

Management Discussion & Analysis Report

Year Ended 31st December 2023

The Global Telecom Landscape

The Evolution:

The telecommunications industry continues to evolve at breakneck pace while maintaining its leadership role in facilitating all technological advancements that are shaping the contemporary world. With a rising need for digital transformation in our personal and commercial lives, telecom operators undeniably remain the core catalyst in fueling the global digital revolution. Nearly all of the modern-day behaviors i.e. education, research, entertainment, healthcare, commerce and industry, are now hosted by telecommunication networks.

Operators have been witnessing enormous growth in data and content communications, their storage requirements, and the need for its security in massive proportions. As we enter 2024, several prominent communication trends are poised to reshape the industry, encompassing a wide array of advancements such as Generative Artificial Intelligence, digitization/cloudification, environmental sustainability, ecosystem partnerships and the burgeoning growth of the Internet of Things (IoT) etc.

The business philosophies of telecom operators are rapidly evolving. Enterprise sector has become a center stage for almost all newly emerging revenue segments. The rise of B2B2X offerings with an enterprise focus has marked a significant re-segmentation in telecom markets. Operators are increasingly transforming and rebalancing their services portfolios towards other businesses (B2B) and collaborative services models.

The Outlook:

The much-anticipated maturity of long-gestating 5G technology is expected to achieve metaphorical positioning in coming years as majority operators around the world are critically focused on monetizing their 5G networks through entirely new business models.

5G network infrastructures will form the bedrock of the expanding enterprise segmentation and new offerings. Operators are increasingly developing enterprise-focused solutions and fostering a more symbiotic relationship with businesses.

Telecom operators and vendors are prioritizing sustainability in their operations. Enhanced focus on carbon footprint reduction, implementing eco-friendly practices, reducing e-waste and promoting renewable energy sources will become central pillars to the industry's commitment to sustainability in the coming years.

The future of telecommunications is not based on mere connectivity anymore. Telecom business philosophy is being rewritten to deliver personalised experiences, intelligent solutions, developing strategic partnerships with the customers and contributing to a sustainable and interconnected world.

The Challenge:

It is imperative to highlight that telecom operators are facing mounting challenges as conventional business practices which were mainly focused on voice, messaging, and data connectivity, are not yielding revenue growth in mature markets any longer.

Due to the worldwide commoditization of broadband data connectivity, the phenomenal growth in data consumption over 4G, 5G and high speed fiber networks has not been able to generate equivalent returns for the operators to compensate the declining voice and messaging revenue.

The classical definition of 'competition' which encompassed operators competing merely for better connectivity, coverage, and quality in their respective inland markets, has been evolved to incorporate the likes of System Integrators, Hyperscalers and OTT operators, offering all sorts of communication services without much regulatory control.

The exclusivity in the provisioning of telecommunications which was once enjoyed by the telecom operators is becoming a thing of the past. The crowding of non-conventional telecom players in the sector has significantly eroded the revenue streams of the conventional operators in recent times.

Requirement for undertaking persistent infrastructure investments is another growing challenge for the telecom operators. The relentless technological progression requires operators to constantly evolve and innovate by investing in their communications and digital infrastructure in order to sustain growth. For many telecom operators in competitive markets, this rapid modernization doesn't leave enough time for the operators to fully realize their desirable returns on existing infrastructure investments.

Global Economic Outlook and its Impact on Telecom Services

Over the past four years, the global economy has been battered by a wide-scale pandemic, supply chain disruptions, record levels of inflation, a meagre trade and industrial performance, escalated geo-political conflicts, skyrocketing interest rates, restrictive credit expansion and weak recovery in the labor markets etc. These factors raised fears of yet another painful economic downturn around the world.

However recent demonstration of a steady performance by emerging and large economies suggest that world has so far managed to avert the threat of a so-called new global economic meltdown. Several countries demonstrated a sturdy economic performance, whereas some key western regions in general struggled with deteriorating consumer spending due to inflation and high energy prices.

As recent recovery patterns begin to emerge globally and if the current headline deflationary trends persist during 2024, we may see further easing in the financial conditions around the world. This will lead to credit expansion and increased money flow towards industrial and trade sectors, thus resulting in overall retrieval of economic activity going forward.

Oman's economic positioning remained on a stronger footing during 2023 based on stable oil prices and improving hydrocarbon production. The country's economy is set to post an estimated 2023 budget surplus against a budgeted deficit as earlier expected.

After undergoing rigorous economic reforms towards managing liabilities and rationalizing overall government expenditure in recent years, Oman has successfully managed to reducing its public debt and

is now channeling the resulting fiscal buffers towards development expenditures. During recent years, the government has successfully governed the domestic demand and supply chains. As a result, Sultanate's headline inflation remains among the lowest in the entire GCC region.

The anticipated growth in development and expansion expenditure by the Government will continue improving Sultanate's domestic money supply during 2024, eventually resulting in improvement in consumer spending across the country.

From a telecom economy's perspective, improved consumer spending will lead to a higher uptake of telecom services in the country. Telecom operators in Oman are also expected to gain from the expected global and regional economic turnaround as labor markets recovery will boost consumer spending across retail and services sectors.

Furthermore, the rapid surge of e-commercialization in the post-Covid era has triggered an immense growth of connectivity and digitization services across the world. Conventional physically oriented ways of doing business are increasingly transforming into online business practices. The world has witnessed a colossal growth of hundreds of millions of new retail players who are using online e-commerce platforms i.e. Facebook Marketplace, Alibaba, Amazon Seller, eBay, Instagram Shop, WhatsApp Business etc. This phenomenon has created an enormous opportunity for the domestic telecom operators in terms of providing connectivity, digitization, cloudification and solution-based services to the Omani enterprise sector.

Omantel's 2023 Journey – Aspirations, Challenges and Triumph

The year 2023 turned out to be yet another challenging year, through which we successfully navigated our way towards maintaining Omantel's signature flagship profile, progression and profitability.

Besides the recent global trend of declining growth, Omantel demonstrated a positive operational and financial performance in terms of generating domestic organic revenue growth in mobile and wholesale segments. Omantel Group (including Zain) posted a total revenue of RO 2.9 Billion, against RO 2.7 Billion revenue as recorded in 2022. The Group posted a net profitability of RO 315.5 Mn during the year 2023, compared to RO 278.9 Mn in 2022.

International Portfolio Diversification

2023 marked as another successful year, yielding several tactical achievements that elevated Omantel on the international landscape of operational and financial accolades. Omantel embarked on a strategic journey with Zain group and launched 'Zain Omantel International' ('ZOI'), a multi-sponsored international Wholesale joint venture between Omantel and Zain Group, which blends Omantel's robust infrastructure and wholesale experience with Zain Group's wide market reach across 7 countries serving more than 50 million customers.

As the only pan-regional network in the Middle East, ZOI offers the largest sub-sea cable infrastructure in the GCC, a strategic gateway to Europe, Africa, Asia and Australia, providing on-net access and connectivity in over 8 countries, and a preferred regional partner for the global hyperscalers. With the new entity adopting a vibrant brand identity and a comprehensive service portfolio, ZOI is set to become a leading force in the global wholesale telecommunications sector. ZOI will be primarily consolidated

under Zain, and ultimately be consolidated under Omantel by virtue of Omantel's management control over Zain Group.

Financial Resource Management:

The intensely competitive telecom markets and rapid technological evolution has called for a wide scale transformation of business models beyond domestic operations and conventional connectivity. Mergers and acquisitions have remained the mainstay of the telecom industry for many years, as operators around the world have been actively acquiring these emerging capabilities through acquisitions.

In a similar strategic move back in 2017, Omantel undertook a major debt-funded acquisition of 21.9% strategic stake in the Zain Group, and expanded its geographical footprint to 8 regional countries with leadership positioning in 4 markets. This high value acquisition advanced Omantel to the international financial markets.

Since Zain's acquisition, Omantel has been successfully maintaining robust relationships with the international, regional as well as domestic banking and financial institutions, meeting our debt obligations and maintaining a healthy debtor profile all throughout.

In a recent high value achievement, Omantel successfully raised US\$ 500 million from the international financial markets by launching first of its kind telecom sukuk bonds in the region based on airtime data. The Sukuk is rated at 5.375%, and linked to 7-year US treasury rates. At the peak time during the launch process, Omantel's Sukuk attracted commitments of up to US\$ 3.8 Billion (~8 times) at the Initial price thoughts stage. This is the most recent testimony of the trust and confidence our international and regional investors have demonstrated towards Omantel.

Earlier in January, Omantel fully prepaid the term loan of US\$ 341 Mn, which was secured by a pledge on Zain's acquired shares. This prepayment was financed from tower sale proceeds.

In the recent demonstration to our commitment towards environmental sustainability, Omantel has developed a 'Sustainable Finance Framework' in March 2023. This framework has enabled Omantel to fund its future 'Sustainable Capital Projects' with innovative financial instruments that will be aligned with the global sustainability standards. Presence of the SFF framework creates the possibility of yielding potential interest rate savings on any new international financing going forward.

Addressing the Competition through Innovation and Diversification:

2023 was marked as another exciting year for Sultanate's telecom market. The competition continued to evolve further as the 3rd mobile operator stepped into mobile postpaid services segment. Although this shift demonstrated an improvement in the postpaid market size, the overall revenue and profitability margins of the operators remained under stress, demonstrating indications of saturation in core telco services.

To address the competitive challenges, Omantel has been successfully executing its Shift Gear strategy over the past few years. This has enabled us to minimize the impact of the competition in the Sultanate's telecom market, that has intensified over recent times.

While we remain vigilant as the improvements in domestic spending patterns are slow and cost savviness remains prevalent in the enterprise as well as consumer markets, Omantel will continue pursuing portfolio diversity in order to generate new revenue streams from digitization, services innovation and enterprise solution arenas.

As part of our corporate strategy, we have been steadily redefining Omantel's profile from being a 'Telecommunications Company' to become a 'Technology Operator' going forward. Omantel continues to pursue several transformation strategies based on technological evolution. These include cloudification, digitization, talent transformation/development, internal processes reengineering and optimization through artificial intelligence, implementing a P&L driven culture and converting several cost centers to profit centers by inducing a commercial philosophy etc.

Omantel has undertaken many pioneering initiatives towards establishing a full-fledged digital eco-system across several operational domains. Aligned with the Sultanate's 2040 vision, our ICT arm agenda aims to become an indispensable trusted partner for customers' technological needs. During 2023, Omantel initiated several digital transformation projects in the government, enterprise, and SME sectors.

We are persistently pursuing diversification in our business steams and services offerings based on digital platforms and tailored solutions to mitigate the cannibalization of conventional connectivity revenue. As pressure mounts on organic revenue growth and profitability margins, our cost optimization efforts continue to alleviate pressures from Omantel's profitability. Over recent years, Omantel has achieved significant cost savings through streamlining and re-engineering our internal processes, efficient utilization of resources, rejuvenated vendor management and network usage optimization etc.

In 2023, Omantel advanced significantly in implementing the strategy by introducing new initiatives and strategic partnerships that will cement the foundation of our growth. In terms of partnerships and innovation, Omantel has recently collaborated with AWS (Amazon Web Services) to address data residency and security requirements, especially for government entities and regulated industries in the country.

We are also working with AWS to develop a marketplace that will run on AWS built platforms which leverages its Machine Learning and Data Analytics capabilities to provide a personalized customer experience.

Omantel continues its prolific high value partnership with the global tech giant Google. Together, we have embarked on groundbreaking initiatives, including implementing Artificial Intelligence/Machine Learning (AI/ML) on prediction models and revenue maximization, network optimization, and the API monetization project aimed at serving enterprise businesses.

Our Huawei-powered national cloud will facilitate Oman's digital revolution with secure and local data hosting, coupled with cutting-edge cloud services and Hyperscaler capabilities brought to customers' doorsteps. Omantel is also partnering with other large global entities to foster digital transformation and growth in Oman.

Through these alliances, we are confident we can develop a successful digital Infrastructure that will play a pivotal role in enabling and accelerating Oman's digital transformation, aligning with its ambitions outlined in Vision 2040, and positioning Omantel as the country's leading Digital Arm.

Moreover, Omantel 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. The formation of Zain Omantel International (ZOI), in partnership with Zain Group, marks a strategic expansion in our services. With the new entity adopting a vibrant brand identity and a comprehensive service portfolio, ZOI is set to become a leading force in the global wholesale telecommunications sector.

Omantel from an Investment Viewpoint

Apart from portfolio diversification to the investors, the telecom sector offers many other investment advantages, most apparent of which is resilience. Telecom stocks have proven to be among the best growth and/or defensive stocks in recent challenging economic times offering persistent dividends and valuation growth for investors.

Telecom operators are often considered as an attractive investment for growth and income-oriented investors. They play a critical economic role and provide innovative communication services to consumers and businesses. However, in recent times of disruptive technological evolution, only those operators have managed to anchor investor confidence that are constantly pursuing upgradation of their network infrastructure and services portfolio diversification.

Valuations of highly diversified operators remain buoyant in regional as well as global financial markets, whereas operators whose business models comprise of mere connectivity are suffering from valuation pressures and lack of investor interest.

Omantel has been successfully emerging as a widely diversified telecom operator having a rich portfolio of domestic and international telecom assets, strategic collaborations with international players, strong market positioning and a well established profitability trend. Omantel is steered by an experienced management team carrying a rich indigenous as well as transnational experience. This is evident from the fact that Omantel strongly maintains its revenue market leadership position even after rigorous market liberalization that the Sultanate has witnessed over the past decade.

Our investor-centric dividend policy aims at a persistent investor payouts, and has constantly delivered returns and value to our investors in an inevitable manner.

Our strong corporate governance enables us to maintain successful operating success, which is reflected through highly transparent financial communication to all our stakeholders. Omantel carries a strong corporate character which drives our trustworthiness, value creation and access to capital.

This claim is reinforced by the fact that Omantel is recognized by the global, regional and domestic investor and financial communities as a well-trusted organization capable of carrying out big ticket international transactions and meeting financial commitments.

Domestic Telecom Landscape

Sultanate's domestic telecom market remains widely liberalized relative to the country's population compared with the neighboring markets in the region. Multiple operators operate across fixed broadband,

mobile, and international gateway segments. The recent expansion of 3rd mobile operator in the postpaid segment has further intensified competition in an already saturated market.

Subscriber growth in the domestic market has not yet recovered to prime levels of the past. One of the leading causes for the sluggish market growth is continuation of lackluster global economic trends that continue due to multiple international geo-political conflicts, high levels of inflation, subdued credit expansion and the resulting slow economic recovery among those high growth industrial countries, that are capable of driving global trading demand.

Despite the prevalent global economic distress, Oman demonstrated a steady and resilient economic recovery during 2023, and the same trend is expected to reflect in 2024. Domestic telecom market posted a significant recovery in subscriber growth during 2022, which was slowed down in 2023.

Relieved from the oil price shock and on path of a solid economic recovery, the government intends to grow its development expenditure in 2024, which will lead to job creation in the domestic economy. Such stability will yield favorable results for domestic operators in form of increasing subscriber and services growth in the country's telecom market.

Regardless of the impactful legacy of the abovementioned challenges on domestic economic echelons, Omantel demonstrated a resilient market performance during the year. While maintaining a revenue leadership position in both mobile and fixed segments, coupled with a sustainable profitability profile, Omantel continues to meet its committed performance targets. Our debt servicing capacity remains healthy resulting from recent de-leveraging initiatives, a focused cost optimization mindset and efficient cash management.

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 and market competitiveness, we continue to modernize our fixed and mobile networks, and investing in new technologies with a promising potential for new business generation. After a successful launch of 5G services in 2019, Omantel remains the country's 5G leader, expanding its 5G footprint across country for both delivering fixed wireless access and mobile services.

Our Corporate Strategy – Shift Gear to Achieve Sustainable Profitability Growth

Our corporate strategy, Shift Gear, is steering Omantel towards a digital-native future. Over the past three years, we have made remarkable strides, earning recognition for our top-notch digital experiences. As Artificial Intelligence takes centre stage in our strategy, we are exploring its potential to enhance customer offerings and streamline operations, marking the start of a transformative journey from a telecom operator to a technology company.

As part of our strategic move towards transformation from Telco to Techo, Omantel has embarked on several high-profile international partnerships in emerging domains i.e. Artificial intelligence, cloudification and digital transformation of our services portfolio. Our collaboration with Huawei, AWS and Google are some of the fresh examples of our initiatives in this direction.

Resulting from the dynamic nature of our strategy, Omantel has been able to successfully grow its core revenues. Our core Telco revenue demonstrated growth, mainly resulting from our customer retention strategies converting customers from pre-paid to post-paid services. Nevertheless, we remain cautious as the improvements in spending patterns continue to be slow and cost optimization and control remains high on the agenda of consumers and enterprises.

We continue to see growth potential in Home Broadband Services, converting copper customers to higher speed broadband services using 5G FWA (Fixed Wireless Access) and fiber. In addition, the 4th industrial revolution and the digital transformation of private and public entities provides growth opportunities in ICT services and solutions, a domain in which Omantel has been investing over the past years to provide an expanded portfolio of tailor made ICT products and services. We are also observing exciting opportunities in the domain of AI, and are evaluating strategic areas to play and develop diversified and new revenue streams.

Thanks to our ambitious diversification strategy, capitalizing on Oman’s unique geographical location, Omantel has managed to become an industry leader and a main wholesale provider serving telecom operators, Hyperscalers and content providers locally, regionally and globally. Omantel has anchored its position to become a global hub with investments made in over 20 subsea cable systems globally, 7 unique subsea cable landing stations connecting to over 120 cities in more than 50 countries.

In light of the current situation and in order to further 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 that started under ‘Omantel 3.0’ and focusses on key business enablers i.e. positioning Omantel as the key international communications hub, transforming towards becoming a digital native operator, extracting value from data enhance Customer Experience & human capital.

Furthermore, our strategy focuses on developing new areas of growth 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 also a key part of our strategy. In addition, Omantel continues to implement stringent cost optimization mechanisms while continuing to invest in essential strategic domains.

Omantel ICT & Enterprise Services

In 2023, our ICT operations continued to register growth, particularly in the areas of digital transformation and the integration of advanced technologies. The year was marked by a strategic focus on sectors such as government, banking, education, energy, and healthcare services, leveraging the power of 5G, cloud computing, and AI to deliver innovative solutions.

Omantel achieved several key milestones. The successful pilot of a medical video conferencing system with major hospitals was a highlight, demonstrating the potential of technology in enhancing healthcare services. The renewal of significant contracts and the establishing of new agreements in the banking and infrastructure sectors underlined the trust and reliability of Omantel's services.

Another notable achievement was the significant progress made in the deployment of 5G technology, especially in surveillance solutions. This was complemented by proactive engagement with various government entities, aimed at spearheading their digital transformation initiatives.

Omantel has laid out ambitious plans for the coming years. There is a clear focus on further expanding cloud and security services and advancing 5G technology deployment. Strengthening collaborations with both government and private sectors remains our top priority. Central to these plans is the continued emphasis on innovation in ICT solutions, which is seen as a key driver for the digital transformation of Oman.

In terms of major projects and industry collaborations, the year was marked by significant initiatives. These included providing advanced ICT solutions for Invest Oman, collaborating with MOHERI for the OMREN project, and undertaking cloud migration projects for major banking institutions. There were also significant efforts in enhancing cybersecurity in healthcare IoT. Collaborations for upgrading digital infrastructure across various governorates stood out as a testament to Omantel's commitment to national development.

Lastly, some of the most share-worthy achievements of the year included transitioning the Oman Housing Bank to a full-fledged cloud infrastructure, a first in the nation. This was accompanied by securing multi-year contracts for network and security upgrades across several governorates. Omantel's active participation and hosting of key industry events like the COMEX and OMREN Technology Summit further highlighted its leadership and commitment to the ICT sector in Oman.

Overall, 2023 was a year of strategic advancements and robust growth for Omantel's ICT, setting a strong foundation for future innovations and continued contributions to Oman's digital landscape.

Omantel continues to lead the way in delivering top-notch products and services to enterprise customers in 2023. Our Mobile & Fixed Connectivity products have been designed to provide maximum value and flexibility to customers, ensuring they have access to the latest technologies. With Nama Professional, customers can choose the plan that suits their needs, which includes unlimited Free calling, data for local and GCC, International minutes, and worldwide roaming data.

Our 5G offerings provide ultra-high speed, instant response, and high-quality video streaming, enabling enterprise customers to take advantage of the latest technologies. To ensure our customers are satisfied with our services, we have also introduced our Try & Buy initiative, which allows customers to upgrade their current Fixed Business Broadband to the next available speed for free for a month, with no commitment.

SMEs also stand to benefit greatly from Omantel's products and services. The revamped A'amali, for example, offers unlimited internet, free mobile lines, with unlimited free calls between the postpaid lines, within the customer's company, providing a worry-free solution for businesses. In addition, Teamway ERP & POS is an all-in-one solution that enables businesses to manage their inventory, financial affairs, projects, tasks, employees, quotations, invoices, and purchased orders with customized modules to meet their specific needs.

Omantel's Security Services continue to be second-to-none, with our revamped multi-layered DDoS protection service helping businesses to defend against complex and high-volume attacks in real-time.

Our SecurNet product provides protection for customers and their families against malicious websites, with advanced parental control features such as content filters, pause, break time, and study time.

Other ICT products such as Virtual PBX and iVMS provide customers with the flexibility to scale up or down as needed, along with pay-as-you-go models, making Omantel the leading provider of ICT solutions for businesses of all sizes. Additionally, our partnership with Microsoft through the CSP program has allowed us to offer enterprise customers Microsoft cloud licenses, which enhances their productivity and digitization journey.

Omantel Wholesale – A Year of Strategic Growth & Collaboration

2023 witnessed certain landmark achievements for Omantel Wholesale. Showcasing our evolution as one of the most prominent regional wholesale operators, we have seamlessly integrated state-of-the-art solutions in interconnection, internet access, connectivity, carrier, roaming, infrastructure, including pioneering carrier-neutral data centers in the MENA region. Our expansion and innovation have positioned us as a key provider for telecom operators, Hyperscalers, and content providers on both local and global scales.

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 built an extensive portfolio of international subsea cable systems and landing stations.

Over the past decade, we have deployed significant investments into our wholesale eco-system. Resultantly, Omantel now stands 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.

Incorporation of Zain Omantel International (ZOI): the formation of Zain Omantel International (ZOI), in partnership with Zain Group, marks a strategic expansion in our services. This joint venture blends Omantel's robust infrastructure and wholesale experience with Zain Group's expansive market reach across 7 countries serving more than 50 million customers. With the new entity adopting a vibrant brand identity and a comprehensive service portfolio, ZOI is set to become a leading force in the global wholesale telecommunications sector.

Key Partnerships:

Oman Emirates Gateway (OEG) Telecom Project: Omantel and du launched the Oman Emirates Gateway (OEG), a strategic submarine cable linking Oman and the UAE. This 275km cable is a major step in enhancing regional connectivity, offering improved services and higher capacities for hyperscalers, content providers, and carriers. The OEG project solidifies Omantel's and du's roles as key players in wholesale telecommunications, connecting data centers in Oman and UAE.

Omantel's Strategic Partnership with Djibouti Data Centre: Omantel forged a significant partnership with Djibouti Data Centre (DDC) to expand into the African market. This alliance, pivotal for both entities, enhances Omantel's position as a regional wholesale hub. The collaboration not only provides access to the African market but also establishes a direct link between Oman and Africa, creating new business opportunities and improving connectivity services. This strategic move demonstrates Omantel's commitment to global expansion and its role as a leading provider in telecommunications.

Alliance with China Mobile International (CMI): We entered a strategic partnership with China Mobile International (CMI) to drive innovation in the Internet of Things (IoT) and Internet of Vehicles (IoV) sectors across the Middle East. This collaboration combines CMI's advanced solutions and Omantel's state-of-the-art 5G roaming services, setting the stage for enhanced M2M IoT and IoV products. This partnership is pivotal in shaping competitive IoT and IoV solutions and unlocking new business opportunities in these rapidly evolving fields.

Sipartech Partnership: Strengthening our collaboration with Sipartech, we have undertaken initiatives like managing the Marseille landing of subsea cables and co-constructing infrastructure into the MRS-4 data center.

Cybernet Collaboration: Our partnership with Cybernet is set to explore further collaboration opportunities globally, aiming to meet the increasing demand for secure, diverse connectivity solutions.
Major Expansion Projects:

SN1 Data Center: The commencement of constructing SN1, the newly announced carrier neutral data center in Salalah in partnership with Equinix, the world's digital infrastructure company. Expected to be ready in 2024, it will enhance our infrastructure capabilities, reinforcing our commitment to providing cutting-edge data solutions.

Global Network Expansion: We continue to expand our global network coverage, maintain our position as a leading international connectivity provider.

Innovative R&D: Our participation in whitepapers and research, notably with Infinera on hitless C+L expansion, showcases our commitment to innovation and development in the industry.
Event Hosting and Industry Recognition

GCCM Hosting: Omantel successfully hosted GCCM for the third time, attracting over 800 participants and highlighting Omantel's ongoing commitment to fostering industry collaboration and its role in the global telecommunications landscape. The event was also an opportunity to showcase the transition from Omantel Wholesale to ZOI.

Awards and Recognition: Our achievements have been recognized at major events like Carrier Community, highlighting our industry leadership and commitment to excellence. Below is the list of Awards won within Wholesale:

Best Subsea Cable Operator of the Year: This award at GCCM acknowledged Omantel's extensive network.

Most Influential and Inspirational Wholesale Executive of the Year: Sohail Qadir, VP of Wholesale and CEO of Zain Omantel International (ZOI), was recognized at the GCCM awards for his exemplary leadership.

Telecom and Tech Woman of the Year: Huda Al Ghabshi, Senior Manager of Capacity and Submarine Cables at Omantel, received this award at the Global Carrier Community Meeting (GCCM) awards, making her the first Middle Eastern woman to be honored with this title.

As we move forward, our focus will be fully leveraging Zain Omantel International (ZOI)'s capabilities to become an industry leader in the wholesale market. We will continue to invest in technological innovation, sustainable practices, and strategic expansions to maintain our leadership position.

Omantel Wholesale's journey through 2023, marked by the strategic inception of Zain Omantel International (ZOI), represents a significant chapter in the unit's history. The commitment to excellence and foresight will continue to drive Omantel Wholesale, and by extension with ZOI, towards new horizons of success and innovation in the telecommunications sector.

Omantel Group – Consolidated Performance – 2023

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			
	2023	2022	% Change
<i>RO in Mn</i>			
Revenue	2,942.7	2,682.8	9.7%
EBITDA	1,039.8	998.9	4.1%
Profit for the period	315.5	278.9	13.1%
Attributable to Shareholders of the Company	74.8	91.3	(18.1%)
Non-controlling interest	240.7	187.6	28.3%
Profit for the Period	315.5	278.9	13.1%

The Group revenue for the Year 2023 is RO 2,943 million compared to RO 2,683 million as recorded in Year 2022. The Group revenue includes acquired business of Zain Group, which contributed revenues of RO 2,361 Mn.

Performance & Key Operational Highlights of Zain Group

Zain Group recorded an increase of 10.9% Y-o-Y in revenue to reach RO 2.361 billion for the full year 2023 compared to the corresponding period revenues of RO 2.129 billion. Similarly, EBITDA for the year 2023 was RO 871.3 million, up 5.1% Y-o-Y with margins of 36.9%. Net profit stands at RO 359.7 million compared to RO 276.5 million in 2022 representing an increase of 30%.

Across all the markets, the Group was agile in dealing with many socio economic and competitive challenges which is reflected in the the impressive operational performance. Throughout the year the Group invested heavily in network expansions, upgrades and technologies that drove data and B2B revenues.

The completion of the sale and lease back of the towers in KSA and Iraq during 2023 are driving efficiencies on multiple levels contributing to the financial performance. Zain Group further solidified its position as the region leader in Tower arena with a pioneering agreement with Qatar's Ooredoo Group and TASC towers which aims to incorporate nearly 30,000 towers across six countries with a combined enterprise value of USD 2.2 billion.

Performance Highlights of Zain Group's Cross Border Portfolio:

Kuwait: Revenue increased by 5% Y-o-Y to reach USD 1.2 billion EBITDA increased by 18% to reach USD 509 million reflecting and EBITDA margin of 43%. Net income was up by 26% to reach USD 339 million. The customer base increased by 4% to reach 2.7 million customers.

Saudi Arabia: Zain KSA reported 9% Y-o-Y jump in the revenue to USD 2.6 billion while EBITDA for the year stands at USD 794 million reflecting and EBITDA margin of 30%. Net income for the year soared 131% to reach USD 338 million. The customer base increased by 3% to reach 8.9 million.

Iraq: Zain Iraq's revenue increased 20% to reach USD 974 million and EBITDA grew 16% Y-o-Y amounting to USD 375 million reflecting an EBITDA margin of 39%. Net income for the year stood at USD 88 million compared to USD 15 million last year. The operators customer base reached 17.9 million customers.

Sudan: Despite the ongoing conflict, the operator generated revenues of USD 558 million, up 14% with EBITDA amounting to USD 269 million, up 7% and reflecting an EBITDA margin of 48%. Net income for the year reached USD 216 million. The operators customer base reached 14.2 million.

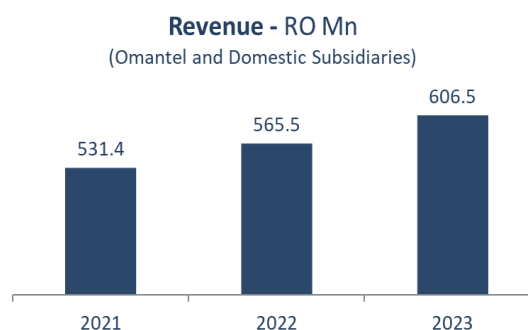
Jordan: Zain Jordan revenue increased 3% to reach USD 525 million, EBITDA reached USD 217 million, reflecting an EBITDA margin of 41%. Net income for the year increased 10% to reach USD 76 million. The customer base increased by 3% to reach 3.9 million customers.

Bahrain: Zain Bahrain reported revenue growth of 7% Y-o-Y to reach USD 192 million . EBITDA for the year amounted to USD 60 million up 2% Y-o-Y, reflecting an EBITDA margin of 31%. Net income grew 2% to reach USD 15.4 million.

Performance of Omantel – Domestic Operations
(Domestic Fixedline, Mobile, Omantel International SPVs & Domestic Subsidiaries / Associates)

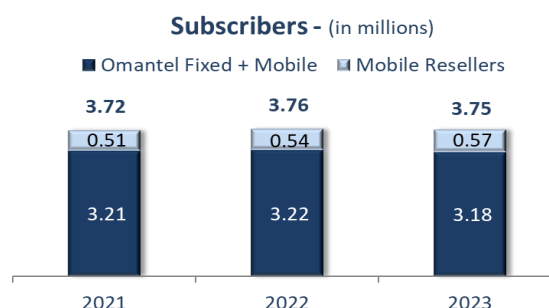
Omantel’s domestic operations include Fixed Line business, Mobile business, Omantel International (OTI)-Wholesale arm of Omantel engaged in international voice aggregation and our subsidiaries (Oman Data Park, Infoline, Future cities etc.).

Omantel Group revised the reporting of Omantel Domestic performance in year 2022 to include dividend income, finance costs and other costs associated with respect to its investment in Zain group. All previous years nos were reclassified to conform to current year presentation.



Omantel maintained a 7.2% growth at domestic level, indicating a strong resilience towards competitive market conditions as well as the operational challenges. Revenue grew from RO 565.5 Mn in FY 2022 to RO 606.5 Mn in 2023.

The domestic telecom market growth slowed down during 2023 after posting a notable recovery in the year 2022 from earlier pandemic shocks. Competitive pressures continued to grow as the 3rd operator launched services in postpaid mobile segment. This resulted in reduction in the subscriber as well as revenue market share of the existing operators.



In absolute terms, Omantel group maintained nearly the same customer base in December 2023, as was earlier reported for the year end 2022. Omantel postpaid subscribers posted a significant double digit growth during the year as the company stays focused on pursuing customer retention.

As at 31st Dec’23, Omantel’s domestic customer base stood at 3.18 Mn (3.75 Mn including mobile resellers) as against a total customer base of 3.22 Mn (3.76 Mn including mobile resellers) in 2022.

Domestic Revenue for the Financial year ended 31 December			
RO in Mn	2021	2022	2023
Fixed Business	145.8	143.6	145.3
ICT Business	7.6	8.1	10.3
Mobile Business	190.6	185.9	187.5
Wholesale Business	142.9	166.3	185.8
Device revenue	33.4	39.8	57.2
Total Revenue	520.3	543.7	586.1
Revenue from Domestic Subsidiaries (including eliminations)	11.1	21.8	20.4
Total Revenue - Omantel + Subsidiaries	531.4	565.5	606.5
Growth %	(0.3%)	6.4%	7.3%

For the year 2023, Omantel’s fixed line business posted 1.2% growth supported by growth in fixed internet revenue (including broadband) which registered a growth of 4.2% YOY, which was offset by a decline in fixedline voice revenue.

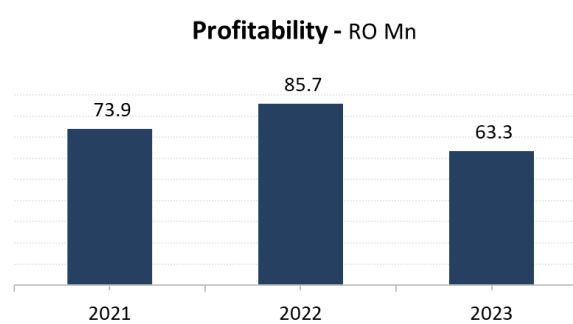
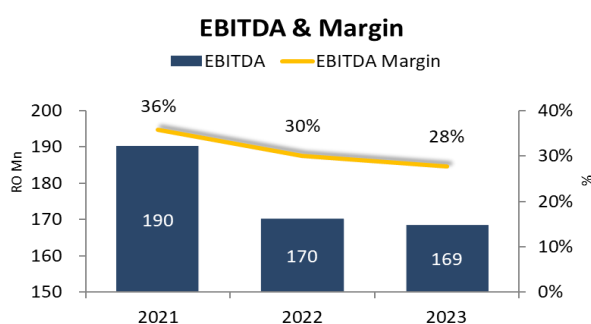
ICT business posted a 27% growth during the year, whereas mobile postpaid and handset sales remained the key growth driver resulting from Omantel’s augmented efforts towards conversion of our prepaid subscriber base towards postpaid services in order to tackle competition. Wholesale business posted a revenue growth of 12% mainly due to growth in international transit voice revenue, capacity sales revenue and reseller revenues.

EBITDA & Net Profitability (Excluding Zain Group):

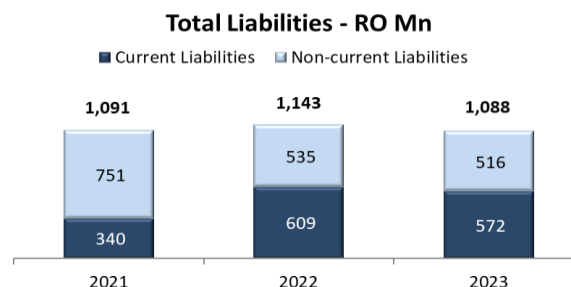
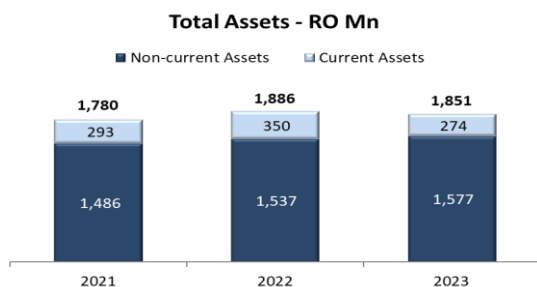
A high degree of market challenges i.e. additional mobile competition across both prepaid and postpaid segments in an already limited subscriber market, rapid data monetization, declining conventional voice and SMS business etc., continued to downplay operators’ revenue and income. In spite of this Omantel was able to grow its Gross margin by RO 8.4 million representing an increase of 2.6%. This increase was contributed by both Retail and Wholesale segments. However, the growth in Gross margin was offset by increased in Operating costs (including depreciation) by RO 14.1 Mn mainly on account of increased costs coming from Tower rentals, IT application and infrastructure costs.

Omantel’s EBITDA posted a marginal decline from RO 170.3 Mn in 2022 to RO 168.5 Mn in 2023.

Net Profit for the year 2023 stands at RO 63.3 Mn compared to RO 85.7 Mn in the previous period. Net profit for year 2022 includes Capital gain on sale of Towers for RO 28 Mn (Net of taxes). Excluding the Capital gain from the profit for year 2022, the net profit for year 2023 showed an increase of 9.7% compared to the previous year. This increase was on account of stable EBITDA and a decrease in Finance costs. Finance costs decreased by 11.5% YOY on account of over all reduction in borrowings.



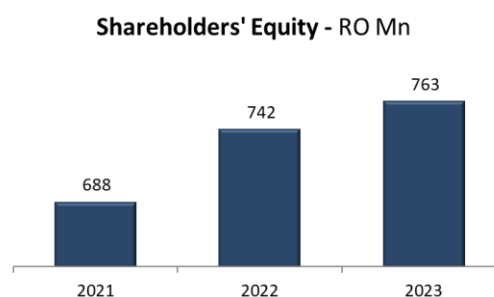
Financial Position - Domestic



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 85% of overall asset base.

Shareholders' equity posted an increase of 2.8% during 2023. The Shareholders' equity increased from RO 742 Mn in 2022 to RO 763 Mn in 2023.

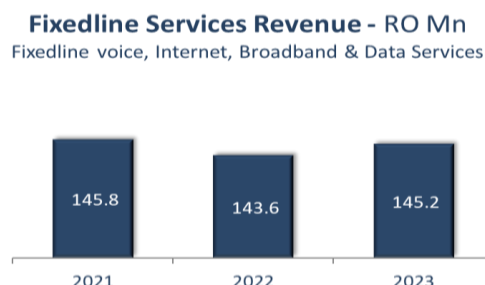
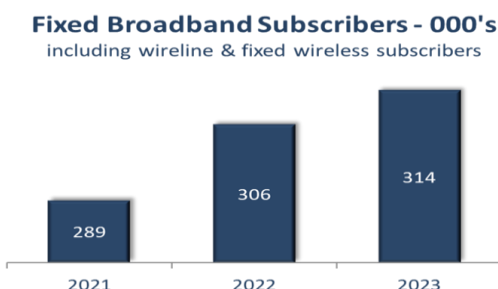
Omantel's domestic shareholders' equity has grown at a compounded growth rate of 5.2% in the last 3 years.



Revenue and Subscribers – Domestic Operations:

Fixed line Business:

Fixed line Business includes national and international fixed line voice, fixed broadband, dedicated internet and enterprise data services. Fixed broadband subscribers (incl fixed wireless based on 5G Technology) posted a growth of 3%.



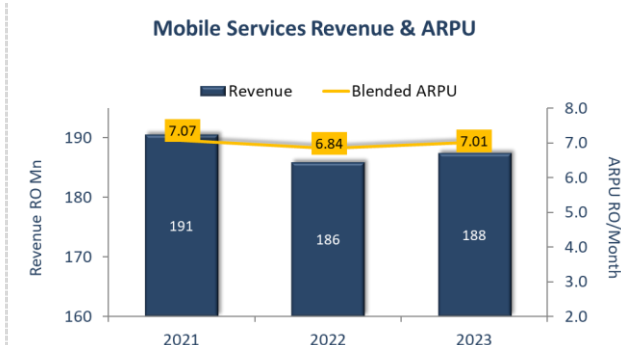
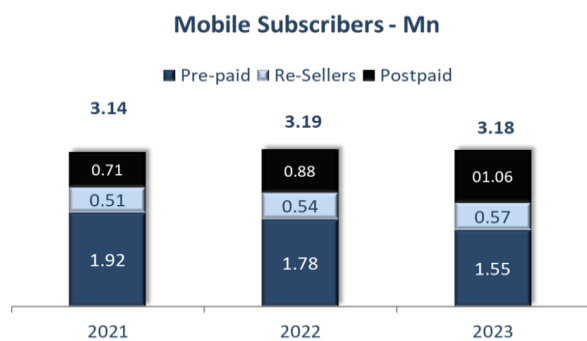
Fixed broadband revenues increased on the back of an increase in subscriber base by 3% whereas the ARPU were stable in comparison to previous year. Fixed broadband ARPU for the year 2023 stands at RO 25.76 compared to RO 25.95 in 2022.

Mobile Business:

Domestic mobile market witnessed heightened competitive pressure during 2023 as 3rd mobile operator rolled out services into postpaid segment due to introduction of 3rd mobile operator, a nominal growth in

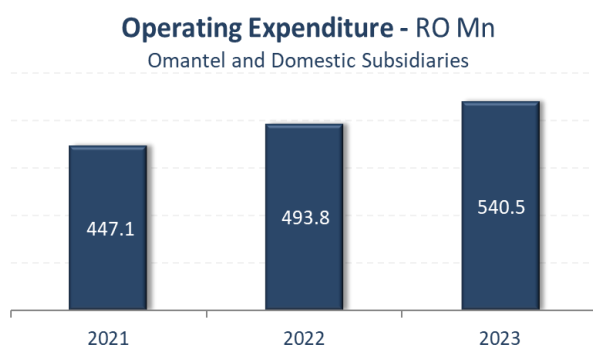
the prepaid subscriber market as well as other prevalent operational challenges discussed earlier. Omantel posted a reduction in its own prepaid subscriber base, which was partially mitigated by a healthy double digit growth in postpaid mobile subscribers, and re-sellers.

The management remains focused on enhancing customer experience, service delivery management, innovative services packaging and premium network quality. Our mobile services portfolio is built around postpaid, prepaid and other value added offerings.



During 2023, mobile business retail revenue as well as mobile blended ARPU posted an encouraging growth resulting mainly from the healthy growth in Omantel’s postpaid subscriber base. Share of mobile business in Omantel’s overall domestic revenue remained at ~32% during 2023. Overall mobile business revenue posted a growth of 0.9%.

Operating Costs (including cost of sales):



Total Operating expenses (Including Cost of sales) amounted to RO 540.5 Mn in 2023, increase of 9.5% over FY 2022. High Opex growth is recorded resulting from growth in Wholesale hubbing business. Further, the strategic shift towards customer retention has enabled us to migrate a significant number of prepaid subscribers to postpaid. This resulted in a notable amount of increase in cost of handset sales over time.

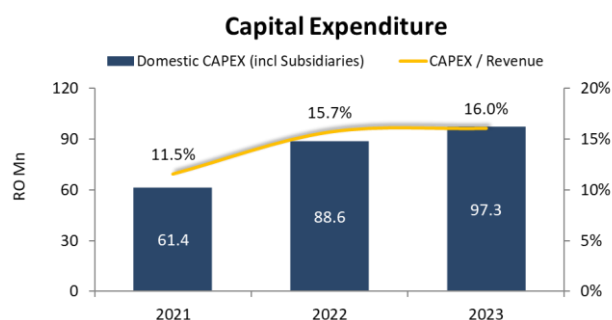
Fixed broadband subscribers acquisition in both FTTH and fixed wireless access triggered an increase in 4G/5G modem and FTTH access costs. Increase in rentals payable for lease of Towers also contributed for the increase in costs. However, Omantel’s continuous focus on cost optimization has ensured the controllable opex to remain within the targeted levels.

As a percentage of total revenue, Omantel’s domestic Opex to revenue ratio remained 89.1% in 2023 compared to 87.3% as recorded in 2022.

Financial year ended 31 December			
Figures in RO Mn	2021	2022	2023
Cost of Sales	199.8	245.1	277.7
Operating & Administrative Expenditure	132.5	143.4	154.3
Depreciation & Amortization	105.7	98.6	102.6
Provision for Impairment of Receivables	9.2	6.7	5.9
Total Operating Expenditure	447.1	493.8	540.5

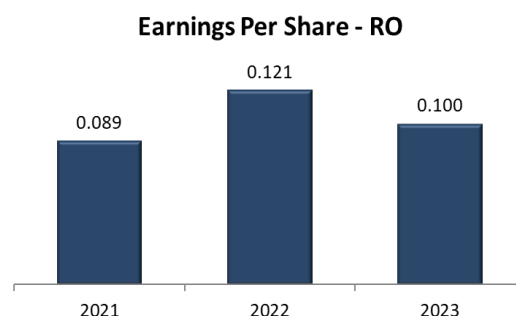
Capital Expenditure

Omantel incurred a total capex of RO 97.3 Mn during the year, out of which the network infrastructure capex stands at RO 81.1 Mn and was predominantly spent on 5G rollout and 4G network expansion. 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:

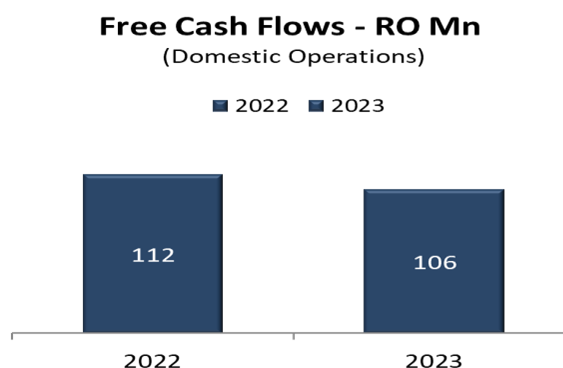
Omantel Group maintains a healthy shareholder relationship with a history of consistent dividend distribution through years.



Domestic Earnings per Share (EPS) for the year ended 31st Dec 2023 are recorded at 100 Baiza. Main reason for the decline in the EPS in 2023 compared with FY 2022 is due to the one-off gains from sale and leaseback of Towers that was recorded in FY 2022.

For FY 2023, the Group has recommended a final dividend of **55 baiza /share**, which corresponds to **55%** of the paid up capital. This is in addition to interim dividend of 5 baiza per share distributed earlier in 2023 totaling 60 bz per share for the year 2023 reflecting a 60% payout ratio.

Free cash flows posted a 13% reduction compared with the cash flows generated in 2022.



During 2023, Omantel's domestic free cash flows remained RO 105.8 Mn compared with RO 111.6 Mn as recorded in 2022.

Key reasons being reduction in cash generated from operating activities on account of increase in

receivables from Consumer and Government segments.

Investor Rating:

Omantel carries a Corporate Family Rating ('CFR') of Ba2 assigned by Moody's, and BB+ as assigned by Fitch Rating Services. It is worth mentioning that Omantel's corporate rating of BB+ is similar to Sultanate of Oman's Sovereign rating from Fitch. Our investor-grade ratings are testament to the company's strong intrinsic profile, flagship market positioning, strong financial liquidity and recurring predictable dividend income from Zain.

Omantel's credit ratings remain resilient against the operational challenges. Omantel's focus continues to be on cost savings, services diversification, refinement of customer experience and capitalizing upon new technologies.

Internal Control Systems:

Omantel maintains effective internal control systems and processes that provide reasonable assurance of 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

Omantel boasts an extensive, cutting-edge network infrastructure that spans the entire country. Our commitment over decades has culminated in a seamless connectivity experience for our customers. With a diverse portfolio encompassing various mobile technologies, advanced fixed line infrastructure, and strategic investments in international submarine cables and cable landing stations, Omantel stands as the ultimate destination for all communication requirements for enterprises, individuals & households.

Our 4G/LTE and 3G mobile networks cover 95.51% and 98.80% of the population, respectively. Over 92% of households in Oman have access to Fixed Broadband services. During 2023, we continued our Fiber deployment in various high-population areas around the country.

As the leading telecom operator in the Sultanate, Omantel has been at the forefront of 5G network development and implementation. We achieved a national milestone by being the first to launch the 5G network commercially in late 2019, and the first to offer 5G for mobile devices in January 2021.

Our 5G network enables new possibilities for the mobile telecommunications sector and supports the growth and digital transformation of various industries, by enabling the adoption of the Fourth Industrial

Revolution advanced technologies such as smart cities, the Internet of Things (IoT) and Artificial Intelligence.

We continue to expand our 5G coverage to meet the increasing customer demand and the changing traffic patterns. With our 5G Fixed Wireless Access (FWA), our customers can enjoy ultra-high-speed internet services at their homes, with speeds up to 1Gbps. We also offer a range of lifestyle packages that cater to different customer needs, such as basic home, gaming, entertainment, and premium connectivity.

Omantel has made significant progress in transformation towards core network cloudification, by adopting Network Function Virtualization (NFV) and Software Defined Networking (SDN) technologies. These technologies enable better operational efficiencies and reduce time to market for new services. Omantel was the first operator in Oman to launch virtualized 5G NSA core.

Omantel migrated all VoLTE traffic to Telco Cloud and is in the process of migrating many other mobile core functions. In the year 2023, Omantel started the evolution from virtualized to Cloud Native architecture and became the first operator in Oman to deploy the Cloud Native 5G SA (Standalone) Enterprise Core and MEC (Multi-Access/Mobile Edge Computing) dedicated for enterprise use cases such as mobile VPN and local breakout initially . The Voice over Wi-fi (VoWiFi) was also introduced in 2023 which will enhance customer voice call experience for smartphone customers in the Wi-Fi coverage.

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 backbone fiber network across Oman, providing multiple protection paths.

Our state of the art highly scalable and resilient nationwide IP and Optical backbone network was recently modernized to support emerging services and capacity requirements. In 2023, Omantel continued the enhancement of the mobile backhaul network to meet the high-capacity requirements of 5G by upgrading the backhaul IP network capacity, extending the fiber to more 5G sites, and deploying high-capacity microwave links where required.

Omantel is always striving to enhance the user experience in the rural areas. Backhauling in rural areas is challenging, often due to the nature of the terrain which limits the fiber deployment or line-of-sight microwave deployment. In addition to other backhaul technologies such as VSAT, Omantel is using innovative and cost-effective wireless backhaul technology that does not require line-of-sight, making it the perfect choice for challenging terrains in rural areas.

To meet the growing demand for advanced connectivity solutions, Omantel launched Software Defined WAN services for enterprise customers. These services provide seamless connectivity, increased agility, simplified management, and enhanced application visibility. Recognizing the paramount importance of security, Omantel also unveiled new Managed Security services. This comprehensive offering includes Next Generation Firewall (NGFW) and Unified Threat Management (UTM) capabilities, ensuring a robust and holistic approach for safeguarding our customer networks.

Network Security

As a colossal volume of information and data is stored and transmitted online on Omantel's infrastructure, the company remains at the forefront of logical security by having established a state of the art security

infrastructure. Our advanced security apparatus and protocols ensure that our customer's privacy, information and logical assets remain protected from the burgeoning cybercrimes and security incidents.

Aligned with the information security vision of the Sultanate, Omantel is the pioneering operator in the Sultanate to have secured ISO 27701 standard certification in the year 2021 for privacy and data protection, even before the introduction of the country's own Data Privacy Law.

The rapidly-expanding digital footprint of Omantel is catalyzed by widespread deployment of 5G, ICT, cloud and digital infrastructure has ensued a wide spread proliferation of connected devices in the country. Omantel continues to mitigate the resultant evolving threats in the cybersecurity domain through our unwavering commitment to safeguard data privacy, information, and logical assets of our customers amidst the burgeoning threat of global cybercrimes.

Omantel's resilient security infrastructure and stringent policies deliver incident-free services, thwarting millions of signaling attacks and thousands of potential sabotage attempts or DDoS hazards. Our advanced risk management framework, aligned with international standards, remains instrumental in fortifying Omantel's defenses against emerging threats, cementing our signaling network's reputation as one of the most secure telecom network in the world.

Omantel has always proactively responded to the threat landscape by constantly upgrading the security monitoring and automation mechanism, identity management protocols, and incident response mechanisms.

Throughout the year 2023, Omantel remained engaged with prolific international bodies, such as Gartner, GSMA, ETSI and 3gpp, underscoring our commitment to transform global telecom security regulations and implementing best practices in network and cybersecurity domains. We remain a preferred partner of GSMA in its drive to evolve global security regulations and policies at the backdrop of technological evolution.

Omantel has played a pivotal role within GSMA in shaping up signaling security and interconnectivity regulations and development of the 5G Cyber Knowledge Base by the GSMA. Likewise, Omantel's pioneering expertise has remained instrumental in carrying out initiatives aimed at enhancing the security and interoperability of telecom networks globally.

Further, based on our close coordination with Omantel, Omantel has been selected to host meeting for fraud and security group meeting #28 in 2024. We have secured several accolades and recognition among the global cybersecurity circles over recent times.

Omantel's Security Architecture & Governance team was honored with the prestigious GSMA Member Recognition Award for outstanding contributions to mobile fraud and security management, marking a significant first of its kind milestone for the Middle East region.

Our People

Omantel remains as one of the most desirable and prestigious employers in the Sultanate based on its rich legacy of employee care, career growth and learning opportunities provided to the employees.

Over the years, Omantel has continuously supported the young talent by inducting fresh graduates and building their careers through structured training and talent development programs. Omantel also enables its employees to develop their knowledge base and stay abreast of the emerging technologies in the telecom sector. We have earned several awards and recognitions for our demonstrated excellence in learning, skill development and employee engagement programs that Omantel offers to the employees on a continuous basis.

Omantel maintains a highly diverse employee base incorporating a wide spectrum of high professional capabilities in domestic as well as international business management, strategic investments, network & technology rollout and management, IT, ICT and all domains of telecom infrastructure management, business development etc.

Our commitment to anchor and nurture the emerging talent in the Sultanate is evident from the fact that Omantel has till now rolled out 4 batches of Generation-Z in recent past that have already attracted a nationwide interest of thousands of graduates. Omantel has to date incorporated over 120 Generation-Z graduates in its mainstream employment force. This prolific induction of a fresh mindset in the company has produced several milestones in the fields of billing efficiencies enhancements, value added services, Omantel chatbot enhancement, robotic process automation, blockchain potential exploration and streaming services enhancements in our home broadband services segment.

Off late, Omantel secured an award from GEDEX series ‘Future Skills & HRD – Learning & Development’. In addition, Omantel achieved recognition from OSHRM as ‘High Business Impact Company by Adapting E-Learning’ during the Covid-19 Pandemic.

Total number of Omantel employees as of Dec’23 stood at 2,360 (2,315 in Dec’22). With total number of 2,209 Omanis compared to 151 Non-Omani employees, the Group’s Omanization stands above 93%. As at 31st Dec’23, total Male employees accounted for 1,733 whereas the number of female employees has grown from 596 in Dec’22 to 627 as of Dec’23.

