

1. Incorporation and activities

Oman Telecommunications Company SAOG (the “Parent Company” or the “Company”) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. The Company’s principal place of business is located at Madinat al Irfan, Muscat, Sultanate of Oman. The Company’s shares are listed on Muscat Stock Exchange.

The principal activities of the Company are establishment, operation, maintenance and development of telecommunication services in the Sultanate of Oman. The Company and its subsidiaries (“the Group”) along with its associates provides telecommunications services in Sultanate of Oman and 8 other countries.

2. Basis of preparation

Changes in accounting policy and disclosures

This condensed consolidated interim financial information is prepared in accordance with IAS 34: Interim Financial Reporting.

The economy of Republic of South Sudan became hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group’s subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies.

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could have entailed going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, the Group believes that there is no definitive basis to apply IAS 29 at this stage. However, the Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 as of 31 March 2023.

This condensed consolidated interim financial information does not contain all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2023, including the impact of the matter stated above regarding application of IAS 29. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended 31 December 2022.

Subsequent to period ending 31 March 2023, on 15 April 2023, a violent power struggle broke out in Sudan’s capital, Khartoum between the two main factions of the ruling military regime. This may have an impact on the Group’s telecommunication assets and operations in Sudan. The Group has assessed the overall security situation and has activated the business continuity response and disaster recovery procedures. Furthermore, despite the difficult conditions, the Group continues to provide telecommunication services in all parts of Sudan. However, the Group continues to monitor the situation there and notes that there is general uncertainty over how and when this matter will be resolved, and what impact, if any, it may eventually have on the Group’s assets or operations.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022. Certain amendments and interpretations apply for the first time in 2023 but do not have an impact on the condensed consolidated interim financial information of the Group.

Changes in accounting policy and disclosures

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022.

New and amended IFRS Standards that are effective for the current year

The Group has applied the certain new and revised IFRS Standards that have been issued and effective during the current period. The application of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

Significant judgments and estimates

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2022.

Acquisition of Subsidiary

During the period, the Group acquired the entire equity interest of Business Integrated Operating Systems (BIOS) for a purchase consideration of AED 157.57 million (RO 16.270 million) of which an amount of AED 126.056 (RO 12.416 million) was paid during the period. The recognized amounts of net assets of BIOS as at the date of acquisition was AED 7.044 million (RO 0.727 million), resulting in a goodwill of AED 150.526 million (RO 15.542 million). The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA).

3. Cash and bank balances

Cash and bank balances include the following cash and cash equivalents:

	Unaudited	Audited
	31 March	31 December
	2023	2022
Cash on hand and at banks	314,849	366,976
Short-term deposits with banks	211,284	121,766
Government certificates of deposits held by subsidiaries	10	10
	526,143	488,752
Expected credit loss	(37,070)	(37,428)
	489,073	451,324
Cash at bank under lien	(115,775)	(7,477)
Short term deposits with banks exceeding maturity of three months	(11,571)	(11,553)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(10)	(10)
Cash and cash equivalent in the condensed consolidated statements of cash flows	361,717	432,284

4. Assets and liabilities of disposal group classified as held for sale and Discontinued operations

Assets and liabilities of disposal group classified as held for sale – Kuwait, KSA and Oman

Assets and liabilities of disposal group classified as held for sale represents telecom tower assets in Oman, Kuwait, KSA and Iraq classified as held for sale, on the basis of plan to sale and lease back of those assets.

KSA

In 2022, SMTC received board of directors' approval on the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud bin Fahd Bin Abdulaziz, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in SMTC's towers infrastructure comprising of 8,069 towers, valuing these assets at USD 807 million (RO 308.9 million). Pursuant to the Final Offers SMTC will own 20% stake in newly formed Tower Company. PIF's Final Offer also includes a call option that will grant PIF the right to buy the remaining 20% stake from SMTC for a certain amount. Under the terms of the offers, SMTC will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

On 28 May 2022, SMTC received a letter from the Communications, Space and Technology Commission ("CST"), which included the CST's Board of Directors approval for "Zain Business Limited" Company (a subsidiary of Zain KSA) to acquire aforementioned telecom tower sites owned by SMTC.

In September 2022, PIF acquired Zain Business Limited and changed the name to Golden Lattice Investment Company (GLI). In October 2022, SMTC entered into an Asset Purchase Agreement ("APA") with GLI to transfer 8,069 towers for an aggregate value of USD 807 million (RO 308.9 million). Under the APA, as part of "Financial Completion" SMTC was to receive cash proceed of SAR 2,421 million along with a 20% equity stake in GLI.

During the period, pursuant to the financial completion under the APA the Group:-

- received advance from GLI amounting to SAR 2,421 million (RO 244.99 million)
- derecognized 3,600 towers for a cash consideration of SAR 745 million (RO 75.234 million) which was
 - partially adjusted against the advances received from GLI and;
 - partially adjusted against 20% stake in GLI valued at SAR 605 million (RO 61.096 million) as in-kind consideration.

Total gain from this transaction (net of goodwill derecognised) was SAR 418.03 million (RO 42.076 million) which is recognized in the statement of profit or loss during period.

Iraq

During 2022, Atheer Telecom Iraq Limited received approval from its board of directors for the sale of its passive tower infrastructure. Under the terms of the offer received, Atheer was to sell and leaseback its passive physical towers infrastructure comprising of 4,604 towers.

In January 2023, Atheer sold and leased back from TTI Holding Limited (TTI, a subsidiary of the Group) 4,604 towers, for an aggregate value of US\$ 180 million (RO 68.218 million). This intercompany transaction was eliminated at the Group level.

Kuwait

Between 2020 and 2022 the Company completed the sale and lease back of 1,398 telecom towers in Kuwait.

Oman

On 11 May 2021, Parent Company entered into an agreement with Helios Towers PLC for the sale and lease back of telecom towers in Oman. On 7 December 2022, Parent Company after meeting the conditions precedent under the agreement, completed the sale and lease back of 2,519 telecom towers in Oman for a consideration of USD 494 Million (RO 190.263 Million) as part of Phase 1 of the transaction. Towers sold will be leased back for a period of 15 years. Phase 2 of the transaction envisages a further transfer of 227 sites which is expected to be completed within 18 months from the date of completion of the Phase 1 of the transaction.

The carrying value of disposal group held for sale comprises of remaining telecom tower assets and remaining right of use of assets and its related lease liabilities classified as held for sale in Oman, Kuwait, KSA and Iraq as follows.

	Oman	Kuwait	KSA	Iraq	Total (RO'000)	
					31 March 2023	31 December 2022
Telecom tower assets	1,296	2,015	83,477	51,235	138,023	187,719
Right of use of assets	-	6,758	44,980	30,130	81,868	135,237
	1,296	8,773	128,457	81,365	219,891	322,956
Lease liabilities	-	2,142	16,331	17,724	36,197	109,318
Other liabilities	-	-	-	-	-	-

5. Investments in associates and joint venture

	Unaudited	Audited
	31 March 2023	31 December 2022
	RO'000	RO'000
Oman Fibre Optic Co SAOG	8,321	8,264
Majan Telecommunications LLC	5,061	5,334
Equinix Muscat LLC	3,085	2,160
Pearl REIF Fund	15,235	14,736
TASC Towers Holding Limited (refer note (i) below)	32,803	16,543
IHS Kuwait Ltd	1,178	1,341
Others	432	201
	66,115	48,579

i) TASC Towers Holding Limited

RO 32.803 million (31 December 2022 – RO 16.543 million) interest in TASC Towers Holding Limited ("TASC") which represents 83.5% (31 December 2022 – 69.1%) of the equity shares of the associate.

The Group determines that it does not have the control over TASC on the basis that the Group does not have majority representation in the Board under the terms agreed in the agreement between TASC shareholders.

ii) Investments in joint venture

This includes Group's RO 102.45 million (31 December 2022 - RO 101.448 million) interest in the joint venture, Zain Al Ajial S.A. that owns 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company that is specialized in the telecom sector in that country). The carrying value of this joint venture and its results for the year are determined by Group management using equity method based on management information provided by Wana Corporate.

6. Property and equipment

	Unaudited	Audited
	31 March	31 December
	2023	2022
	RO'000	RO'000
Net fixed assets	1,534,109	1,577,196
Capital work in progress	184,874	184,308
	1,718,983	1,761,504

During the three-months period ended 31 March 2023, the Group acquired property and equipment amounting to RO 38.8 million (31 March 2022: RO 43.7 million). Depreciation charged for the period amounted to RO 78.8 million (31 March 2022: RO 81.7 million).

7. Intangible assets and goodwill

	Unaudited	Audited
	31 March	31 December
	2023	2022
	RO'000	RO'000
Intangible assets	2,310,751	2,343,254
Goodwill	1,037,600	1,038,507
Capital work in progress	7,793	7,785
	3,356,144	3,389,546

During the three-months period ended 31 March 2023, the Group acquired intangible assets amounting to RO 14.5 million (31 March 2022: RO 3.61 million). Amortization charged for the period amounted to RO 43.41 million (31 March 2022: RO 42.77 million).

8. Income tax payables

Income tax payables mainly includes current tax payables by the Parent company's and the Group's subsidiaries in Iraq, Jordan and Sudan respectively.

Tax assessments for Parent Company (Sultanate of Oman) are finalized till tax years 2018. For tax year 2017, tax authority Oman raised a demand for RO 6.2 million disallowing certain write offs with respect to an investment in an erstwhile subsidiary. During the year, the Company filed an objection against the order with Head of Tax authority and the tax demand was reduced to RO 3.28 million which was paid by the Company. The Company filed an appeal with the Grievance committee contesting disallowance of RO 0.351 Mn made by SGT in its order.

For tax year 2018 the Company filed an objection with the head of tax authority contesting certain disallowances with a tax impact of RO 66 thousand. The Company believes that no additional tax liability will arise upon completion of the assessments for the remaining tax years.

Atheer - Iraq

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2023 (Unaudited)

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT).

Atheer has booked the income tax expenses for the year from 2019 to date, based on self-assessment, considering most likely outcome. No assessment order has yet been received. Income tax assessment for all other years are paid and settled.

Management believes that they have adequate provisions for liabilities in respect of the assessments contested.

9. Borrowings

	31 March 2023	31 December 2022
	RO'000	RO '000
<i>Parent Company</i>		
Short term loan	40,000	-
Long term loan	-	58,816
Other long term loans	10,242	10,130
	50,242	68,946
<i>Oztel</i>		
Long term loan	-	70,172
Bonds	448,720	441,487
	448,720	511,659
<i>Oman Data Park</i>		
Long term loans	8,091	8,045
	8,091	8,045
<i>Mobile Telecommunications Company-Kuwait</i>		
Short term loans	-	26,507
Long term loans	664,542	667,268
	664,542	693,775
<i>SMTC</i>		
Long term loans	555,753	607,662
	555,753	607,662
<i>Pella</i>		
Long term loans	98,532	98,452
	98,532	98,452
<i>Atheer</i>		
Bank overdrafts	6,069	3,116
Long term loans	288,030	289,209
	294,099	292,325
<i>Future cities SAOC</i>		
Long term loan	5,564	5,834
<i>Others</i>		
Bank Overdrafts	952	953
	2,126,495	2,287,651

The current and non-current amounts are as follows:

	Unaudited 31 March 2023	Audited 31 December 2022
	RO'000	RO '000
Current liabilities	421,752	547,584
Non-current liabilities	1,704,743	1,740,067
	2,126,495	2,287,651

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Unaudited	Audited
	31 March 2023	31 December 2022
	RO'000	RO '000
US Dollar	1,253,611	1,411,388
Kuwaiti Dinar	366,047	366,962
Saudi Riyals	452,230	494,469
Omani Rial	54,607	14,832
	2,126,495	2,287,651

The effective interest rate as at 31 March 2023 was 5.94% to 7.09% (31 March 2022 – 2.81% to 7.09%) per annum.

The Parent Company is compliant with the principal covenant ratios which include:

- Net borrowings to earnings before interest tax depreciation and amortization (EBITDA) at consolidated level excluding Zain group
- Interest coverage ratio

The Group is compliant with the principal covenant ratios, which include:

- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- consolidated net borrowings to consolidated net worth (equity);

Parent Company and Oztel

Short term loan

During the period the Company :

- drawn down RO 40 million (31 December 2022: Nil) from a revolving credit facility

The facility carries a fixed margin over the one year cost of fixed deposit of the bank.

Long Term loan

The Parent Company acquired a term loan of USD 800 million in year 2017 from a consortium of banks for financing the acquisition of shares in Mobile Telecommunication Company (Zain Group). The Parent company transferred USD 435.225 Million representing the offshore part of the term loan to its wholly owned subsidiary Oztel Holding SPC. The remaining amount of USD 364.775 million is retained by the Parent company. The term loan was payable in five equal annual installments for an amount of 15% of the principal amount and the remaining amount of 25% is payable at the end of the term loan period. The first interest period for the loan is set at 8 months from the date of drawdown and thereafter at 3-month intervals until the date of repayment. On 22 October 2019 the Parent company and Oztel signed an amendment to the term loan whereby the term on the loan was extended by 2 years with a corresponding relief on the instalment payment for years 2019 and 2020. From year 2021 the loan is repayable in four annual instalments of USD 170 million. The margin on the term loan was also reduced to 2.55% from the earlier rate of 2.90%. The loan is secured by way of a pledged on the acquired shares. A portion of the loan has been hedged using a interest rate swap.

During the period the Company prepaid the entire loan amount.

Other long term loans

Export credit loan with an outstanding balance of USD 26.6 million (RO 10.2 million) (31 December 2022-USD 26.3 million (RO 10.1 million) from a consortium of banks to finance the procurement of capital equipment. The loan is unsecured. The facility carries an interest of 2.28% p.a

Bonds

The issued bonds are denominated in US Dollars, listed on the Irish stock exchange and consists of the following tranches:

- a) 5.5 years tranche USD 457.1 million (31 December 2022: USD 457.1 million) with coupon rate of 5.63% per annum. The bonds are due for payment in year 2023. The effective interest rate on the bond is 6.05% per annum. The fair value of the bond is USD 455.3 million (31 December 2022: USD 453.9 million)
- b) 10 years tranche USD 688.9 million with coupon rate of 6.63% per annum. The bonds are due for payment in year 2028. The effective interest on the bond is 7.09%. The fair value of the bond is USD 713.9 million (31 December 2022: USD 691.5 million)
- c) The bonds are secured by way of a pledge on the acquired shares in Zain Group and is guaranteed by the Parent company.

Mobile Telecommunications Company K.S.C.P

During the period, the Company has:

- not drawn down any amount from the existing and new facilities (31 December 2022 - RO 177.63 million).
- repaid loans amounting to RO 28.6 million (31 December 2022 – RO 157.8 million). This includes:
 - US\$ 70 million (RO 26.53 million) of a revolving credit facility amounting to US\$ 70 million.

The above facilities carry a fixed margin over three or six month London Inter-Bank Offer Rate (LIBOR) or over Central Bank Discount rate.

SMTC

Long Term loans include:

- 1) SAR 5,503 million (RO 555.75 million) (31 December 2022: SAR 5,488 million equivalent to RO 555.06 million) syndicated murabaha facility. The working capital facility amounting to SAR 520 million (RO 52.59 million) as at 31 December 2022 was repaid during the period.

In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the Murabaha facilities that existed as of that date and to secure additional funding for future capital investment.

The Agreement:

- a. Includes a Total Term Murabaha Facility of SAR 6,000 million (RO 605.91 million), consisting of SAR 4.880 billion (RO 492 million) and US\$ portion of SAR 1.120 billion (RO 113 million) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (RO 351 million) and balance for future specified business purposes.
- b. Includes a revolving working capital facility of SAR 1,000 million (RO 100.98 million) consisting of SAR 813.393 million (RO 82.14 million) and a US\$ portion totaling to SAR 186.607 million (RO 18.84 million).

The Murabaha Facility continues to be secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables. Under the Murabaha Financing Agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement.

A portion of above syndicated loan has been hedged through a profit rate swap contract.

- 2) During 2019, SMTC signed syndicated junior murabaha facility amounting to SAR 2,250 million (RO 230.36 million) (31 December 2022: SAR 2,247 million equivalent to RO 227.52 million) from a consortium of banks with a two- year tenure with an option to extend for one more year. During April 2022, SMTC has voluntary settled the outstanding principal as per the Murabaha Financing agreement.

Zain Jordan

Long term loans include:

- 1) US\$ 160 million (RO 60.64 million) (31 December 2022 – US\$ 160 million equivalent to RO 60.09 million) term loan from a commercial bank that is repayable by 2025.
- 2) US\$ 100 million (RO 37.90 million) (31 December 2022 – US\$ 100 million equivalent to RO 38.36 million) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer

- 1) US\$ 70 million (RO 33.94 million) (31 December 2022 – US\$ 70 million equivalent to RO 26.5 million) term loan from a commercial bank that is repayable by 17 December 2024.
- 2) US\$ 105 million (RO 39.79 million) (31 December 2022 – US\$ 105 million equivalent to RO 39.75 million) term loan from a commercial bank which is repayable by 30 June 2023.
- 3) US\$ 150 million (RO 56.85 million) (31 December 2022 – US\$ 150 million equivalent to RO 56.8 million) revolving credit facilities from a commercial bank repayable by 17 December 2025.
- 4) US\$ 100 million (RO 37.90 million) (31 December 2022 – US\$ 100 million equivalent to RO 37.85 million) term loan from a commercial bank repayable by 31 July 2023.
- 5) US\$ 50 million (RO 18.95 million) (31 December 2022 – US\$ 50 million equivalent to RO 18.93 million) term loan from a commercial bank repayable by 14 April 2024.
- 6) US\$ 60 million (RO 22.74 million) (31 December 2022 – US\$ 63.75 million equivalent to RO 24.14 million) term loan from a commercial bank repayable by 28 April 2025.
- 7) US\$ 125 million (RO 47.37 million) (31 December 2022 – US\$ 125 million equivalent to RO 47.43 million) term loan from a commercial bank repayable by 03 May 2025.
- 8) US\$ 100 million (RO 37.90 million) (31 December 2022 – US\$ 100 million equivalent to RO 37.86 million) term loan from a commercial bank repayable by 25 May 2024.

These facilities are guaranteed by the Company and carry a floating interest rate of a fixed margin over three-month LIBOR and term SOFR.

Future cities SAOC

Long term loans include:

- 1) RO 5.176 million term loan from a commercial bank which is repayable by 31 July 2027 at an interest rate of 5.5% pa.
- 2) RO 0.388 million term loan from a commercial bank which is repayable by 31 July 2027 at an interest rate of 5.5%

10. Other non-current liabilities

	Unaudited	Audited
	31 March 2023	31 December 2022
	RO'000	RO '000
Payable to Ministry of Finance – KSA (refer below)	251,169	251,563
Due for acquisition of spectrum	177,897	207,092
Payable towards Sale and lease back financing-Parent company	95,119	83,554
Customer deposits	9,835	9,827
Post-employment benefits	65,274	63,107
Others	49,619	64,815
	648,913	679,958

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due until 2021. These amounts are being repaid in seven installments starting June 2021. The current portion of these payables is recorded under trade and other payables.

11. Share capital

Share capital (par value of RO 0.100 per share)

	Unaudited	Audited
	31 March 2023	31 December 2022
	No. of shares	No. of shares
<i>Authorised, Issued and fully paid up</i>	750,000,000	750,000,000
	RO'000	RO'000
<i>Authorised, Issued and fully paid up</i>	75,000	75,000

Shareholders of the Company who own not less than 10% of the Company's shares at the reporting date are as follows:

	2023	2022
	No. of shares	No. of shares
United International Telecommunications Investment and Projects LLC	382,500,345	382,500,345

Legal reserve

In accordance with the Oman Commercial Companies Law of 2019, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the respective Omani entity's paid-up share capital. This reserve is not available for distribution. As the reserve equals one third of paid up share capital, the Company has discontinued the transfer.

Voluntary reserve

In accordance with the Board of Directors' Resolution No.16T/5/2000, the Parent Company transfer 10% of its annual net profits to a distributable voluntary reserve until it becomes equal to one-half of the entity's paid up share capital. As the reserve equals at least half of paid up share capital, the Company has discontinued the transfer.

Capital contribution

The excess of the valuation of the fixed licence of the Parent company over the amounts paid to TRA in year 2004 is recognised as a non-distributable capital contribution within equity.

Capital reserve

This is a non-distributable reserve and represents the fair value in excess of the amount paid for the mobile license, which expired in February 2019.

Foreign currency translation reserve

Foreign currency translation reserve mainly represents foreign exchange translation losses arising from Zain Group, Zain Sudan and Zain South Sudan.

Dividend – 2022

The annual general meeting of shareholders for the year ended 31 December 2022 held on 31 March 2023 approved distribution of final dividends of 55 baiza per share for the year 2022 (31 December 2021 – 55 baiza). In addition an interim dividend of 5 baiza per share was approved to be paid in August 2023.

12. Investment income

	Three months ended 31 March (Unaudited)	
	2023	2022
	RO'000	
Dividend income	204	204
Profit from investment securities at FVTPL	1,276	1,959
	1,480	2,163

13. Earnings per share

Basic and diluted earnings per share based on the weighted average number of shares outstanding during the period are as follows:

	Three months ended 31 March (Unaudited)	
	2023	2022
	RO'000	RO'000
Profit for the period attributable to shareholders of the Company - from continuing and discontinued operations	21,230	18,495
	Shares	Shares
Weighted average number of shares in issue outstanding during the period	750,000,000	750,000,000
	RO	RO
Earnings per share – basic and diluted from continuing and discontinued operations	0.028	0.025

14. Segmental information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its operations in Oman, the Company operates through Zain Group in 8 countries. This forms the basis of the geographical segments. Based on the disclosure criterion, the Group has identified its telecommunications operations in Oman, Kuwait, Jordan, Sudan, Iraq, Bahrain and KSA as the basis for disclosing the segment information.

During the year the Group revised its segment information with respect to Oman to include dividend income, finance costs and other costs associated with respect to its investment in Zain Group. Previous year figures were reclassified to conform to current year presentation.

OMANTELECOMMUNICATIONS COMPANY SAOG
Notes to the Condensed Consolidated Interim Financial Information - 31 March 2023 (Unaudited)

	31 March 2023 (Un audited)									Total RO '000
	Oman RO'000	Kuwait RO'000	Jordan RO'000	Sudan RO'000	Iraq RO'000	Bahrain RO'000	KSA RO'000	Others RO'000	Elimination	
Segment revenues – airtime, data & subscriptions (Over time)	138,370	79,300	46,356	62,202	83,782	14,277	210,569	5,666	-	640,522
Segment revenues - trading income (Point in time)	24,761	28,598	2,509	1,026	641	3,984	31,261	577	-	93,357
Net profit before interest and tax	21,310	15,299	11,654	30,724	18,925	1,402	20,143	(3,881)	-	115,576
Interest income	819	834	250	1,144	135	83	2,361	69	-	5,695
Gain on sale and leaseback transaction	-	-	-	-	-	-	42,076	-	-	42,076
Dividend income from Zain group *	-	-	-	-	-	-	-	-	-	-
Finance costs	(10,475)	(229)	(3,807)	(307)	(7,945)	(238)	(17,005)	(58)	-	(40,064)
Income tax expenses	(2,242)	-	(2,228)	(2,491)	578	-	-	(32)	-	(6,415)
	9,412	15,904	5,869	29,070	11,693	1,247	47,575	(3,902)	-	116,868
<i>Unallocated items:</i>										
Investment income										1,480
Share of results of associates and joint venture										336
Others (including unallocated income tax and finance costs net of elimination)										(24,766)
Profit for the year										93,918
Segment assets including allocated goodwill	1,800,776	935,692	612,196	113,149	982,678	130,724	3,305,552	156,295	(850,336)	7,186,726
ROU asset	79,344	11,704	11,702	3,933	24,406	15,861	82,280	2,060	-	231,290
<i>Unallocated items:</i>										
Investment securities at FVTPL										137,637
Investment securities at FVOCI										22,941
Investment securities at amortised cost										1,000
Investment in associates and joint venture										168,565
Others (net of eliminations)										164,797
Consolidated assets										7,912,956
Segment liabilities	459,223	246,076	202,159	102,191	195,924	39,642	1,215,036	157,900	-	2,618,151
Lease liabilities (Current & non-current)	119,911	20,722	14,313	2,091	33,424	15,876	114,693	1,834	-	322,864
Borrowings	513,570	-	98,532	-	294,101	-	555,753	-	-	1,461,956
	1,092,704	266,798	315,004	104,282	523,449	55,518	1,885,482	159,734	-	4,402,971
<i>Unallocated items:</i>										
Borrowings										664,539
Others (net of eliminations)										(84,737)
Consolidated liabilities										4,982,773
Net consolidated assets										2,930,183
Capital expenditure incurred during the year	16,723	3,801	234	20,132	8,236	344	3,829	5,365	-	58,664
Unallocated (net of eliminations)										520
Total capital expenditure										59,184
Depreciation and amortization	21,926	21,135	7,441	1,232	19,699	3,140	46,851	1,683	-	123,107
Amortization of ROU assets	1,944	1,963	439	248	139	1,030	3,809	111	-	9,683
Unallocated										(916)
Total depreciation and amortization										131,874

*Final Dividend from Zain group for RO 29.3 Mn for year 2022 was approved by Zain group shareholders in the Annual General meeting on 13 April 2023. Profit for Oman segment for the period will be RO 38.7 Mn had dividend been approved in period ended March 31,2023. Profit for the period ended 31 March 2022 for Oman segment include dividend income of RO 27.5 million as the AGM was concluded in the period ended 31 March 2022.

OMANTELECOMMUNICATIONS COMPANY SAOG
Notes to the Condensed Consolidated Interim Financial Information - 31 March 2023 (Unaudited)

	31 March 2022 (Un audited)									
	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Elimination	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Segment revenues – airtime, data & subscriptions (Over time)	122,341	77,522	44,598	36,473	71,803	13,814	186,207	5,944	-	558,702
Segment revenues - trading income (Point in time)	10,935	27,359	1,982	210	698	3,266	31,635	17	-	76,102
Net profit before interest and tax	22,408	17,544	9,583	19,441	7,201	1,568	20,243	1,257	-	99,245
Interest income	583	464	296	382	1	31	46	4	-	1,807
Dividend income	27,500	-	-	-	-	-	-	-	(27,500)	-
Finance costs	(12,619)	(238)	(1,980)	(51)	(4,548)	(226)	(11,813)	(10)	-	(31,485)
Income tax expenses	(3,204)	-	(2,427)	(2,155)	(2,135)	-	-	-	-	(9,921)
	34,668	17,770	5,472	17,617	519	1,373	8,476	1,251	(27,500)	59,646
<i>Unallocated items:</i>										
Investment income										2,163
Share of results of associates and joint venture										1,951
Others (including unallocated income tax and finance costs net of elimination)										(1,271)
Profit for the year										<u>62,489</u>
Segment assets including allocated goodwill	1,750,580	927,662	645,171	48,591	953,418	123,755	3,198,058	103,354	(850,336)	6,900,253
ROU asset	22,559	12,535	10,339	1,003	32,020	13,748	34,517	29	-	126,750
<i>Unallocated items:</i>										
Investment securities at FVTPL										70,553
Investment securities at FVOCI										23,882
Investment securities at amortised cost										1,000
Investment in associates and joint venture										115,948
Others (net of eliminations)										271,948
Consolidated assets										<u>7,510,334</u>
Segment liabilities	265,015	205,756	186,931	40,219	161,707	36,751	1,215,330	84,354		2,196,063
Lease liabilities (Current & non-current)	21,978	21,059	12,558	526	30,400	13,705	47,120	15		147,361
Borrowings	799,859	-	59,957	-	306,841	-	566,434	-		1,733,091
	1,086,852	226,815	259,446	40,745	498,948	50,456	1,828,884	84,369		4,076,515
<i>Unallocated items:</i>										
Borrowings										662,798
Others (net of eliminations)										70,826
Consolidated liabilities										<u>4,810,139</u>
Net consolidated assets										<u>2,700,195</u>
Capital expenditure incurred during the year	17,007	3,240	1,317	1,721	5,516	276	12,365	2,702		44,144
Unallocated (net of eliminations)										489
Total capital expenditure										<u>44,633</u>
Depreciation and amortization	22,255	19,463	10,824	761	20,194	3,124	46,461	1,348		124,430
Amortization of ROU assets	1,881	1,951	445	54	1,992	914	5,286	11		12,534
Unallocated										(187)
Total depreciation and amortization										<u>136,777</u>

15. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

Transactions

	Three months ended	
	31 March (Unaudited)	
	2023	2022
	RO'000	RO'000
Revenue	6,078	2,817
Purchase of goods and services	5,304	2,539
Dividend income from associate	365	367
Purchase of property plant and equipment	-	23

Key management compensation

	Three months ended	
	31 March (Unaudited)	
	2023	2022
	RO'000	RO'000
Salaries and other short term employee benefits	950	1,000
Post-employment benefits	5	35

Balances

	Unaudited	Audited
	31 March	31
	2023	December
	RO'000	RO'000
Trade and other receivables	5,469	18,031
Trade and other payables	5,580	5

16. Commitments and contingencies

	Unaudited	Audited
	31 March	31
	2023	December
	RO'000	RO'000
Capital commitments	164,777	134,217
Uncalled share capital of investee companies	796	785
Letters of guarantee and credit	78,736	86,448

Royalty in Sultanate of Oman

The Company during FY 2020 received a letter from TRA clarifying the applicability of royalty on certain categories of Wholesale revenue. While clarifying that these items are exempt from Royalty from year 2020, TRA has demanded to pay royalty on these revenues for the periods from 2013 to 2019. Based upon legal opinion and interpretation of the relevant provisions of the Parent Company's license terms, the management believes that the additional royalty amount is not payable.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2023 (Unaudited)

Income taxes in Iraq

Atheer received an income tax claim of US\$ 19.3 million (RO 7.38 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer submitted its objection to this additional income tax claim which was rejected by the IGCT on 15 March 2020. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

Pella - Jordan

Pella is a defendant in lawsuits amounting to RO 27.95 million (31 December 2022 – RO 27.94 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

MTC Kuwait

A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communication since 26 July 2011 was invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group has a claim in the form of recovery of excess regulatory tariff paid amounting to RO 30.48 million. In June 2022, the first degree judgement was issued in favour of the Group. In February 2023, Court of Appeal judgement was issued in favour of the Group. The Ministry appealed the case in Court of Cassation and the next hearing is scheduled on 11th July 2023.

SMTC

SMTC received withholding tax assessments from Zakat, Tax and Customs Authority (“ZATCA”) for an additional amount of SAR 269.3 million (RO 27.19 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees. The SMTC believes that the outcome of those appeals will be in its favor with no material financial impact as the SMTC has sufficient provisions to cover these amounts.

In addition, legal proceedings have been initiated by and against the Group in some jurisdictions. On the basis of information currently available and the advice of the legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position or the consolidated performance of the Group.

17. Financial instruments**17.1 Categories of financial assets and liabilities**

The carrying amounts of the Group’s financial assets and liabilities as stated in the condensed consolidated statement of financial position are categorized as follows:

	Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
	RO’000	RO’000	RO’000
31 March 2023 (Unaudited)			
Cash and bank balances	489,073	-	-
Trade and other receivables	1,032,556	-	-
Investment securities	1,000	137,637	22,941
	1,522,629	137,637	22,941
31 December 2022 (Audited)			
Cash and bank balances	451,324	-	-
Trade and other receivables	968,291	-	-
Investment securities	1,000	75,236	21,794
Other assets	19,771	-	-
	1,440,386	75,236	21,794

All financial liabilities are categorized as 'at amortized cost'.

17.2 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

31 March 2023 (Un audited)

	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Financial assets at fair value:				
Investments at fair value through profit or loss	8,625	33,050	95,962	137,637
Investments at fair value through other comprehensive income	2,383	3,217	17,341	22,941
Total assets	<u>11,008</u>	<u>36,267</u>	<u>113,303</u>	<u>160,578</u>

31 December 2022 (Audited)

	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Financial assets at fair value:				
Investments at fair value through profit or loss	8,445	33,213	33,578	75,236
Investments at fair value through other comprehensive income	2,300	3,471	16,023	21,794
Total assets	<u>10,745</u>	<u>36,684</u>	<u>49,601</u>	<u>97,030</u>

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous year.

18. Hyperinflation – Zain South Sudan**Net monetary (loss)/ gain**

The Republic of South Sudan economy had become hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting. The impact of Net monetary loss for the period is not material to the interim financial information.

19. Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

OMAN TELECOMMUNICATIONS COMPANY SAOG

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2023 (Unaudited)

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
	RO'000	RO'000	RO'000
At 31 March 2023 (Un audited)			
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate</i>			
Interest rate swaps (maturing after one year)	15,742	-	292,859
At 31 December 2022 (Audited)			
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate</i>			
Interest rate swaps (maturing after one year)	15,364	-	398,065