

Omantel Group Performance – H1 2023 Presentation to Investor Community

Conference Call

16th August 2023 at 2 P.M. (Oman Time)



عمانتل
Omantel

Omantel Group Performance

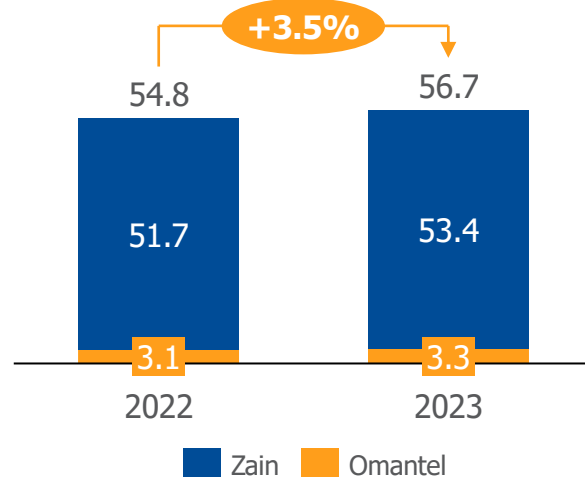
Omantel Group – H1 2023 Performance

Group Revenue stands at RO 1,439.2 Mn increase of 11.2% and Net Profit is at RO 168.9 Mn, an increase of 31.3% YoY.

Subscribers in Mn

Zain Group customer base recorded a growth of 3.3%. Omantel customer base grown by 2.9%.

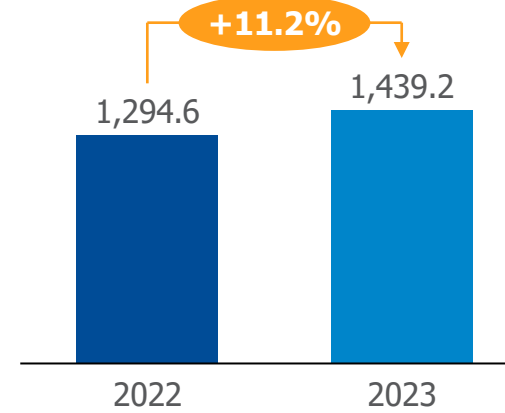
Increase in Omantel customer base is coming from Mobile Postpaid & Fixed Broadband subscriber base while prepaid base decreased



Revenue in RO Mn

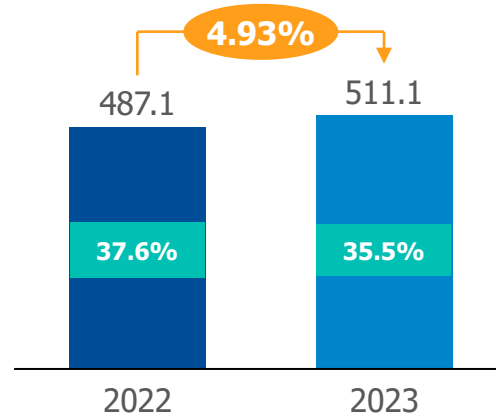
Group Revenue for the period is RO 1439.2 Mn compared to RO 1,294.6 Mn for the corresponding period 2022, a growth of 11.2%.

Revenue include acquired business of Zain Group, which contributed revenues of RO 1,149.1 Mn



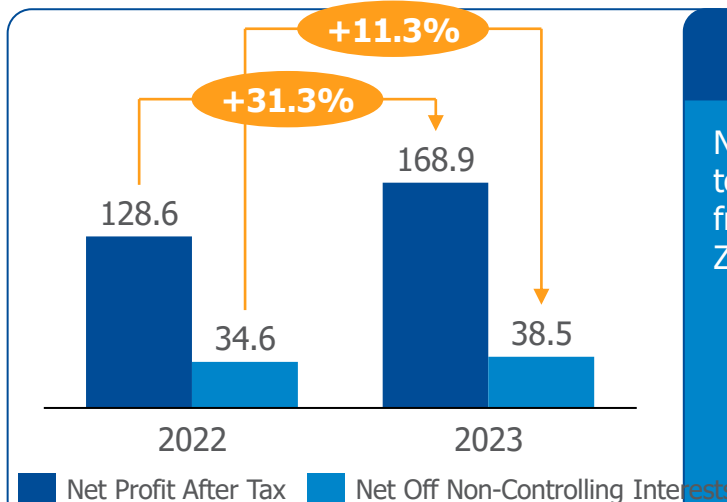
EBITDA in RO Mn

EBITDA grew by 4.93% YoY in absolute amounts, EBITDA margin decreased by 2.1%

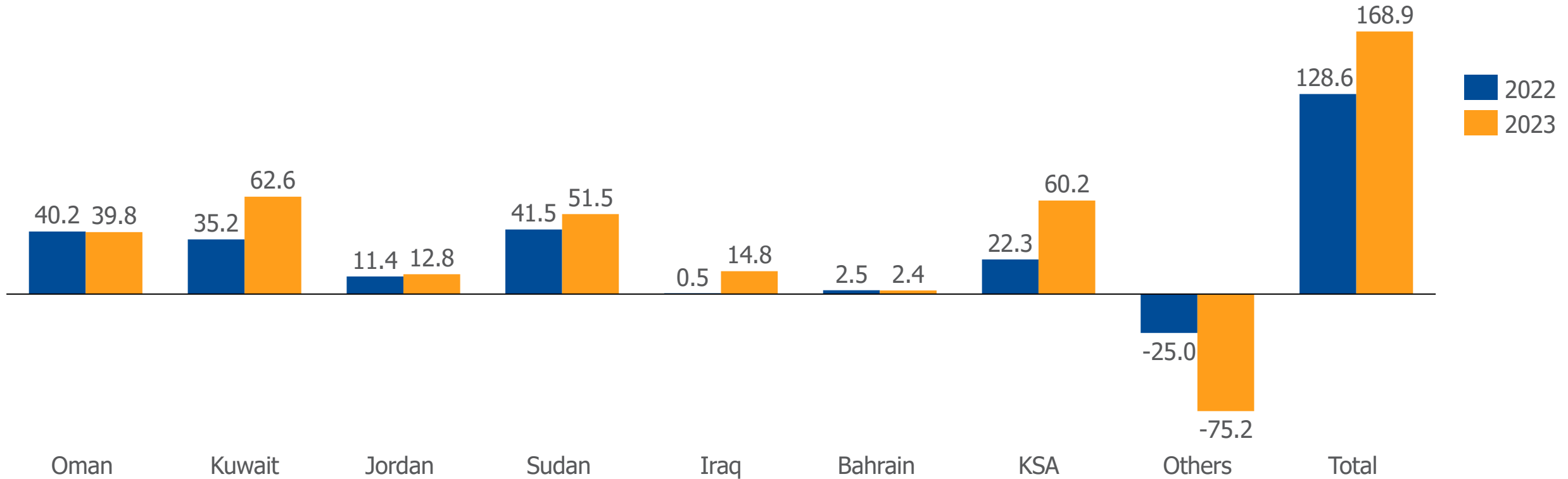


Net Profit in RO Mn

Net Profit observed a growth due to increase in EBITDA and gain from Towersale transaction in Zain KSA of RO 42.1 Mn



Segmental information – June 2023 vs June 2022 Performance –RO Mn



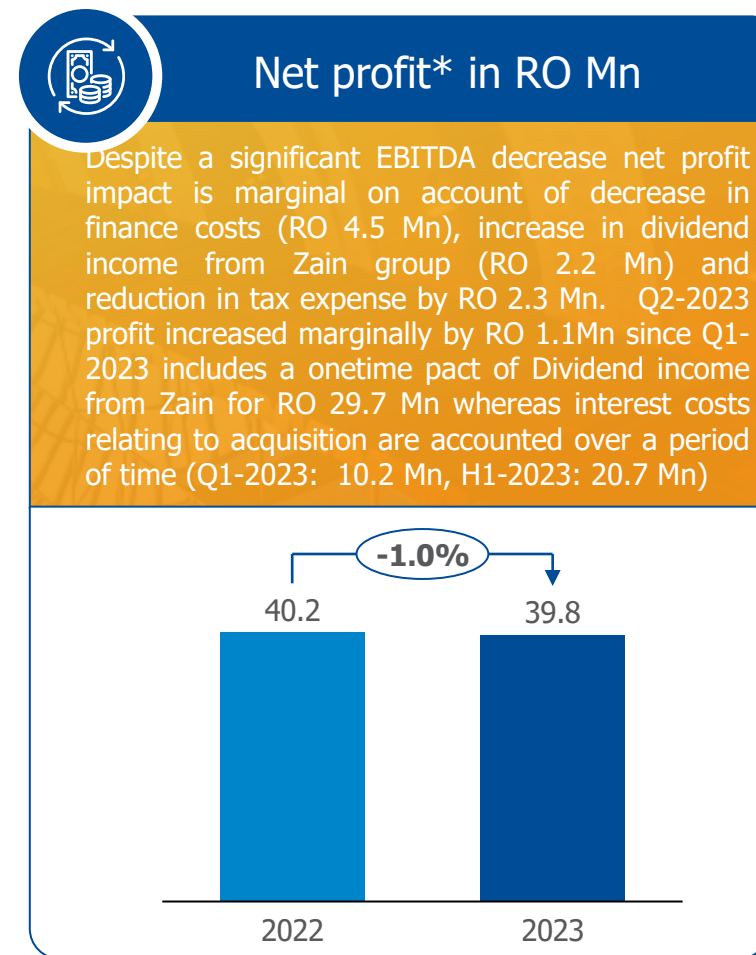
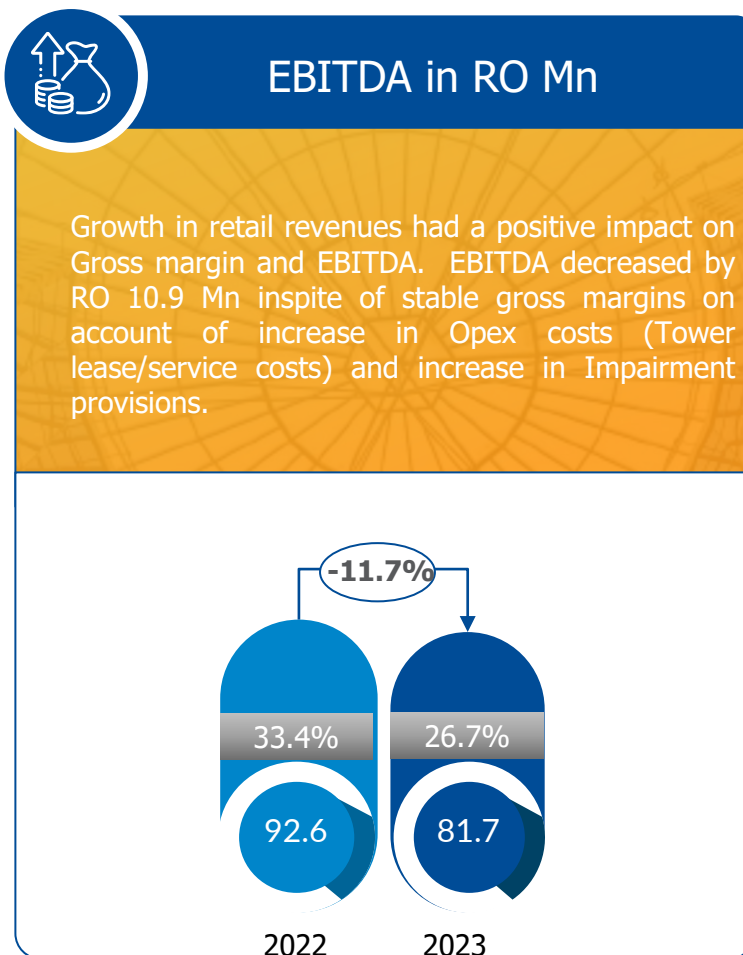
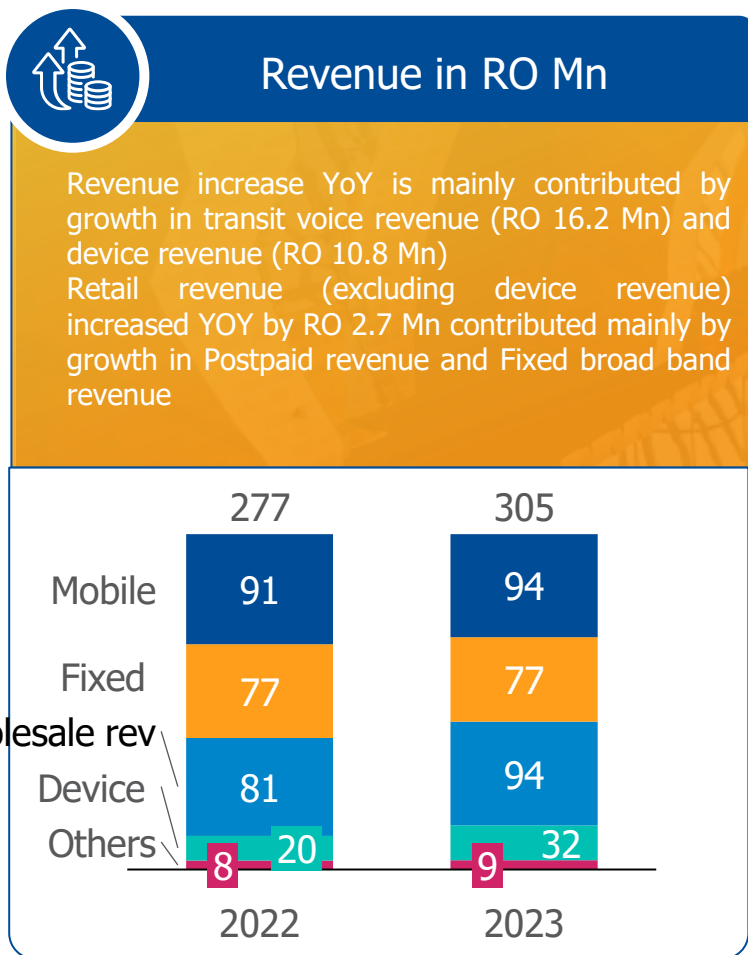
Note:

- 1) Net profit are adjusted for Purchase Price Allocation (PPA).
- 2) Post completion of Tower sale transaction in Oman, segment performance of Oman was revised in Q4-2022 to include dividend income and Finance costs relating to Investment in Zain.
- 3) Kuwait showed a significant increase in profit on account of RO 30.7 Mn accounted for settlement of Number range case
- 4) Net profit of KSA includes RO 42 Mn accounted in the current period on account of sale of Towers.

Domestic Operation

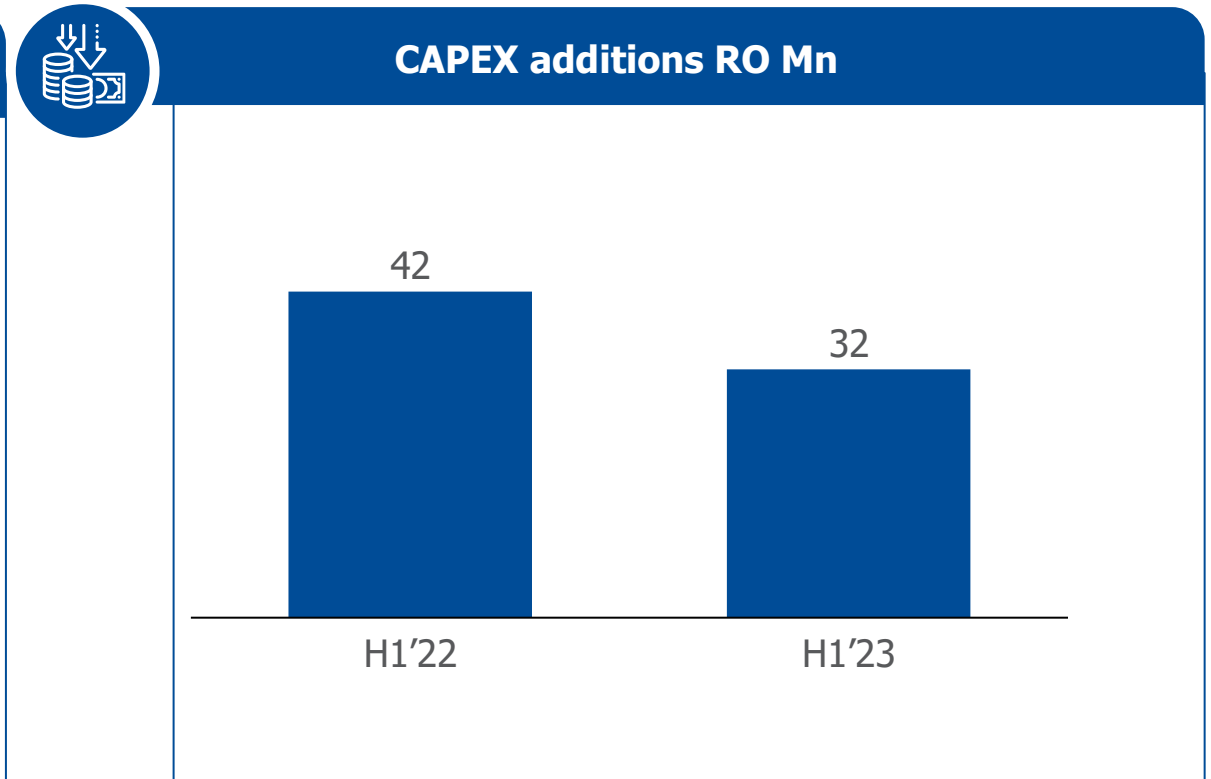
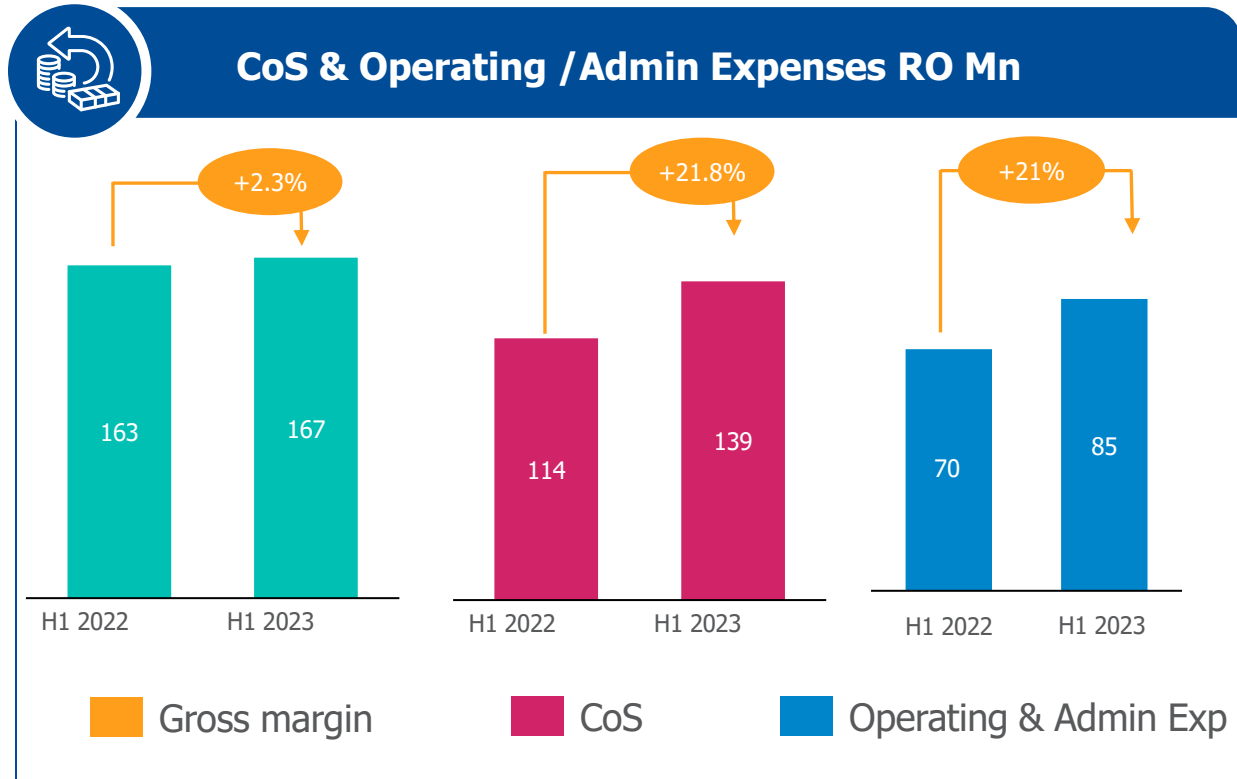
Domestic Performance – H1 2023 (Including domestic subsidiaries)

Domestic operations covers Fixed Line business, Mobile business, Omantel International (OTI)-Wholesale arm of Omantel engaged in international voice aggregation business and Omantel subsidiaries (Oman Data Park, Infoline and Internet of Things- MOMKIN, Lamma, Future city).



NOTE: Q1 and Q3 profits will include a one time impact of final dividend and interim dividend from Zain group. Final Dividend from Zain for year 2022 accounted in Q1-2023 is RO 29.7 Mn v 27.5 Mn in Q1-2022.

Gross margin increased by 2.3% and Opex increased by 21%. Capex to revenue ratio is at 9.2%



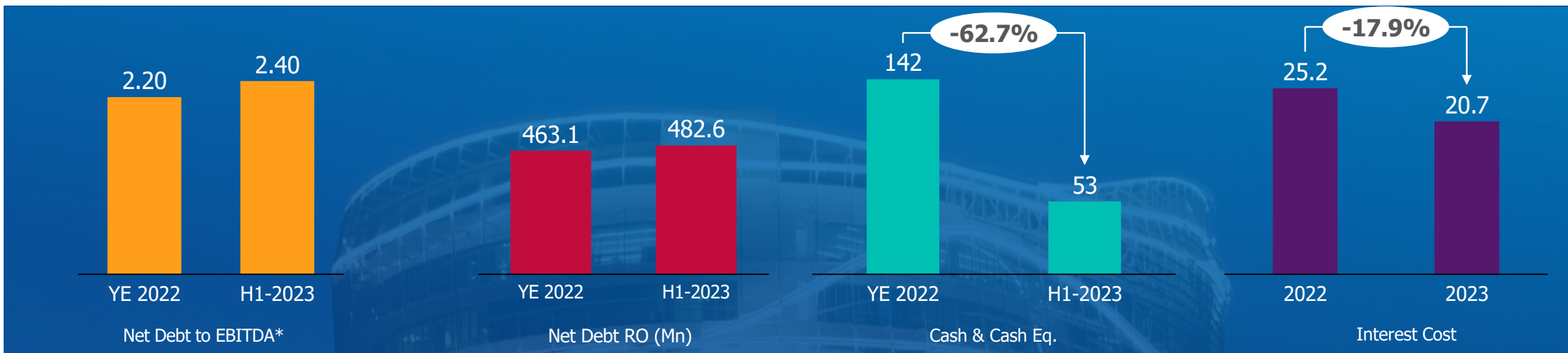
Cost of Sales increased in line with revenue increase

- a) Transit voice revenue and Device costs.
- b) Costs payable for Fixed broad band-lastmile increased on account of migrations of customers to Fibre from Copper and WFBB

Increase in Opex is contributed by increase in Costs relating to Leasing of Towers, Impairment provisions and Employee costs

Prior period capex was high on account of increased investments in 5G rollout. Capex to revenue ratio is expected to be in the range of 11-13% for the full year.

Leverage and Cash Flow position - Interest cost savings of 17.9% YOY on account of completion of deleveraging initiatives in 2022.



Net debt as of H1-2023 increased compared to Year end 2022 on account of a drop in cash and cash equivalents which in turn was impacted by drop in EBITDA.

On account of deleveraging initiatives completed last year, interest cost savings of RO 4.5 Mn was realized in H1-2023.

Omantel carries a Corporate Family Rating (CFR) assigned by Moodys 'Ba2' (Outlook revised to positive from stable) and by Fitch 'BB' (Outlook stable).

* Leverage and net debt shown is excluding lease liabilities. Including lease liabilities leverage at H1-2023 is 3.45 compared to 3.12 at end of year 2022 and net debt stands at RO 694 Mn compared to RO 656 Mn at end of year 2022

Corporate Family Rating (CFR)

Ba2
Moodys

BB
Fitch

Outlook revised from stable to **positive**

Value generation: Mobile & Fixed

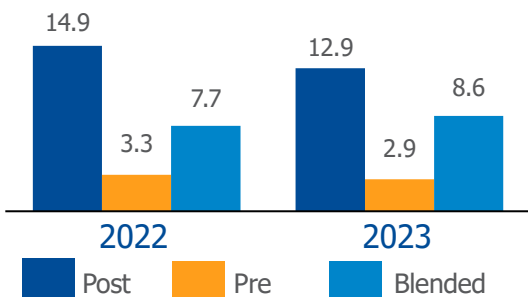
- Mobile Value generation driven by pre-paid to post-paid migration, portfolio revitalization and Better Base Management.
- Fixed Value generation driven by migration of customers from legacy copper technology to 4G/5G (wireless Fixed Broadband) and Fibre, Capturing competition base.

36% of Mobile base is now on Postpaid

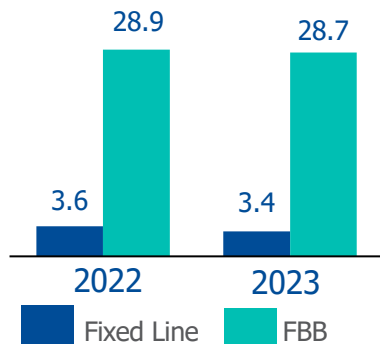
FBB Fiber Market share leadership
52% in H1'23

ARPU | RO / Month

Mobile Services



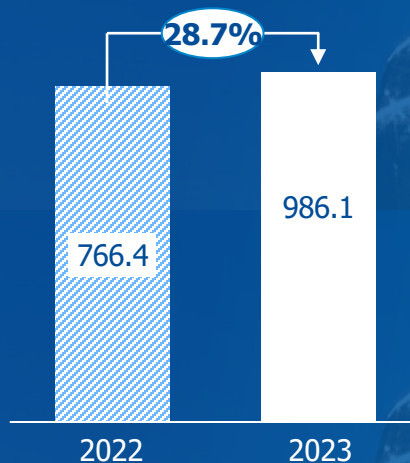
Fixed Services



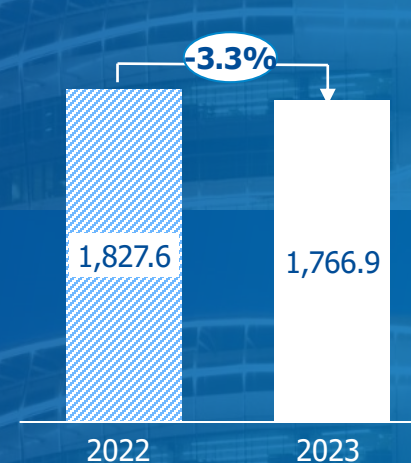
○ Fixed line include post & pre-paid voice services.

Subscribers

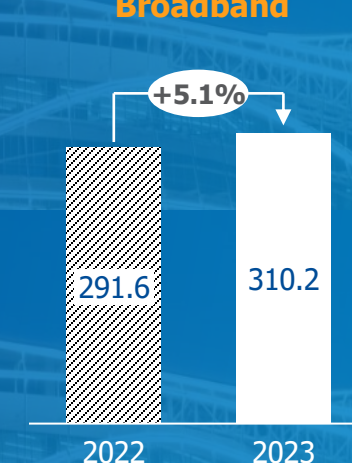
Mobile Postpaid



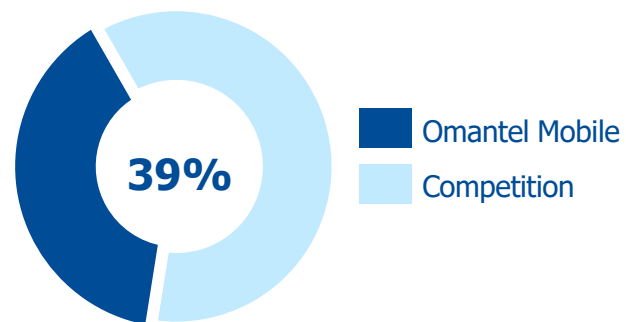
Mobile Prepaid



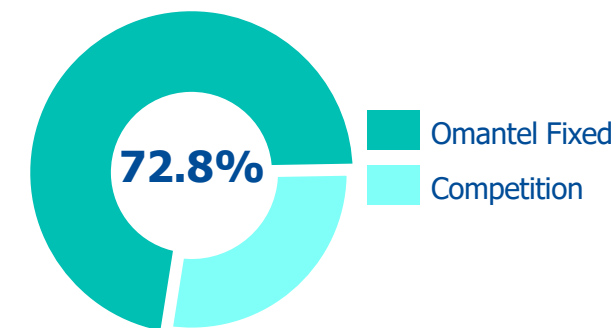
Fixed Broadband



Mobile Subscriber Market Share



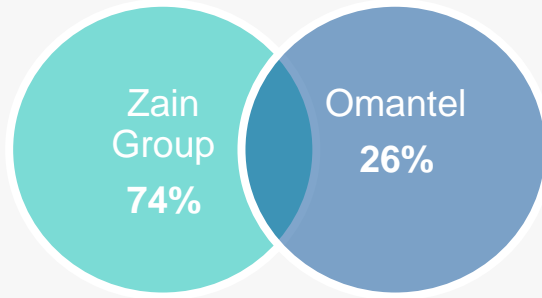
Fixed Subscriber Market Share



Zain Omantel International (ZOI)

In May 2023, Zain and Omantel have incorporated a JV called "Zain Omantel International, (ZOI)"

ZOI will leverage the scale of the Group to reduce costs, increase and optimize asset utilization and spending, at the same time pursue new revenue streams



- ZOI is a joint venture between Zain and Omantel, providing wholesale telecom services unlocking synergies across eight markets.
- This arrangement will not impact the ownership over the existing assets serving the requirements of both Zain Group and Omantel.
- Team's have been working since Nov-22, with bottom-line synergies already witnessed from OPEX negotiations and roaming deals (e.g., unlimited UAE)

Overall Objectives







- 1 Reduce**
Reduce the cost base for OpCos (their Retail business)
- 2 Increase**
Increase the utilization of assets; optimize spending, investments, and sourcing
- 3 Create**
Create incremental revenue from 3rd party (leverage new revenue streams)

Main Commercial Workstreams



Omantel's Approach to Sustainability

Omantel's contribution to Oman Vision 2040 is to enable the Omani society by building a digitally advanced and connected community and driving Oman's sustainable development. Omantel's Sustainability approach is outlined under the following pillars and encompasses the following themes

Strategic Pillar	Description	Oman Vision 2040 Alignment
 Customer Value Creation	Create Value for all our customers in a transparent and inclusive manner	<div style="background-color: #00a68f; color: white; padding: 5px; text-align: center;">The Private Sector, Investment, and International Corporation</div> <div style="background-color: #00a68f; color: white; padding: 5px; text-align: center;">Development of Governorate and Sustainable Cities</div>
 Employer of Choice	Become Oman's employer of choice	<div style="background-color: #e91e63; color: white; padding: 5px; text-align: center;">Citizenship, Identity and National Heritage and Culture</div> <div style="background-color: #00a68f; color: white; padding: 5px; text-align: center;">Labour Market and Employment</div>
 Environmental Stewardship	Engage in active environmental stewardship	<div style="background-color: #4a4a8a; color: white; padding: 5px; text-align: center;">Environment and Natural Resources</div>
 Social Responsibility	Enable the progress of Omani society by building a digitally competent and connected community	<div style="background-color: #e91e63; color: white; padding: 5px; text-align: center;">Education, Learning, Scientific Research and National Capabilities</div> <div style="background-color: #e91e63; color: white; padding: 5px; text-align: center;">Health</div> <div style="background-color: #e91e63; color: white; padding: 5px; text-align: center;">Well-being and Social Protection</div> <div style="background-color: #00a68f; color: white; padding: 5px; text-align: center;">The Private Sector, Investment and International Cooperation</div>
 Governance & Ethics	Have the highest level of governance and ethics	<div style="background-color: #00a68f; color: white; padding: 5px; text-align: center;">Economic Leadership and Management</div> <div style="background-color: #00a68f; color: white; padding: 5px; text-align: center;">Economic Diversification and Fiscal Sustainability</div> <div style="background-color: #00a68f; color: white; padding: 5px; text-align: center;">Legislative, Judicial and Oversight System</div>
		



Reducing Environmental Impact

Committed to environmental stewardship, primarily focusing on reducing emissions, waste and energy consumption, in line with the sustainability agenda of Oman Vision 2040

- Expansion into **5G Technology**, being the first to launch 5G for mobile in 2021 in Oman
- Support **digital transformation efforts** and facilitate adoption of the **Fourth Industrial Revolution technologies** i.e., smart cities, IoT and AI
- Installed a **746 kWp solar system** for its new headquarters, which is also a **LEED Platinum rated building**
- Involved in **recycling initiatives** in collaboration with Be'ah

- Aims to build an **inclusive digital environment** where everyone has **equal access to technology**
- Provided **extensive coverage throughout Oman and internationally** with state-of-the-art integrated network infrastructure
- **94.99% coverage rate** across Oman (including fixed and mobile)

Supporting Digital Inclusion



Aspires to lead the digital transformation of the country, supporting the Government's vision of a more digital Oman



Social Responsibility

Enabling of Omani Society by building a digital, competent and connected community for sustainable development, via strategic partnerships

- **Education:** Create a digital competent society through quality education, technical and vocational skills
- **Entrepreneurship:** To be the national technical catalyst in ICT & 4th Industrial Revolution Startups
- **Community Wellbeing:** Harness the power of technology to ensure and promote community wellbeing and sustainable development across Oman
- **Environment:** Become the Sultanates role model enterprise for environmental awareness across the society

Omantel's Sustainable Finance Framework – Use of Proceeds



Energy Efficiency



Investments and expenditure (including deployment, installation, refurbishment, operation and R&D) in network transformation and modernization across fixed and mobile to reduce energy demand and improve energy efficiency

- Development, refurbishment, and operation of base stations for building 5G networks and upgrading of existing infrastructure to support 5G / 4G LTE, including 3G sunsetting initiatives
- Deployment of 5G wireless technologies that allow for real-time response to energy demand, including smart city systems, smart building management systems, telecommuting systems, smart grids;
- Network modernization involving replacement/upgrade of legacy network and technologies, including moving from copper to fibre networks and upgrade of legacy IP core network
- Network and server virtualization, cloud migration, aimed at reducing energy consumption

Development and implementation of digital products and services, Internet of Things (IoT), Big data or Artificial Intelligence (AI), which aims at saving energy or natural resources

Replacement of old equipment with energy efficient equipment, such as heating, ventilation and cooling (HVAC) systems, chillers, cooling towers and lighting

Investments and expenditure in construction, operation, maintenance and operational improvements in green data centres with a power usage effectiveness (PUE) less than 1.5



Renewable Energy



Projects related to the production, transmission and storage of energy from the following renewable sources:

- Solar (PV and Concentrated Solar Power with a minimum 85% of power generation derived from solar sources)
- Wind energy (including onshore and offshore)

This may include procurement of renewable energy under long-term power purchase agreements (PPAs)



Pollution Prevention and Control



Expenditures and investments in equipment takeback programs and recycling of electronic waste such as contracting of external partners for the safe recycling of lead acid batteries (LAB)



Green Buildings



Projects related to acquisition, development, construction and refurbishment of buildings that belongs to the top 15% in terms of energy efficiency of their local market or have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, including:

- LEED "Gold" or above
- BREEAM "Excellent" or above
- Global Sustainability Assessment System (GSAS) "4 star" or above

Projects related to building renovations that achieve a minimum 30% improvement in energy use and/or carbon emissions compared to a mandated local or regional baseline or code



Clean Transportation



Investments and expenditure in low energy consuming or low emission transportation, meeting the threshold of 50gCO2/p-km up to 2030, and zero tailpipe emissions thereafter. Projects supporting the deployment of electric vehicles including charging infrastructure.



Affordable Basic Infrastructure



Deployment, extending and optimization of broadband (fixed or mobile) connectivity services in unconnected or underserved areas (rural and remote areas), in order to provide Internet access with sufficient bandwidth for the new digital services

Investments in providing telecoms specifically to disadvantaged people such as those with special needs or disabilities (mobility, cognitive, hearing, vision and speech), including deployment of adaptive products and services for customers

Target Populations: Unconnected populations that do not have mobile or fixed network coverage, or have network coverage but limited or unaffordable to them. Underserved population who have access to mobile and fixed networks of inferior technology (2G/3G for mobile networks and copper for fixed networks); Rural populations; Persons of determination; Schools and Students in low income communities.



Employment Generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises



Empowerment of microentrepreneurs (incl. women)/ SMEs to conduct their business through digital tools
Funding and supporting entrepreneurship ecosystem programs and direct or indirect investments in start-ups or SMEs

Target Populations: Women entrepreneurs, micro or small businesses, start-ups, SMEs.

Training of local populations in the field of ICT; Tackling inequalities by investing in education, new skills, new competences and upskilling /reskilling programmes

Target Populations: Unemployed population, including people with limited knowledge of digital technologies. Also, workforce at risk of losing their job due to lack of knowledge of new digital competences

Green Projects

Social Projects

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