

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 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.

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.

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Acquisition of additional shares in a subsidiary

In January 2021, the Company purchased additional shares representing 9.6% of share capital of Zain Bahrain B.S.C (“MTCB”), increasing Group’s effective holding in MTCB to 65%. The difference between the consideration transferred and the carrying amount of MTCB’s net assets attributable to the additional interest acquired, was transferred to the retained earnings.

3. Cash and bank balances

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

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RO’000	RO’000
Cash on hand and at banks	344,349	351,464
Short-term deposits with banks	36,105	59,324
Government certificates of deposits held by subsidiaries	10	14
	380,464	410,802
Expected credit loss	(20,677)	(20,588)
	359,787	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	352,938	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. The remaining towers are expected to be disposed off in 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.

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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. Pearl REIF intends to come out with an IPO where in the Parent company intends to dispose of units amounting to RO 13.8 Mn (representing an ownership interest of 32.2%) before the end of the year and as such these units is classified under "Assets held for disposal". The remaining unit value of RO 14.1 Mn is classified as Investments in associate.

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.

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)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Units in Pearl REIF (Note 4.3 (b) above)	-	-	13,814	13,814	-
Telecom tower assets	2,014	137,611	24,089	163,714	25,632
Right of use of assets	5,885	102,332	4,704	112,921	5,957
	<u>7,899</u>	<u>239,943</u>	<u>42,607</u>	<u>290,449</u>	<u>31,589</u>
Lease liabilities	1,957	102,790	3,784	108,531	1,924
Other liabilities	-	-	1,309	1,309	1,325
	<u>1,957</u>	<u>102,790</u>	<u>5,093</u>	<u>109,840</u>	<u>3,249</u>

These are expected to be sold during the year 2022.

5. Investments in associates and joint venture

	Unaudited 30 June 2022 RO'000	Audited 31 December 2021 RO '000
Oman Fibre Optic Co SAOG	7,592	7,809
Majan Telecommunications LLC	5,175	5,326
Equinix Muscat LLC	3,296	3,546
Pearl REIF Fund (Refer note 4.3 (b))	14,095	-
Block chain Solutions LLC (refer note (i) below)	491	519
TASC Towers Holding Limited	177	-
IHS Kuwait Ltd	1,603	908
	<u>32,429</u>	<u>18,108</u>

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 effective December 2021. Since the financial statements

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are not available as at 30 June 2022 the entity is not consolidated. Group believes that the impact of non-consolidation is not material to the results of the Group.

ii) Investments in joint venture

This includes Group's RO 98.357 million (31 December 2021 - RO 96.180 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).

6. Property and equipment

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RO'000	RO'000
Net fixed assets	1,606,089	1,779,983
Capital work in progress	144,818	203,007
	1,750,907	1,982,990

During the six months period ended 30 June 2022, the Group acquired property and equipment amounting to RO 94.1 million (30 June 2021: RO 67.3 million). Depreciation charged for the period amounted to RO 162.4 million (30 June 2021: RO 167.4 million).

7. Intangible assets and goodwill

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RO'000	RO'000
Intangible assets	2,355,398	2,390,867
Goodwill	1,069,970	1,060,120
	3,425,368	3,450,987

During the six months period ended 30 June 2022, the Group acquired intangible assets amounting to RO 17.2 million (30 June 2021: RO 136.9 million). Amortization charged for the period amounted to RO 88.9 million (30 June 2021: RO 86.9 million).

8. Income tax payables

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

Tax assessments for Parent Company (Sultanate of Oman) are finalized till tax years 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 order with head of tax authority and believes that it has strong grounds for reversal of the tax demand.

At Ather Iraq, income tax assessment orders for the years 2004 to 2011 are contested and are currently under the consideration of Iraq General Commission for Taxes (IGCT) (refer note 16). Income tax assessment for the years 2012 to 2018 is paid and settled.

Ather 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.

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

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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 June	31 December
	2022	2021
	RO'000	RO '000
<i>Parent Company</i>		
Long term loan	88,227	87,597
Other long term loans	11,342	12,551
	<u>99,569</u>	<u>100,148</u>
<i>Oztel</i>		
Long term loan	105,289	104,537
Bonds	577,559	576,827
	<u>682,848</u>	<u>681,364</u>
<i>Oman Data Park</i>		
Long term loans	8,386	8,608
Finance lease obligations	4	9
	<u>8,390</u>	<u>8,617</u>
<i>Mobile Telecommunications Company-Kuwait</i>		
Short term loans	49,193	48,509
Long term loans	657,050	615,206
	<u>706,243</u>	<u>663,715</u>
<i>SMTC</i>		
Long term loans	624,558	583,794
	<u>624,558</u>	<u>583,794</u>
<i>Zain Jordan</i>		
Long term loans	60,558	59,706
	<u>60,558</u>	<u>59,706</u>
<i>Atheer</i>		
Bank overdrafts	7,846	8,756
Long term loans	299,413	296,658
	<u>307,259</u>	<u>305,414</u>
<i>Others</i>		
Bank Overdrafts	569	154
	<u>569</u>	<u>154</u>
	<u>2,489,994</u>	<u>2,402,912</u>

The current and non-current amounts are as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RO'000	RO '000
Current liabilities	377,782	579,725
Non-current liabilities	2,112,212	1,823,187
	<u>2,489,994</u>	<u>2,402,912</u>

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

	Unaudited	Audited
	30 June 2022	31 December 2021
	RO'000	RO '000
US Dollar	1,942,033	1,846,578
Kuwaiti Dinar	30,865	30,880
Saudi Riyals	508,137	516,684
Omani Rial	8,959	8,770
	<u>2,489,994</u>	<u>2,402,912</u>

The effective interest rate as at 30 June 2022 was 1.93% to 7.09% (30 June 2021 – 0.821% 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 30 million (RO 11.6 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:

- Tranche 1 with an outstanding balance of USD 8.4 million (RO 3.2 million) [2021- USD 9.6 million (RO 3.7 million)] is repayable in semiannual instalments commencing from November 2018.
- Tranche 2 with an outstanding balance of USD 7.9 million (RO 3.0 million) [2021-USD 8.7 million (RO 3.3 million)] is repayable in semiannual instalments commencing from May 2019.

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- c) Tranche 3 with an outstanding balance of USD 13.7 million (RO 5.4 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 600 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 945.9 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.

Mobile Telecommunications Company K.S.C.P

During the period, the Company has:

- drawn down loans amounting to RO 57.5 million (31 December 2021 - RO 202.7 million). This includes
 - US\$ 85 million (RO 32.2 million) from a US\$ 330 million revolving credit facility.
 - US\$ 35.29 million (RO 13.3 million) from a new US\$ 226.850 million long- term loan facility.
 - US\$ 32.68 million (RO 12.4 million) from a new US\$ 129.718 million long- term loan facility.
- repaid loans amounting to RO 24.3 million (31 December 2021 – RO 340.3 million). This includes:
 - US\$ 15.385 million (RO 5.8 million) of a long-term facility amounting to US\$ 200 million.
 - US\$ 12.132 million (RO 4.6 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 582.2 million) (31 December 2021: SAR 2,955 million equivalent to RO 295 million) syndicated murabaha facility and SAR 420 million (RO 42.3 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.

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- 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.

Zain Jordan

Long term loans include:

US\$ 160 million (RO 60.5 million) (31 December 2021 – US\$ 160 million equivalent to RO 59.7 million) term loan from a commercial bank that is repayable by 2025.

Atheer

Long term loans include:

- 1) US\$ 90 million (RO 34.0 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 39.7 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 56.8 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 37.8 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 18.9 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\$ 71.25 million (RO 27.0 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 47.3 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 37.47 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 June 2022	31 December 2021
	RO'000	RO '000
Payable to Ministry of Finance – KSA (refer below)	250,811	305,256
Due for acquisition of spectrum	157,550	169,798
Customer deposits	10,132	9,860
Post-employment benefits	58,345	56,012
Others	56,119	65,967
	532,957	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 June 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.

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.

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Foreign currency translation reserve

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

Dividend – 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 June		Six months ended 30 June	
	Unaudited			
	2022	2021	2022	2021
	RO'000	RO'000	RO'000	RO'000
Profit/(loss) from investment securities at FVTPL	(24)	2,232	1,935	2,839
Dividend income	607	230	810	435
	583	2,462	2,745	3,274

13. Earnings per share

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

	Three months ended 30 June		Six months ended 30 June	
	Unaudited			
	2022	2021	2022	2021
	RO'000	RO'000	RO'000	RO'000
Profit for the period attributable to shareholders	16,108	15,334	34,603	32,433
	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	0.021	0.020	0.046	0.043

14. Segmental information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its operations in Oman, the Company operates through Zain Group in 8 countries. This forms the basis of the geographical segments.

Based on the disclosure criterion, the Group has identified its telecommunications operations in Oman, Kuwait, Jordan, Sudan, Iraq, Bahrain and KSA as the basis for disclosing the segment information.

OMANTELECOMMUNICATIONS COMPANY SAOG
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	30 June 2022 (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)	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	43,572	34,717	19,619	41,609	15,099	2,866	46,708	1,748	205,938
Interest income	990	933	703	755	1	56	185	5	3,628
Finance costs	(995)	(461)	(4,116)	(117)	(10,199)	(465)	(24,555)	(19)	(40,927)
Income tax expenses	(6,242)	-	(4,816)	(698)	(4,363)	-	-	(1)	(16,120)
	37,325	35,189	11,390	41,549	538	2,457	22,338	1,733	152,519
<i>Unallocated items:</i>									
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)									(29,510)
Profit for the period									128,620
Segment assets including allocated goodwill	913,359	930,699	627,272	70,782	986,524	125,257	3,261,932	105,335	7,021,160
ROU asset	65,224	13,655	10,873	1,732	31,976	14,518	43,168	17	181,163
<i>Unallocated items:</i>									
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)									203,755
Consolidated assets									7,635,808
Segment liabilities	344,133	191,613	207,309	46,708	184,236	34,663	1,199,582	87,953	2,296,197
Lease liabilities (Current & non-current)	71,713	21,722	13,111	869	30,112	14,614	49,315	11	201,467
Borrowings	20,302	-	60,558	-	307,259	-	624,558	-	1,012,677
	436,148	213,375	280,978	47,577	521,607	49,277	1,873,455	87,965	3,510,341
<i>Unallocated items:</i>									
Borrowings									1,477,317
Others (net of eliminations)									(132,656)
Consolidated liabilities									4,855,002
Net consolidated assets									2,780,806
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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	30 June 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)	240,348	149,001	88,147	59,604	139,988	25,680	343,406	26,066	1,072,240
Segment revenues - trading income (Point in time)	25,318	44,202	3,631	519	756	6,874	40,477	68	121,845
Net profit before interest and tax	41,456	28,960	21,351	18,297	22,189	2,848	32,321	8,158	175,580
Interest income	1,214	1,051	624	529	53	45	25	5	3,546
Gain on sale and lease back transaction	-	782	-	-	-	-	-	-	782
Finance costs	(1,188)	(411)	(4,595)	(677)	(9,334)	(516)	(24,144)	(34)	(40,899)
Income tax expenses	(5,293)	-	(5,328)	(2,694)	(4,301)	-	-	(5)	(17,621)
	<u>36,189</u>	<u>30,382</u>	<u>12,052</u>	<u>15,455</u>	<u>8,607</u>	<u>2,377</u>	<u>8,202</u>	<u>8,124</u>	<u>121,388</u>
<i>Unallocated items:</i>									
Investment income									3,274
Share of results of associates and joint venture									1,069
Others (including unallocated income tax and finance costs net of elimination)									(17,137)
Profit for the period									<u>108,685</u>
Segment assets including allocated goodwill	953,446	994,010	612,984	26,521	1,023,037	119,378	3,082,365	105,513	6,917,254
ROU asset	22,253	12,165	24,394	539	33,073	13,438	127,880	128	233,870
<i>Unallocated items:</i>									
Investment securities at FVTPL									51,055
Investment securities at FVOCI									21,130
Investment securities at amortised cost									1,000
Investment in associates and joint venture									112,511
Others (net of eliminations)									227,815
Consolidated assets									<u>7,564,635</u>
Segment liabilities	254,873	215,230	193,378	44,318	214,556	33,201	1,113,111	91,731	2,160,398
Lease liabilities (Current & non-current)	21,657	20,456	24,778	391	31,035	13,552	145,156	114	257,139
Borrowings	22,053	-	59,978	-	309,703	-	584,342	-	976,076
	<u>298,583</u>	<u>235,686</u>	<u>278,134</u>	<u>44,709</u>	<u>555,294</u>	<u>46,753</u>	<u>1,842,609</u>	<u>91,845</u>	<u>3,393,613</u>
<i>Unallocated items:</i>									
Borrowings									1,539,820
Others (net of eliminations)									(101,504)
Consolidated liabilities									<u>4,831,929</u>
Net consolidated assets									<u>2,732,706</u>
Capital expenditure incurred during the period	24,379	13,262	73,365	8,282	70,701	378	10,385	5,994	206,746
Unallocated (net of eliminations)									1,297
Total capital expenditure									<u>208,043</u>
Depreciation and amortization	50,527	37,929	20,980	2,424	38,703	6,098	95,269	2,685	254,615
Amortization of ROU assets	3,805	3,714	2,125	99	4,260	1,769	23,268	39	39,079
Unallocated									(272)
Total depreciation and amortization									<u>293,422</u>

15. Related party transactions

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

Transactions

	Six months ended 30 June (Unaudited)	
	2022	2021
	RO'000	RO'000
Revenue	6,280	6,559
Cost of sales	4,321	3,411
Purchase of property plant and equipment	23	27

Key management compensation

	Six months ended 30 June (Unaudited)	
	2022	2021
	RO'000	RO'000
Salaries and other short term employee benefits	1,381	890
Post-employment benefits	59	68

Balances

	Unaudited	Audited
	30 June 2022	31 December 2021
	RO'000	RO'000
Trade receivables	4,505	2,632
Trade payables	4,732	58

16. Commitments and contingencies

	Unaudited	Audited
	30 June 2022	31 December 2021
	RO'000	RO'000
Capital commitments	168,758	150,105
Uncalled share capital of investee companies	1,120	2,609
Letters of guarantee and credit	108,373	114,841

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.

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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. The Cassation Court has decided in Atheer's favor. Atheer expects to receive the Court decision soon.

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. Pella has initiated legal proceedings against a claim of RO 12.2 million (31 December 2021 - RO 12 million) by the regulatory authority relating to revenue share for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. On June 9, 2021 the court of appeal dismissed the case and obliged the Group to pay the claimed amount plus the related fees, and the Group challenged this court decision and the case now is before the court of cassation.

In the opinion of the legal advisor, the Group's position is still good, and reference to the court's decision made on June 9, 2021, the Group has a good opportunity to challenge the same before the court of cassation. A request has been made to defer the ruling on the case due to ongoing negotiations between the Group and TRC. However, in case the lawsuit is lost by the Group, it is expected that the claim is going to be significantly higher considering similar claims in the years from 2006 to 2021 and the interest and/or penalties that may arise as a result of lapse of time.

During Q1 2022, a letter was issued by the Telecommunications Regulatory Commission 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. The extract included certain recommendations and directions to the TRC to initiate the negotiations with the operators in Jordan to reform the deformity in the telecom sector through several motivational packs, including extending the term of the licenses, adding neutrality capacity to all frequencies, and settling the current disputes between the operators and the TRC, to name a few. The cabinet was also advised to hire a consultant to calculate the settlement figures, in addition to a law firm which is going to be involved in the negotiation process. Management believes that there are still several variables which have to be taken into consideration before making a final decision on the possible outcome of the above, and thus has concluded that the portion of the settlement that relates to the pending litigation with the TRC cannot be reliably estimated at this stage.

- b. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess revenue share paid amounting to RO 12 million (31 December 2021 - RO 11.87 million) for the years 2002 to 2010. The court of cassation decided to dismiss the case and Pella challenged the court decision and the case is pending at the appeal court.
- c. Pella is a defendant in lawsuits amounting to RO 27.9 million (31 December 2021 – RO 27.5 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.

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

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

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

	Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
	RO'000	RO'000	RO '000
30 June 2022 (Unaudited)			
Cash and bank balances	359,787	-	-
Trade and other receivables	934,338	-	-
Investment securities	1,000	71,280	26,664
	<u>1,295,125</u>	<u>71,280</u>	<u>26,664</u>
31 December 2021 (Audited)			
Cash and bank balances	390,214	-	-
Trade and other receivables	779,761	-	-
Investment securities	1,000	68,851	22,438
	<u>1,170,975</u>	<u>68,851</u>	<u>22,438</u>

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

17.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

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

30 June 2022 (Un 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	7,795	33,721	29,764	71,280
Investments at fair value through other comprehensive income	5,524	3,541	17,599	26,664
Total assets	<u>13,319</u>	<u>37,262</u>	<u>47,363</u>	<u>97,944</u>

31 December 2021 (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	8,510	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.

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

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

19. Derivative financial instruments

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

	Notional amounts by term to maturity		
	Positive	Negative	Notional
	fair value	fair value	amount
	RO'000	RO'000	RO'000
At 30 June 2022 (Un audited)			
<i>Derivatives held for hedging:</i>			
Interest rate swaps (maturing after one year)	7,292	-	478,275
At 31 December 2021 (Audited)			
<i>Derivatives held for hedging:</i>			
Interest rate swaps (maturing after one year)	-	14,544	474,835

20. 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.