

30 June 2023 (Unaudited)

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 June 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.

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. 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.

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.

2 Basis of preparation (continued)**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

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

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 16.225 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).

In May 2023, the Group acquired 65% equity interest of Adfolks Software Trading L.L.C (Adfolks) for a purchase consideration of AED 15.823 million (RO 1.633 million) of which an amount of AED 10.554 million (RO 1.088 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to AED 8.782 million (RO 0.905 million). The recognized amounts of net assets of Adfolks as at the date of acquisition was negative AED 0.986 million (negative RO 0.102 million), resulting in a goodwill of AED 16.463 million (RO 1.698 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). Adfolks is a company incorporated in UAE engaged in cloud and related services.

Political uncertainty in Sudan

A violent power struggle erupted on 15 April 2023, in Khartoum, the capital of Sudan, involving the two primary factions of the ruling military regime. This conflict has directly affected the Group's operations and its telecommunication assets, as certain areas in Sudan continue to experience high levels of hostility or temporary control by opposing forces. These events have had an adverse impact on the country's economy and consequently, on the Group's operations in Sudan. As of the issuance date of these interim condensed consolidated financial statements, the Group has not incurred any significant damage to crucial assets that would hinder its ability to sustain operations.

Since 15 April 2023, continuous monitoring of network and base station equipment has been in place, particularly in areas experiencing significant downtime. Various actions, such as reallocation of network traffic, capacity expansion, and other measures aimed at restoring network coverage and ensuring satisfactory network performance, are being implemented. Zain Sudan is actively involved in performing essential network maintenance, repairs, and optimizations utilizing both its current equipment and external resources. Zain Sudan currently holds agreements with suppliers of network equipment, and transportation routes for its delivery are accessible in all regions of Sudan, except for North Darfur, North Kordofan, and Khartoum, which are facing the most significant impact from the ongoing hostilities.

2 Basis of preparation (continued)**Significant judgments and estimates (continued)****Political uncertainty in Sudan (continued)**

The Group has taken appropriate actions to ensure the continuity of communication services and operations. The management has prepared and reviewed the updated financial forecasts for the year, taking into consideration most likely and possible downside scenarios for the ongoing business impacts of the war. These forecasts were based on the following key assumptions:

- there will be no substantial increase in the intensity of hostilities, thereby not adversely impacting the number of active sites, significantly.
- Zain Sudan will have the capability to conduct maintenance and repair tasks in the affected territories of Sudan, ensuring a satisfactory level of network performance in regions where it is feasible while considering the physical security of technical specialists;
- there will be no significant fluctuations in the fuel rate, foreign exchange rates and other major costs during the course of the conflict;
- Zain Sudan will be able to ensure the uninterrupted functioning of its crucial IT infrastructure, aligning with management's implemented measures and incident response and disaster recovery plans;
- the generated revenue from service and product sales will be sufficient for the Zain Sudan to meet both operating expenses and essential capital investments;

Based on these forecasts, considering possible adverse scenarios, management reasonably expects that the Group possesses adequate resources to effectively handle its operations in Sudan throughout the year. Based on these forecasts, the management has concluded that there are no impairment indicators since the Group's operations in Sudan are expected to be profitable even in the possible adverse scenario. Management will maintain ongoing monitoring of the potential repercussions and will proactively implement all available measures to minimize any adverse consequences.

If a worst-case scenario unfolds with widespread hostilities across Sudan, it can be anticipated that the Group's operations may encounter disruptions for an indeterminate duration. This represents an uncertainty that is beyond the control of the Group. After evaluating the revised forecasts, management has examined the Zain Sudan's capability to operate as a going concern at the time of releasing these interim condensed consolidated financial information. As a result, it has determined that there are no significant uncertainties that could impede the Zain Sudan's infrastructure and operations, thereby casting significant doubt on its ability to continue as a going concern. Consequently, the Zain Sudan is expected to be able to realize its assets and fulfill its obligations in the ordinary course of business.

Because of the ongoing conflict in Sudan as described above, there have been some damages to network equipment, spares and inventories. Unfortunately, the current situation is not viable for the management of the Zain Sudan to access these areas and take stock of the actual damages and losses due to continuing hostilities in these regions. However, the management of the Zain Sudan does not expect any significant damage to the Zain Sudan's network sites in the Sudanese regions of North Darfur, North Kordofan, and Khartoum and has concluded that the affected sites have the ability to generate future economic benefits. The Zain Sudan's management estimate such losses are fully covered under the Political Violence Insurance Policy and has submitted a provisional claim with the insurer. In the opinion of the Zain Sudan's management, losses, if any, will be fully recovered from the insurance company and based on the current assessment per available information, no significant financial impact is anticipated on the interim condensed consolidated financial information.

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Notes to the Condensed Consolidated Interim Financial Information 30 June 2023 (Unaudited)

3 Cash and bank balances

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

	Unaudited	Audited
	30 June	31
	2023	December
	RO'000	RO'000
Cash on hand and at banks	341,999	366,976
Short-term deposits with banks	103,619	121,766
Government certificates of deposits held by subsidiaries	10	10
	445,628	488,752
Expected credit loss	(36,332)	(37,428)
	409,296	451,324
Cash at bank under lien	(2,307)	(7,477)
Short term deposits with bank exceeding three months	-	(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	406,979	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.

4.1 Zain KSA (SMTC)

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 308.1 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.

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4 Assets and liabilities of disposal group classified as held for sale and Discontinued operations (continued)

4.1 Zain KSA (SMTC) (continued)

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.

4.2 Kuwait

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

4.3 Sultanate of 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.

4.4 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 68.03 million). This intercompany transaction was eliminated at the Group level.

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:

	Kuwait (Refer note 4.2)	KSA (Refer note 4.1)	Oman (Refer note 4.3)	Iraq (Refer note 4.4)	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Telecom tower assets	2,009	83,488	1,296	51,094	137,887	187,719
Right of use of assets	8,339	90,760	-	45,505	144,604	135,237
	10,348	174,248	1,296	96,599	282,491	322,956
Lease liabilities	3,034	55,800	-	45,503	104,337	109,318
	3,034	55,800	-	45,503	104,337	109,318

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5 Investments in associates and joint venture

Investments in associate

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RO'000	RO'000
Oman Fibre Optic Co SAOG	8,022	8,264
Majan Telecommunications LLC	5,210	5,334
Equinix Muscat LLC	2,891	2,160
Pearl REIF Fund	15,153	14,736
TASC Towers Holding Limited (refer note (i) below)	31,985	16,543
IHS Kuwait Ltd	1,022	1,341
Others	1,754	201
	66,037	48,579

i) TASC Towers Holding Limited

RO 31.985 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.

Investments in joint venture

This includes Group's RO 103.42 million (31 December 2022 - RO 101.448 million) interest in the joint venture, Zain Al Ajjal 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
	30 June	31 December
	2023	2022
	RO'000	RO'000
Net fixed assets	1,511,385	1,577,196
Capital work in progress	179,119	184,308
	1,690,504	1,761,504

During the six months period ended 30 June 2023, the Group acquired property and equipment amounting to RO 81.4 million (30 June 2022: RO 94.1 million). Depreciation charged for the period amounted to RO 158.1 million (30 June 2022: RO 162.4 million).

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7 Intangible assets and goodwill

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RO'000	RO'000
Intangible assets	2,273,554	2,343,254
Goodwill	1,041,632	1,038,507
Capital work in progress	7,789	7,785
	3,322,975	3,389,546

During the six months period ended 30 June 2023, the Group acquired intangible assets amounting to RO 18.5 million (30 June 2022: RO 17.2 million). Amortization charged for the period amounted to RO 87.6 million (30 June 2022: RO 88.9 million).

During the period the Group recognized additional goodwill of RO 15.52 million and RO 1.7 million as a result of acquisition of BIOS and Adfolks respectively (Note 2).

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 2022, 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

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT) (Note 17)

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.

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Notes to the Condensed Consolidated Interim Financial Information

30 June 2023 (Unaudited)

9 Borrowings

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RO'000	RO'000
<i>Parent Company</i>		
Short term loan	60,000	-
Long term loan	-	58,816
Other long term loans	8,907	10,130
	68,907	68,946
<i>Oztel</i>		
Long term loan	-	70,172
Bonds	442,223	441,487
	442,223	511,659
<i>Oman Data Park</i>		
Long term loans	8,796	8,045
	8,796	8,045
<i>Mobile Telecommunications Company-Kuwait</i>		
Short term loans	18,940	26,507
Long term loans	711,872	667,268
	730,812	693,775
<i>SMTC</i>		
Long term loans	556,071	607,662
	556,071	607,662
<i>Pella</i>		
Long term loans	98,488	98,452
	98,488	98,452
<i>Atheer</i>		
Bank overdrafts	-	3,116
Long term loans	286,472	289,209
	286,472	292,325
<i>Future Cities SAOC</i>		
Long term loans	5,288	5,834
<i>Others</i>		
Long term loans	205	-
Bank Overdrafts	780	953
	2,198,042	2,287,651

The current and non-current amounts are as follows:

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RO'000	RO'000
Current liabilities	439,622	547,584
Non-current liabilities	1,758,420	1,740,067
	2,198,042	2,287,651

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Notes to the Condensed Consolidated Interim Financial Information 30 June 2023 (Unaudited)

9 Borrowings (continued)

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

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RO'000	RO'000
US Dollar	1,227,961	1,411,388
Kuwaiti Dinar	489,414	366,962
Saudi Riyals	405,804	494,469
Omani Rial	74,863	14,832
	2,198,042	2,287,651

The effective interest rate as at 30 June 2023 was 4% to 7.09% (30 June 2022 – 1.93% 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 80 million (31 December 2022: Nil) from a revolving credit facility and repaid RO 20 million.

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.

30 June 2023 (Unaudited)

9 Borrowings (continued)

Other long term loans

Export credit loan with an outstanding balance of USD 23.1 million (RO 8.9 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 458 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 689 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:

- drawn down RO 143.36 million from the existing and new facilities (31 December 2022 - RO 177.63 million). This includes:
 - US\$ 50 million (RO 18.93 million) of a revolving credit facility amounting to US\$ 50 million.
 - KD 101 million (RO 124.42 million) of a revolving credit facility .
- repaid loans amounting to RO 145.71 million (31 December 2022 – RO 157.8 million). This includes:
 - US\$ 70 million (RO 26.45 million) of a revolving credit facility amounting to US\$ 70 million.
 - US\$ 159.383 million (RO 60.18 million) of export credit agency financing amounting to US\$ 159.383 million

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

SMTC

Long-term loans include:

- 1) SAR 5,518 million (RO 556.07 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 52.31 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 604.61 million), consisting of SAR 4.880 billion (RO 491 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 350 million) and balance for future specified business purposes.
- b.) Includes a revolving working capital facility of SAR 1,000 million (RO 100.77 million) consisting of SAR 813.393 million (RO 81.96 million) and a US\$ portion totaling to SAR 186.607 million (RO 18.80 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.

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9 Borrowings (continued)

Zain Jordan

Long term loans include:

- 1) US\$ 160 million (RO 60.60 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 37.88 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 26.51 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 39.78 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 2026.
- 3) US\$ 150 million (RO 56.82 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 37.88 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 18.94 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 21.3 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 47.35 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 37.88 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 4.919 million term loan from a commercial bank which is repayable by 31 July 2027 at an interest rate of 5.5% pa.
- 2) RO 0.368 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

	<u>Unaudited</u>	<u>Audited</u>
	<u>30 June</u>	<u>31 December</u>
	<u>2023</u>	<u>2022</u>
	<u>RO'000</u>	<u>RO'000</u>
Payable to Ministry of Finance – KSA (refer below)	194,895	251,563
Due for acquisition of spectrum	201,593	207,092
Payable towards Sale and Lease back-Financing	85,721	83,554
Customer deposits	11,411	9,827
Post-employment benefits	66,817	63,107
Others	53,886	64,815
	614,323	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. On 20 February 2023, the Group signed a revised agreement with MOF in which the existing deferral of payment to MOF was converted into a Murabaha facility with MOF with the repayment terms being the same as mentioned above. The current portion of these payables is recorded under trade and other payables.

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11 Share capital

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

	<u>2023</u>	<u>2022</u>
	<u>No. of shares</u>	<u>No. of shares</u>
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.

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).

Interim Dividend – 2023

The Board of directors in their meeting held on 9 August 2023 declared interim dividend of 5 baiza per share.

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12 Investment income

	Three months ended 30 June		Six months ended 30 June	
	Unaudited			
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Profit/(loss) from investment securities at FVTPI	1,320	(25)	2,596	1,935
Dividend income	315	607	520	810
	1,635	582	3,116	2,745

13 Operating and administrative expense

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 Mobile Telecommunications Company KSCP claim amounted to RO 30.512 million (KD 24.680 million).

- In June 2022 and in February 2023 the Courts of First Instance and the Court of Appeal respectively, issued judgements in favor of the Group.

- In April 2023 the Ministry appealed to the Court of Cassation against the above ruling and to suspend its execution. The request to suspend the execution of order of Court of Appeal was rejected on 30 May 2023. The final order of the Court of Cassation on the appeal against the ruling is pending.

Based on the above, the Group has determined that the recoverability of the claim is virtually certain and has recognized an amount of RO 30.512 (KD 24.680 million) in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2023.

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 June		Six months ended 30 June	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
	Unaudited			
Profit for the period attributable to shareholders	17,258	16,108	38,487	34,603
	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	0.023	0.021	0.051	0.046

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.

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30 June 2023 (Unaudited)

15 Segmental information (continued)

	30 June 2023 (Unaudited)								
	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)	269,241	157,796	93,815	113,048	171,014	28,852	430,561	12,374	1,276,701
Segment revenues - trading income (Point in time)	36,169	55,611	4,924	1,702	1,301	8,455	53,637	690	162,489
Net profit before interest and tax	33,408	61,459	24,986	54,630	19,901	2,667	47,424	(6,569)	237,906
Interest income	1,256	1,620	418	2,186	236	172	3,829	121	9,838
Gain on sale and lease back transaction	-	-	-	-	12,246	-	42,041	-	54,287
Dividend income from Zain group	29,730	-	-	-	-	-	-	-	29,730
Finance costs	(20,677)	(483)	(7,749)	(773)	(16,265)	(476)	(33,034)	(137)	(79,594)
Income tax expenses	(3,905)	-	(4,845)	(4,574)	(1,272)	-	-	(98)	(14,694)
	39,812	62,596	12,810	51,469	14,846	2,363	60,260	(6,683)	237,473
Unallocated items:									
Investment income									3,116
Share of results of associates and joint venture									1,265
Others (including unallocated income tax and finance costs net of elimination)									(72,958)
Profit for the period	39,812	62,596	12,810	51,469	14,846	2,363	60,260	(6,683)	168,896
Segment assets including allocated goodwill	1,796,884	977,493	604,132	182,597	982,251	128,596	3,265,522	165,429	8,102,904
ROU asset	81,739	13,778	11,414	3,834	7,246	16,047	43,950	2,083	180,091
Unallocated items:									
Investment securities at FVTPL									138,233
Investment securities at FVOCI									24,166
Investment securities at amortised cost									1,000
Investment in associates and joint venture									169,456
Others (net of eliminations)									(749,285)
Consolidated assets									7,866,566
Segment liabilities	408,551	242,837	187,146	106,533	197,380	36,362	1,223,242	171,030	2,573,081
Lease liabilities (Current & non-current)	121,414	21,118	14,095	2,285	6,697	16,140	67,934	1,934	251,617
Borrowings	525,993	-	98,488	-	286,475	-	556,071	206	1,467,233
	1,055,958	263,955	299,729	108,818	490,552	52,502	1,847,247	173,170	4,291,931
Unallocated items:									
Borrowings									730,809
Others (net of eliminations)									(28,047)
Consolidated liabilities									4,994,693
Net consolidated assets									2,871,873
Capital expenditure incurred during the period	40,308	11,767	790	21,331	9,238	854	10,192	13,367	107,847
Unallocated (net of eliminations)									78
Total capital expenditure									107,925
Depreciation and amortization	45,025	42,166	15,064	2,593	38,204	6,341	93,108	3,794	246,295
Amortization of ROU assets	4,304	4,382	885	486	1,605	2,055	11,576	232	25,525
Unallocated									(1,699)
Total depreciation and amortization									270,121

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30 June 2023 (Unaudited)

15 Segmental information (continued)

	30 June 2022 (Unaudited)								
	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)	251,642	158,632	90,187	77,297	145,040	27,457	382,223	13,701	1,146,179
Segment revenues - trading income (Point in time)	25,197	54,255	3,783	787	1,265	5,983	57,118	43	148,431
Net profit before interest and tax	43,125	34,717	19,619	41,609	15,099	2,866	46,708	1,748	205,491
Interest income	990	933	703	755	1	56	185	5	3,628
Dividend income from Zain group	27,500	-	-	-	-	-	-	-	27,500
Finance costs	(25,216)	(461)	(4,116)	(117)	(10,199)	(465)	(24,555)	(19)	(65,148)
Income tax expenses	(6,242)	-	(4,816)	(698)	(4,363)	-	-	(1)	(16,120)
	40,157	35,189	11,390	41,549	538	2,457	22,338	1,733	155,351
Unallocated items:									
Investment income									2,745
Share of results of associates and joint venture									2,866
Others (including unallocated income tax and finance costs net of elimination)									(32,342)
Profit for the period									128,620
Segment assets including allocated goodwill	1,851,910	930,699	627,272	70,782	986,524	125,257	3,261,932	105,335	7,959,711
ROU asset	65,224	13,655	10,873	1,732	31,976	14,518	43,168	17	181,163
Unallocated items:									
Investment securities at FVTPL									71,280
Investment securities at FVOCI									26,664
Investment securities at amortised cost									1,000
Investment in associates and joint venture									130,786
Others (net of eliminations)									(734,797)
Consolidated assets									7,635,807
Segment liabilities	1,159,402	191,613	207,309	46,708	184,236	34,663	1,199,582	87,953	3,111,466
Lease liabilities (Current and non-current)	71,713	21,722	13,111	869	30,112	14,614	49,315	11	201,467
Borrowings	791,378	-	60,558	-	307,259	-	624,558	-	1,783,753
	2,022,493	213,335	280,978	47,577	521,607	49,277	1,873,455	87,964	5,096,686
Unallocated items:									
Borrowings									706,241
Others (net of eliminations)									(947,924)
Consolidated liabilities									4,855,003
Net consolidated assets									2,780,804
Capital expenditure incurred during the period	41,429	4,659	2,380	6,159	7,935	496	29,482	16,001	108,541
Unallocated (net of eliminations)									1,495
Total capital expenditure									110,036
Depreciation and amortization	44,252	40,151	21,763	1,507	42,354	6,238	92,311	2,684	251,260
Amortization of ROU assets	4,078	3,804	883	128	4,007	1,873	9,705	21	24,499
Unallocated									(51)
Total depreciation and amortization									275,708

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Notes to the Condensed Consolidated Interim Financial Information 30 June 2023 (Unaudited)

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:

	Six months ended 30 June (Unaudited)	
	2023	2022
	RO'000	RO'000
Revenue	11,462	6,280
Cost of sales	11,454	4,321
Dividend income from associate	1,458	23

Key management compensation

	Six months ended 30 June (Unaudited)	
	2023	2022
	RO'000	RO'000
Salaries and other short term employee benefits	1,259	1,381
Post-employment benefits	27	59

Balances

	Unaudited	Audited
	30 June 2023	31 December 2022
	RO'000	RO'000
Trade receivables	6,321	787
Other receivables	-	17,244
Trade payables	9,524	5

17 Commitments and contingencies

	Unaudited	Audited
	30 June 2023	31 December 2022
	RO'000	RO'000
Capital commitments	299,452	134,217
Uncalled share capital of investee companies	459	785
Letters of guarantee and credit	68,520	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.

Income taxes in Iraq

Atheer received an income tax claim of US\$ 19.3 million (RO 7.31 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.

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30 June 2023 (Unaudited)

17 Commitments and contingencies (continued)

Pella – Jordan

Pella is a defendant in lawsuits amounting to RO 27.89 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.

SMTC

SMTC received withholding tax assessments from Zakat, Tax and Customs Authority (“ZATCA”) for an additional amount of SAR 269.3 million (RO 27.13 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees. On 2 January 2023, the Tax Committees for Resolution of Tax Violations and Disputes passed resolution in favor of the SMTC in relation to ZATCA’s assessment related to 2012 and 2013 for the withholding tax on international traffic and related penalties. On 28 March 2023, ZATCA has filed an appeal for the aforementioned decision to The Appeal Committee for Tax Violations and Disputes. 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:

	Amortised cost RO’000	At fair value through profit or loss RO’000	Fair value through comprehensive income RO’000
30 June 2023 (Unaudited)			
Cash and bank balances	409,296	-	-
Trade and other receivables	1,112,860	-	-
Investment securities	1,000	138,233	24,166
Other assets	21,139	0	0
	<u>1,544,295</u>	<u>138,233</u>	<u>24,166</u>
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	-	-
	<u>1,440,386</u>	<u>75,236</u>	<u>21,794</u>

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

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18 Financial instruments (continued)

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 June 2023 (Unaudited)

	Level 1	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	RO'000
Financial assets at fair value:				
Investments at fair value through profit or loss	8,497	33,785	95,951	138,233
Investments at fair value through other comprehensive income	2,603	3,095	18,468	24,166
Total assets	<u>11,100</u>	<u>36,880</u>	<u>114,419</u>	<u>162,399</u>

31 December 2022 (Audited)

	Level 1	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	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.

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	Negative	Notional
	Fair value	Fair value	Amount
	RO’000	RO’000	RO’000
At 30 June 2023 (Un audited)			
<i>Derivatives held for hedging:</i>			
Interest rate swaps (maturing after one year)	11,719	-	292,231
At 31 December 2022 (Audited)			
<i>Derivatives held for hedging:</i>			
Interest rate swaps (maturing after one year)	15,364	-	398,065

21 Subsequent event

At the date of authorization of this interim condensed consolidated financial information, the Group lacks the ability to predict the duration of the war in Sudan, its potential level of intensity, or the influence of migration on its operations. The factions of the ruling military regime have expressed their openness for international mediations for permanent ceasefire and concluding on the current conflict. As of the date of authorization of this interim condensed consolidated financial information, there were no significant developments in the ongoing conflict that could have a substantial impact on the Zain Sudan’s current or future performance.