

Bulletin:

Oman Telecommunications Co. Ratings Unchanged By Planned Stake In Zain Group

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DUBAI (S&P Global Ratings) Aug. 14, 2017--S&P Global Ratings said today that its ratings on Oman Telecommunications Co. (Omantel; BB+/Negative/B) are unchanged following Omantel's signing of an agreement to purchase a 9.84% minority stake in Kuwait-based Zain Group for a total consideration of \$846.1 million (Omani rial 325.6 million), subject to a competitive public bid auction process and regulatory approval. The transaction is expected to be completed by the end of August and will likely be fully debt financed.

We calculate that the transaction would increase Omantel's S&P Global Ratings-adjusted debt to EBITDA from a net cash position as of June 30, 2017, to 1.5x-2.0x, which is well below our current expectation of a leverage ratio lower than 3x for the current rating. We also understand that the acquisition is the start of a long-term strategic partnership with Zain Group, where both parties expect to improve profitability by realizing synergies through optimizing operating and capital expenditures. This can be achieved through using Omantel's expertise in running fixed-line and broadband networks and wholesale operations. The partnership will also benefit Omantel through Zain Group's presence across nine markets, should it plan on expanding internationally, or help with roaming agreements in countries where Zain Group operates. It will also provide Omantel with access to Zain Group's know-how in digital platforms, such as data monetization, enterprise business-to-business,

fixed-broadband services, and smart city initiatives.

Only a rating committee may determine a rating action and this report does not constitute a rating action.

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