

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2012 (Unaudited)

1 ACCOUNTING POLICIES

The interim condensed financial statements of the company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2011.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the company's annual financial statements as at 31 December 2011. In addition, results for the nine months ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The interim condensed financial statements are prepared in Rial Omani (RO), rounded to the nearest thousand except when otherwise indicated.

2 REVENUE

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|--------------------------------|---------------------------|---------------|--------------------------|---------------|
| | <i>30 September</i> | | <i>30 September</i> | |
| | <i>2012</i> | <i>2011</i> | <i>2012</i> | <i>2011</i> |
| | <i>RO'000</i> | <i>RO'000</i> | <i>RO'000</i> | <i>RO'000</i> |
| Traffic | 41,871 | 43,920 | 124,947 | 126,702 |
| One time and recurring charges | 350 | 471 | 1,081 | 1,687 |
| Interconnection revenue | 5,420 | 6,735 | 18,156 | 20,212 |
| Inbound roaming | 1,180 | 88 | 3,803 | 3,354 |
| | 48,821 | 51,214 | 147,987 | 151,955 |
| Less : Distributor discounts | (1,956) | (2,029) | (5,862) | (5,856) |
| | 46,865 | 49,185 | 142,125 | 146,099 |

3 INCOME TAX

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|--|---------------------------|---------------|--------------------------|---------------|
| | <i>30 September</i> | | <i>30 September</i> | |
| | <i>2012</i> | <i>2011</i> | <i>2012</i> | <i>2011</i> |
| | <i>RO'000</i> | <i>RO'000</i> | <i>RO'000</i> | <i>RO'000</i> |
| Statement of income | | | | |
| Current period | 1,072 | 1,717 | 3,773 | 5,057 |
| Deferred tax relating to origination and reversal of temporary differences | (214) | 119 | (35) | (75) |
| | 858 | 1,836 | 3,738 | 4,982 |

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3 INCOME TAX (Continued)

| | <i>Audited</i> |
|--------------------------|--------------------------|
| | <i>30 September 2012</i> |
| | <i>31 December 2011</i> |
| | <i>RO'000</i> |
| | <i>RO'000</i> |
| Current liability | |
| Current period | 3,773 |
| Prior period/year | 207 |
| | <u>3,980</u> |
| | <u>6,383</u> |

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---|---------------------------|---------------|--------------------------|---------------|
| | <i>30 September</i> | | <i>30 September</i> | |
| | <i>2012</i> | <i>2011</i> | <i>2012</i> | <i>2011</i> |
| | <i>RO'000</i> | <i>RO'000</i> | <i>RO'000</i> | <i>RO'000</i> |
| Deferred tax asset / (liability) | | | | |
| Beginning of the period | (835) | (61) | (616) | (153) |
| Movement for the period through statement of income | 214 | (119) | 35 | 75 |
| Movement for the period through statement of other comprehensive income | - | (51) | (40) | (153) |
| At the end of the period | <u>(621)</u> | <u>(231)</u> | <u>(621)</u> | <u>(231)</u> |

The tax rate applicable to the company is 12% (2011: 12%). Deferred tax asset/liability is recorded at 12% (2011:12%). For the purpose of determining the taxable results for the period, the accounting profit of the company has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices.

The company's tax assessments up to 2006 have been completed.

4 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---|---------------------------|----------------|--------------------------|----------------|
| | <i>30 September</i> | | <i>30 September</i> | |
| | <i>2012</i> | <i>2011</i> | <i>2012</i> | <i>2011</i> |
| Profit for the period (RO'000) | 7,244 | 13,475 | 26,718 | 35,594 |
| Weighted average number of shares outstanding for the period (number in thousand) | <u>650,944</u> | <u>650,944</u> | <u>650,944</u> | <u>650,944</u> |
| Basic earning per share (RO) | <u>0.011</u> | <u>0.021</u> | <u>0.041</u> | <u>0.055</u> |

No figure for diluted earnings per share has been presented as the company has not issued any instruments which would have an impact on earnings per share when exercised.

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5 PROPERTY, PLANT AND EQUIPMENT

| | <i>Mobile/fixed exchange and network equipment RO '000</i> | <i>Subscriber apparatus and other equipment RO '000</i> | <i>Buildings RO '000</i> | <i>Capital work in progress RO '000</i> | <i>Total RO '000</i> |
|-------------------------------|--|---|------------------------------|---|--------------------------|
| Cost | | | | | |
| 1 January 2012 | 225,464 | 27,754 | 1,459 | 22,763 | 277,440 |
| Additions | 6,916 | 2,107 | 655 | 10,442 | 20,120 |
| Capitalised during the period | 8,501 | 1,074 | 1,473 | (11,048) | - |
| Disposal | - | (14) | - | - | (14) |
| 30 September 2012 | 240,881 | 30,921 | 3,587 | 22,157 | 297,546 |
| Depreciation | | | | | |
| 1 January 2012 | 74,033 | 21,109 | 160 | - | 95,302 |
| Charge for the period | 18,302 | 2,466 | 228 | - | 20,996 |
| Disposal | - | (14) | - | - | (14) |
| 30 September 2012 | 92,335 | 23,561 | 388 | - | 116,284 |
| Net book value | | | | | |
| 30 September 2012 | 148,546 | 7,360 | 3,199 | 22,157 | 181,262 |
| 31 December 2011 | 151,431 | 6,645 | 1,299 | 22,763 | 182,138 |

Addition for the period ended 30 September 2012 is net off provision for site restoration cost of RO 1,163,000 (year ended 31 December 2011 includes provision for site restoration cost of RO 207,000). This has been adjusted in the cash outflow on purchase of property, plant and equipment in the statement of cash flows.

6 LICENSE FEE

| | <i>Mobile license RO'000</i> | <i>Fixed line license RO'000</i> | <i>Total RO'000</i> |
|--|----------------------------------|--|-------------------------|
| Cost | | | |
| Balance at 1 January and 30 September 2012 | 42,331 | 21,403 | 63,734 |
| Amortisation | | | |
| Balance at 1 January 2012 | 19,165 | 2,144 | 21,309 |
| Amortisation during the period | 2,125 | 640 | 2,765 |
| Balance at 30 September 2012 | 21,290 | 2,784 | 24,074 |
| Net book value | | | |
| At 30 September 2012 | 21,041 | 18,619 | 39,660 |
| At 31 December 2011 | 23,166 | 19,259 | 42,425 |

6 LICENSE FEE (Continued)

License fee represents the amount paid to the Telecommunication Regulatory Authority of the Sultanate of Oman for obtaining the license to operate as fixed and mobile telecommunication service provider. License fee is stated at cost less accumulated amortisation and impairment losses.

In accordance with the terms of a mobile and fixed line licenses granted to the Company, royalty is payable to the Government of the Sultanate of Oman. The royalty payable is calculated based on 7% of the net of predefined sources of revenue and interconnection expenses to local operators.

7 DERIVATIVE FINANCIAL INSTRUMENTS

During 2006, the Company has entered into two interest rate swap arrangements with Qatar National Bank and BNP Paribas with a view to cap its exposure to fluctuating interest rates on its term loan. The loan amount covered under the swap agreement has been fully paid and the swap arrangement has expired in March 2012. Under the swap agreements, the Company was committed to pay a fixed interest rate of 5.348% per annum and receive a floating interest rate based on 3 month US \$ LIBOR.

The table below shows the negative fair value of the swaps, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

| | <i>Negative fair value RO'000</i> | <i>Notional amount total RO'000</i> | <i>Notional amount by term to maturity</i> | | |
|--------------------------|---|---|--|--|------------------------------------|
| | | | <i>1 - 12 months RO'000</i> | <i>More than 1 upto 5 years RO'000</i> | <i>Over 5 years RO'000</i> |
| 30 September 2012 | | | | | |
| Interest rate swaps | - | - | - | - | - |
| | ===== | ===== | ===== | ===== | ===== |
| 31 December 2011 | | | | | |
| Interest rate swaps | 337 | 27,727 | 27,727 | - | - |
| | ===== | ===== | ===== | ===== | ===== |

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8 INTEREST BEARING BORROWINGS

| | <i>30 September 2012 RO'000</i> | <i>Audited 31 December 2011 RO'000</i> |
|---|---|--|
| Total interest bearing borrowings | 30,154 | 55,166 |
| Less: Deferred financing costs | (889) | (11) |
| | 29,265 | 55,155 |
| Less: Payable within one year – Term loan | (6,701) | (33,215) |
| | 22,564 | 21,940 |
| <i>Non-current portion</i> | 22,564 | 21,940 |

The Company has entered into a new syndicated loan facility agreement in February 2012 by repaying its original facility of USD 143 million fully. The new facility consist of a long-term five year amortizing loan facility of USD 87 million (RO 33.5 million) and a 5 year Revolving Credit Facility of RO 24 million.

The members of the syndication are a Group of four international and national banks.

The term loan of USD 87 million is repayable in twenty quarterly installments commencing from May 2012.

Both facilities bear interest at US LIBOR plus margin.

The company has the discretion to rollover the Revolving Credit Facility and its intention is to utilise the facility for more than one year.

9 EMPLOYEE BENEFITS

| | <i>30 September 2012 RO'000</i> | <i>Audited 31 December 2011 RO'000</i> |
|------------------------------------|---|--|
| <i>Non-current</i> | | |
| Employees' end of service benefits | 877 | 783 |
| <i>Current</i> | | |
| IPO incentive – Shadow shares | 72 | 1,355 |

10 DIVIDENDS PAID

Company's shareholders at the annual general meeting held on 27 March 2012 approved a payment of balsa 38 per share as dividend for the financial year ended 31st December 2011, and this was paid in April 2012.

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11 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the company's management.

Details regarding transactions with the related parties included in the interim condensed financial statements are set out below:

| | <i>Three months ended 30 September</i> | | | |
|--|--|-------------------------------------|------------------------------|-------------------------------------|
| | <i>2012 (RO'000)</i> | | <i>2011 (RO'000)</i> | |
| | <i>Other related parties</i> | <i>Directors and key management</i> | <i>Other related parties</i> | <i>Directors and key management</i> |
| Director's and key management remuneration | - | 365 | - | 212 |
| Service fee | 1,351 | - | 1,450 | - |
| Other expenses | 157 | - | 131 | - |
| | <u>1,508</u> | <u>365</u> | <u>1,581</u> | <u>212</u> |

| | <i>Nine months ended 30 September</i> | | | |
|--|---------------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| | <i>2012 (RO'000)</i> | | <i>2011 (RO'000)</i> | |
| | <i>Other related parties</i> | <i>Directors and key management</i> | <i>Other related parties</i> | <i>Directors and key management</i> |
| Director's and key management remuneration | - | 1,385 | - | 905 |
| Service fee | 4,279 | - | 4,357 | - |
| Other expenses | 843 | - | 917 | - |
| | <u>5,122</u> | <u>1,385</u> | <u>5,274</u> | <u>905</u> |

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11 RELATED PARTY TRANSACTIONS (Continued)

Effective 1 January 2008, the Company has entered into a technical and service agreement with a related party (other related party). In consideration of services provided, the company pays a service fee to the related party which is calculated annually in an amount equal to three percent of the Company's gross revenue.

Balances with related parties included in the condensed statement of financial position are as follows:

| | <i>30 September 2012 (RO'000)</i> | | <i>Audited 31 December 2011 (RO'000)</i> | |
|-----------------------|---------------------------------------|--------------------------|--|--------------------------|
| | <i>Receivable and prepayments</i> | <i>Trade payable</i> | <i>Receivable and prepayments</i> | <i>Trade payable</i> |
| Major shareholders | - | 17 | - | 47 |
| Other related parties | - | 1,676 | - | 1,753 |
| | <u>-</u> | <u>1,693</u> | <u>-</u> | <u>1,800</u> |
| | <u><u>-</u></u> | <u><u>1,693</u></u> | <u><u>-</u></u> | <u><u>1,800</u></u> |

Compensation of key management personnel

The remuneration of members of key management and directors during the period was as follows:

| | <i>Three months ended 30 September</i> | | <i>Nine months ended 30 September</i> | |
|--------------------------------------|--|------------------------|---------------------------------------|------------------------|
| | <i>2012 RO'000</i> | <i>2011 RO'000</i> | <i>2012 RO'000</i> | <i>2011 RO'000</i> |
| Salaries / remuneration and benefits | 61 | 157 | 952 | 725 |
| Director's remuneration | 50 | 50 | 150 | 150 |
| Employees' end of service benefits | 254 | 5 | 283 | 30 |
| | <u>365</u> | <u>212</u> | <u>1,385</u> | <u>905</u> |
| | <u><u>365</u></u> | <u><u>212</u></u> | <u><u>1,385</u></u> | <u><u>905</u></u> |

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12 EXPENDITURE COMMITMENTS

| | <i>30 September 2012 RO'000</i> | <i>Audited 31 December 2011 RO'000</i> |
|--|---|--|
| Capital expenditure commitments | | |
| Estimated capital expenditure contracted for at the reporting date but not provided for: | | |
| Property, plant and equipment | <u>37,510</u> | <u>10,427</u> |
| Operating lease commitments | | |
| Future minimum lease payments: | | |
| Within one year | 8,901 | 10,764 |
| After one year but not more than five years | 12,295 | 13,235 |
| More than five years | <u>10,243</u> | <u>12,974</u> |
| Total operating lease expenditure contracted for at the reporting date | <u>31,439</u> | <u>36,973</u> |

13 CONTINGENT LIABILITIES

Guarantees

At 30 September 2012, the Company had contingent liabilities in respect of performance bond guarantee of RO 6.6 million (2011: RO 6.6 million) in the ordinary course of business from which it is anticipated that no material liabilities are expected to arise.

Claims

Telecommunication Regulatory Authority (TRA) has raised a concern regarding the calculation of certain fees payable by the Company under its mobile and fixed licences. The Company considers that the approach it has adopted with respect to the relevant fees is correct and in line with regulatory requirements. The amount under consideration is approximately RO 2.8 million (2011: RO 3.0 million).

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14 SEGMENT INFORMATION

Information regarding the Company's operating segments is set out below in accordance with the IFRS 8 – Operating Segments.

For management purpose, the Company is organised into business units based on their product and services and has two reportable operating segments as follows:

1. Operation of Global System for Mobile Communication (GSM) for prepaid and post paid services, sale of telecommunication equipment and other associated services.
2. Provision of international and national voice and data services from fixed line, sale of telecommunication equipment and other associated services.

Management monitors the operating results of its business for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments are on an arms length basis in a manner similar to transactions with third parties.

Segment revenue and results

A segment result represents the profit earned by each segment without allocation of finance income or finance cost.

Segmental results for the three months period ended 30 September 2012 are as follows:

| | <i>Mobile</i> <i>RO'000</i> | <i>Fixed line</i> <i>RO'000</i> | <i>Adjustments</i> <i>RO'000</i> | <i>Total</i> <i>RO'000</i> |
|---------------------------------|--------------------------------|------------------------------------|-------------------------------------|-------------------------------|
| Revenue | | | | |
| External sales | 42,714 | 4,151 | - | 46,865 |
| Inter-segment sales | 923 | 6,293 | (7,216) | - |
| Total revenue | <u>43,637</u> | <u>10,444</u> | <u>(7,216)</u> | <u>46,865</u> |
| Results | | | | |
| Depreciation | 5,441 | 1,487 | - | 6,928 |
| Amortisation | 714 | 214 | - | 928 |
| Segment results – Profit | <u>8,208</u> | <u>230</u> | <u>-</u> | <u>8,438</u> |
| Finance expense | | | | (336) |
| Profit before taxation | | | | <u>8,102</u> |
| Taxation | | | | (858) |
| Profit for the period | | | | <u>7,244</u> |

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14 SEGMENT INFORMATION (Continued)

Segmental results for the three months period ended 30 September 2011 are as follows:

| | <i>Mobile RO'000</i> | <i>Fixed line RO'000</i> | <i>Adjustments RO'000</i> | <i>Total RO'000</i> |
|---------------------------------|--------------------------|------------------------------|-------------------------------|-------------------------|
| Revenue | | | | |
| External sales | 46,205 | 2,980 | - | 49,185 |
| Inter-segment sales | 721 | 6,109 | (6,830) | - |
| Total revenue | <u>46,926</u> | <u>9,089</u> | <u>(6,830)</u> | <u>49,185</u> |
| Results | | | | |
| Depreciation | 5,000 | 951 | - | 5,951 |
| Amortisation | 715 | 216 | - | 931 |
| Segment results – Profit | <u>14,085</u> | <u>2,020</u> | <u>-</u> | <u>16,105</u> |
| Finance expense | | | | (794) |
| Profit before taxation | | | | 15,311 |
| Taxation | | | | (1,836) |
| Profit for the period | | | | <u>13,475</u> |

Segmental results for the nine months period ended 30 September 2012 are as follows:

| | <i>Mobile RO'000</i> | <i>Fixed line RO'000</i> | <i>Adjustments RO'000</i> | <i>Total RO'000</i> |
|---------------------------------|--------------------------|------------------------------|-------------------------------|-------------------------|
| Revenue | | | | |
| External sales | 130,855 | 11,270 | - | 142,125 |
| Inter-segment sales | 2,479 | 17,110 | (19,589) | - |
| Total revenue | <u>133,334</u> | <u>28,380</u> | <u>(19,589)</u> | <u>142,125</u> |
| Results | | | | |
| Depreciation | 16,467 | 4,529 | - | 20,996 |
| Amortisation | 2,125 | 640 | - | 2,765 |
| Segment results – Profit | <u>31,600</u> | <u>(118)</u> | <u>-</u> | <u>31,482</u> |
| Finance expense | | | | (1,026) |
| Profit before taxation | | | | 30,456 |
| Taxation | | | | (3,738) |
| Profit for the period | | | | <u>26,718</u> |

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14 SEGMENT INFORMATION (Continued)

Segmental results for the nine months period ended 30 September 2011 are as follows:

| | <i>Mobile</i> <i>RO'000</i> | <i>Fixed line</i> <i>RO'000</i> | <i>Adjustments</i> <i>RO'000</i> | <i>Total</i> <i>RO'000</i> |
|---------------------------------|--------------------------------|------------------------------------|-------------------------------------|-------------------------------|
| Revenue | | | | |
| External sales | 136,794 | 9,305 | - | 146,099 |
| Inter-segment sales | 2,270 | 15,813 | (18,083) | - |
| Total revenue | <u>139,064</u> | <u>25,118</u> | <u>(18,083)</u> | <u>146,099</u> |
| Results | | | | |
| Depreciation | 14,483 | 2,953 | - | 17,436 |
| Amortisation | 2,123 | 640 | - | 2,763 |
| Segment results – Profit | <u>41,520</u> | <u>1,581</u> | <u>-</u> | <u>43,101</u> |
| Finance expense | | | | (2,525) |
| Profit before taxation | | | | 40,576 |
| Taxation | | | | (4,982) |
| Profit for the period | | | | <u>35,594</u> |

Capital expenditure incurred for different segments are as follows:

| | <i>Nine months ended</i> <i>30 September 2012</i> <i>RO'000</i> | <i>Nine months ended</i> <i>30 September 2011</i> <i>RO'000</i> | <i>Year ended</i> <i>31 December 2011</i> <i>RO'000</i> |
|-------------------------------|---|---|---|
| Property, plant and equipment | | | |
| - Mobile | 18,558 | 15,500 | 29,183 |
| - Fixed | 1,562 | 10,123 | 11,680 |
| | <u>20,120</u> | <u>25,623</u> | <u>40,863</u> |

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15 COMPARATIVE AMOUNTS

Following corresponding figures for 2011 have been reclassified in order to conform with the presentation for the current period:

| | 2011 Previously reported <i>RO'000</i> | 2011 Currently reported <i>RO'000</i> | |
|-------------------------------------|--|---|---|
| Statement of Income | | | |
| Operating expenses | (21,977) | (40,298) | Reclassification of repairs and maintenance, lease lines and frequency fee, and rental and utilities - network from general and administrative expense |
| General and administrative expenses | (51,807) | (33,463) | Reclassification of repairs and maintenance, lease lines and frequency fee, and rental and utilities - network to operating expense. Reclassification of currency exchange loss/gain to other income |
| Other income | 299 | 224 | Reclassification of interest income to financing costs. Reclassification of currency exchange loss/gain from general and administrative expense. |
| Financing costs | (2,577) | (2,525) | Reclassification of interest income from other income. |

These reclassifications have been made to improve the quality of information presented. The reclassifications do not affect the reported profit for the year 2011.