

**Respected Shareholders,**

We are pleased to present to you a summary of the results of the operations for the year ended 31<sup>st</sup> December 2020.

**Operating performance:**

**REVENUE:** Group Revenue for the year ended 31<sup>st</sup> December 2020 has reached RO 2,513.4 million compared to RO 2,592.2 million for the corresponding period 2019. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 1,991 Mn.

Omantel (*Domestic performance*) Revenues reached RO 533.1 million compared to RO 554.3 million for the corresponding period 2019. Revenues growth achieved in Mobile Postpaid, Fixed Broadband, Data Services, ICT, Wholesale International business and device revenues have contributed in managing the revenue for the Year 2020, despite a fall in prepaid revenue due to challenging market conditions.

**EXPENSES:** Group's total Operating expenses decreased to RO 2,097.8 Mn compared to RO 2,111.5 Mn for the corresponding period 2019, a decrease of 0.7%.

Omantel (*Domestic Operation*): Omantel has managed to reduce its Operating and administrative expenses by 12% YoY, which is mainly resulting from the Cost Optimization measures.

**NET PROFIT.** The Group achieved an after tax Net Profit of RO 229 Mn compared to RO 299.7 Mn in 2019.

Oman Domestic operation for the Year 2020 recorded an impressive performance considering the serious business disruptions witnessed since March'20 resulting from Covid-19 pandemic. Net profit has recorded RO 77.3 Mn, which is a marginal decline in comparison to Year 2019 performance. Effective management of sales activities along with proactive cost optimization measures taken by the management has positively contributed in minimizing the overall impact by achieving a 12% reduction in Operating and administrative expenses YoY.

Group Earning per Share (EPS) for the year ended 31<sup>st</sup> December 2020 is RO 0.089 compared to RO 0.104 for the corresponding period of year 2019.

**Dividend**

Board has recommended a dividend of 55 bz per share which will be subject to the approval of AGM. The payout ratio is 61.6% of the Group Profit.

**SUBSCRIBER BASE**

The total domestic subscriber base as of December 2020 (including mobile and fixed businesses) was 3.3 Mn (excluding Mobile Resellers) compared to 3.4 Mn of the corresponding period of the previous year, recording a decline of 3.4% 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 3% and reached RO 1,991 Mn as of December 2020 compared to the corresponding period revenues of RO 2,045 Mn. EBITDA stands at RO 823 Mn, recording a decline of 8%. Net profit stands at RO 255 Mn compared to RO 306 Mn of the previous period.

COVID-19 pandemic disrupted economic activity due to lockdowns and travel bans across all Zain markets, impacted Group's revenue by RO 161 Mn for the full year. 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 65 Mn.

Total customer base of Zain Group decreased by 3.4% to 47.8 Mn compared to 49.5 Mn of the previous period.

**Market Share:** Omantel's Mobile market share (*including Mobile Resellers*) is 52.6% with a revenue share of 58.5%. The Fixed Telephone (post & pre-paid) market share is 70.1% with a revenue market share of 79.5%.

**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 year 2020:

1. **Scholarships for 11 students belonging to Social Security families:** Omantel provided bachelor's degree scholarships for 11 underprivileged higher diploma students of the academic year (2019-2020). The scholarships are in the fields of ICT in some universities and colleges in Oman.
2. **Distribution of 555 laptops:** Omantel in collaboration with Ministry of Education distributed 555 laptops for students from low income families.
3. **Omantel Scholarship for Scientific Research in ICT and Nanotechnology at Sultan Qaboos University:** Omantel entered into a partnership with Sultan Qaboos University for the fourth year in a row to promote scientific research in the fields of ICT and Nanotechnology.
4. **An agreement with Be'ah to promote recycling culture:** As part of the Environmental, social and corporate governance (ESG) Initiative, Omantel has signed a strategic partnership agreement with Oman Environmental Services Holding Company (be'ah) to foster the recycling culture among communities in Oman through the deployment of Reverse Vending Machines (RVMS) across Muscat.
5. **Other CSR Initiatives:**
  - a. **Upgrade-4:** a program aims to transform graduating students' projects into financially viable fourth industrial revolution start-ups.
  - b. **Launched Second Version of Edlal Platform:** Omantel continues in supporting one of the first Omani digital platform to enrich the Arabic e-content and targeting Arab youth.
  - c. **Ideation program:** Omantel with partnership with NBC run a pre-incubation program that targets talented students and potential entrepreneurs who need help in forming a business around their ideas.

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**Covid19 Management Response:** To manage the challenges posed by Covid'19, Omantel management has put in serious of measures as follows:

1. Proactive Cost optimization measures which include postponement of non-critical Capex projects, strict working capital management and implementing effective opex management.
2. Collaborating with the Ministry of Education and other telecom operators in a number of health, and education related initiatives such as 'Google Classroom' and MoE's platform for mobile subscribers, with competitive prices and facilitation for buying tablets and laptops.
3. Activating Digital channels across most of the customer touch points and encourage customers to use the digital channels including the mobile app. E-shop and chatbot 'Noor' through IVR announcements and SMS. Also, activated Work From Home for Call center agents to provide uninterrupted call center service to the customers. .
4. Introducing COVID-19 solutions that enable public and private organizations to work effectively from home, and resume work from office safely. In addition to providing the healthcare sector with solutions to monitor patients' health, condition remotely.
5. Enhancing the mobile app experience by enabling SIM ordering with the ability to track the order, Gift Internet, request for more data, WFBB profile management, bill payment history for up to six months and e-SIM activation for existing customers.

### **Awards & Recognitions**

1. Omantel's Procurement and Contracts sector has bagged EIPM Peter Kraljic Excellence Prize Awards presented by the European Institute for Purchasing Management in "Transformation Leader in Turbulent times" category.
2. Omantel bagged the "Happiness at Work" award for the best employee engagement program in the third edition of Happiness at Work ceremony organized by Sustainable Minds (Dubai).
3. Recognized as the "best data/ capacity provider of the year in the Middle East regional operator of the year in the 4th Carrier Community Global Awards 2020.
4. Omantel winning "Leading Corporate for Investor Relations" and "Best Investor Relations Professional" in Oman for the year 2020 by the Middle East Investor Relations Society, Dubai.

### **Future outlook:**

The Covid-19 outbreak continues to have a profound impact on the global and local economies as well as the telecom sector in specific. Beginning of vaccination programs and the expectation of a return to normal conditions, the domestic economy is expected to be gradually back into normal. Despite these challenges, the current situation also offers unique opportunities for the telecom sector in general: the "New Normal" has led to a dramatic shift in how telecommunication services are being used and how much capacity is required (Working from Home, acceleration of the 4th Industrial Revolution (4IR) showing the an increase of online business transactions and extended digitalization of services).

Recent announcement by the His Majesty on Economic stimulus Plan aimed at Small and Medium Sectors are expected to provide economic recovery to the domestic market. The stimulus include incentives on taxes, fees / tariffs covering tourism, labour law, electricity etc., financial relief to the needy, creating more

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congenial investment environment to attract foreign investors and enhancing processes ease of doing business in Oman.

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 clear signals of saturation and we are witnessing a decline in both core telecom market revenues (such as voice, data and messaging) and subscribers. It is expected that the entry of the third operator will impose further challenges on the existing operators, and we do not see a scenario leading to market growth of core telecom services.
- 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.

In light of the current situation and in order to strengthen our position as one of the primary enablers of Oman's digital ambitions, we have developed our new strategy, "Shift Gear to achieve sustainable profitability growth". Our new strategy builds further on the key transformation initiatives started under Omantel 3.0 by focusing on value generation of our core services through leveraging insights & data as well as digital functionality to continuously improve the quality of our services. In addition, we are building a collaboration eco-system to diversify and generate new value from non-telco services such as ICT, value added services and new market opportunities. 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.

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On behalf of the Board of Directors and the staff, we are honored to express our sincere gratitude to His Majesty Sultan Haitham bin Tariq for His visionary leadership. 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**