challenges. Over recent years, operators have witnessed a continuous decline in their core revenue streams i.e. voice and text messaging, along with severe competition from VoIP based Over-the-Top service providers, while facing significant increase in investment to meet the adoption of emerging technologies.

Moreover, high-speed data is quickly becoming a global necessity and is under severe price pressure across the world. It has therefore become difficult for the operators to optimally monetize exponential growth in their data traffic. Operators are hence seeking in-market consolidations through M&A to achieve cost efficiencies while enhancing their IT, IoT and digital services portfolios.

Among all prevalent operational challenges, lies an immense opportunity for the operators to establish new business streams and value from the emerging technologies. To stay competitive in 2022, the telecom industry is rapidly pursuing digital transformation. Operators are now looking to leverage technologies such as Mobile Edge Computing (MEC), RPA, IoT, and 5G not only to recover from the adverse impact of COVID-19 crisis, but also to re-position themselves enabling members of the rapidly digitizing society.

The 5th generation of mobile networks will have a major impact on telecom and dependent economic sectors. Predominantly, the 5G technology will enable expansion of the mobile ecosystem. New device eco-systems and commercial segments will widely emerge within the domains of ICT, IoT etc.

As per the GSMA estimates, nearly 200 operators around the world have commercially launched 5G networks in more than 70 countries. The urgency with which 5G is adopted by the telcos around the world manifests the importance of this technology in generating new services portfolios and value creation at the backdrop of declining conventional revenue.

With increasing rollout of 5G networks, leading operators are now switching off their legacy networks and re-farm 2G and 3G spectrums for 4G and 5G. This trend will gain momentum in 2022 as 5G rollouts expedite around the world, allowing operators to design more spectrum-efficient networks. Furthermore, by reducing the number of multiple network platforms, operators are expected to reduce their running costs, rationalize device portfolios and simplify tariff structures.

Just as cloud computing revolutionized the world of data, it is now altering the way the telecom industry operates. Many organizations are adopting cloud-hosted telephony solutions. Cloud computing is triggering innovation in the telecom industry by providing more flexibility and scalability. With increased adoption of cloud-based systems, operators hope to minimize costs associated with the physical infrastructure, and generate new revenue streams using cloud-based solutions.

The momentum of growth in the global Internet-of-Things footprint as witnessed in the pre-Covid era, was adversely impacted due to global chip shortages and the supply chain disruptions. Global IoT revenue and connectivity is expected to regain its growth trajectory subject to economic recovery, restoration of chipset supply and development of a sizeable IoT eco system.

As part of the “asset lite” strategy, more and more service providers are now seeking to offload their passive network assets to optimize operating costs. Resultantly, the popularity of tower companies are spreading across the telecom value chain as they provide opportunities to reduce costs and generate liquidity in an operationally challenged environment. More and more mobile carriers are selling off their towers to increase liquidity and cost savings.

Covid-19 Pandemic – Waves upon Waves and a Bumpy Road to Recovery

Grappled by unrelenting variants, the world continues to struggle reviving its socio-economic profile of the pre-Covid era. The social and commercial norms that were deeply disrupted by the pandemic and worldwide lockdowns in Year 2020, have not been completely restored as yet.

Fatalities from different variants of Covid-19 still continue to date, although if not as excessively as witnessed in the beginning of the outbreak. Countries around the world are hastily rushing to vaccinate their populations in order to avoid lockdowns, movement restrictions and their ultimate economic impact.

Global economy has entered the year 2022 on a weaker note after witnessing a slight recovery in 2021. The year witnessed its onset already knocked by the widely spread Omicron variant. As per the IMF estimates released in January 2022, world economic output is expected to decline from 5.9% in 2021 to 4.4% and 3.8% in the year 2022 & 2023 respectively. A combination of problems including new waves of Covid-19 infections, persistent labor market issues, rising oil prices, supply-chain challenges, and a broad-based inflation is persistently keeping the economic and trade growth under pressure.

Worldwide trade recently demonstrated strong recovery patterns in a few segments, such as robust demand for electrical and electronic equipment, healthcare and other manufactured goods. Services sectors however, remained constrained mostly due to restrictions on international travel.

Restoration of the global economic norms largely depends on how the world adapts with the pandemic. Countries who have been able to accomplish maximum vaccination protocols, are now abolishing full scale lockdowns and social distancing restrictions. As witnessed during the ongoing Omicron variant, global airline travel has not been impacted to the level of abrupt stoppage that was witnessed during the period

of initial outbreak and Delta variant. The economic benefits of this newfound global resilience against the Covid-19 crisis are expected to shape up during the year 2022 and beyond.

Omantel's Journey Through 2021

Despite extraordinary operational and market challenges that sustained even during the 2nd year of pandemic, Omantel managed to maintain its profile as the flagship telecom operator of the Sultanate of Oman with the largest market share.

Responding to the global shift in communication patterns, we take pride in successfully cascading benefits of this 'digital revolution' down to our customers by providing them best in class technologies, services and solutions. Omantel remains a leading force in both fixed and mobile segments, driven by our innovative offerings, prices, enhanced service delivery, and a high quality network bearing the largest footprint in Oman.

Omantel continued its support to the society during the pandemic, especially towards the economically and physically unfortunate segments. Our tailor made service offerings addressing the pandemic triggered remote working needs, online education, health care industry and our enterprise customers have gained high accolades from Omantel's customer family. Omantel played a leading role alongside the Government for wide scale recovery and restoration efforts after cyclone 'Shaheen' that caused massive destruction in many coastal cities of Oman. Our extensive social responsibility initiatives fetched recognition and appreciation from various societal segments.

Being the Sultanate's leader of 5G technology, our 5G Fixed Wireless Access (FWA) subscriber base providing Fixed Broadband services continues to expand at a rapid pace alongside our quickly expanding 5G network. We continue to invest in expanding our 5G network across the Sultanate to ensure best in class service quality and meet our customer expectations.

The financial and commercial challenges that emanated from an already prevalent transformation of telecom industry, were further triggered by Covid-19 outbreak. Revenues continue to decline, yet demand for network upgrades resulted in significant capex requirements. Conventional mobile revenues that were already declining due to a wide scale migration to IP telephony, deteriorated even further as global economic downturn and millions of job losses reduced consumer spending on services.

In line with this global trend, the key financial indicators of Omantel Group were also impacted. Domestically, the cyclone 'Shaheen' related damages to Omantel's network impacted domestic profitability. Furthermore, a notable decline in the mobile market subscribers resulting from wide scale exodus of expats also contributed to reduction in mobile revenue of the domestic operators, which also impacted Omantel's domestic profitability. Omantel Group (including Zain) posted a total revenue of RO 2.4 Billion, against RO 2.5 Billion revenue as recorded in 2020. The Group (including Zain) posted a net profitability of RO 233.6 Mn during the year 2021, compared to RO 229.0 Mn in 2020.

Omantel has been actively pursuing various synergies with the Zain Group in the fields of Wholesale, commercial, technology and network operations. Over recent years, we achieved significant savings in materials procurement, digital collaboration, new product development and several human resource development programs that were implemented in collaboration with Zain Group.

Omantel continues pursuing revenue diversification from digitization, ICT, M&A, IoT and 5G offerings. In addition, enhanced focus is on deriving operational efficiencies through cost optimization.

Over recent years, we have achieved cost savings by streamlining and re-engineering our internal processes, prioritizing our capital expenditure, efficient utilization of resources, careful vendor management through contract consolidations, and network usage optimization etc. Going forward, we will continue rolling out new cost optimization initiatives in addition to our ongoing cost control assignments.

Telecom Sector – an Investor’s Perspective

The telecom industry continues to deliver predictable growth and dividends to its investors. However due to the operational and economic challenges discussed earlier, operators are not generating high financial returns as enjoyed in previous years.

The year 2020 and 2021 witnessed amplified pressures on telecom stocks as the world suffered with adverse economic conditions. It is however expected that upon restoration of global norms i.e. complete restoration of international roaming, revival of economic growth, growth of 5G ecosystem and deliberate M&A activity by the operators in ICT and IoT domains, the value of telecom stocks will significantly grow going forward.

Evaluating the sector from an investor’s perspective, telecom stock remains one of the most resilient growth stocks in the world. Responding to the massive technological transformation, the global investor community is focusing more on those telecom operators that are adapting to this change by constantly diversifying and venturing into digitization, new service segments and solution based offerings.

Going forward, valuations of highly diversified operators will remain buoyant in global stock markets as opposed to the operators whose services portfolios comprise of mere connectivity.

Sultanate’s Telecom Market & Omantel’s Positioning

Relative to the country’s population, the domestic telecom market stands highly liberalized with multiple operators across fixed broadband, mobile, and international gateway segments. The recent launch of a 3rd mobile operator in the Sultanate is set to further intensify competition in an already declining mobile market.

Domestic telecom sector remains under stress due to the prevailing economic slowdown and challenging market conditions that have largely resulted from the lingering pandemic. However, following the acceleration of vaccination program undertaken by the Government, the expectation of returning to normal is growing and the domestic economy is expected to gradually improve its growth momentum.

The pandemic impact and resultant economic slowdown since year 2020 triggered massive job losses followed by an exodus of expatriate population in the Gulf countries. This resulted in a sizeable reduction in Sultanate’s prepaid mobile market adversely impacting the overall mobile segment. Moreover, increasing competition in mobile and fixed segments and relentless sector liberalization continues to impact operators’ shares, revenue growth, profitability margins and enterprise values.

Despite these challenges, Omantel's demonstrated a resilient market performance during the year, maintaining a leadership position in both mobile and fixed segments and a positive profitability profile. Omantel continues to meet its committed financial covenants. Our debt servicing capacity remains healthy amid several ongoing de-leveraging initiatives, an intensive cost optimization drive and efficient cash management.

In addition to providing much needed connectivity during the Pandemic, Omantel has strategically positioned itself as a premier operator offering best-in-class services to address healthcare, education, SMEs and a wide range of our enterprise customers. Our key focus remains on customer retention through better service delivery and quality excellence in order to defend our leadership role.

To address the challenges from massive structural changes in telecom business models, we continue to modernize our fixed and mobile networks, investing in ICT, IOT, 5G, network function virtualization, evolved core transportation etc. After a successful launch of 5G services in 2019, we continue expanding our 5G footprint across country for both fixed wireless access and mobile services.

Our Corporate Strategy – Shift Gear to Achieve Sustainable Profitability Growth

The arrival of the third mobile network operator in the Omani market, is putting a significant pressure on existing telco revenues and margins. The market is in a structural decline both on core telco revenues as well as subscribers, and is showing clear signals of saturation. In addition, recovery from Covid-19 impact is slow and unsure, which continues to have an impact on spending patterns from consumers, enterprises and government.

Under these conditions, the entry of the third operator will inevitably lead to value erosion as competitors need to fight for existing customers in a no-growth market. OTT (over-the-top) services such as Netflix, Youtube, Instagram and WhatsApp continue to grow and drive increasing demands for data volumes. Nevertheless, customers are not necessarily willing to pay more, resulting in operators to increase data volumes for similar price points and ARPU.

Supporting this increase in bandwidth consumption requires continuous investments in expanding and upgrading infrastructure, putting a further pressure on margins. The fixed market and especially the Home Broadband services are still showing growth opportunities, especially in converting copper customers to higher speed broadband services using 5G FWA (Fixed Wireless Access) and fiber.

At the same time, it remains challenging for operators to allocate funding for the required investments in 5G. While 5G offers significant opportunities leveraging its superior services in terms of speed and latency, the development of a new stream of advanced solutions and IoT services will require time before the investments can be fully monetized, something we have also seen in previous network upgrades.

In light of the current situation and in order to strengthen our position as one of the primary enablers of Oman's digital ambitions, Omantel's *"Shift Gear to achieve sustainable profitability growth"* strategy continues to be our primary tool to optimize value generation for both our customers and shareholders. Shift Gear builds further on the key transformation initiatives started under 'Omantel 3.0' and focusses on a number of key business enablers:

- Focus on differentiating activities to generate value, especially in our core telco services, infrastructure, our brand and our position as a key international communications hub
- This will be achieved by fully leverage our transformation to become a digital native operator, extracting value and insights from our data and continue to enhance our Customer Experience as well as our human capital
- Simultaneously, we develop new areas of growth from new business opportunities, primarily in the ICT and value added services domain, while at the same time identifying innovative solutions through the Omantel Innovation Labs. Building a strong ecosystem of complementary players is a key part of our strategy.
- In addition, Omantel continues to implement stringent controls in spending to assure the impact of Covid-19 is minimized while continuing to invest in essential strategic domains.

Omantel ICT

Omantel ICT Business continues to grow at a significant pace, despite the unprecedented business challenges caused by the pandemic. This growth has been achieved primarily due to our Integrated ICT strategy – which is built on the solid foundation of the core business strategy and supported by our strong brand equity, market leadership, collaborative ecosystem of subsidiaries, go-to-market partnerships and technology alliances.

We are constantly investing to enhance our ICT portfolio to meet the Sultanate’s digitalization ambitions spanning across Data Centres, Cloud Computing, Managed Security, Unified Communications and Collaboration (UCC), Contact Centers, Blockchain, Internet of Things (IoT) and Big Data Analytics amongst others.

In alignment with the Sultanate’s 2040 Vision, the Government and Enterprise sectors are embracing digitization through emerging technologies. Omantel ICT Business is adequately geared up to enable the monumental shift in customer paradigms and business operating models.

Our unique market positioning has successfully resulted in a strong uptake of our ICT business with a healthy pipeline for strategic long-term projects. Our ICT projects are primarily built on the underlying architecture of Omantel’s exceptional 5G Core and IP Layer and strongly interconnected through its extensive and secure Optic Fiber Network.

In our quest for customer centricity, we continue to align, innovate and invest in creating Off-the-shelf Products as well as Bespoke Solutions for industry verticals – such as Ministries, Banking and Financial Services, Energy and Minerals, Healthcare, Education, Transportation, Hospitality, Services and several others.

Omantel’s accomplishments during 2021 signify the considerable progress we have made in the ICT arena. We have leveraged our 5G network leadership to deliver 5G based business applications ranging from Smart Traffic Light solutions for Municipalities, Video Surveillance solutions combined with Artificial Intelligence for Ports, IoT based solutions for Smart City projects and Smart Homes. We expanded our on-

premise Contact Centre offerings to provide on-demand and scalable Cloud Contact Centers – which are growing rapidly due to work-from-home (WFH) models becoming a way of life.

Omantel has also delivered cost effective and easy to deliver ICT-in-a-box solutions for the fast-growing SME segment. Amongst many industry accolades received by Omantel through the year, it was a rewarding experience for ICT Business to receive the prestigious COMEX Awards in two prime categories – Data Analytics and Data Tech Solutions.

As the country gradually bounces back from the pandemic situation, the digital economy of the Sultanate will continue to thrive and grow through digitization initiatives backed by a strong national ICT strategy. Omantel on its part remains committed in maintaining our market positioning as the ‘Partner of Choice’ – being Oman’s first and leading Integrated Telecommunications and ICT Services Provider.

Omantel Wholesale – Reaching Further

Omantel being a prominent international wholesale operator, specializes in provisioning of ultra low-latency connectivity to regional and international telecom operators and multinational technology companies. Capitalizing upon the Sultanate’s geographic location at the nexus of Asia, Middle East and Africa, Omantel has build an extensive portfolio of international subsea cable systems and landing stations.

Over the past decade, Omantel kept committing significant investments into its wholesale eco-system. Resultantly, Omantel has evolved as a leading wholesale services provider in the region. Omantel holds an international investments portfolio of 20+ international subsea cable systems connecting 120+ cities across the world, and a diverse portfolio of cable landing stations in Oman and Marseille-France.

Our participation in several international cable systems is also supported by an assemblage of several direct regional terrestrial links in our portfolio which makes the Sultanate of Oman one of the most connected places in the region and an attractive international hub as entrance to the Gulf for carriers, content and cloud providers.

Such a remarkable transformation was achieved through an ambitious and well-defined strategy that Instead of relying on individual projects, embarked upon a “Global Wholesale Integration Program” to establish the following Wholesale assets:

- An international, diversified and high-capacity submarine network connecting Oman with the rest of the world. Omantel became the first GCC operator to land a submarine cable in the European Union;
- International Network Operations Centre (INOC), a state-of-the-art 24/7 facility specifically tailored to meet the needs of the cloud and content-centric market besides monitoring and supporting Omantel’s international terrestrial or submarine cable systems;
- ‘MC1’, the region’s first carrier-neutral data centre located in Barka-Oman, in partnership with Equinix, the world’s leading international data centre operator;

- International roaming arrangements with close to 700 operators in over 210 countries in addition to the newly introduced 5G data roaming services;
- Omantel International (OTI), an international subsidiary managing the group’s international voice carrier business as well as international value-added services.

These game-changing approaches have fetched some of the biggest international telecom operators and content providers to partner with Omantel even hosting their regional servers in Oman.

Consequently, almost 80% of the internet access of Omantel’s users is now served locally. Such partnerships, in addition to business and economic benefits, are directly linked to enhanced customer experience on all fronts including access to high-speed internet and gaming. Omantel’s Global Wholesale Integration Program is dynamic continues to evolve through updates and enhancements to stay at par with global developments and increasing customer requirements.

Omantel Group – Consolidated Performance – 2021

Omantel Group revenue includes revenues from domestic operations of the parent company, revenue from Zain Group, domestic and other international subsidiaries.

Consolidated P&L Highlights			
	2021	2020	% Change
<i>RO in Mn</i>			
Revenue	2,408.3	2,511.0	-4.1%
EBITDA	970.3	1,026.3	-5.5%
Profit for the period	233.6	229.0	2.0%
Attributable to Shareholders of the Company	67.1	66.9	0.2%
Non-controlling interest	166.6	162.1	2.8%
Profit for the Period	233.6	229.0	2.0%

The Group revenue for the Year 2021 is RO 2,408 million compared to RO 2,511 million as recorded in Year 2020. The Group revenue includes acquired business of Zain Group, which contributed revenues of RO 1,887 Mn.

Performance & Key Operational Highlights of Zain Group

Zain Group recorded a drop of 5% Y-o-Y in revenue to reach RO 1,887 Mn for the full year 2021 compared to the corresponding period revenues of RO 1,991 Mn. Similarly, EBITDA for the period was RO 780 Mn, down 5% Y-o-Y with stable margins at 41%. Net profit stands at RO 250 Mn compared to RO 255 Mn of the previous period.

The impact of COVID-19 continued to effect operations across the Group portfolio, further amplified by currency devaluations in Sudan and Iraq. SDG was devalued from 55 (USD/SDG) to 426 as of December

2021, while IQD was devalued by 19% from 1,190 to 1,470 (USD/IQD). Excluding the FX impact, the Group consolidated revenue and EBITDA growth would have been up 13% Y-o-Y and 17% Y-o-Y respectively.

Management's efforts through continued cost optimization measures across the Group, lower Expected Credit Loss (ECL) because of healthier acquisitions, better collection and improvement in overall macro-economic factors, partially aided earnings during the period.

Total customer base of Zain Group increased by 2% to 48.9 Mn compared to 47.8 Mn of the previous period.

Performance Highlights of Zain Group's Cross Border Portfolio:

Kuwait: Revenue increased by 1% Y-o-Y to reach KD 318 million (USD 1.06 billion), EBITDA increased by 13% to reach KD 125 million (USD 416 million) and net income was up by 7% to reach KD 80 million (USD 266 million). Zain Kuwait reported an improved EBITDA margin of 39%.

Saudi Arabia: Zain KSA reported stable revenue at SAR 7.9 billion (USD 2.1 billion), while EBITDA for the year declined by 9% Y-o-Y to reach SAR 3.13 billion (USD 836 million), reflecting an EBITDA margin of 40%. The conclusion of CITC waiver agreement was key factor for EBITDA decline. Net income recorded at SAR 214 million (USD 57 million), reflecting a 17% drop Y-o-Y.

Iraq: Zain Iraq's revenue dropped 18% to reach USD 769 million and EBITDA declined 17% Y-o-Y amounting to USD 312 million (41% EBITDA margin) because of currency devaluation and continued lockdown restrictions. The operation reported a net profit of USD 42 million for 2021, down 47% Y-o-Y.

Sudan: In USD terms, revenue fell 21% Y-o-Y to reach USD 330 million for the full-year 2021, but EBITDA decreased by 4% to reach USD 164 million, partially aided by lower costs. On the contrary, net income increased 70% to reach USD 103 million because of lower depreciation and amortization and lower currency variance losses.

Jordan: Revenue increased by 3% to reach JOD 354 million (USD 500 million). EBITDA correspondingly grew 6% Y-o-Y to reach JOD 163 million (USD 230 million), reflecting margin of 46%. Net income reached JOD 94 million (USD 132 million), up 66% Y-o-Y due to the gain on sale and lease back of towers.

Bahrain: Zain Bahrain reported revenue growth 5% Y-o-Y to reach BHD 65 million (USD 172 million). EBITDA for the period amounted to BHD 22 million (USD 58 million), up 2% Y-o-Y, reflecting an EBITDA margin of 34%. Net income amounted to BHD 5.6 million (USD 15 million).

Performance of Omantel (Excluding Zain Group)

(Domestic Fixedline, Mobile, Omantel International SPVs & Domestic Subsidiaries / Associates)

Omantel's domestic operations include Fixed Line business, Mobile business, Omantel International (OTI)-Wholesale arm of Omantel engaged in international voice aggregation business and Omantel subsidiaries (Oman Data Park, Internet of Things- MOMKIN & Infoline).

Resulting from subdued market conditions mainly due to prevalent economic slowdown, lingering pandemic, and other operational challenges, Omantel posted 0.3% decline in revenue (excluding Zain) during 2020. Revenue declined from RO 533.1 Mn in FY 2020 to RO 531.4 Mn in 2021.

Country's mobile market growth remained under tremendous pressure, as a sequence of international travel restrictions and social distancing protocols sporadically continued throughout the year.

Slowdown in the job markets and widespread job losses adversely impacted the domestic telecom market resulting in decline in the prepaid mobile market during the year.

In absolute terms, Omantel posted a reduction in number of mobile subscribers. However, Omantel successfully maintained its leadership position with the largest market share in the Sultanate.

As at 31st Dec'21, Omantel's domestic customer base stood at 3.21 Mn (3.72 Mn including mobile resellers) as against a total customer base of 3.27 Mn (3.9 Mn including mobile resellers) in 2020.



Revenue for the Financial year ended 31 December

RO in Mn	2019	2020	2021
Fixed Business (incl ICT)	147.2	156.0	159.4
Mobile Business	270.3	238.3	224.8
Wholesale Business	133.0	131.5	136.1
Total Revenue	550.4	525.8	520.3
Revenue from Domestic Subsidiaries	3.9	7.3	11.1
Total Revenue - Omantel + Subsidiaries	554.3	533.1	531.4
Growth %	1.5%	-3.8%	-0.3%

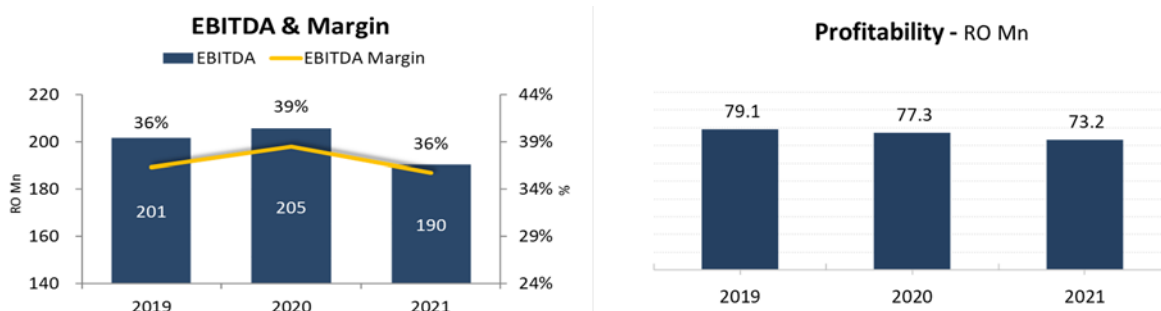
With proactive marketing strategy, Omantel could able to achieve growth in Fixed Broadband, Mobile Postpaid and Wholesale revenue segments. Voice business continued its persistent decline across Fixedline and Mobile segments.

The Fixed business revenue recorded a growth of 2.2%, mainly contributed by Fixed Broadband and Corporate Data revenue streams. Mobile business revenue declined by -5.7%, mainly due to continued decline in pre-paid segment.

EBITDA & Net Profitability (Excluding Zain Group):

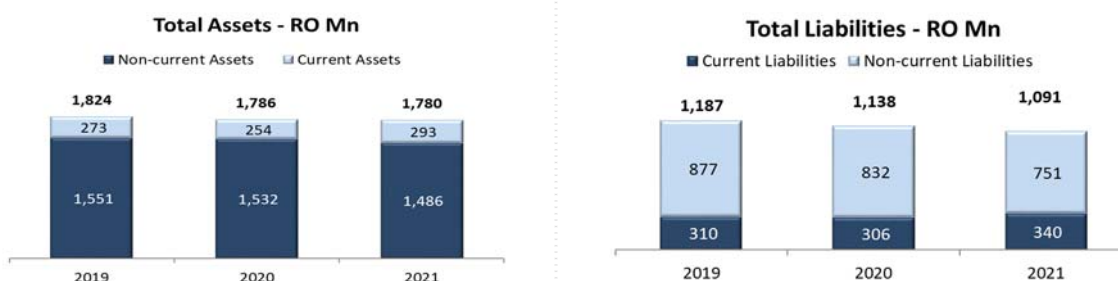
Mainly resulting from the decline in revenues, Omantel’s EBITDA decreased from RO 205.2 Mn in 2020 to RO 190.0 Mn in 2021. EBITDA margin posted reduction from 38.5% in 2020 to 35.8% in 2021.

Omantel posted a net profit (excluding non-organic subsidiaries) of RO 73.2 Mn in FY 2021, compared to RO 77.3 Mn recorded in 2020, i.e. a y-o-y decrease of 5.3%.



Interest cost related to Zain acquisition is accounted for in Omantel Group’s consolidated accounts.

Financial Position



Overall assets depict a strong financial position, at the backdrop of both organic (network infrastructure) and cross border (Zain Group) investments. Omantel’s Non-Current Assets, principally telecom equipment, investments and facilities currently account for 83.5% of overall asset base.

Interest Coverage, Debt Profile and Covenants:

Omantel’s debt service capability is assessed at the backdrop of the funding taken for Zain acquisition in 2017. For the year ended 31st December 2021, Omantel was able to exceed the covenant ratio mandate set by lenders.

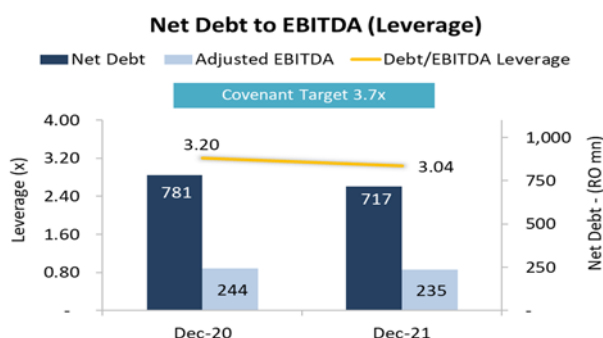
Omantel maintained desirable financial covenants throughout the year.

A healthy interest cover of 4.39x was achieved which was above the mandatory coverage requirement of 4x.

The net debt to EBITDA stood at 3.04x as against the mandate of 3.7x.

Shareholders' equity posted an increase of 6.3% during 2021. The Shareholders' equity increased from RO 648 Mn in 2020 to RO 688 Mn in 2021.

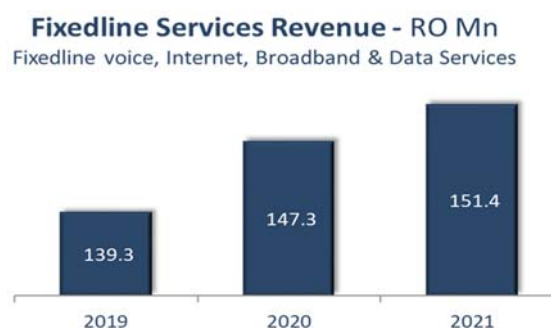
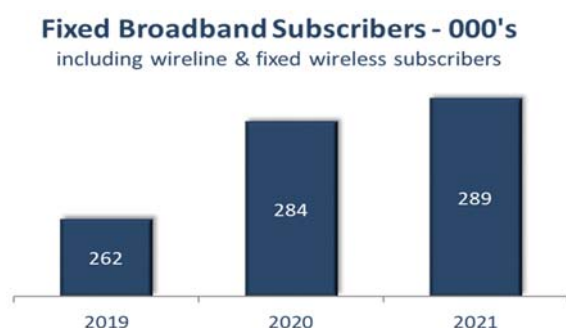
Shareholders equity has grown at a compounded growth rate of 3.9% in the last 3 years.



Revenue and Subscribers:

Fixed line Business:

Fixed line Business includes national and international fixed line voice, fixed broadband, dedicated internet and enterprise data services. Fixed line voice subscribers (prepaid & postpaid) witnessed a decline of 8.1%, whereas fixed broadband subscribers (incl fixed wireless based on 5G Technology) posted a growth of 1.8% during FY 2021.



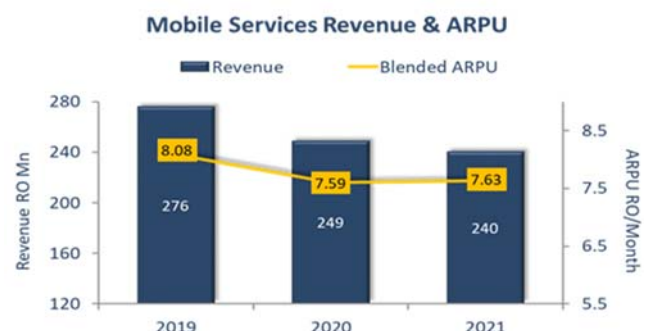
The ARPU for the fixed line services has been derived based on the revenues generated by all fixed line users, including voice, data and broadband services. The blended ARPU of fixedline services continued to improve even during the year 2021, mainly driven by overall fixed broadband growth. ARPU increased from RO 20.9 per month in 2020 to RO 21.6 per month during 2021.

Mobile Business:

The domestic mobile market growth continued to remain under severe pressure during 2021 due to the broader macro-economic impact of Covid-19 pandemic and other operational and market conditions

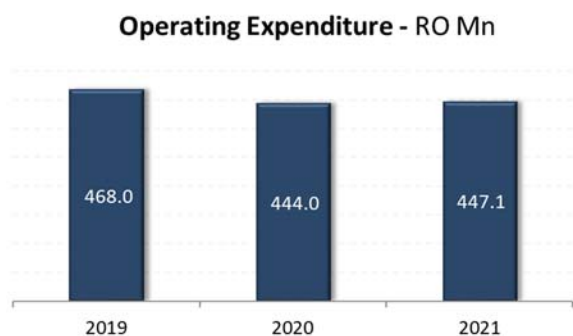
discussed earlier. In line with Oman’s overall market trend, Omantel also posted a reduction in prepaid subscriber base, which was partially mitigated by a healthy growth in postpaid mobile subscribers.

However with enhanced focus on customer experience management, service delivery strategies, innovative pricing and a premium network quality, Omantel maintained its market share leadership during 2021. Our mobile services portfolio is built around postpaid, prepaid and other value added offerings.



During 2021, mobile business retail revenue continued its negative growth trajectory in both voice and broadband segments mainly due to decline in pre-paid segments. Contribution of our mobile business revenue declined from 45% in 2020 to 43% during 2021. Mobile services revenue declined by -5.7% during 2021. This revenue decline was mainly contributed by voice, which declined by -14% Y-o-Y.

Operating Costs:



Total operating expenses (‘opex’) amounted to RO 447 Mn in 2020, i.e. a minor increase of 0.7% over FY 2020.

This increase in opex was recorded mainly on account of cost of sales, that posted increase due to change in revenue composition i.e. more share of device sales resulting from customer migration to postpaid plans and growing base of fixed wireless broadband and Fiber to Home customers.

As a percentage of total revenue, the Opex to revenue ratio remained at 84.1% in 2021 compared to 83.3% as recorded in 2020. Reduction in most of the operating expenditure elements is achieved due to savings resulting from the wide scale cost optimization measures adopted by Omantel.

Financial year ended 31 December			
Figures in RO Mn	2019	2020	2021
Cost of Sales	186.0	179.7	199.8
Operating & Administrative Expenditure	151.9	134.5	132.5
Depreciation & Amortization	115.1	116.1	105.7
Provision for Impairment of Receivables	15.0	13.8	9.2
Total Operating Expenditure	468.0	444.0	447.1

Capital Expenditure, Depreciation & Amortization

Omantel incurred a total capex of RO 61.3 Mn during the year, out of which the network infrastructure capex stands at RO 57.8 Mn.

RO 0.7 Mn (included in RO 57.8 Mn) capex was incurred by Omantel's subsidiary Oman Data Park on its technology infrastructure during the year. Network capex posted a 34% decline during 2021 due to delayed network equipment deliveries resulting from the global supply chain disruption.

We continue prioritizing our network and other capital expenditure during the year, with core focus on undertaking growth oriented critical investments, that support our 5G network buildout, ICT and digitization initiatives etc.

Earnings Per Share & Dividends:

The Group continues to maintain a healthy shareholder relationship with consistent dividend distribution through years.

Group Earning per Share (EPS) in FY 2021 remained unchanged compared with FY 2020. For the year ended 31st Dec'21 the EPS is recorded at RO 0.089 compared to RO 0.089 for the corresponding period of year 2020.

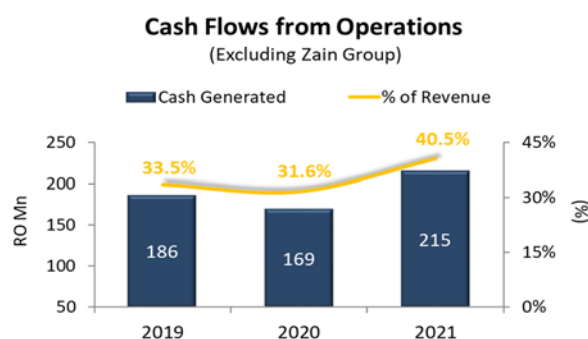
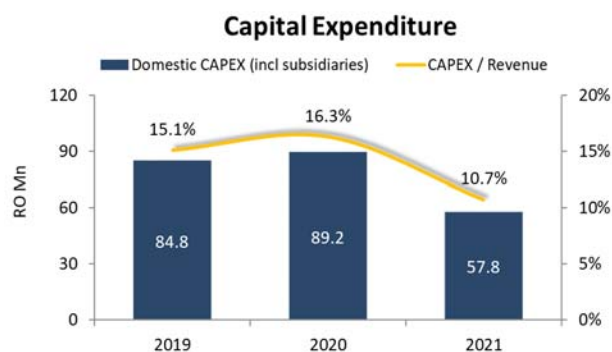
For FY 2021, the Group has recommended a dividend of 55 baiza /share, which corresponds to 55% of the paid up capital. The payout ratio is 61.5% of the Group Net Profit.

Omantel improved its indigenous cash generation during 2021 due to tighter working capital management and higher collections and customer recoveries.

Net cash flows from operations remained RO 215 Mn in 2021 compared to RO 169 Mn as recorded in 2020. Cash generated during 2021 corresponds to 40.5% of the total revenue, as against 31.6% as recorded in 2020.

Omantel's Asset-Lite Strategies

Omantel is actively pursuing an asset-lite strategy. This includes certain deleveraging and debt management initiatives that will enable us achieve an optimal balance sheet profile and liquidity. Omantel



entered into an agreement with an international mobile tower infrastructure company Helios Towers plc, wherein Omantel will sell its passive infrastructure for a cash consideration of US\$ 575 mn.

The agreement contemplates the sale of 2,890 mobile towers with a lease and service contract for a period of 15 years with renewal options. The financial closure is in the final stages and is expected to complete soon.

Furthermore, Omantel is also planning to monetize its investment in its Head quarter building located in Madinat Al Irfan area of Muscat. The plan includes a sale and lease back of the HQ building through a REIF structure, which in turn will allow Omantel to monetize this asset and generate considerable liquidity, yet retaining a degree of control over the REIF.

Investor Rating:

Omantel maintains a rating of BB- assigned by Fitch Rating Services, and a Corporate Family Rating (“CFR”) of Ba3 assigned by Moody’s.

According to Moody’s, Omantel’s Baseline Credit Assessment Rating of ‘Ba3’ remains at par with the credit risk assessment of the Sultanate of Oman, reflective of Omantel’s strong market position in the domestic telecom market, despite the slowdown of country’s economy, Omantel’s resilient operating performance is supported by the necessity-like consumer spending characteristics on telecommunications services. Omantel continues to maintain healthy EBITDA margins of over 35% despite the pressure on revenue, and good liquidity.

As indicated by Fitch, Omantel’s standalone credit profile stands higher than Oman’s sovereign rating of 'BB-'. Given the moderate-to-strong legal and operational linkages between the government and Omantel, the rating agencies do not envisage Omantel’s credit profile to be rated higher than the Sultanate.

Omantel’s credit profile stands resilient against the operational challenges, as we focus more on cost savings, services diversification, refinement of customer experience and capitalizing upon new technologies. Nevertheless, several uncontrollable factors such as near dormant mobile market, introduction of a 3rd MNO, terminally declining voice revenue, and a subdued macro-economic growth fueled by the Covid-19 variants will continue playing downward pressure on our credit ratings.

Internal Control Systems and their Adequacy:

The company has internal control systems and processes that provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. Internal controls comprise of operational procedures, segregation of duties, periodic reconciliations and formal policies and procedures that facilitate complete, accurate and timely processing and recording of transactions and safeguarding of assets.

The Management receives independent feedback from the reports issued by Internal Audit of the Group, Statutory Auditors and the State Audit Institution on the adequacy of the internal controls and continues to strengthen the internal control. Also, as part of the internal control, the company has a defined authority manual and processes, which are followed across the organization. Internal controls are

generally adequate for established activities and services. Internal controls are periodically tested, reviewed and enhanced.

Our Network

As a pioneer telecommunications provider fulfilling the country's communications needs for several decades, Omantel has evolved a state-of-the-art integrated network infrastructure over decades providing extensive coverage and seamless connectivity experience to our customers.

Our rich portfolio of multiple mobile technologies, advanced fixed line infrastructure, a range of several international submarine cable investments and landing stations signifies Omantel as the ultimate one window provider of all communication solutions to every segment of the Omani society.

Our 4G/LTE and 3G mobile networks cover 95.3% and 99.4% of the population respectively. Over 90% of households in Oman have access to Fixed Broadband services. During 2021, we continued our Fiber deployment in various high-population areas around the country.

Omantel is the first telecom operator in the Sultanate to commercially launch the 5G network. Omantel again took the lead by becoming the first operator launching 5G mobile services in January 2021. Our 5G offerings will heavily contribute towards digital transformation efforts across different sectors, by facilitating the adoption of the Fourth Industrial Revolution technologies i.e. smart cities, the Internet of Things (IoT) and Artificial Intelligence.

Omantel continues expanding its 5G coverage to accommodate the excessive traffic demand and new services requirements that are continuously evolving. With 5G Fixed Wireless Broadband services (FWBB), Omantel is offering ultra high-speed internet services with speeds up to 1Gbps.

Going forward, our strategy is to build the next-generation digital infrastructure based on cloud technologies to achieve agility and efficient network operations. Omantel has already commenced its network virtualization journey by building telco cloud infrastructure and deploying virtualized 5G NSA packet core. It is currently carrying all 5G Fixed Wireless Access (FWA) and enhanced Mobile Broadband (eMBB) traffic.

Omantel is also virtualizing the remaining core network functions, some of which like IMS and Fixed/Mobile CS are already virtualized and traffic migrations are ongoing. Few other core network functions are planned to be virtualized in 2022. We are also planning to augment our telco cloud infrastructure to the next generation container-based infrastructure and thereon introducing cloud native functions such as 5G SA core to support advanced 5G use cases and services.

Omantel maintains an extensive transport network infrastructure that supports services for the residential, enterprise, mobile, and wholesale businesses. Our transport network carries a footprint of over 10,000+ kilometers of highly meshed fiber network, providing multiple protection paths across Muscat Governorate and Northern/Eastern/Southern/Wusta Rings.

To serve the extensive data demand, Omantel maintains highly resilient nationwide IP/MPLS transport networks providing L2/L3 packet services. Our optical transport network is architected with the best-of-breed DWDM/OTN technologies that offer seamless connectivity to our customers.

As part of the 'Evolved Core Transport Network (ECTN) project, Omantel completed the deployment of the new IP and optical core network and migrated the core traffic to the new network. The optical transport network is also being deployed in the metro aggregation networks to meet the capacity demands of IP network.

Omantel is also expanding the capacity of the mobile backhaul transport network to meet the 5G traffic requirements by upgrading the metro/access transport rings and deploying E-band Microwave links. In 2021, Omantel successfully launched VSAT services based on Ka-band technology.

Network Security

Resulting from a robust digitization across the world, millions of businesses and billions of people now carry a digital footprint. With the colossal volume of information and data that is stored and transmitted online around the world, the concept of security has been vastly redefined from traditionally being merely physical to additionally being virtual.

Businesses are rapidly adopting operational and services digitization to succeed in the high tide of e-commerce and online commercialism. Resultantly, data and data carrying networks have become the lifeblood of businesses, education, healthcare, national security and effectively all industrial domains etc. Governments, organizations as well as the entire global society in general are becoming increasingly concerned about protecting their privacy, strategic and financial attributes, social identification and competitive advantages.

Omantel remains at the logical security forefront by undertaking possible security measures to ensure that our customer's privacy, information and logical assets remain protected from the burgeoning cybercrimes and security incidents. During 2020-21, our resilient security infrastructure and policies enabled us to achieve incident free services by avoiding millions of signaling attacks and thousands of potential sabotage attempts. This successfully resulted in a persistent network uptime.

Omantel is the first operator in Oman to have secured ISO 27701 standard certification for privacy and data protection. Recently, we have also expanded our D-DOS threat detection/mitigation capacity to secure our cloud infrastructure. Omantel maintains an advanced risk management framework based on international standards, and our signaling network is regarded as one of the most secured signaling networks in the world.

As Omantel continues to expand our 5G coverage, we have taken proactive measures to implement new security features and policies to protect our 5G subscribers against cyber threats.

Omantel is regarded as a highly reputable operator among the international regulatory bodies. We are amongst the pioneering contributors to the international bodies i.e. GSMA, ITU, towards improving global telecom security regulations, designing and implementation of global best practices in the network and cyber security domains.

Omantel remains a preferred partner of GSMA to bring awareness about NESAS in MENA and North America region. Omantel is among the first operators to adopt GSMA recommended policies and best practices in cyber security domain. As a result, ITU awarded Omantel the "Internet of Things Security" award in recognition of its contribution to achieving ITU's vision of mobile networks.

Domestically, Omantel is the key enabler in supporting the Sultanate to remain the 3rd global best in diffusing cyber-attacks. Recently, Omantel has been closely working with TRA and other telecom players towards implementation of state of art voice firewall solutions to protect subscribers' data in the Sultanate of Oman.

Employee Status:

Total number of Omantel employees as of Dec'21 stood at 2,240 (2,450 in Dec'20). With total number of Omanis of 2,062 compared to 178 Non-Omani employees, the Group's Omanization stands at 92%. As at 31st Dec'21, total Male employees accounted for 1,700 whereas the number of female employees remained 540.

