

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (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 2012.

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 2012. In addition, results for the six months ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Traffic	44,871	42,751	87,565	83,325
One time and recurring charges	555	328	1,030	731
Interconnection revenue	5,607	6,123	11,148	12,487
Inbound roaming	1,197	1,225	2,628	2,623
	52,230	50,427	102,371	99,166
Less : Distributor discounts	(2,038)	(2,001)	(4,000)	(3,906)
	50,192	48,426	98,371	95,260

3 INCOME TAX

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Statement of income				
Current period	1,153	1,179	2,467	2,701
Deferred tax relating to origination and reversal of temporary differences	(299)	172	(569)	179
	854	1,351	1,898	2,880

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

3 INCOME TAX (Continued)

	<i>30 June</i> <i>2013</i> <i>RO'000</i>	<i>Audited</i> <i>31 December</i> <i>2012</i> <i>RO'000</i>
Current liability		
Current period	2,467	4,594
Prior period/year	95	207
	<u>2,562</u>	<u>4,801</u>

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2013</i> <i>RO'000</i>	<i>2012</i> <i>RO'000</i>	<i>2013</i> <i>RO'000</i>	<i>2012</i> <i>RO'000</i>
Deferred tax asset / (liability)				
At the beginning of the period	(954)	(663)	(1,224)	(616)
Movement for the period through statement of income	299	(172)	569	(179)
Movement for the period through statement of other comprehensive income	(25)	-	(25)	(40)
At the end of the period	<u>(680)</u>	<u>(835)</u>	<u>(680)</u>	<u>(835)</u>

The tax rate applicable to the company is 12% (2012: 12%). Deferred tax asset/liability is recorded at 12% (2012:12%). 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 2007 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>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Profit for the period (RO'000)	7,513	9,674	15,164	19,474
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 earnings per share (RO)	<u>0.012</u>	<u>0.015</u>	<u>0.023</u>	<u>0.030</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.

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

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 2013	268,671	32,051	5,852	31,531	338,105
Additions	17,071	1,436	668	12,959	32,134
Capitalised during the period	13,973	697	1,284	(15,954)	-
Disposal	(382)	-	-	-	(382)
30 June 2013	299,333	34,184	7,804	28,536	369,857
Depreciation					
1 January 2013	98,765	24,677	527	-	123,969
Charge for the period	13,544	3,488	395	-	17,427
Disposal	(37)	-	-	-	(37)
30 June 2013	112,272	28,165	922	-	141,359
Net book value 30 June 2013	187,061	6,019	6,882	28,536	228,498
31 December 2012	169,906	7,374	5,325	31,531	214,136

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 June 2013	42,681	21,403	64,084
Amortisation			
Balance at 1 January 2013	22,009	3,000	25,009
Amortisation during the period	1,419	425	1,844
Balance at 30 June 2013	23,428	3,425	26,853
Net book value At 30 June 2013	19,253	17,978	37,231
At 31 December 2012	20,672	18,403	39,075

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

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, if any.

In accordance with the terms of the 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

The Company has entered into four interest rate swap arrangements to mitigate the risk of the fluctuating interest rates on its term loan (Note 8). The key terms of the arrangements are as below:

SN	Notional Amount (USD)	Bank	Effective Date	Termination Date	Pay Fixed	Receive Floating
1	10,000,000	Qatar National Bank	27 Dec 2012	29 Dec 2014	0.335%	1 month USD LIBOR
2	12,000,000	Qatar National Bank	27 Dec 2012	29 Dec 2016	0.555%	1 month USD LIBOR
3	20,000,000	Qatar National Bank	7 May 2013	24 Apr 2017	0.7900%	1 month USD LIBOR
4	25,000,000	DBS Bank Singapore	7 May 2013	24 Apr 2017	0.7900%	1 month USD LIBOR

The swap arrangement qualifies for hedge accounting under IAS 39 and as at 30 June 2013, the unrealised gain of RO 201,280 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2012: RO 8,000).

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.

	Positive / (Negative) Fair value RO'000	Notional amount RO'000	Notional amount by term to maturity		
			1 - 12 months RO'000	More than 1 up to 5 years RO'000	Over 5 years RO'000
30 June 2013					
Positive value	316	-			
Negative value	(114)	-			
Interest rate swaps	202*	25,801	-	25,801	-
31 December 2012					
Positive value	12	-			
Negative value	(20)	-			
Interest rate swaps	(8)*	8,472	-	8,472	-

*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 25,000 (2012: RO 874).

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

8 INTEREST BEARING BORROWINGS

	<i>30 June 2013 RO'000</i>	<i>Audited 31 December 2012 RO'000</i>
Total interest bearing borrowings	58,153	28,479
Less: Deferred financing costs	(1,962)	(839)
	56,191	27,640
Less: Payable within one year – Term loan	(7,784)	(6,701)
<i>Non-current portion</i>	48,407	20,939

The Company entered into a syndicated loan facility agreement in February 2012 by repaying its original facility of USD 143 million fully. The facility consist of a long-term five year amortising loan facility of USD 87 million (RO 33.5 million) and a 5 year Revolving Credit Facility of RO 24 million. The term loan of USD 87 million is repayable in twenty quarterly installments commencing from May 2012.

In 2013, the Company signed new loan agreements worth USD 234 million (RO 90 million) for capital expenditure and working capital requirements with a consortium of banks. The loans consists of a term loan worth USD 182 million (RO 70 million) with a five-year tenure and a revolving credit facility of USD 52 million (RO 20 million) with a three year tenure.

All facilities bear interest at US LIBOR plus margin and the loan agreement contains two financial covenants being a maximum leverage ratio and a minimum interest cover ratio.

The banking syndicate includes international and national banks.

9 EMPLOYEE BENEFITS

	<i>30 June 2013 RO'000</i>	<i>Audited 31 December 2012 RO'000</i>
<i>Non-current</i>		
Employees' end of service benefits	1,117	926
Employee retention – Long term incentive	486	-
Non-current liability as at the end of the year	1,603	926
<i>Current</i>		
IPO incentive – Shadow Shares	-	72

10 DIVIDENDS PAID

The Company's shareholders at the annual general meeting held on 27 March 2013 approved a payment of balsa 38 per share as dividend for the financial year ended 31st December 2012, and this was paid in April 2013.

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

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 June</i>			
	<i>2013 (RO'000)</i>		<i>2012 (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	-	594	-	632
Service fee	1,503	-	1,507	-
Other expenses	223	-	379	-
	<u>1,726</u>	<u>594</u>	<u>1,886</u>	<u>632</u>

	<i>Six months ended 30 June</i>			
	<i>2013 (RO'000)</i>		<i>2012 (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	-	1,210	-	1,020
Service fee	2,951	-	2,928	-
Other expenses	531	-	686	-
	<u>3,482</u>	<u>1,210</u>	<u>3,614</u>	<u>1,020</u>

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

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.

Payable balances to related parties included in the condensed statement of financial position are as follows:

	<i>30 June</i> <i>2013</i> <i>RO'000</i>	<i>Audited</i> <i>31 December</i> <i>2012</i> <i>RO'000</i>
Major shareholders	58	19
Other related parties	2,783	1,782
	2,841	1,801

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 June</i>		<i>Six months ended 30 June</i>	
	<i>2013</i> <i>RO'000</i>	<i>2012</i> <i>RO'000</i>	<i>2013</i> <i>RO'000</i>	<i>2012</i> <i>RO'000</i>
Salaries / remuneration and benefits	533	571	1,086	891
Director's remuneration	50	50	100	100
Employees' end of service benefits	11	11	24	29
	594	632	1,210	1,020

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

12 EXPENDITURE COMMITMENTS

	<i>30 June</i> <i>2013</i> <i>RO'000</i>	<i>Audited</i> <i>31 December</i> <i>2012</i> <i>RO'000</i>
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	<u>30,420</u>	<u>24,612</u>
Operating lease commitments		
Future minimum lease payments:		
Within one year	5,718	5,958
After one year but not more than five years	11,670	12,390
More than five years	6,906	10,317
Total operating lease expenditure contracted for at the reporting date	<u>24,294</u>	<u>28,665</u>

13 CONTINGENT LIABILITIES

Guarantees

At 30 June 2013, 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.

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 arm's 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.

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

14 SEGMENT INFORMATION (Continued)

Segmental results for the three months period ended 30 June 2013 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	44,468	5,724	-	50,192
Inter-segment sales	813	6,015	(6,828)	-
Total revenue	<u>45,281</u>	<u>11,739</u>	<u>(6,828)</u>	<u>50,192</u>
Results				
Depreciation	7,376	1,491	-	8,867
Amortisation	714	212	-	926
Segment results – Profit	<u>10,133</u>	<u>(1,158)</u>	<u>-</u>	<u>8,975</u>
Finance costs				(608)
Profit before taxation				<u>8,367</u>
Taxation				(854)
Profit for the period				<u>7,513</u>

Segmental results for the three months period ended 30 June 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	44,368	4,058	-	48,426
Inter-segment sales	878	5,319	(6,197)	-
Total revenue	<u>45,246</u>	<u>9,377</u>	<u>(6,197)</u>	<u>48,426</u>
Results				
Depreciation	5,679	1,526	-	7,205
Amortisation	706	213	-	919
Segment results – Profit	<u>11,505</u>	<u>(450)</u>	<u>-</u>	<u>11,055</u>
Finance costs				(30)
Profit before taxation				<u>11,025</u>
Taxation				(1,351)
Profit for the period				<u>9,674</u>

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

14 SEGMENT INFORMATION (Continued)

Segmental results for the six months period ended 30 June 2013 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	87,423	10,948	-	98,371
Inter-segment sales	1,667	11,962	(13,629)	-
Total revenue	<u>89,090</u>	<u>22,910</u>	<u>(13,629)</u>	<u>98,371</u>
Results				
Depreciation	14,489	2,938	-	17,427
Amortisation	1,419	425	-	1,844
Segment results – Profit	<u>17,880</u>	<u>184</u>	<u>-</u>	<u>18,064</u>
Finance costs				1,002
Profit before taxation				<u>17,062</u>
Taxation				(1,898)
Profit for the period				<u>15,164</u>

Segmental results for the six months period ended 30 June 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	88,141	7,119	-	95,260
Inter-segment sales	1,556	10,817	(12,373)	-
Total revenue	<u>89,697</u>	<u>17,936</u>	<u>(12,373)</u>	<u>95,260</u>
Results				
Depreciation	11,026	3,042	-	14,068
Amortisation	1,411	426	-	1,837
Segment results – Profit	<u>23,392</u>	<u>(348)</u>	<u>-</u>	<u>23,044</u>
Finance costs				(690)
Profit before taxation				<u>22,354</u>
Taxation				(2,880)
Profit for the period				<u>19,474</u>

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

14 SEGMENT INFORMATION (Continued)

Capital expenditure incurred for different segments are as follows:

	<i>Six months ended</i> <i>30 June 2013</i> <i>RO'000</i>	<i>Six months ended</i> <i>30 June 2012</i> <i>RO'000</i>	<i>Year ended</i> <i>31 December 2012</i> <i>RO'000</i>
Property, plant and equipment			
- Mobile	31,272	9,195	56,605
- Fixed	862	949	4,850
	<u>32,134</u>	<u>10,144</u>	<u>61,455</u>

15 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current period presentation. The reclassifications do not affect the reported profit during the period ended 30 June 2013.