

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the year ended 31st December 2019.

Operating performance:

REVENUE

Group Revenue for year ended 31st December 2019 has grown to RO 2,592.3 million compared to RO 2,186 million for the corresponding period 2018. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 2,045 Mn.

Omantel (Domestic performance) Revenues recorded a growth of 2% and reached RO 554.3 million compared to RO 546.0 million for the corresponding period 2018 mainly due to increase in revenues from Fixed Broad Band and External Administration Revenue. Fixed line revenues grew by 4.9% Y-o-Y, whereas Mobile revenues declined by 1.7%. Also, revenues from voice calls continued its downward trend and declined by 17.5% YoY due to Over The Top (OTT) services.

EXPENSES

Group's total Operating expenses increased to RO 2,111.4 Mn compared to RO 1,774.1 Mn for the corresponding period 2018 due to the effect of consolidation of results of Zain KSA.

Omantel (Domestic performance) costs increased by 5.0% to RO 467.2 Mn compared to RO 445.2 Mn. The increase is mainly due to increase in revenue related expenses.

NET PROFIT

The Group achieved an after tax Net Profit of RO 299.7 Mn (*RO 77.7 Mn net off non-controlling interests*) compared to the after tax profitability of RO 208.8 Mn in 2018 (*RO 64.8 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 274.9 million (USD 713.8 Million) to the net profit (before non-controlling interest) of Omantel Group in 2019 compared to RO 175.9 million (USD 456.7 Million) in 2018 a growth of RO 56%. After adjusting for non-controlling interest, Zain group contributed RO 52.6 million (USD 136.6 Million) in year 2019 compared to RO 31.7 million (USD 82.3 million) in year 2018.

Net profit of Omantel (*Domestic Performance*) for the year ended 31st December 2019 is RO 79.0 Mn compared to RO 89.4 Mn, a decrease of 12%.

Group Earning per Share (EPS) for the year ended 31st December 2019 is RO 0.104 compared to RO 0.086 for the corresponding period of year 2018.

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Dividend

Board has recommended a dividend of 55 bz per share which will be subject to the approval of AGM. The payout ratio is 53.1% of the Group Profit.

SUBSCRIBER BASE

The total domestic subscriber base as of December 2019 (including mobile and fixed businesses) was 3.429 Mn (excluding Mobile Resellers) compared to 3.494 Mn of the corresponding period of the previous year, recording a decline of 1.8% over the last period. Total subscriber base with mobile resellers reached 4.041 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 25% and reached *RO 2,045 Mn* as of Dec'19 compared to the corresponding period revenues of *RO 1,642 Mn*. EBITDA stands at *RO 896.4 Mn*, recording a growth of 38.7%. Net profit is *RO 306 Mn* an increase of 8.9% over the previous period.

As of Dec'19 Zain Group revenues recorded a growth of 1% by Zain Kuwait and 11% by Zain KSA; with Zain Sudan continuing to perform exceptionally well in all key financial indicators in local SDG currency terms. Further Zain KSA recorded its highest ever financial results for the year. Net income for Zain KSA for the year ended 31st December 2019 reached RO 50 million, reflecting a 46% increase Y-o-Y.

Total customer base of Zain Group grew by 1% to 49.5 Mn compared to 49 Mn of the previous period.

- 2) Oman Data Park LLC:** Omantel acquired 20 per cent shares of Oman Data Park during FY2019, taking its share to 100 per cent. The revenue for the year ended Dec'19 is RO 6.0 Mn an increase of 10.4% compared to RO 5.5 Mn for the corresponding period 2018. The company EBITDA has grown by 29.2% compared to year 2018 with EBITDA margin at 31.8%.

Market Share:

Omantel's Mobile market share (*including Mobile Resellers*) is 53.8% with a revenue share of 57.8%. The Fixed Telephone (post & pre-paid) market share is 70.4% with a revenue market share of 80.5%.

Awards and Achievements:

Omantel achieved the followings during the Year 2019:

- 1. Commercial launch of Omantel's 5G network** for Home Broadband customers in Oman, which provides users with high speed internet services at their homes with speeds up to 1Gbps.
- 2. Awarded 'Best Middle Eastern Project'** at the Global Carrier Awards 2019 in London, UK for its 'Global Wholesale Transformation Project'.

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3. Awarded the 'Best initiative in training and development' represented by Omantel HR, for the training academies that Omantel has established within the company.
4. Recognized as one of Oman's top 50 successful companies by Forbes Middle East.
5. Winning "Best Data Centre in the Middle East 2019" Award from Telecom World Awards conference held in UAE.
6. Omantel winning "Leading Corporate for Investor Relations in Oman" Award at Middle East Investor Relations Conference held in Dubai.

Corporate Social Responsibility (CSR): (fully re-casted, forget to do the track change)

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 2019:

1. **OCA Walkathon:** Omantel participated in the 16th Annual cancer walkathon "I Care" to support cancer patients, survivors and their families.
2. **ICT internship Program:** Successfully completed the training and knowledge transfer program for 100 ICT graduates from different higher education institutions where 47 have been employed till date.
3. **Other CSR Initiatives that aims to encourage innovation, training and knowledge transfer:**
 - **Aimed at encouraging Innovation, Training and Knowledge transfer:**
 - '*Innovation Corner*' at the at the Children's Public Library to spread digital knowledge culture,
 - '*Think & Innovate*' bus in in collaboration with the Ministry of Education to provide self-learning opportunities among students,
 - Specific *Innovation Program* in association with The Research Council and Ministry of Education,
 - '*Innovation & Technology Transfer Center*' with SQU to support development of the center,
 - '*Mehnat*', training program of 100 Omani job seekers in mobile phones repairing & software.
 - **Outward Bound Oman:** Fifth year targeting school students to enhance soft skills.
 - **Omantel Olympic for Coding.2:** 2nd edition of a collaborative program between Omantel & MoE, which is aimed to promote the Information Technology.

Future outlook: no change on the below text same as before

2020 will be dominated by 2 major evolutions in the telecom market: the arrival of the 3rd MNO and the emergence of a new technology: 5G.

The arrival of the Vodafone brand in Oman will have a profound impact on the current competitive dynamics as the current market is getting saturated and we are witnessing a slowdown in core telecom market revenues (such as voice, data and messaging) due to the economic situation in Oman. The entry of the 3rd MNO 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.

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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 required 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. 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.

The execution of our “Omantel 3.0” strategy remains the essential tool for Omantel to defend it’s position in the market and deal with the changing market dynamics:

- (1) A continuous focus on Customer Experience and Digitization is essential to provide us with the tools and capabilities required to face the competitive dynamics we see in the market and differentiate us from local and global competition.
- (2) Expanding in beyond core services such as ICT solutions for enterprise and government customers, and Value Added Services for the consumer market not only increases customer stickiness but also provides us with new sources of revenue growth, offsetting the decline in core revenues.
- (3) The increasing data demand from customers requires adequate investments in network infrastructure. 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 with a key strategic asset that deliver improved capacity and efficiencies as well as new growth opportunities in both our core and beyond core business
- (4) 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 and generate a diversified revenue stream that leverages the global OTT dynamics.

Against the backdrop of domestic market challenges, Zain operations continue to contribute to the growth of the Group. Zain Group has registered a strong YoY growth of 25 per cent largely driven by full year consolidation of Zain KSA (2018 results reflected 6 months consolidation only). EBITDA, in tandem, grew by 40 per cent from \$1.7 billion to \$2.4 billion. Omantel stands to receive RO 39 million dividend for FY2019. Based on minimum dividend policy of 33 fils recommended by Zain board (subject to Annual General Assembly and statutory approvals), Omantel’s share of dividend is expected to be minimum RO 39 million for the next two years. 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

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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.

Finally, we appeal to Allah to rest the soul of His Majesty late Sultan Qaboos Bin Said in paradise with believers, martyrs and righteous men.

We are honored as well to express to His Majesty Sultan Haitham bin Tariq Al Said our sincere greetings and wishes on his ascension to the throne. We appeal to Allah to grant him long live, health and welfare to achieve more progress, prosperity and welfare for Oman and its people.

**ABDUSALAM BIN MOHAMMED AL MURSHDI
CHAIRMAN, OMANTEL BOARD OF DIRECTORS**