

**Notes to the interim condensed financial statements****1. LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Omani Qatari Telecommunications Company SAOG (the “Company”) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. In accordance with Royal Decree 17/2005, effective 19 February 2005, the Company was granted a license to provide mobile telecommunication services in the Sultanate of Oman for a period of 15 years ending 18 February 2020.

In accordance with Royal Decree 34/2009, effective 6 June 2009, the Company was also awarded a license to provide fixed line telecommunication services in the Sultanate of Oman for a period of 25 years. The Company’s activities under this license will be installation, operation, maintenance and exploitation of fixed public telecommunications systems in the Sultanate of Oman.

The Company's current principal activities are the operation, maintenance and development of mobile and fixed telecommunications services in the Sultanate of Oman.

The Company is a subsidiary of Qtel MENA Investcom S.P.C.(formerly known as TDC-Qtel Mena Investcom BSC) whose registered address is Building no. 247, Road 1704, Block 317, Manama, Kingdom of Bahrain. The ultimate parent of the Company is Ooredoo Q.S.C.(formerly known as Qatar Telecom (Qtel) QSC) whose registered address is P.O. Box 217, Doha, Qatar.

In accordance with the requirements of the Company’s mobile license, the Company proceeded with initial public offering (IPO). The promoting shareholders at the Company’s Extraordinary General Meeting held on 7 March 2010 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering their 260,377,690 shares for the public subscription. The Company closed its IPO on 21 October 2010 and its shares were listed on the Muscat Securities Market on 1 November 2010. The IPO proceeds and share issue expenses were recorded by the promoting shareholders.

During 2015, the Company subscribed 51% shareholding in Duqm Data Centre SAOC. Duqm Data Centre SAOC is registered in the Sultanate of Oman. The subsidiary’s principal activities are data collection, management and operation of data preparation of other agencies on permanent basis. The subsidiary has not started commercial operations at 30 June 2016. The results, assets and liabilities of the subsidiary were not material and hence were not consolidated with the parent company on the grounds that the same had no material effect on the assets, liabilities and results of the Group.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The interim condensed financial statements of the Omani Qatari Telecommunications Company SAOG (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 2015.

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 2015. In addition, results for the three months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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

The interim condensed financial statements are prepared under the historical cost convention modified to include the measurement at fair value of certain financial instruments.

Notes to the interim condensed financial statements

3 REVENUE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RO'000</b>	Unaudited 30 June 2015 RO'000	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RO'000</b>	Unaudited 30 June 2015 RO'000
Traffic	61,480	57,476	122,823	111,914
One time and recurring charges	1,042	458	1,679	966
Interconnection revenue	4,209	4,738	8,813	9,536
Inbound roaming	1,531	1,966	3,161	3,594
Site sharing revenue	515	65	587	124
	<u>68,777</u>	<u>64,703</u>	<u>137,063</u>	<u>126,134</u>
Less : Distributor discounts	(2,077)	(2,146)	(4,291)	(4,261)
	<u><u>66,700</u></u>	<u><u>62,557</u></u>	<u><u>132,772</u></u>	<u><u>121,873</u></u>

4 INCOME TAX

	<i>Three months ended</i>		<i>Six months ended</i>	
	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RO'000</b>	Unaudited 30 June 2015 RO'000	<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RO'000</b>	Unaudited 30 June 2015 RO'000
<b>Statement of profit or loss</b>				
Current period	1,271	1,917	4,088	3,613
Prior period	-	912	-	912
Deferred tax relating to origination and reversal of temporary differences	(178)	(454)	(607)	(577)
	<u>1,093</u>	<u>2,375</u>	<u>3,481</u>	<u>3,948</u>
			<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RO'000</b>	<b>Audited</b> 31 December 2015 RO'000
<b>Current liability</b>				
Current period / year			4,088	6,473
Prior period / year			936	940
			<u>5,024</u>	<u>7,413</u>
			<b>Unaudited</b> <b>30 June</b> <b>2016</b> <b>RO'000</b>	<b>Audited</b> 31 December 2015 RO'000
<b>Deferred tax asset / (liability)</b>				
Beginning of the period / year			(363)	(915)
Movement for the period / year through statement of profit or loss			607	545
Movement for the period / year through statement of other comprehensive income			7	7
At the end of the period / year			<u>251</u>	<u>(363)</u>

Notes to the interim condensed financial statements

4 INCOME TAX (continued)

The tax rate applied by the company is 12% (2015: 12%). Deferred tax asset / liability is recorded at 12% (2015: 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 proposed tax rate of 15% has not yet been passed by a Royal Decree. Hence the Company has reverted to applying the tax rate of 12% in Q2 2016 (the tax rate applied in Q1 2016 was 15%). RO 564,379 pertains to an adjustment for Q1 2016 due to this change.

The Company's tax assessments up to 2009 have been completed.

5 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>Six months ended</i>	
	<b>Unaudited 30 June 2016</b>	Unaudited 30 June 2015	<b>Unaudited 30 June 2016</b>	Unaudited 30 June 2015
Profit for the period (RO'000)	<b>12,268</b>	11,505	<b>24,897</b>	22,168
Weighted average number of shares outstanding for the period (number in thousand)	<b>650,944</b>	650,944	<b>650,944</b>	650,944
Basic earning per share (RO)	<b>0.019</b>	0.018	<b>0.038</b>	0.034

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.

6 PROPERTY, PLANT AND EQUIPMENT

	<b>Mobile / fixed exchange and network equipment RO '000</b>	<b>Subscriber apparatus and other equipment RO '000</b>	<b>Buildings RO '000</b>	<b>Capital work in progress RO '000</b>	<b>Total RO '000</b>
<i>Cost</i>					
1 January 2016	485,626	49,030	9,850	3,058	547,564
Additions	15,464	2,168	124	6,358	24,114
Capitalised during the period	926	-	-	(926)	-
Provided for	(370)	-	-	-	(370)
<b>30 June 2016 (unaudited)</b>	<b>501,646</b>	<b>51,198</b>	<b>9,974</b>	<b>8,490</b>	<b>571,308</b>
<i>Depreciation</i>					
1 January 2016	203,926	36,132	3,287	-	243,345
Charge for the period	25,363	2,609	503	-	28,475
<b>30 June 2016 (unaudited)</b>	<b>229,289</b>	<b>38,741</b>	<b>3,790</b>	<b>-</b>	<b>271,820</b>
<i>Net book value</i>					
<b>30 June 2016 (unaudited)</b>	<b>272,357</b>	<b>12,457</b>	<b>6,184</b>	<b>8,490</b>	<b>299,488</b>
31 December 2015 (audited)	281,700	12,898	6,563	3,058	304,219

## Notes to the interim condensed financial statements

## 7 LICENSE FEE

	Mobile license RO'000	Fixed line license RO'000	Total RO'000
<b>Cost</b>			
Balance at 1 January and 30 June 2016	52,537	21,403	73,940
<b>Amortisation</b>			
Balance at 1 January 2016	31,090	5,568	36,658
Amortisation during the period	2,387	425	2,812
<b>Balance at 30 June 2016 (unaudited)</b>	<b>33,477</b>	<b>5,993</b>	<b>39,470</b>
<b>Net book value</b>			
<b>At 30 June 2016 (unaudited)</b>	<b>19,060</b>	<b>15,410</b>	<b>34,470</b>
At 31 December 2015 (audited)	21,447	15,835	37,282

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.

## 8 INVESTMENT IN A SUBSIDIARY

	Unaudited 30 June 2016 RO'000	Audited 31 December 2015 RO'000
Duqm Data Centre SAOC	255	255
	<b>255</b>	<b>255</b>

During 2015, the Company subscribed 51% shareholding in Duqm Data Centre SAOC in the amount of RO 255,000. Duqm Data Centre SAOC is registered in the Sultanate of Oman. The subsidiary's principal activities are data collection, management and operation of data preparation of other agencies on permanent basis. The subsidiary has not started commercial operations as of 30 June 2016. The investment is carried at cost.

Notes to the interim condensed financial statements

9 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 10). The key terms of the arrangements are as below:

SN	Notional Amount	Effective Date	Termination Date	Pay Fixed	Receive Floating
1	USD 12,000,000	27 Dec 2012	29 Dec 2016	0.555%	1 month USD LIBOR
2	USD 20,000,000	07 May 2013	24 Apr 2017	0.790%	1 month USD LIBOR
3	USD 25,000,000	07 May 2013	24 Apr 2017	0.790%	1 month USD LIBOR

The swap arrangement qualifies for hedge accounting under IAS 39 and as at 30 June 2016, the unrealised loss of RO 48,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2015: RO 4,000 gain).

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 upto 5 years RO'000	Over 5 years RO'000
<b>30 June 2016 (unaudited)</b>					
Negative Value (non current)	-	-	-	-	-
Negative Value (current)	(48)	-	-	-	-
Interest rate swaps	<u>(48)*</u>	<u>21,950</u>	<u>21,950</u>	<u>-</u>	<u>-</u>
<b>31 December 2015 (audited)</b>					
Positive Value	18	-	-	-	-
Negative Value	(14)	-	-	-	-
Interest rate swaps	<u>4*</u>	<u>21,950</u>	<u>4,621</u>	<u>17,329</u>	<u>-</u>

\*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 7,232 (2015: RO 557).

10 INTEREST BEARING BORROWINGS

	Unaudited 30 June 2016 RO'000	Audited 31 December 2015 RO'000
Total interest bearing borrowings	55,070	53,433
Less: Deferred financing costs	(972)	(792)
	<u>54,098</u>	<u>52,641</u>
Less: Payable within one year – Term loan	(25,051)	(26,726)
Payable within one year – RCF	(15,000)	-
	<u>14,047</u>	<u>25,915</u>

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 in May 2012.

Notes to the interim condensed financial statements

10 INTEREST BEARING BORROWINGS (continued)

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. As on 30 June 2016, the Company has utilized full USD 182 million (RO 70 million). Out of this term loan, USD 104 million is repayable in sixteen quarterly instalments commencing in April 2014 and USD 78 million is repayable in twelve quarterly instalments commencing in April 2015. The tenure for the revolving credit facility has reached an end and is no longer available.

In 2016, the Company has entered into new financing facilities amounting to RO 68.1 million with multiple banks consisting of both local and international banks. The loans consists of a term loan worth USD 60 million (RO 23.1 million) with a five year tenure and revolving credit facility of RO 45 million with a five year tenure. As on 30 June 2016, the company has utilized RO 15 million of the revolving credit facility.

As of 30 June 2016, the Company has available funds for drawdown of RO 77 million (2015: RO 44 million).

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.

11 EMPLOYEE BENEFITS

	<b>Unaudited 30 June 2016 RO'000</b>	Audited 31 December 2015 RO'000
<b>Non-current</b>		
Employees' end of service benefits	<b>1,587</b>	1,454
Employee retention – Long term incentive	<b>838</b>	1,253
Non-current liability as at the end of the year	<u><b>2,425</b></u>	<u>2,707</u>

12 DIVIDEND

Company's shareholders at the annual general meeting held on 29 March 2016 approved a payment of baiza 40 per share as dividend for the financial year ended 31 December 2015 and this was paid in March 2016.

13 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 financial statements are set out below:

	<i>Three months ended</i>			
	<b>Unaudited 30 June 2016 (RO'000)</b>		Unaudited 30 June 2015 (RO'000)	
	<b>Other related parties</b>	<b>Directors and key management</b>	Other related parties	Directors and key management
Director's and key management remuneration	-	<b>895</b>	-	554
Service fee	<b>2,002</b>	-	1,878	-
Other expenses	<b>137</b>	-	205	-
	<u><b>2,139</b></u>	<u><b>895</b></u>	<u>2,083</u>	<u>554</u>

Notes to the interim condensed financial statements

13 RELATED PARTY TRANSACTIONS (continued)

	<i>Six months ended</i>			
	Unaudited 30 June 2016 (RO'000)		Unaudited 30 June 2015 (RO'000)	
	Other related parties	Directors and key management	Other related parties	Directors and key management
Director's and key management remuneration	-	1,591	-	1,014
Service fee	3,984	-	3,656	-
Other expenses	340	-	467	-
	<u>4,324</u>	<u>1,591</u>	<u>4,123</u>	<u>1,014</u>

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 statement of financial position are as follows:

	Unaudited 30 June 2016 RO'000	Audited 31 December 2015 RO'000
<b>Trade payable</b>		
Major shareholders	2	-
Other related parties	2,237	1,965
	<u>2,239</u>	<u>1,965</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</i>		<i>Six months ended</i>	
	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000	Unaudited 30 June 2016 RO'000	Unaudited 30 June 2015 RO'000
Salaries / remuneration and benefits	830	594	1,424	889
Director's remuneration	50	50	100	100
Employees' end of service benefits	15	(90)	67	25
	<u>895</u>	<u>554</u>	<u>1,591</u>	<u>1,014</u>

Notes to the interim condensed financial statements

14 EXPENDITURE COMMITMENTS

	Unaudited 30 June 2016 RO'000	Audited 31 December 2015 RO'000
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	<u>32,113</u>	<u>20,245</u>
<b>Operating lease commitments</b>		
Future minimum lease payments:		
Within one year	3,858	3,623
After one year but not more than five years	<u>7,022</u>	<u>7,902</u>
Total operating lease expenditure contracted for at the reporting date	<u>10,880</u>	<u>11,525</u>

15 CONTINGENT LIABILITIES

*Guarantees*

At 30 June 2016, the Company had contingent liabilities in respect of guarantees of RO 1.39 million (31 December 2015: RO 1.15 million), of which RO 1.1 million is for the residual obligations under the Fixed line license. It is anticipated that no material liabilities are expected to arise from these.

16 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.

The Company commenced its fixed line services in May 2010 and its operations are mainly confined to the Sultanate of Oman.



Notes to the interim condensed financial statements

16 SEGMENT INFORMATION (Continued)

Segmental results for the three months period ended 30 June 2016 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
<b>Revenue</b>				
External sales	57,311	9,389		66,700
Inter-segment sales	318	3,251	(3,569)	-
<b>Total revenue</b>	<u>57,629</u>	<u>12,640</u>	<u>(3,569)</u>	<u>66,700</u>
<b>Results</b>				
Depreciation	12,144	1,800	-	13,944
Amortisation	1,194	212	-	1,406
<b>Segment results – Profit</b>	<u>11,692</u>	<u>2,316</u>	<u>-</u>	<u>14,008</u>
Finance expense				(647)
<b>Profit before taxation</b>				<u>13,361</u>
Taxation				(1,093)
<b>Profit for the period</b>				<u>12,268</u>

Segmental results for the three months period ended 30 June 2015 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
<b>Revenue</b>				
External sales	54,878	7,679	-	62,557
Inter-segment sales	475	5,249	(5,724)	-
<b>Total revenue</b>	<u>55,353</u>	<u>12,928</u>	<u>(5,724)</u>	<u>62,557</u>
<b>Results</b>				
Depreciation	11,529	1,897	-	13,426
Amortisation	715	212	-	927
<b>Segment results – Profit</b>	<u>12,134</u>	<u>2,387</u>	<u>-</u>	<u>14,521</u>
Finance expense				(641)
<b>Profit before taxation</b>				<u>13,880</u>
Taxation				(2,375)
<b>Profit for the period</b>				<u>11,505</u>