

**Mobile Telecommunications Company K.S.C.P
Kuwait**

**Condensed Consolidated Interim Financial Information (Unaudited)
31 March 2020**

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**Mobile Telecommunications Company K.S.C.P.
Kuwait**

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C.P. (the "Company") and its subsidiaries (together called "the Group") as at 31 March 2020 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for three-month period then ended and the related condensed consolidated statements of changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

As disclosed in note 2 to the condensed consolidated interim financial information, the Group has excluded the effects reported therein of applying International Accounting Standard (IAS) 29: Financial reporting in Hyperinflationary Economies with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting.

Emphasis of matter

We draw attention to note 16 to the consolidated financial statements, which describes the uncertainty related to the outcome of a claim against the Group's subsidiary in Iraq. Our opinion is not modified in respect of this matter.

**Mobile Telecommunications Company K.S.C.P.
Kuwait**

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association during the three-month period ended 31 March 2020 that might have had a material effect on the business of the Company or on its financial position.



Bader A. Al-Wazzan
Licence No. 62-A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
15 July 2020


**Mobile Telecommunications Company K.S.C.P
Kuwait**

Condensed Consolidated Statement of Financial Position as at 31 March 2020 (Unaudited)

	Note	Unaudited	Audited	Unaudited
		31 March 2020	31 December 2019	(Restated) 31 March 2019
KD '000				
Assets				
Current assets				
Cash and bank balances	3	485,375	296,985	377,122
Trade and other receivables		602,672	555,398	551,959
Contract assets		70,607	66,889	69,453
Inventories		41,805	48,513	42,249
Investment securities at FVTPL		7,367	8,540	10,754
Assets of disposal group classified as held for sale	4.a	6,350	17,611	13,451
		<u>1,214,176</u>	<u>993,936</u>	<u>1,064,988</u>
Non-current assets				
Contract assets		24,558	28,134	20,552
Investment securities at FVOCI		6,448	6,360	7,320
Investments in associates and joint venture	5	73,568	72,612	71,429
Other non-current assets		59,860	64,669	11,444
Right of use of assets		186,225	181,052	184,304
Property and equipment	6	1,235,259	1,229,291	1,178,864
Intangible assets and goodwill	7	2,235,658	2,160,039	2,189,979
		<u>3,821,576</u>	<u>3,742,157</u>	<u>3,663,892</u>
Total Assets		<u>5,035,752</u>	<u>4,736,093</u>	<u>4,728,880</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		1,038,969	857,512	1,052,938
Deferred revenue		96,300	98,495	100,856
Income tax payables	8	63,082	61,775	56,708
Due to banks	9	164,032	180,274	430,834
Lease liabilities		44,090	42,795	46,935
Liabilities of disposal group classified as held for sale	4.b	1,632	5,397	4,975
		<u>1,408,105</u>	<u>1,246,248</u>	<u>1,693,246</u>
Non-current liabilities				
Due to banks	9	1,354,403	1,218,450	1,011,663
Lease liabilities		155,909	144,278	144,456
Other non-current liabilities	10	519,767	448,518	399,330
		<u>2,030,079</u>	<u>1,811,246</u>	<u>1,555,449</u>
Equity				
Attributable to the Company's shareholders				
Share capital	11	432,706	432,706	432,706
Share premium		1,707,164	1,707,164	1,707,164
Legal reserve		216,354	216,354	216,353
Foreign currency translation reserve		(1,367,568)	(1,371,841)	(1,367,350)
Investment fair valuation reserve		(1,083)	(1,088)	914
Other reserves		(5,144)	(3,044)	(2,019)
Retained earnings		223,293	318,509	148,856
		<u>1,205,722</u>	<u>1,298,760</u>	<u>1,136,624</u>
Non-controlling interests		391,846	379,839	343,561
Total equity		<u>1,597,568</u>	<u>1,678,599</u>	<u>1,480,185</u>
Total Liabilities and Equity		<u>5,035,752</u>	<u>4,736,093</u>	<u>4,728,880</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

This condensed consolidated interim financial information was approved and authorized for issue by the Board of Directors on 15 July 2020.


Ahmed Tahous Al Tahous
Chairman


Bader Nasser Al Kharafi
Vice Chairman & Chief Executive Officer

Condensed Consolidated Statement of Profit or Loss – 31 March 2020 (Unaudited)

	Note	Three months ended 31 March	
		2020	2019
		KD'000	
Revenue		409,280	404,491
Cost of sales		(110,108)	(119,010)
Operating and administrative expenses		(118,608)	(102,225)
Depreciation and amortization		(88,180)	(90,248)
Expected credit loss on financial assets (ECL)		(9,492)	(5,609)
Interest income		1,385	2,754
Investment income	12	95	(190)
Share of results of associates and joint venture	5	397	1,578
Other expense		(1,234)	(2,616)
Gain on sale and lease back transaction	4	4,758	-
Finance costs		(26,048)	(28,230)
Loss from currency revaluation		(61)	(1,769)
Net monetary gain	18	232	3,240
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration		62,416	62,166
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(495)	(459)
National Labour Support Tax (NLST) and Zakat		(2,139)	(1,630)
Income tax expenses and other levies		(4,095)	(4,214)
Board of Directors' remuneration		(128)	(105)
Profit for the period		55,559	55,758
Attributable to:			
Shareholders of the Company		47,577	47,086
Non-controlling interests		7,982	8,672
		55,559	55,758
Earnings per share			
Basic and diluted – Fils	13	11	11

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**Mobile Telecommunications Company K.S.C.P
Kuwait**

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income –
31 March 2020 (Unaudited)**

	Three months ended 31 March	
	2020	2019
	KD'000	
Profit for the period	55,559	55,758
Other comprehensive income		
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	13,230	881
Other reserves	<u>(5,497)</u>	<u>(5,440)</u>
	<u>7,733</u>	<u>(4,559)</u>
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in the fair value of equity investments at FVOCI	5	50
Total comprehensive income for the period	<u>63,297</u>	<u>51,249</u>
Total comprehensive income attributable to:		
Shareholders of the Company	49,755	44,789
Non-controlling interests	<u>13,542</u>	<u>6,460</u>
	<u>63,297</u>	<u>51,249</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity – Three months ended 31 March 2020 (Unaudited)

	Equity attributable to Company's shareholders							Non - controlling interests	Total
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Other reserves	Retained earnings		
Balance at 1 January 2020	432,706	1,707,164	216,354	(1,371,841)	(1,088)	(3,044)	318,509	379,839	1,678,599
Total comprehensive income for the period <i>Transactions with shareholders of the Company, recognized directly in equity</i>	-	-	-	4,273	5	(2,100)	47,577	13,542	63,299
Cash dividends (2019)	-	-	-	-	-	-	(142,793)	(1,535)	(144,330)
Balance at 31 March 2020	432,706	1,707,164	216,354	(1,367,568)	(1,083)	(5,144)	223,293	391,846	1,597,568
Balance at 31 December 2018	432,706	1,707,164	216,353	(1,367,018)	864	(4)	287,143	366,070	1,643,278
Transition adjustment on adoption of IFRS 16	-	-	-	-	-	-	(21,282)	(17,456)	(38,738)
Transition adjustment on adoption of IFRIC 23 (note 21)	-	-	-	-	-	-	(34,279)	(10,861)	(45,140)
Balance as at 1 January 2019 (restated)	432,706	1,707,164	216,353	(1,367,018)	864	(4)	231,582	337,753	1,559,400
Total comprehensive income for the period <i>Transactions with shareholders of the Company, recognized directly in equity</i>	-	-	-	(332)	50	(2,015)	47,086	6,460	51,249
Cash dividends (2018)	-	-	-	-	-	-	(129,812)	(652)	(130,464)
Balance at 31 March 2019 (restated)	432,706	1,707,164	216,353	(1,367,350)	914	(2,019)	148,856	343,561	1,480,185

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows – Three months ended 31 March 2020 (Unaudited)

	Three months ended 31 March	
	2020	2019
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax, KFAS, NLST and Zakat	62,288	62,061
Adjustments for:		
Depreciation and amortization	88,180	90,248
ECL on financial assets	9,492	5,609
Interest income	(1,385)	(2,754)
Investment income	(95)	190
Share of results of associates and joint venture	(397)	(1,578)
Finance costs	26,048	28,230
Gain on sale and lease back transaction	(4,758)	-
Loss from currency revaluation	61	1,769
Net monetary gain	(232)	(3,240)
(Gain)/ loss on sale of property and equipment	(25)	1,411
Operating profit before working capital changes	179,177	181,946
Increase in trade and other receivables and contract assets	(56,798)	(1,424)
Decrease in inventories	7,229	3,778
Increase in trade and other payables	49,708	2,056
Cash generated from operations	179,316	186,356
Income tax paid	(1,532)	(1,788)
Paid to KFAS	(674)	(771)
National Labour Support Tax and Zakat paid	(10,374)	-
<i>Net cash from operating activities</i>	<u>166,736</u>	<u>183,797</u>
Cash flows from investing activities		
Deposits maturing after three months and cash at bank under lien (note 3)	2,580	(28)
Investments in securities	(30)	(203)
Proceeds from sale of investments	1,213	4,396
Investment in associate	(553)	-
Acquisition of property and equipment (net)	(44,457)	(39,105)
Acquisition of intangible assets (net)	(12,909)	(11,522)
Proceeds from sale of telecom assets (sale and lease back) (note 4)	19,485	-
Interest received	1,892	1,712
Dividend received	-	173
<i>Net cash used in investing activities</i>	<u>(32,779)</u>	<u>(44,577)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	85,596	6,050
Repayment of bank borrowings	(6,000)	(15,698)
Repayment of lease liabilities	(12,364)	(12,319)
Dividends paid to Company's shareholders	(173)	(264)
Dividends paid to minority shareholders of subsidiaries	(1)	(307)
Finance costs paid – due to banks	(13,825)	(52,212)
<i>Net cash from/ (used in) financing activities</i>	<u>53,233</u>	<u>(74,750)</u>
Net increase in cash and cash equivalents	187,190	64,470
Effect of foreign currency translation	3,781	708
Cash and cash equivalents at beginning of period	281,902	304,236
Cash and cash equivalents at end of period (note 3)	<u>472,873</u>	<u>369,414</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

1. Incorporation and activities

Mobile Telecommunications Company K.S.C.P (the "Company") is a Kuwaiti shareholding company incorporated in 1983. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Company is at P. O. Box 22244, 13083 Safat, State of Kuwait.

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2019 - Kuwait and 8 other countries; 31 March 2019 - Kuwait and 8 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

The Company is a subsidiary of Oman Telecommunications Company SAOG, Oman.

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 31 March 2020.

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 2020, 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 2019.

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 2019. Certain amendments and interpretations apply for the first time in 2020, but do not have an impact on the condensed consolidated interim financial information of the Group.

Financial support to associate and 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.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

3. Cash and bank balances

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

	<u>Unaudited</u> <u>31 March</u> <u>2020</u>	<u>Audited</u> <u>31 December</u> <u>2019</u>	<u>Unaudited</u> <u>31 March</u> <u>2019</u> <u>KD '000</u>
Cash on hand and at banks	208,007	132,576	147,739
Short-term deposits with banks	294,116	180,931	232,647
Government certificates of deposits held by subsidiaries	-	108	103
	<u>502,123</u>	<u>313,615</u>	<u>380,489</u>
Expected credit loss	(16,748)	(16,630)	(3,367)
	<u>485,375</u>	<u>296,985</u>	<u>377,122</u>
Cash at bank under lien	(12,411)	(14,975)	(7,605)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(91)	(108)	(103)
Cash and cash equivalent in the condensed consolidated statements of cash flows	<u>472,873</u>	<u>281,902</u>	<u>369,414</u>

4. Assets and liabilities of disposal group classified as held for sale

- 4.a) In February 2020, the Company completed the sale and lease back of 1,022 telecom towers in Kuwait classified as held for sale for a total sale consideration of US\$ 82.012 million (KD 24.981 million). Total gain from this transaction was KD 4.758 million. The Company also assumed a minority shareholding in the newly formed Tower Company.

Towers sold were leased back for a period of 10 years.

The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity.

- 4.b) This represents the carrying value of remaining telecom tower assets amounting to KD 3.060 million (31 December 2019 – KD 7.656 million; 31 March 2019 – KD 7.656 million) and remaining right of use of assets amounting to KD 3.290 million (31 December 2019 – 9.955 million; 31 March 2019 – 5.795 million) and its related lease liabilities amounting to KD 1.632 million (31 December 2019 – 5.397 million; 31 March 2019 – 4.975 million), classified as held for sale. These are expected to be sold during 2021.

5. Investments in associates and joint venture

Investments in joint venture

This includes Group's KD 72.990 million (31 December 2019 - KD 72.593 million; 31 March 2019: KD 71.409 million) interest in the joint venture, Zain Al Ajial 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

	<u>Unaudited</u> <u>31 March</u> <u>2020</u>	<u>Audited</u> <u>31 December</u> <u>2019</u>	<u>Unaudited</u> <u>31 March</u> <u>2019</u> <u>KD '000</u>
Net fixed assets	1,136,084	1,115,014	1,056,255
Capital work in progress	99,175	114,277	122,609
	<u>1,235,259</u>	<u>1,229,291</u>	<u>1,178,864</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

During the three-months period ended 31 March 2020, the Group acquired property and equipment amounting to KD 47.494 million (31 March 2019: KD 27.669 million). Depreciation charged for the period amounted to KD 52.511 million (31 March 2019: KD 49.566 million).

7. Intangible assets and goodwill

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2020	2019	2019
	KD `000		
Intangible assets	1,614,717	1,552,228	1,578,969
Goodwill	620,941	607,811	611,010
	<u>2,235,658</u>	<u>2,160,039</u>	<u>2,189,979</u>

During the three-months period ended 31 March 2020, the Group acquired intangible assets amounting to KD 54.592 million (31 March 2019: KD 50.275 million).

8. Income tax payables

Income tax payables mainly includes current tax payables by Group's subsidiaries in Iraq and Jordan respectively.

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).

9. Due to banks

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2020	2019	2019
	KD `000		
<i>Company</i>			
Short term loans	114,020	80,580	111,260
Long term loans	672,223	598,535	606,953
	<u>786,243</u>	<u>679,115</u>	<u>718,213</u>
<i>SMTC</i>			
Long term loans	553,262	542,804	570,644
	<u>553,262</u>	<u>542,804</u>	<u>570,644</u>
<i>Zain Jordan</i>			
Short term loans	6,851	6,622	-
	<u>6,851</u>	<u>6,622</u>	<u>-</u>
<i>Atheer – Iraq</i>			
Long term loans	172,073	168,387	153,621
	<u>172,073</u>	<u>168,387</u>	<u>153,621</u>
<i>Others</i>			
Short term loans	-	1,786	-
Long term loans	6	10	19
	<u>6</u>	<u>1,796</u>	<u>19</u>
	<u>1,518,435</u>	<u>1,398,724</u>	<u>1,442,497</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

Reconciliation of movements of amounts due to banks to cash flows from financing activities:

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2020	2019	2019
	KD `000		
Opening balance	1,398,724	1,446,536	1,446,536
Proceeds from bank borrowings	85,596	540,727	6,050
Repayment of bank borrowings	(6,000)	(587,387)	(15,698)
Effect of change in foreign exchange rates	40,115	(1,152)	5,609
	<u>1,518,435</u>	<u>1,398,724</u>	<u>1,442,497</u>

The current and non-current amounts are as follows:

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2020	2019	2019
	KD `000		
Current liabilities	164,032	180,274	430,834
Non-current liabilities	1,354,403	1,218,450	1,011,663
	<u>1,518,435</u>	<u>1,398,724</u>	<u>1,442,497</u>

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

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2020	2019	2019
	KD `000		
US dollar	1,014,214	891,013	1,148,663
Kuwaiti dinar	50,988	50,994	20,000
Saudi Riyals	446,375	448,302	273,815
Others	6,858	8,415	19
	<u>1,518,435</u>	<u>1,398,724</u>	<u>1,442,497</u>

The effective interest rate as at 31 March 2020 was 1.57% to 7.25% (31 December 2019 - 2.22% to 18%; 31 March 2019 - 3.00% to 6.00%) per annum.

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;
- equity to total assets.

During the period, the Company has:

- drawn down loans amounting to KD 87.752 million. This includes:
 - US\$ 180 million (KD 56.412 million) from an existing US\$ 700 million revolving credit facility.
 - US\$ 100 million (KD 31.340 million) from an existing US\$ 100 million revolving credit facility.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

- repaid loans amounting to KD 2.398 million. This includes:
 - US\$ 4.075 million (KD 1.277 million) of a long-term loan facility amounting to US\$ 100 million.
 - US\$ 2.946 million (KD 0.923 million) of a long-term loan facility amounting to US\$ 100 million.

The above facilities carry a floating interest rate of 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:

- SAR 4,463 million (KD 362.502 million) syndicated murabaha facility availed from a consortium of banks. In June 2018, SMTC refinanced and extended the maturity of the syndicated Murabaha facility that was maturing in 2018 to a SAR 5,900 million (KD 477.605 million) facility (consisting of SAR 4.25 billion and an US\$ portion totaling to SAR 1.705 billion) maturing in June 2023 which includes a working capital facility of SAR 647.30 million (KD 52.40 million) (consisting of SAR 462.4 million and an US\$ portion totaling to SAR 184.9 million) for two years. This working capital facility has not yet been utilized. As of first quarter 2020 SMTC has made three voluntary repayment amounting to SAR 1,425 million (KD 115.444 million).
- The murabaha facility is 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

- SAR 2,250 million (KD 182.68 million) syndicated junior murabaha facility signed in June 2019 from a consortium of banks with a two year tenure with an option to extend for one more year. This facility was drawn-down in July 2019 to settle the existing SAR 2,269 million (KD 184.22 million) long-term commercial loan that matured. This facility is fully secured by a guarantee by the Company.

Atheer

Long-term loans include:

- (a) Term loan from a foreign commercial bank amounting to US\$ 100 million (KD 31.34 million) (31 December 2019: US\$ 100 million equivalent to KD 30.29 million; 31 March 2019: US\$ 100 million equivalent to KD 30.42 million) that is repayable by 17 December 2024.
- (b) Term loan from a foreign commercial bank amounting to US\$ 55 million (KD 17.237) (31 December 2019: US\$ 55 million equivalent to KD 16.66 million; 31 March 2019: US\$ 55 million equivalent to KD 16.731 million) which is repayable by 30 June 2020.
- (c) Term loan from a foreign commercial bank amounting to US\$ 50 million (KD 15.67 million) (31 December 2019: US\$ 50 million equivalent to KD 15.145 million; 31 March 2019: US\$ 50 million equivalent to KD 15.21 million) which is repayable by 30 June 2020.
- (d) Term loan from a foreign commercial bank amounting to US\$ 50 million (KD 15.67 million) (31 December 2019: US\$ 50 million equivalent to KD 15.145 million; 31 March 2019: US\$ 50 million equivalent to KD 15.21 million) which is repayable by 09 April 2021.
- (e) Term loan from a foreign financial institutions amounting to US\$ 144.051 million (KD 45.146 million) (31 December 2019: US\$ 150.917 million equivalent to KD 45.713 million; 31 March 2019: US\$ 100 million equivalent to KD 30.42 million) which is repayable by 31 May 2025.
- (f) Revolving credit facilities from foreign commercial bank amounting to US\$ 150 million (KD 47.01 million) (31 December 2019: US\$ 150 million equivalent to KD 45.435 million; 31 March 2019: US\$ 150 million equivalent to KD 45.63 million) that is repayable by 17 December 2022.

These facilities are guaranteed by the Company and carry a floating interest rate of a fixed margin over three month LIBOR.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

10. Other non-current liabilities

	<u>Unaudited</u> 31 March 2020	<u>Audited</u> 31 December 2019	<u>Unaudited</u> 31 March 2019 KD '000
Payable to Ministry of Finance – Saudi Arabia (refer below)	308,944	289,580	249,120
Due to CITC for acquisition of spectrum	119,891	74,664	74,950
Customer deposits	3,542	3,763	5,261
Post-employment benefits	37,301	34,663	33,806
Others	50,089	45,848	36,193
	<u>519,767</u>	<u>448,518</u>	<u>399,330</u>

During 2013, SMTC signed an agreement with the Ministry of Finance – Kingdom of Saudi Arabia to defer payments that are due until 2021. These amounts will be repaid in seven installments starting June 2021.

11. Share capital

The authorized, issued and fully paid up share capital as of 31 March 2020 is 4,327,058,909 shares (31 December 2019 – 4,327,058,909; 31 March 2019 - 4,327,058,909) of 100 fils each.

Dividend

The annual general meeting of shareholders for the year ended 31 December 2019 held on 19 March 2020 (31 December 2018 - 20 March 2019) approved distribution of cash dividends of 33 fils (31 December 2018 - 30 fils) per share amounting to KD 142,792,944 (31 December 2018 - KD 129,812,000) to be paid to the registered shareholders, after obtaining necessary regulatory approvals.

12. Investment income

	<u>Three months ended</u> 31 March (Unaudited)	
	<u>2020</u>	<u>2019</u>
	<u>KD'000</u>	
Profit from investment securities at FVTPL	95	(362)
Dividend income	-	172
	<u>95</u>	<u>(190)</u>

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:

	<u>Three months ended</u> 31 March (Unaudited)	
	<u>2020</u>	<u>2019</u>
	<u>KD'000</u>	
Profit for the period attributable to shareholders	47,577	47,086
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares in issue outstanding during the period	4,327,058,909	4,327,058,909
	<u>Fils</u>	<u>Fils</u>
Earnings per share – basic and diluted	11	11

14. Segmental information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services in Kuwait and other countries. This forms the basis of the geographical segments.

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

	31 March 2020						Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	
Segment revenues – airtime & data (Point over time)	61,886	34,867	27,227	76,521	10,594	151,842	8,028
Segment revenues - trading income (Point in time)	19,273	1,403	174	370	2,754	14,308	33
Net profit before interest and tax	15,662	8,070	2,820	11,404	1,314	29,420	1,607
Interest income	144	79	157	281	55	434	57
Gain on sale and lease back transaction	4,758	-	-	-	-	-	-
Finance costs	(125)	(1,679)	(78)	(4,013)	(249)	(21,193)	(12)
Income tax expenses	-	(1,587)	(1,684)	(567)	-	-	(129)
Unallocated items:	20,439	4,883	1,215	7,105	1,120	8,661	1,523
Investment income							
Share of results of associates and joint venture							95
Others (including unallocated interest income, income tax and finance costs)							397
Profit for the period	400,291	309,806	124,500	1,113,892	88,738	2,284,224	69,496
Segment assets including allocated goodwill	6,533	18,358	1,931	31,177	9,555	118,600	71
ROU assets							
Unallocated items:							
Investment securities at FVTPL							7,367
Investment securities at FVOCI							6,448
Investment in associates and joint venture							73,568
Others							371,197
Consolidated assets							5,035,752
Segment liabilities	137,262	145,578	41,591	239,354	27,221	1,341,760	70,985
Lease liabilities (current and non-current)	13,170	18,859	1,678	34,944	9,613	121,659	76
Due to banks	-	6,851	-	172,073	-	553,262	6
Unallocated items:	150,432	171,288	43,269	446,371	36,834	2,016,681	71,067
Due to banks							
Others							786,243
Consolidated liabilities							(284,001)
Net consolidated assets	3,441	314	5,963	683	18	89,138	2,167
Capital expenditure incurred during the period							
Unallocated							362
Total capital expenditure	7,587	6,431	2,236	15,144	2,196	41,333	997
Depreciation of property and equipment and amortization of intangible assets	2,488	907	66	1,679	839	6,089	51
Amortization of ROU assets							
Unallocated							137
Total depreciation and amortization							88,180

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

	31 March 2019						Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	
Segment revenues - airtime & data (Point over time)	64,807	34,050	19,858	78,812	9,922	144,843	5,525
Segment revenues - trading income (Point in time)	17,276	1,367	121	520	2,637	24,744	9
Net profit before interest and tax	21,239	8,815	4,308	9,937	1,501	31,421	3,601
Interest income	41	133	228	146	44	578	88
Finance costs	(108)	(1,855)	(54)	(4,404)	(159)	(21,516)	(35)
Income tax expenses	-	(1,616)	(1,235)	(1,091)	-	-	(132)
Unallocated items:	21,172	5,477	3,247	4,588	1,386	10,483	3,522
Investment income							
Share of results of associates and joint venture							(190)
Others (including unallocated interest income, income tax and finance costs)							1,578
Profit for the period							4,495
							55,758
Segment assets including allocated goodwill	350,469	309,207	124,287	1,030,872	78,495	2,177,750	87,564
ROU assets	6,519	13,470	1,138	32,900	8,282	121,180	815
Unallocated items:							
Investment securities at FVTPL							10,754
Investment securities at FVOCI							7,320
Investment in associates and joint venture							71,429
Others							296,429
Consolidated assets							4,728,880
Segment liabilities	102,100	134,103	43,311	204,159	19,978	1,268,716	80,760
Lease liabilities (current and non-current)	6,399	13,833	1,189	35,195	8,762	125,152	861
Due to banks	-	-	-	153,621	-	570,644	19
Unallocated items:	108,499	147,936	44,500	392,975	28,740	1,964,512	81,640
Due to banks							
Others							718,213
Consolidated liabilities							(238,320)
Net consolidated assets							3,248,695
							1,480,185
Capital expenditure incurred during the period	1,894	1,026	1,176	4,325	93	68,902	82
Unallocated							
Total capital expenditure							77,498
							446
							77,944
Depreciation of property and equipment and amortization of intangible assets	8,243	6,034	1,922	19,437	2,067	37,981	916
Amortization of ROU assets	1,043	788	41	1,701	852	8,405	235
Unallocated							
Total depreciation and amortization							90,248

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

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

	Three months ended 31 March (Unaudited)	
	2020	2019
	KD'000	
Revenue	892	19
Cost of sales	2,298	152

Key management compensation

	Three months ended 31 March (Unaudited)	
	2020	2019
	KD'000	
Salaries and other short term employee benefits	929	976
Post-employment benefits	686	459

Balances

	Unaudited 31 March 2020	Audited 31 December 2019	Unaudited 31 March 2019
	KD '000		
Trade receivables	2,763	6,756	33
Trade payables	2,329	933	248

16. Commitments and contingencies

	Unaudited 31 March 2020	Audited 31 December 2019	Unaudited 31 March 2019
	KD '000		
Capital expenditure	156,570	233,097	99,761
Uncalled share capital of investee companies	352	348	510
Letters of guarantee and credit	89,307	90,660	83,222

The Company is a guarantor for credit facilities amounting to KD 7.521 million (31 December 2019 - KD 7.269 million; 31 March 2019 - KD 7.301 million) granted by a bank to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

Income taxes in Iraq

During the period 2012 to 2014, 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\$ 244 million (KD 74.176 million) and submitted its objections against the full amount of the tax claim. On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US\$ 109.75 million (KD 33.364 million). This decision can be challenged by IGCT before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer didn't receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer contacted the Cassation Court asking them to demand IGCT to send the case dossier and is awaiting a response. On the basis of the report of its attorneys, Atheer believes that the prospects of all the appeals being resolved in Atheer's favor are good.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

On 9 March 2020, Atheer received additional income tax claims of US\$ 23.8 million (KD 7.459 million) and US\$ 24.8 million (KD 7.772 million) from IGCT for the years 2011 and 2012 respectively. On 12 March 2020, Atheer submitted its objections to these additional income tax claims. On 15 March 2020, IGCT rejected the objection for year 2011. On 16 March 2020, IGCT accepted the objection for year 2012, cancelled its claim for additional tax of 24.8 million (KD 7.772 million) and approved the amount of tax self-assessed by Atheer for the year 2012 as final assessed amount. Atheer intends to appeal the additional tax claim for the year 2011 before the Tax Appeal Committee. On the basis of the report of its attorneys, Atheer believes that the prospect of the appeal being resolved in Atheer's favor is good.

Pella - Jordan

Pella is a defendant in lawsuits amounting to KD 34.899 million (31 December 2019 – KD 33.747 million; 31 March 2019 – KD 33.923 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella. Pella has initiated legal proceedings against a claim of KD 9.857 million (31 December 2019 - KD 9.857 million; 31 March 2019 - 9.567 million) by a regulatory authority for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to KD 9.975 million (31 December 2019 - KD 9.641 million; 30 March 2019 – KD 9.682 million) of earlier years. The outcome of the above matter cannot be assessed at this stage, as it is dependent on several legal, regulatory and other technical aspects.

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:

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2020	2019	2019
	KD'000		
Amortised costs:			
Cash and bank balances	485,375	296,985	377,122
Trade and other receivables	491,399	423,272	393,185
Other assets	-	-	1,010
Investment securities –FVTPL	7,367	8,540	10,754
Investment securities – FVOCI	6,448	6,360	7,320

All financial liabilities are categorized as 'other than at fair value through profit or loss'.

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).

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

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.

31 March 2020

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at FVTPL	618	6,749	-	7,367
Investments securities at FVOCI	1,138	2,176	3,134	6,448
Total assets	1,756	8,925	3,134	13,815

31 December 2019

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at FVTPL	736	7,804	-	8,540
Investments securities at FVOCI	1,240	2,091	3,029	6,360
Total assets	1,976	9,895	3,029	14,900

31 March 2019

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at FVTPL	3,233	7,521	-	10,754
Investments securities at FVOCI	1,043	1,106	5,171	7,320
Total assets	4,276	8,627	5,171	18,074

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 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 effect on the net monetary position is included in the Condensed Consolidated Statement of Profit or Loss as 'net monetary gain'.

The general price indices used in adjusting the results, cash flows and the financial position of Zain South Sudan set out below is based on the Consumer Price Index (CPI) published by South Sudan Bureau for Statistics.

	Index	Conversion factor
31 March 2020	10,881	1
31 December 2019	10,657	1.02
31 December 2018	6,306	1.73
31 December 2017	4,502	2.42
31 December 2016	2,068	5.26
31 December 2015	357	30.50
31 December 2014	170	64.00
31 December 2013	155	70.33

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2020 (Unaudited)

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.

At 31 March 2020:

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
			KD `000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	16,056	245,522

At 31 December 2019:

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
			KD `000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	10,350	241,142

At 31 March 2019:

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
			KD `000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	7,193	241,954

20. IMPACT OF COVID-19

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the condensed consolidated interim financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the condensed consolidated interim financial information:

Impairment of non-financial assets

The Group has performed a qualitative assessment for its investment in CGUs, considering the minimal impact of COVID-19 on entities operating in the telecommunication sector, and compared the actual results for the period against the budget and industry benchmarks to conclude the impairment assessment as at 31 December 2019 remains largely unchanged.

The Group has also considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, intangible assets and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19.

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Expected Credit Losses ("ECL") and impairment of financial assets

The Group has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Group has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, this condensed consolidated interim financial information has been appropriately prepared on a going concern basis.

21. Comparatives

Certain comparative figures have been reclassified to conform to current period presentation. Such reclassifications do not affect previously reported net profit or shareholders' equity.

Impact of adoption of IFRIC 23 Uncertainty over Income Tax Treatments

The Group applied IFRIC 23: 'Uncertainty over Income Tax Treatments' using the modified retrospective method in December 2019. Accordingly, the management determined an additional tax liability of KD 45.140 million for the years 2011 to 2018 which was adjusted to opening retained earnings as on 1st January 2019.

Accordingly the incomes tax payables, opening retained earnings and minority interest in the comparative period ended 31 March 2019 have been restated by KD 45.140 million, KD 34.279 million and KD 10.861 million respectively.