

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

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, Group believes that there is no definitive basis to apply IAS 29 at this stage. However, Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 as of 30 September 2022.

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 2022, 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 2021.

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 2021. Certain amendments and interpretations apply for the first time in 2022, but do not have an impact on the condensed consolidated interim financial information of the Group.

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 2021.

Financial support to Group companies

The Group has committed to provide working capital and other financial support to certain subsidiaries including Mobile Telecommunications Company Saudi Arabia ("SMTC"), Zain Jordan, Al Khatem and Zain South Sudan whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

Acquisition of a subsidiary

In July 2022, the Company acquired shares representing a 51% ownership in Future Cities SAOC for a cash consideration of RO 3.6 million that is engaged in the business of providing Internet of Things (IOT) solutions.

3. Cash and bank balances

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

	Unaudited	Audited
	30 September	31 December
	2022	2021
	RO'000	RO'000
Cash on hand and at banks	410,401	351,464
Short-term deposits with banks	40,115	59,324
Government certificates of deposits held by subsidiaries	10	14
	450,526	410,802
Expected credit loss	(28,624)	(20,588)
	421,902	390,214
Cash at bank under lien	(6,839)	(2,662)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(10)	(14)
Cash and cash equivalent in the condensed consolidated statements of cash flows	415,053	387,538

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 Kuwait, KSA and Sultanate of Oman classified as held for sale, on the basis of plan to sale and lease back of those assets.

4.1 Zain KSA (SMTC)

During the period, Zain KSA (SMTC) has received board of directors' approval of the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud Bin Fahad, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in Zain KSA's towers infrastructure comprising of 8,069 towers, valuing these assets at USD 807 million (RO 302.5 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 Zain KSA for a certain amount. Under the terms of the offers, Zain KSA will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

4.2 Kuwait

During the year 2020 and 2021 the Company completed the sale and lease back of 1,355 telecom towers in Kuwait. In September 2022, the Company completed the sale and lease back of additional 43 telecom towers in Kuwait for a total sale consideration of US\$ 2.729 million (RO 1.03 million). Total gain from this transaction was RO 0.495 million which is recognized in the statement of profit or loss during the period ended 30 September 2022.

4.3 Sultanate of Oman

a) On 11 May 2021, Parent Company entered into an agreement with Helios Towers PLC for the sale and lease back of 2890 telecom towers in Oman for a consideration of USD 575 Million. Towers sold will be leased back for a period of 15 years.

b) On April 13, 2022, Parent company in collaboration with Oman Investment Authority (OIA) established a Real estate Fund called Pearl REIF Fund (" Pearl REIF") approved by the Capital Market Authority Oman. Parent Company transferred its Headquarters to the funds for a value of RO 55 Mn which was settled by REIF by issuing units in Pearl REIF which is equivalent to RO 27.9 Mn (representing an ownership interest of 65.7%) and cash of RO 27.1 Mn. Parent Company simultaneously entered into a lease agreement with Pearl REIF for the lease of its Head quarter building. Subsequent to 30 September 2022, Pearl REIF completed an Initial public offering (IPO) on 7 November 2022 where in the Parent company disposed amounting to RO 13.8 Mn (representing an ownership interest of 32.2%) for a value of RO 15 Mn. As such these units is classified under "Assets held for disposal". The remaining unit value after the disposal for RO 14.1 Mn is classified as Investments in associate.

4.4 Iraq

During July 2022, Atheer Telecom Iraq Limited has received Board of Directors' approval for an offer from TTI Holding Limited to acquire Atheer's towers infrastructure. The approved offer was to acquire Atheer's towers infrastructure comprising of 4,604 towers. Under the terms of the offer, Atheer will sell its passive physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

The disposals are consistent with the Group's long-term policy to focus its activities on the Group's other businesses. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to substantially exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity. The carrying value of disposal group held for sale are as follows:

	Kuwait (Refer note 4.2)	KSA (Refer note 4.1)	Oman (Refer note 4.3)	Iraq (Refer note 4.4)	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Units in Pearl REIF (Note 4.3 (b) above)	-	-	13,814	-	13,814	-
Telecom tower assets	1,988	137,697	24,645	46,502	210,832	25,632
Right of use of assets	6,177	102,039	5,464	27,591	141,271	5,957
	8,165	239,736	43,923	74,093	365,917	31,589
Lease liabilities	1,969	92,846	4,614	26,041	125,470	1,924
Other liabilities	-	-	1,543	-	1,543	1,325
	1,969	92,846	6,157	26,041	127,013	3,249

These are expected to be sold during the year 2022.

5. Investments in associates and joint venture

	Unaudited 30 September RO'000	Audited 31 December RO '000
Oman Fibre Optic Co SAOG	7,846	7,809
Majan Telecommunications LLC	5,126	5,326
Equinix Muscat LLC	2,555	3,546
Pearl REIF Fund (Refer note 4.3 (b))	14,412	-
Block chain Solutions LLC (refer note (i) below)	-	519
TASC Towers Holding Limited (refer note (ii) below)	16,782	-
IHS Kuwait Ltd	1,378	908
	48,099	18,108

- i) In December 2021, Group purchased additional shares representing 21% of share capital of Block Chain Solutions LLC (BSS), increasing Group's effective holding in Blockchain Solution LLC to 51%. Consequently the Group controls Block Chain Solutions LLC and is consolidated effective December 2021.
- ii) During the quarter, the Group acquired the additional shares of TASC Towers Holding Limited and increased its shareholding to 69.1%. The purchase consideration amounting to RO 17.3 million was settled against the amount that was due to the Group from TASC. However, 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.
- iii) Investments in joint venture

This includes Group's RO 98.7 million (31 December 2021 - RO 96.180 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).

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

6. Property and equipment

	<u>Unaudited</u>	<u>Audited</u>
	30	31 December
	September	2021
	2022	
	RO'000	RO'000
Net fixed assets	1,538,300	1,779,983
Capital work in progress	143,499	203,007
	<u>1,681,799</u>	<u>1,982,990</u>

During the nine months period ended 30 September 2022, the Group acquired property and equipment amounting to RO 162.1 million (30 September 2021: RO 135.5 million). Depreciation charged for the period amounted to RO 241.7 million (30 September 2021: RO 250.7 million).

7. Intangible assets and goodwill

	<u>Unaudited</u>	<u>Audited</u>
	30	31 December
	September	2021
	2022	
	RO'000	RO'000
Intangible assets	2,324,565	2,390,867
Goodwill	1,067,490	1,060,120
	<u>3,392,055</u>	<u>3,450,987</u>

During the nine months period ended 30 September 2022, the Group acquired intangible assets amounting to RO 25.6 million (30 September 2021: RO 140.9 million). Amortization charged for the period amounted to RO 164.3 million (30 September 2021: RO 132.3 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.

Parent Company

Tax assessments for Parent Company (Sultanate of Oman) are finalized till tax years 2017. 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. The Company has filed an objection against the assessment order with head of tax authority and the objection was disposed in October 2022 revising the tax demand to RO 3.28 million. The Company further intends to file an appeal with the appellate authority with respect to certain disallowances in the revised assessment order.

Atheer - Iraq

At Atheer Iraq, income tax assessment orders for the years 2004 – 2010 are final and fully paid (refer note 17).

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT). Income tax assessment for the years 2012, 2013 and from 2014 to 2018 is paid and settled.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

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.

During current period, Atheer revised the income tax computation for the nine months ended 30 September 2022 based on their correspondence with Ministry of Finance - General Commission for Tax and reversed income tax amounting to US\$ 6.324 million (RO 2.41 million) during the three months ended 30 September 2022. This was offset by charge of income tax amounting to US\$ 1.413 million (RO 0.544 million) for the three months ended 30 September 2022 resulting in net reversal of US\$ 4.912 million (RO 1.866 million).

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

Zain Sudan

Starting from financial year ended 31 December 2021, Zain Sudan filed its corporate income tax declaration claiming a 50% tax relief under the Double Taxation Avoidance Agreement (DTAA) signed between Republic of Sudan and the State of Kuwait. Accordingly, the Corporate Income Tax paid by the Zain Sudan for the financial year ended 31 December 2021 was @ 3.5%. This resulted in a reversal of SDG 3,754 Mn (RO 2.5 Mn) during the period, being the excess provision carried in the books during the year ended 31 December 2021.

9. Borrowings

	Unaudited	Audited
	30	31
	September	December
	2022	2021
	RO'000	RO '000
<i>Parent Company</i>		
Long term loan	88,561	87,597
Other long term loans	11,469	12,551
	100,030	100,148
<i>Oztel</i>		
Long term loan	105,688	104,537
Bonds	586,925	576,827
	692,613	681,364
<i>Oman Data Park</i>		
Long term loans	8,030	8,608
Finance lease obligations	-	9
	8,030	8,617
<i>Mobile Telecommunications Company-Kuwait</i>		
Short term loans	49,092	48,509
Long term loans	678,091	615,206
	727,183	663,715
<i>SMTC</i>		
Long term loans	601,194	583,794
	601,194	583,794
<i>Zain Jordan</i>		
Long term loans	98,189	59,706
	98,189	59,706
<i>Atheer</i>		
Bank overdrafts	47	8,756
Long term loans	297,396	296,658
	297,443	305,414

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

<i>Future Cities SAOC</i>		
Long term loans	6,115	-
<i>Others</i>		
Bank Overdrafts	802	154
	<u>2,531,599</u>	<u>2,402,912</u>

The current and non-current amounts are as follows:

	Unaudited 30 September 2022 RO'000	Audited 31 December 2021 RO '000
Current liabilities	424,616	579,725
Non-current liabilities	<u>2,106,983</u>	<u>1,823,187</u>
	<u>2,531,599</u>	<u>2,402,912</u>

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

	Unaudited 30 September 2022 RO'000	Audited 31 December 2021 RO '000
US Dollar	1,875,938	1,846,578
Kuwaiti Dinar	151,544	30,880
Saudi Riyals	489,170	516,684
Omani Rial	14,947	8,770
	<u>2,531,599</u>	<u>2,402,912</u>

The effective interest rate as at 30 September 2022 was 2.14% to 7.09% (30 September 2021 – 0.810% 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

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.

Other long term loans

Export credit loan with an outstanding balance of USD 29.8 million (RO 11.5 million) (2021-USD 33.2 million (RO 12.6 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 and was utilized in the following tranches:

- a) Tranche 1 with an outstanding balance of USD 8.5 million (RO 3.3 million) [2021- USD 9.6 million (RO 3.7 million)] is repayable in semiannual instalments commencing from November 2018.
- b) Tranche 2 with an outstanding balance of USD 6.2 million (RO 2.4 million) [2021-USD 8.7 million (RO 3.3 million)] is repayable in semiannual instalments commencing from May 2019.
- c) Tranche 3 with an outstanding balance of USD 15.1 million (RO 5.8 million) [2021-USD 14.9 million (RO 5.6 million)] is repayable in semiannual instalments commencing from May 2019.

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 600 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 596 million (31 December 2021: USD 624 million)
- b) 10 years tranche USD 900 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 873 million (31 December 2021: USD 905.4 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.

On 4 October 2022 the Company launched a public tender offer to purchase the above two series of bonds for cash based on terms and conditions contained in the Information memorandum. Pursuant to the offer the Company purchased an aggregate principal amount of USD 142.9 million (RO 55.03 million) of the bonds due for payment in year 2023 and USD 211.079 million (RO 81.3 million) of the bonds due for payment in year 2028.

Mobile Telecommunications Company K.S.C.P

During the period, the Company has:

- drawn down loans amounting to RO 94.2 million (31 December 2021 - RO 202.7 million). This includes
 - US\$ 85 million (RO 31.7 million) and KD 30.397 million (RO 37.04 million) from a US\$ 330 million revolving credit facility.
 - US\$ 35.29 million (RO 13.2 million) from a new US\$ 226.850 million long- term loan facility.
 - US\$ 32.68 million (RO 12.3 million) from a new US\$ 129.718 million long- term loan facility.
- repaid loans amounting to RO 37.7 million (31 December 2021 – RO 340.3 million). This includes:
 - US\$ 30 million (RO 11.3 million) of a long-term facility amounting to US\$ 200 million.
 - US\$ 15.385 million (RO 5.7 million) of a long-term facility amounting to US\$ 200 million.
 - US\$ 12.132 million (RO 4.5 million) of a long-term facility amounting to US\$ 200 million.
 - US\$ 10.80 million (RO 4.0 million) of a long-term facility amounting to US\$ 200 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 5.773 million (RO 552.66 million) (31 December 2021: SAR 2,955 million equivalent to RO 295 million) syndicated murabaha facility and SAR 480 million (RO 48.5 million) (31 December 2021: SAR 650 million equivalent to RO 34.928 million) working capital facility availed from a consortium of banks.

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:

- Includes a Total Term Murabaha Facility of SAR 6,000 million (RO 604.46 million), consisting of SAR 4.880 billion (RO 0.448 billion) and US\$ portion of SAR 1.120 billion (RO 0.12 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (RO 0.35 billion) and balance for future specified business purposes.
- Includes a revolving working capital facility of SAR 1,000 million (RO 100.74 million) consisting of SAR 813.393 million (RO 81.94 million) and a US\$ portion totaling to SAR 186.607 million (RO 18.8 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 marhaba facility amounting to SAR 2,250 million (RO 226.9 million) (31 December 2021: SAR 2,247 million equivalent to RO 224 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 voluntarily settled the outstanding principal as per the Murhaba financing agreement.

During the period SMTC has:

- drawn down SAR 2,800 million (RO 282.8 million) from Syndicated Murabaha facility and SAR 480 million (RO 48.47 million) from working capital facility availed from a consortium of banks.
- repaid SAR 650 million (RO 65.64 million) of working capital facility availed from a consortium of banks.
- repaid SAR 2,250 million (RO 227.24 million) of syndicated junior murabaha facility

Zain Jordan

Long term loans include:

- US\$ 160 million (RO 60.42 million) (31 December 2021 – US\$ 160 million equivalent to RO 59.7 million) term loan from a commercial bank that is repayable by 2025.
- US\$ 100 million (RO 37.76 million) (31 December 2021 – US\$ Nil) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer

Long term loans include:

- 1) US\$ 90 million (RO 33.98 million) (31 December 2021 – US\$ 90 million equivalent to RO 33.58 million) term loan from a commercial bank that is repayable by 17 December 2024.
- 2) US\$ 105 million (RO 39.65 million) (31 December 2021 – US\$ 105 million equivalent to RO 39.18 million) term loan from a commercial bank which is repayable by 30 June 2023.
- 3) US\$ 150 million (RO 56.6 million) (31 December 2021 – US\$ 150 million equivalent to RO 55.97 million) revolving credit facilities from a commercial bank repayable by 17 December 2022.
- 4) US\$ 100 million (RO 37.76 million) (31 December 2021 – US\$ 100 million equivalent to RO 37.3 million) term loan from a commercial bank repayable by 31 July 2023
- 5) US\$ 50 million (RO 18.88 million) (31 December 2021 – US\$ 50 million equivalent to RO 18.6 million) term loan from a commercial bank repayable by 14 April 2024.
- 6) US\$ 67.5 million (RO 25.49 million) (31 December 2021 – US\$ 75 million equivalent to RO 27.98 million) term loan from a commercial bank repayable by 28 April 2025.
- 7) US\$ 125 million (RO 47.2 million) (31 December 2021 – US\$ 125 million equivalent to RO 46.65 million) term loan from a commercial bank repayable by 03 May 2025.
- 8) US\$ 100 million (RO 37.76 million) (31 December 2021 – US\$ 100 million equivalent to RO 37.3 million) term loan from a commercial bank repayable by 25 May 2024.

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

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10. Other non-current liabilities

	Unaudited	Audited
	30 September 2022	31 December 2021
	RO'000	RO '000
Payable to Ministry of Finance – KSA (refer below)	251,197	305,256
Due for acquisition of spectrum	160,059	169,798
Customer deposits	10,187	9,860
Post-employment benefits	59,723	56,012
Others	56,837	65,967
	538,003	606,893

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
	30 September 2022	31 December 2021
	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>	750,000	750,000

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

	2022	2021
	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.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

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.

Dividend – 2021

The annual general meeting of shareholders for the year ended 31 December 2021 held on 27 March 2022 approved distribution of cash dividends of 55 baiza per share for the year 2021 (2020 – 55 baiza).

12. Investment income

	Three months ended 30 September		Nine months ended 30 September	
	Unaudited			
	2022	2021	2022	2021
	RO'000	RO'000	RO'000	RO'000
Profit/(loss) from investment securities at FVTPL	4,006	(1,112)	5,940	1727
Dividend income	124	245	935	680
	4,130	(867)	6,875	2,407

13. Other (expenses)/ income

This includes an amount of RO 6.285 million (JD 11.70 million) as additional provision recognized by Pella relating to litigation/ settlement agreement with Telecommunications Regulatory Authority (TRC) in Jordan.

14. 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 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	RO'000	RO'000	RO'000	RO'000
Unaudited				
Profit for the period attributable to shareholders	15,202	16,502	49,805	48,934
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue outstanding during the period	750,000,000	750,000,000	750,000,000	750,000,000
	RO	RO	RO	RO
Earnings per share – basic and diluted	0.020	0.022	0.066	0.065

15. 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.

OMANTELECOMMUNICATIONS COMPANY SAOG
Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

	30 September 2022 (Un audited)								
	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Total
	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)	386,439	237,248	137,949	126,176	224,427	41,673	581,025	21,211	1,756,148
Segment revenues - trading income (Point in time)	36,923	80,560	5,989	1,693	1,968	8,813	89,378	70	225,394
Net profit before interest and tax	61,770	50,999	24,883	67,298	21,208	4,474	71,972	2,939	305,543
Interest income	1,753	1,518	1,255	1,248	6	97	704	58	6,639
Gain on sale and lease back transaction	-	495	-	-	-	-	-	-	495
Finance costs	(1,456)	(700)	(6,924)	(218)	(16,620)	(718)	(41,321)	(30)	(67,987)
Income tax expenses	(8,349)	-	(5,911)	(2,717)	(2,868)	-	-	(78)	(19,923)
	53,718	52,312	13,303	65,611	1,726	3,853	31,355	2,889	224,767
<i>Unallocated items:</i>									
Investment income									6,875
Share of results of associates and joint venture									3,723
Others (including unallocated income tax and finance costs net of elimination)									(40,300)
Profit for the period									195,065
Segment assets including allocated goodwill	958,604	914,209	609,813	87,280	1,013,978	124,576	3,245,177	102,865	7,056,502
ROU asset	63,533	12,879	11,866	2,298	5,597	14,754	67,786	77	178,790
<i>Unallocated items:</i>									
Investment securities at FVTPL									74,964
Investment securities at FVOCI									23,603
Investment securities at amortised cost									1,000
Investment in associates and joint venture									146,765
Others (net of eliminations)									231,120
Consolidated assets									7,712,744
Segment liabilities	365,229	167,260	150,627	40,310	215,294	32,788	1,201,037	87,744	2,260,289
Lease liabilities (Current & non-current)	71,349	21,139	14,170	990	3,546	14,847	63,366	47	189,454
Borrowings	26,416	-	98,189	-	297,443	-	601,194	-	1,023,242
	462,994	188,399	262,986	41,300	516,283	47,635	1,865,597	87,791	3,472,985
<i>Unallocated items:</i>									
Borrowings									1,508,357
Others (net of eliminations)									(62,976)
Consolidated liabilities									4,918,366
Net consolidated assets									2,794,378
Capital expenditure incurred during the period	67,361	12,875	8,659	18,397	16,555	1,154	42,308	16,830	184,139
Unallocated (net of eliminations)									2,802
Total capital expenditure									186,941
Depreciation and amortization	58,723	61,455	32,303	2,434	62,186	9,392	138,192	4,338	369,023
Amortization of ROU assets	14,919	5,782	1,323	327	4,524	2,847	14,229	23	43,974
Unallocated									(378)
Total depreciation and amortization									412,619

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	30 September 2021 (Unaudited)								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	
Segment revenues – airtime, data & subscriptions (Over time)	365,527	227,417	134,631	89,829	213,760	39,003	525,188	37,276	1,632,631
Segment revenues - trading income (Point in time)	31,366	64,512	5,246	724	1,312	8,768	57,528	126	169,582
Net profit before interest and tax	63,007	47,111	35,074	32,326	29,785	4,514	49,686	11,321	272,824
Interest income	1,940	1,588	753	707	57	68	98	9	5,220
Gain on sale and lease back transaction	-	783	-	-	-	-	-	-	783
Finance costs	(1,726)	(633)	(7,033)	(1,119)	(13,817)	(793)	(36,908)	(49)	(62,078)
Income tax expenses	(8,539)	-	(8,704)	(4,771)	(6,564)	-	-	(7)	(28,585)
	<u>54,682</u>	<u>48,849</u>	<u>20,090</u>	<u>27,143</u>	<u>9,461</u>	<u>3,789</u>	<u>12,876</u>	<u>11,274</u>	<u>188,164</u>
<i>Unallocated items:</i>									
Investment income									2,407
Share of results of associates and joint venture									3,310
Others (including unallocated income tax and finance costs net of elimination)									(25,821)
Profit for the period									<u>168,060</u>
Segment assets including allocated goodwill	978,372	987,339	627,175	39,959	1,010,308	123,639	3,078,457	111,403	6,956,652
ROU asset	23,645	11,800	3,625	670	32,243	13,476	123,830	110	209,399
<i>Unallocated items:</i>									
Investment securities at FVTPL									45,322
Investment securities at FVOCI									22,228
Investment securities at amortised cost									1,000
Investment in associates and joint venture									114,375
Others (net of eliminations)									284,098
Consolidated assets									<u>7,633,074</u>
Segment liabilities	261,517	192,338	199,329	45,636	224,840	36,057	1,101,129	94,903	2,155,749
Lease liabilities (Current and non-current)	23,951	19,716	4,153	468	30,286	13,578	143,142	70	235,364
Borrowings	21,967	-	59,899	-	309,951	-	584,742	-	976,559
	<u>307,435</u>	<u>212,054</u>	<u>263,381</u>	<u>46,104</u>	<u>565,077</u>	<u>49,635</u>	<u>1,829,013</u>	<u>94,973</u>	<u>3,367,672</u>
<i>Unallocated items:</i>									
Borrowings									1,567,897
Others (net of eliminations)									(62,421)
Consolidated liabilities									<u>4,873,148</u>
Net consolidated assets									<u>2,759,926</u>
Capital expenditure incurred during the period	41,539	20,831	77,972	10,079	78,857	8,593	32,981	17,616	288,468
Unallocated (net of eliminations)									2,690
Total capital expenditure									<u>291,158</u>
Depreciation and amortization	74,180	57,037	31,685	3,109	58,382	9,189	146,252	3,994	383,828
Amortization of ROU assets	5,912	5,993	3,433	126	6,293	2,694	35,537	68	60,056
Unallocated									(468)
Total depreciation and amortization									<u>443,416</u>

16. 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

	Nine months ended 30 September (Unaudited)	
	2022	2021
	RO'000	RO'000
Revenue	9,871	8,827
Cost of sales	7,259	6,311
Purchase of property plant and equipment	23	94

Key management compensation

	Nine months ended 30 September (Unaudited)	
	2022	2021
	RO'000	RO'000
Salaries and other short term employee benefits	1,729	1,271
Post-employment benefits	82	92

Balances

	Unaudited	Audited
	30	31 December
	September	2021
	r	2021
	2022	2021
	RO'000	RO'000
Trade receivables	3,628	2,632
Trade payables	8,136	58

17. Commitments and contingencies

	Unaudited	Audited
	30	31 December
	September	2021
	r	2021
	2022	2021
	RO'000	RO'000
Capital commitments	196,340	150,105
Uncalled share capital of investee companies	1,117	2,609
Letters of guarantee and credit	92,695	114,841

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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.

Income taxes in Iraq

Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US\$ 196 million (RO 74.2 million) and submitted its objections against the tax claim.

On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US\$ 88.8 million (RO 33.6 million). IGCT had the option to challenge this decision before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer did not receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer has petitioned the Cassation Court to direct IGCT to send the case dossier and is awaiting a response. On 29 June 2022, the Cassation Court decided in Atheer's favor which is considered final.

Atheer received additional income tax claim of US\$ 19.3 million (RO 7.3 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

- a) During Q1 2022, a letter was issued by the Telecommunications Regulatory Commission (TRC) that included an extract from a decision that was issued by the cabinet of the Hashemite Kingdom of Jordan aiming to reform the telecom sector and boost the operators' appetite to introduce 5G technology in Jordan. In September 2022, a settlement agreement was entered into with the government which put an end to the disputes related to revenue sharing, extended the useful lives of existing licenses, and resulted in awarding of 5G license among other things. On 04 October 2022, the TRC approved the pre-conditions to the settlement agreement and as of that date the agreement has become effective. The details of agreement are as follows:
- To settle all the disputed amount between the TRC and operators for the years 2000 to 2020 regarding the revenue share calculation and dismiss all the related legal cases from the court.
 - To extend spectrum and individual licenses validities for additional 10 years and become a neutral band, therefore, the total license validity shall become 25 years with a possibility to extend for further 5 years based on a specific criterion which will be evaluated after 3 years from the date of settlement agreement signature.
 - Grant the operator's spectrum licenses in the 3500MHZ band (5G), with 100MHZ per each operator, for 25 years, with operators' commitment to start launching within 18 months, and to cover 50% of population within a period not exceeding 4 years from the spectrum grant date.

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- The agreement envisages a total payment of JD 85 million (RO 45.27 million) as full and final settlement for all of the above component. The management is in the process of allocating the total settlement amount on the basis of their relative fair values of each of the above component. As of 30 September 2022, the management has assessed that adequate provision is recorded for settlement of disputed amount (refer note 13).
- b) Pella is a defendant in lawsuits amounting to RO 27.871 million (31 December 2021 – RO 27.165 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 contingent assets in the form of recovery of excess regulatory tariff paid. In June 2022, the first degree judgement is issued in favour of the Group.

SMTC

SMTC received withholding tax assessments from Zakat, Tax and Customs Authority (“ZATCA”) for an additional amount of SAR 221.9 million (RO 22.411 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.

18. Financial instruments**18.1 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
30 September 2022 (Unaudited)			
Cash and bank balances	421,902	-	-
Trade and other receivables	912,582	-	-
Investment securities	1,000	74,964	23,603
	1,335,484	74,964	23,603
31 December 2021 (Audited)			
Cash and bank balances	390,214	-	-
Trade and other receivables	779,761	-	-
Investment securities	1,000	68,851	22,438
	1,170,975	68,851	22,438

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

18.2 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.

30 September 2022 (Un audited)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>
Financial assets at fair value:				
Investments at fair value through profit or loss	7,665	33,853	33,446	74,964
Investments at fair value through other comprehensive income	2,528	3,511	17,564	23,603
Total assets	<u>10,193</u>	<u>37,364</u>	<u>51,010</u>	<u>98,567</u>

31 December 2021 (Audited)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>	<u>RO'000</u>
Financial assets at fair value:				
Investments at fair value through profit or loss	8,510	30,984	29,357	68,851
Investments at fair value through other comprehensive income	1,744	3,339	17,355	22,438
Total assets	<u>10,254</u>	<u>34,323</u>	<u>46,712</u>	<u>91,289</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.

19. 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.

20. 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.

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
	RO'000	RO'000	RO'000
At 30 September 2022 (Un audited)			
<i>Derivatives held for hedging:</i>			
Interest rate swaps (maturing after one year)	14,824	-	448,473
At 31 December 2021 (Audited)			
<i>Derivatives held for hedging:</i>			
Interest rate swaps (maturing after one year)	-	14,544	474,835

21. Impact of Covid-19

The Group's operating environment has moderately rebound and signs of economic recovery is visible across the region and globally. The key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements is disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2021.

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INTERIM CONDENSED STATEMENT OF FINANCIAL STATEMENT WERE APPROVED BY THE BOARD OF DIRECTORS ON 14 Nov 2022