

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

**Condensed Consolidated Interim Financial Information (Unaudited)  
31 March 2023**

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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 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 2023 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this 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 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.

As a result of unavailability of complete information as on the date of our report we were unable to complete our review of ROU, lease liabilities, ROU classified as held for sale and lease liabilities classified as held for sale pertaining to the Group's operations in a subsidiary amounting to KD 67 million, KD 93 million, KD 36 million and KD 13 million respectively (31 December 2022 : KD 65 million, KD 56 million, KD 82 million and KD 66 million respectively) included in the Right of use assets (ROU), lease liabilities, assets of disposal group classified as held for sale and liabilities of disposal group classified as held for sale in the condensed consolidated statement of financial position at KD 124 million, KD 164 million, KD 177 million and KD 29 million respectively (31 December 2022 : KD 106 million, KD 105 million, KD 260 million and KD 88 million respectively). Had we been able to complete our review procedures on above balances, matters might have come to our attention indicating that adjustments might be necessary to the interim financial information.

*Qualified Conclusion*

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying 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 2 of the interim financial information, which describe that the Group's operations and the carrying amount of its telecommunication assets located in Sudan may be affected as a result of the military operations taking place in Sudan since 15 April 2023. Our conclusion 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 interim financial information is in agreement with the books of account of the Company. We further report that, nothing has come to our attention that causes us to believe that there is 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 2023 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, nothing has come to our attention that causes us to believe that there is any violations of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2023 that might have had a material effect on the business of the Company or on its financial position.



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

Kuwait  
09 May 2023

Condensed Consolidated Statement of Financial Position as at 31 March 2023 (Unaudited)

		Unaudited	Audited	Unaudited
		31 March	31 December	31 March
	Note	2023	2022	2022
				KD '000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	3	359,822	240,409	227,843
Trade and other receivables		831,861	784,406	701,124
Contract assets		70,117	70,457	65,490
Inventories		65,603	48,144	54,152
Investment securities at FVTPL		84,361	34,129	29,499
		<u>1,411,764</u>	<u>1,177,545</u>	<u>1,078,108</u>
Assets of disposal group classified as held for sale	4	176,957	259,759	197,991
		<u>1,588,721</u>	<u>1,437,304</u>	<u>1,276,099</u>
<b>Non-current assets</b>				
Contract assets		49,213	49,155	49,180
Investment securities at FVOCI		18,571	17,600	19,339
Investments in associates and joint venture	5	110,797	96,533	80,181
Other non-current assets		50,094	42,328	33,670
Right of use of assets		124,412	106,461	84,372
Property and equipment	6	1,036,518	1,067,694	1,083,627
Intangible assets and goodwill	7	2,132,987	2,132,433	2,132,118
		<u>3,522,592</u>	<u>3,512,204</u>	<u>3,482,487</u>
<b>Total assets</b>		<u>5,111,313</u>	<u>4,949,508</u>	<u>4,758,586</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables		1,137,536	983,262	979,755
Deferred revenue		67,478	64,270	88,983
Income tax payables	8	19,601	18,604	21,643
Due to banks	9	152,496	213,559	391,669
Lease liabilities		21,933	19,424	17,094
		<u>1,399,044</u>	<u>1,299,119</u>	<u>1,499,144</u>
Liabilities of disposal group classified as held for sale	4	29,302	88,281	83,333
		<u>1,428,346</u>	<u>1,387,400</u>	<u>1,582,477</u>
<b>Non-current liabilities</b>				
Due to banks	9	1,153,196	1,152,999	900,767
Lease liabilities		142,361	85,375	84,440
Other non-current liabilities	10	403,615	427,874	423,671
		<u>1,699,172</u>	<u>1,666,248</u>	<u>1,408,878</u>
<b>Equity</b>				
<b>Attributable to the Company's shareholders</b>				
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	216,354
Foreign currency translation reserve		(1,515,977)	(1,513,879)	(1,508,539)
Investment fair valuation reserve		(9,101)	(9,353)	(3,674)
Other reserves		5,222	3,855	1,038
Retained earnings		447,197	392,999	287,480
		<u>1,283,565</u>	<u>1,229,846</u>	<u>1,132,529</u>
Non-controlling interests		700,230	666,014	634,702
<b>Total equity</b>		<u>1,983,795</u>	<u>1,895,860</u>	<u>1,767,231</u>
<b>Total liabilities and equity</b>		<u>5,111,313</u>	<u>4,949,508</u>	<u>4,758,586</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 09 May 2023.

Osamah Othman Alfaraih  
Chairman

Bader Nasser Al Kharafi  
Vice Chairman & Chief Executive Officer

Condensed Consolidated Statement of Profit or Loss – 31 March 2023 (Unaudited)

	Note	Three months ended 31 March	
		2023	2022
		KD'000	
Revenue		468,354	407,603
Cost of sales		(155,836)	(135,545)
Operating and administrative expenses		(139,662)	(111,872)
Expected credit loss on financial assets (ECL)		(7,500)	(6,614)
Depreciation and amortization		(79,948)	(82,841)
Interest income		4,048	814
Investment income	12	693	1,346
Share of results of associates and joint venture	5	43	1,578
Other expenses		(10,068)	(1,172)
Gain on sale and lease back transaction	4	46,272	-
Finance costs		(29,392)	(16,084)
(Loss)/gain from currency revaluation		(719)	2,734
<b>Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration</b>		<b>96,285</b>	<b>59,947</b>
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(561)	(490)
National Labour Support Tax (NLST) and Zakat		(4,307)	(1,931)
Income tax expenses		(4,612)	(5,488)
Board of Directors' remuneration		(109)	(109)
<b>Profit for the period</b>		<b>86,696</b>	<b>51,929</b>
<b>Attributable to:</b>			
Shareholders of the Company		54,198	47,221
Non-controlling interests		32,498	4,708
		<b>86,696</b>	<b>51,929</b>
<b>Earnings per share</b>	13		
Basic and diluted – Fils		13	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 2023 (Unaudited)**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	
<b>Profit for the period</b>	86,696	51,929
<b>Other comprehensive income</b>		
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(957)	(6,847)
Other reserves	3,674	9,527
	<u>2,717</u>	<u>2,680</u>
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in the fair value of equity investments at FVOCI	252	946
Total comprehensive income for the period	<u>89,665</u>	<u>55,555</u>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	53,719	42,616
Non-controlling interests	35,946	12,939
	<u>89,665</u>	<u>55,555</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 2023 (Unaudited)

	Equity attributable to Company's shareholders							Total	
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Other reserves	Retained earnings		Non - controlling interests
								KD '000	
Balance at 1 January 2023	432,706	1,707,164	216,354	(1,513,879)	(9,353)	3,855	392,999	666,014	1,895,860
Profit for the period	-	-	-	-	-	-	54,198	32,498	86,696
Other comprehensive income for the period	-	-	-	(2,098)	252	1,367	-	3,448	2,969
Total comprehensive income for the period <i>Transactions with shareholders of the Company, recognized directly in equity</i>	-	-	-	(2,098)	252	1,367	54,198	35,946	89,665
Cash dividends	-	-	-	-	-	-	-	(1,730)	(1,730)
Balance at 31 March 2023	432,706	1,707,164	216,354	(1,515,977)	(9,101)	5,222	447,197	700,230	1,983,795
Balance at 1 January 2022	432,706	1,707,164	216,354	(1,499,458)	(4,620)	(2,492)	339,781	622,581	1,812,016
Profit for the period	-	-	-	-	-	-	47,221	4,708	51,929
Other comprehensive income for the period	-	-	-	(9,081)	946	3,530	-	8,231	3,626
Total comprehensive income for the period <i>Transactions with shareholders of the Company, recognized directly in equity</i>	-	-	-	(9,081)	946	3,530	47,221	12,939	55,555
Cash dividends - 2021 (Note 11)	-	-	-	-	-	-	(99,522)	(818)	(100,340)
Balance at 31 March 2022	432,706	1,707,164	216,354	(1,508,539)	(3,674)	1,038	287,480	634,702	1,767,231

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 2023 (Unaudited)**

	Note	Three months ended 31 March	
		2023	2022
		KD'000	
<b>Cash flows from operating activities</b>			
Profit for the period before income tax, KFAS, NLST and Zakat		96,176	59,838
Adjustments for:			
Depreciation and amortization		79,948	82,841
ECL on financial assets		7,500	6,614
Interest income		(4,048)	(814)
Investment income	12	(693)	(1,346)
Share of results of associates and joint venture		(43)	(1,578)
Finance costs		29,392	16,084
Gain on sale and lease back transaction	4	(46,272)	-
Loss/ (gain) from currency revaluation		719	(2,734)
Loss/(gain) on sale of property and equipment		3	(45)
Operating cash flows before working capital changes		162,682	158,860
Increase in trade and other receivables and contract assets		(14,161)	(26,256)
(Increase)/ decrease in inventories		(17,847)	5,099
Decrease in trade and other payables		(23,628)	(24,185)
Cash generated from operations		107,046	113,518
Income tax paid		(1,125)	(2,858)
Paid to KFAS		-	(4,901)
<i>Net cash from operating activities</i>		105,921	105,759
<b>Cash flows from investing activities</b>			
Deposits maturing after three months and cash at bank under lien	3	(87,687)	417
Proceeds from sale of investment securities		17	370
Investment in subsidiary	2	(10,029)	-
Investment in associate		(180)	-
Acquisition of property and equipment (net)		(46,848)	(39,588)
Acquisition of intangible assets (net)		(26,840)	(24,749)
Proceeds from sale of telecom assets (sale and lease back)	4	197,892	-
Interest received		1,811	534
<i>Net cash from/(used in) investing activities</i>		28,136	(63,016)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	9	4,912	3,189
Repayment of bank borrowings	9	(69,326)	(22,226)
Repayment of lease liabilities		(19,294)	(13,904)
Dividend paid to Company's shareholders		(379)	(462)
Finance costs paid		(17,694)	(8,043)
<i>Net cash used in financing activities</i>		(101,781)	(41,446)
Net increase in cash and cash equivalents		32,276	1,297
Effect of foreign currency translation		(550)	(4,921)
Cash and cash equivalents at beginning of period		234,363	229,716
<b>Cash and cash equivalents at end of period</b>	3	266,089	226,092

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

**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 7 other countries (31 December 2022 - Kuwait and 7 other countries; 31 March 2022 - Kuwait and 7 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, the Group believes that there is no definitive basis to apply IAS 29 at this stage. However, the Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 as of 31 March 2023.

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 2023, 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 2022.

Subsequent to period ending 31 March 2023, on 15 April 2023, a violent power struggle broke out in Sudan's capital, Khartoum between the two main factions of the ruling military regime. This may have an impact on the Group's telecommunication assets and operations in Sudan. The Group has assessed the overall security situation and has activated the business continuity response and disaster recovery procedures. Furthermore, despite the difficult conditions, the Group continues to provide telecommunication services in all parts of Sudan. However, the Group continues to monitor the situation there and notes that there is general uncertainty over how and when this matter will be resolved, and what impact, if any, it may eventually have on the Group's assets or operations.

**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 2022.

### New and amended IFRS Standards that are effective for the current year

The Group has applied the certain new and revised IFRS Standards that have been issued and effective during the current period. The application of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

### Significant judgments and estimates

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2022.

### Acquisition of Subsidiary

During the period, the Group acquired the entire equity interest of Business Integrated Operating Systems (BIOS) for a purchase consideration of AED 157.57 million (KD 13.171) of which an amount of AED 126.056 (KD 10.029 million) was paid during the period. The recognized amounts of net assets of BIOS as at the date of acquisition was AED 7.044 million (KD 0.589 million), resulting in a goodwill of AED 150.526 million (KD 12.582). The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA).

### Financial support to 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 (Pella) and Al Khatem (Atheer) 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.

## 3. Cash and bank balances

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

	Unaudited 31 March 2023	Audited 31 December 2022	Unaudited 31 March 2022
	KD '000		
Cash on hand and at banks	227,922	213,681	181,341
Short-term deposits with banks	161,672	56,336	62,942
Government certificates of deposits held by subsidiaries	8	8	8
	389,602	270,025	244,291
Expected credit loss	(29,780)	(29,616)	(16,448)
	359,822	240,409	227,843
Cash at bank under lien	(93,725)	(6,038)	(1,743)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(8)	(8)	(8)
Cash and cash equivalent in the condensed consolidated statements of cash flows	266,089	234,363	226,092

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

The carrying value of disposal group held for sale comprises of remaining telecom tower assets and remaining right of use of assets and its related lease liabilities classified as held for sale in Kuwait, KSA and Iraq as follows.

	KD'000					
	Kuwait	KSA	Iraq	Total		
				31 March 2023	31 December 2022	31 March 2022
Telecom tower assets	1,631	67,576	41,476	110,683	150,547	112,220
Right of use of assets	5,471	36,412	24,391	66,274	109,212	85,771
	<u>7,102</u>	<u>103,988</u>	<u>65,867</u>	<u>176,957</u>	<u>259,759</u>	<u>197,991</u>
Lease liabilities	<u>1,734</u>	<u>13,220</u>	<u>14,348</u>	<u>29,302</u>	<u>88,281</u>	<u>83,333</u>

These are expected to be sold during the year 2023.

KSA

In 2022, SMTC received board of directors' approval on the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud bin Fahd Bin Abdulaziz, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in SMTC's towers infrastructure comprising of 8,069 towers, valuing these assets at USD 807 million (KD 250.089 million). Pursuant to the Final Offers SMTC will own 20% stake in newly formed Tower Company. PIF's Final Offer also includes a call option that will grant PIF the right to buy the remaining 20% stake from SMTC for a certain amount. Under the terms of the offers, SMTC will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

On 28 May 2022, SMTC received a letter from the Communications, Space and Technology Commission ("CST"), which included the CST's Board of Directors approval for "Zain Business Limited" Company (a subsidiary of Zain KSA) to acquire aforementioned telecom tower sites owned by SMTC.

In September 2022, PIF acquired Zain Business Limited and changed the name to Golden Lattice Investment Company (GLI). In October 2022, SMTC entered into an Asset Purchase Agreement ("APA") with GLI to transfer 8,069 towers for an aggregate value of USD 807 million (KD 250.089 million). Under the APA, as part of "Financial Completion" SMTC was to receive cash proceed of SAR 2,421 million along with a 20% equity stake in GLI.

During the period, pursuant to the financial completion under the APA the Group:-

- received advance from GLI amounting to SAR 2,421 million (KD 197.892 million)
- derecognized 3,600 towers for a cash consideration of SAR 745 million (KD 60.904 million) which was
  - partially adjusted against the advances received from GLI and;
  - partially adjusted against 20% stake in GLI valued at SAR 605 million (KD 49.459 million) as in-kind consideration.

Total gain from this transaction was SAR 566.022 million (KD 46.272 million) which is recognized in the statement of profit or loss during period.

Iraq

During 2022, Atheer Telecom Iraq Limited received approval from its board of directors for the sale of its passive tower infrastructure. Under the terms of the offer received, Atheer was to sell and leaseback its passive physical towers infrastructure comprising of 4,604 towers.

In January 2023, Atheer sold and leased back from TTI Holding Limited (TTI, a subsidiary of the Group) 4,604 towers, for an aggregate value of US\$ 180 million (KD 55.224 million). This intercompany transaction was eliminated at the Group level.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2023 (Unaudited)

*Kuwait*

Between 2020 and 2022 the Company completed the sale and lease back of 1,398 telecom towers in Kuwait.

**5. Investments in associates and joint venture**

*Investments in associates*

This includes the Group's:

- KD 0.954 million (31 December 2022 – KD 1.083 million; 31 March 2022- KD 1.405 million) interest in IHS Kuwait Limited which represents 30% of the equity shares and voting rights of the associate. The associate became operational in February 2020 pursuant to the sale and lease back of telecommunication towers transaction with the Company.
- KD 26.555 million (31 December 2022 – KD 13.360; 31 March 2022- KD Nil) interest in TASC Towers Holding Limited ("TASC") which represents 83.5% (31 December 2022 – 69.1%) of the equity shares of the associate.

The Group determines that it does not have the control over TASC on the basis that the Group does not have majority representation in the Board under the terms agreed in the agreement between TASC shareholders.

The carrying value of the associates and its results for the period are determined by Group management using the equity method based on management information provided by the associates.

*Investments in joint venture*

This includes Group's KD 82.941 million (31 December 2022 - KD 81.925 million; 31 March 2022: KD 78.679 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). The carrying value of this joint venture and its results for the year are determined by Group management using equity method based on management information provided by Wana Corporate.

**6. Property and equipment**

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>KD '000</b>		
Net fixed assets	916,993	941,950	966,988
Capital work in progress	119,525	125,744	116,639
	<b>1,036,518</b>	<b>1,067,694</b>	<b>1,083,627</b>

During the three-months period ended 31 March 2023, the Group acquired property and equipment amounting to KD 22.854 million (31 March 2022: KD 20.544 million). Depreciation charged for the period amounted to KD 48.185 million (31 March 2022: KD 50.296 million).

**7. Intangible assets and goodwill**

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>KD '000</b>		
Intangible assets	1,543,679	1,557,230	1,545,878
Goodwill	582,999	568,916	586,240
Capital work in progress	6,309	6,287	-
	<b>2,132,987</b>	<b>2,132,433</b>	<b>2,132,118</b>

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During the three-months period ended 31 March 2023, the Group acquired intangible assets amounting to KD 11.446 million (31 March 2022: KD 1.789 million). Amortization charged for the period amounted to KD 25.550 million (31 March 2022: KD 23.959 million).

During the period the Group recognized additional goodwill of KD 12.582 million as a result of acquisition of BIOS (refer note 2).

**8. Income tax payables**

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

*Atheer - Iraq*

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT).

Atheer has booked the income tax expenses for the year from 2019 to date, based on self-assessment, considering most likely outcome. No assessment order has yet been received. Income tax assessment for all other years are paid and settled.

Management believes that they have adequate provisions for liabilities in respect of the assessments contested.

**9. Due to banks**

	Unaudited 31 March 2023	Audited 31 December 2022	Unaudited 31 March 2022
	KD '000		
<i>Company</i>			
Short term loans	-	21,406	39,455
Long term loans	537,956	538,854	497,267
	537,956	560,260	536,722
<i>SMTC</i>			
Long term loans	449,893	490,723	458,688
	449,893	490,723	458,688
<i>Zain Jordan</i>			
Long term loans	79,764	79,506	48,552
	79,764	79,506	48,552
<i>Atheer – Iraq</i>			
Bank overdraft	4,913	2,516	7,191
Long term loans	233,166	233,553	241,283
	238,079	236,069	248,474
	1,305,692	1,366,558	1,292,436

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

	Unaudited 31 March 2023	Audited 31 December 2022	Unaudited 31 March 2022
	KD '000		
Opening balance	1,366,558	1,305,560	1,305,560
Proceeds from bank borrowings	4,912	458,543	3,189
Repayment of bank borrowings	(69,326)	(420,518)	(22,226)
Effect of change in foreign exchange rates	3,548	22,973	5,913
	1,305,692	1,366,558	1,292,436

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The current and non-current amounts are as follows:

	Unaudited 31 March 2023	Audited 31 December 2022	Unaudited 31 March 2022 KD '000
Current liabilities	152,496	213,559	391,669
Non-current liabilities	1,153,196	1,152,999	900,767
	<u>1,305,692</u>	<u>1,366,558</u>	<u>1,292,436</u>

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

	Unaudited 31 March 2023	Audited 31 December 2022	Unaudited 31 March 2022 KD '000
US dollar	643,281	670,902	860,303
Kuwaiti dinar	296,322	296,343	25,000
Saudi Riyals	366,089	399,313	407,133
	<u>1,305,692</u>	<u>1,366,558</u>	<u>1,292,436</u>

The effective interest rate as at 31 March 2023 was 5.94% (31 December 2022 – 4.06%; 31 March 2022 – 2.81%) 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 Amortization (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- consolidated net borrowings to consolidated net worth (equity).

*Company*

During the period, the Company has:

- drawn down amount of KD Nil from existing and new facilities (31 December 2022 - KD 143.489 million).
- repaid loans amounting to KD 23.152 million (31 December 2022 – KD 127.457 million). This includes:
  - US\$ 70 million (KD 21.476 million) of a revolving credit facility amounting to US\$ 70 million.

The above facilities carry a fixed margin over three or six month London Inter-Bank Offer Rate (LIBOR) or over Central Bank Discount rate.

*SMTC*

Term loans include:

- 1) SAR 5,503 million (KD 449.893 million) (31 December 2022: SAR 5,488 million equivalent to KD 448.254 million) syndicated murabaha facility. The working capital facility amounting to SAR 520 million (KD 42.469 million) as at 31 December 2022 was repaid during the period.

In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the Murabaha facilities that existed as of that date and to secure additional funding for future capital investment.

The Agreement:

- a. Includes a Total Term Murabaha Facility of SAR 6,000 million (KD 490.500 million), consisting of SAR 4.880 billion (KD 0.399 billion) and US\$ portion of SAR 1.120 billion (KD 0.092 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (KD 0.284 billion) and balance for future specified business purposes.
- b. Includes a revolving working capital facility of SAR 1,000 million (KD 81.750 million) consisting of SAR 813.393 million (KD 66.495 million) and a US\$ portion totaling to SAR 186.607 million (KD 15.255 million).

The Murabaha Facility continues to be 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.

A portion of above syndicated loan has been hedged through a profit rate swap contract.

- 2) During 2019, SMTC signed syndicated junior murabaha facility amounting to SAR 2,250 million (KD 186.48 million) (31 December 2021: SAR 2,247 million equivalent to KD 186.231 million) from a consortium of banks with a two- year tenure with an option to extend for one more year. During April 2022, SMTC has voluntary settled the outstanding principal as per the Murabaha Financing agreement.

*Zain Jordan*

Long term loans include:

- 1) US\$ 160 million (KD 49.088 million) (31 December 2022 – US\$ 160 million equivalent to KD 48.928 million; 31 March 2022 – US\$ 160 million equivalent to KD 48.560 million) term loan from a commercial bank that is repayable by 2025.
- 2) US\$ 100 million (KD 30.680 million) (31 December 2022 – US\$ 100 million equivalent to KD 30.580 million; 31 March 2022 – US\$ Nil) term loan from a commercial bank which is repayable by 30 April 2027.

*Atheer*

- 1) US\$ 70 million (KD 27.476 million) (31 December 2022 – US\$ 70 million equivalent to KD 21.406 million; 31 March 2022 -US\$ 90 million equivalents to KD 27.315 million) term loan from a commercial bank that is repayable by 17 December 2024.
- 2) US\$ 105 million (KD 32.214 million) (31 December 2022 – US\$ 105 million equivalent to KD 32.109 million; 31 March 2022 -US\$ 105 million equivalents to KD 31.868 million) term loan from a commercial bank which is repayable by 30 June 2023.
- 3) US\$ 150 million (KD 46.02 million) (31 December 2022 – US\$ 150 million equivalent to KD 45.87 million; 31 March 2022 -US\$ 150 million equivalents to KD 45.525 million) revolving credit facilities from a commercial bank repayable by 17 December 2025.
- 4) US\$ 100 million (KD 30.68 million) (31 December 2022 – US\$ 100 million equivalent to KD 30.58 million; 31 March 2022 -US\$ 100 million equivalents to KD 30.35 million) term loan from a commercial bank repayable by 31 July 2023.
- 5) US\$ 50 million (KD 15.34 million) (31 December 2022 – US\$ 50 million equivalent to KD 15.29 million; 31 March 2022 -US\$ 50 million equivalents to KD 15.175 million) term loan from a commercial bank repayable by 14 April 2024.
- 6) US\$ 60 million (KD 18.408 million) (31 December 2022 – US\$ 63.75 million equivalent to KD 19.495 million; 31 March 2022 -US\$ 75 million equivalents to KD 22.763 million) term loan from a commercial bank repayable by 28 April 2025.

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- 7) US\$ 125 million (KD 38.35 million) (31 December 2022 – US\$ 125 million equivalent to KD 38.225 million; 31 March 2022 -US\$ 125 million equivalents to KD 37.938 million) term loan from a commercial bank repayable by 03 May 2025.
- 8) US\$ 100 million (KD 30.68 million) (31 December 2022 – US\$ 100 million equivalent to KD 30.58 million; 31 March 2022 -US\$ 100 million equivalents to KD 30.35 million) term loan from a commercial bank repayable by 25 May 2024.

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

10. Other non-current liabilities

	Unaudited 31 March 2023	Audited 31 December 2022	Unaudited 31 March 2022
	KD '000		
Payable to Ministry of Finance- Saudi Arabia (refer below)	203,326	203,152	247,957
Due on acquisition of spectrum	144,011	167,239	124,583
Customer deposits	3,193	3,190	3,277
Post-employment benefits	48,034	46,648	41,609
Others	5,051	7,645	6,245
	<u>403,615</u>	<u>427,874</u>	<u>423,671</u>

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due until 2021. These amounts are being repaid in seven installments starting June 2021. The current portion of these payables is recorded under trade and other payables.

11. Share capital

The authorized, issued and fully paid up (in cash and bonus shares) share capital as of 31 March 2023 is 4,327,058,909 shares (31 December 2022 – 4,327,058,909; 31 March 2022 - 4,327,058,909) of 100 fils each.

*Dividend*

The annual general meeting of shareholders for the year ended 31 December 2022 held on 13 April 2023 approved distribution of a cash dividend of 25 fils per share to the registered shareholders, for the second half of the year 2022, after obtaining necessary regulatory approvals. This is in addition to the interim dividend of 10 fils distributed earlier in 2022 totaling 35 fils per share for the year 2022 (31 December 2021 – 33 fils per share).

12. Investment income

	Three months ended 31 March (Unaudited)	
	2023	2022
	KD'000	
Gain from investment securities at fair value through profit or loss (FVTPL)	693	1,346
	<u>693</u>	<u>1,346</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:

	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2023</b>	<b>2022</b>
	<b>KD'000</b>	
Profit for the period attributable to shareholders of the Company	54,198	47,221
	<b>Shares</b>	<b>Shares</b>
Weighted average number of shares in issue outstanding during the period	4,327,058,909	4,327,058,909
	<b>Fils</b>	<b>Fils</b>
Earnings per share – Basic and diluted.	13	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 2022 (Unaudited)

	31 March 2023						Total KD'000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	
<b>Segment revenues – airtime, data &amp; subscriptions (Point over time)</b>	64,055	37,444	50,244	67,675	11,532	170,088	11,907
<b>Segment revenues - trading income (Point in time)</b>	23,100	2,027	829	518	3,218	25,251	466
<b>Net profit before interest and tax</b>	18,617	10,064	24,825	5,925	1,289	15,946	(3,154)
Interest income	674	202	924	109	67	1,907	56
Gain on sale and lease back transaction	-	-	-	9,905*	-	46,272	-
Finance costs	(185)	(3,075)	(248)	(6,418)	(192)	(13,736)	(47)
Income tax expenses	-	(1,800)	(2,012)	(467)	-	-	(26)
	19,106	5,391	23,489	9,054	1,164	50,389	(3,171)
<i>Unallocated items:</i>							
Investment income							693
Share of results of associates and joint venture							166
Others (including unallocated interest income, income tax and finance costs, net of elimination)							(19,585)
<b>Profit for the period</b>							86,696
<b>Segment assets including allocated goodwill</b>	415,259	391,733	151,244	1,066,618	98,290	2,353,434	128,860
ROU assets	10,883	9,473	3,184	19,757	12,840	66,607	1,668
<i>Unallocated items:</i>							
Investment securities at FVTPL							84,361
Investment securities at FVOCI							18,571
Investment in associates and joint venture							110,797
Others (net of eliminations)							167,734
<b>Consolidated assets</b>							5,111,313
<b>Segment liabilities</b>	190,994	154,330	77,295	155,437	32,091	988,163	127,823
Lease liabilities (current and non-current)	16,775	11,587	1,693	27,057	12,852	92,846	1,484
Due to banks	-	79,764	-	238,081	-	449,893	-
	207,769	245,681	78,988	420,575	44,943	1,530,902	129,307
<i>Unallocated items:</i>							
Due to banks							537,954
Others (net of eliminations)							(68,601)
<b>Consolidated liabilities</b>							3,127,518
<b>Net consolidated assets</b>							1,983,795
Capital expenditure incurred during the period	3,070	189	16,262	6,653	278	3,093	4,334
Unallocated (net of eliminations)							421
<b>Total capital expenditure</b>							34,300
Depreciation of property and equipment and amortization of intangible assets	10,813	5,360	988	15,368	2,380	38,169	1,361
Amortization of ROU assets	1,586	355	200	112	832	3,077	52
Unallocated (net of eliminations)							(705)
<b>Total depreciation and amortization</b>							79,948

\* Eliminated at Group level (refer note 4).

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)

	31 March 2022						Total KD '000	
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA		Others
<b>Segment revenue – airtime, data &amp; subscriptions (Point over time)</b>	62,669	36,053	29,485	58,046	11,167	150,531	6,971	354,922
<b>Segment revenue - trading income (Point in time)</b>	22,117	1,602	170	564	2,640	25,574	14	52,681
<b>Net profit before interest and tax</b>	20,441	9,344	15,275	6,358	1,423	16,027	1,016	69,884
Interest income	375	239	309	1	25	37	3	989
Finance costs	(192)	(1,601)	(41)	(3,677)	(183)	(9,550)	(8)	(15,252)
Income tax expenses	-	(1,962)	(1,742)	(1,726)	-	-	-	(5,430)
	20,624	6,020	13,801	956	1,265	6,514	1,011	50,191
<i>Unallocated items:</i>								
Investment income								1,346
Share of results of associates and joint venture								813
Others (including unallocated interest income, income tax and finance costs net of eliminations)								(421)
<b>Profit for the period</b>								51,929
<b>Segment assets including allocated goodwill</b>	383,966	387,999	64,471	1,042,955	92,139	2,247,044	86,028	4,304,602
ROU assets	10,149	8,372	812	25,929	11,133	27,951	26	84,372
<i>Unallocated items:</i>								
Investment securities at FVTPL								29,499
Investment securities at FVOCI								19,339
Investment in associates and joint venture								80,181
Others (net of elimination)								240,593
<b>Consolidated assets</b>								4,758,586
<b>Segment liabilities</b>	157,311	140,935	26,699	127,443	29,760	989,578	68,308	1,540,034
Lease liabilities (current and non-current)	17,053	10,169	426	24,617	11,098	38,157	14	101,534
Due to banks	-	48,552	-	248,474	-	458,688	-	755,714
	174,364	199,656	27,125	400,534	40,858	1,486,423	68,322	2,397,282
<i>Unallocated items:</i>								
Due to banks								536,722
Others								57,351
<b>Consolidated liabilities</b>								2,991,355
<b>Net consolidated assets</b>								1,767,231
Capital expenditure incurred during the period	2,619	1,065	1,391	4,459	223	9,996	2,184	21,937
Unallocated								396
<b>Total capital expenditure</b>								22,333
Depreciation of property and equipment and amortization of intangible assets	9,475	7,153	606	15,788	2,370	37,897	1,091	74,380
Amortization of ROU assets	1,577	360	44	1,610	739	4,273	9	8,612
Unallocated (net of elimination)								(151)
<b>Total depreciation and amortization</b>								82,841

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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)	
	2023	2022
	KD'000	
Revenue	2,911	68
Cost of sales	4,277	2,048

Key management compensation

	Three months ended 31 March (Unaudited)	
	2023	2022
	KD'000	
Salaries and other short-term employee benefits	663	615
Post-employment benefits	158	208

Balances

	Unaudited	Audited	Unaudited
	31 March 2023	31 December 2022	31 March 2022
	KD '000		
Trade receivables	2,973	2,649	204
Trade payables	4,507	8,355	2,520

16. Commitments and contingencies

	Unaudited	Audited	Unaudited
	31 March 2023	31 December 2022	31 March 2022
	KD '000		
Capital commitments	67,646	63,803	77,359
Uncalled share capital of investee companies	644	634	1,228
Letters of guarantee and credit	60,153	64,461	76,902

*Income taxes in Iraq*

Atheer received an income tax claim of US\$ 19.3 million (KD 5.981 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer submitted its objection to this additional income tax claim which was rejected by the IGCT on 15 March 2020. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

*Pella - Jordan*

Pella is a defendant in lawsuits amounting to KD 22.627 million (31 December 2022 – KD 22.573 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

*MTC Kuwait*

A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communication since 26 July 2011 was invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group has a claim in the form of recovery of excess regulatory tariff paid amounting to KD 24.680 million. In June 2022, the first degree judgement was issued in favour of the Group. In February 2023, Court of Appeal judgement was issued in favour of the Group. The Ministry appealed the case in Court of Cassation and the next hearing is scheduled on 11th July 2023.

SMTC

SMTC received withholding tax assessments from Zakat, Tax and Customs Authority ("ZATCA") for an additional amount of SAR 269.3 million (KD 22.015 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees. The SMTC believes that the outcome of those appeals will be in its favor with no material financial impact as the SMTC has sufficient provisions to cover these amounts.

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 31 March 2023	Audited 31 December 2022	Unaudited 31 March 2022
	KD'000		
<b>Amortised costs</b>			
Cash and bank balances	359,822	240,409	227,843
Trade and other receivables	705,251	668,998	580,273
Other assets	21,105	15,967	
<b>Investment securities –FVTPL</b>	84,361	34,129	29,499
<b>Investment securities – FVOCI</b>	18,571	17,600	19,339

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).

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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 2023**

	Level 1	Level 2	Level 3	Total
				KD'000
<b>Financial assets at fair value:</b>				
Investments securities at FVTPL	-	11,695	72,666	84,361
Investments securities at FVOCI	1,929	2,604	14,038	18,571
Total assets	1,929	14,299	86,704	102,932

**31 December 2022**

	Level 1	Level 2	Level 3	Total
				KD'000
<b>Financial assets at fair value:</b>				
Investments securities at FVTPL	-	12,021	22,108	34,129
Investments securities at FVOCI	1,857	2,803	12,940	17,600
Total assets	1,857	14,824	35,048	51,729

**31 March 2022**

	Level 1	Level 2	Level 3	Total
				KD'000
<b>Financial assets at fair value:</b>				
Investments securities at FVTPL	-	10,660	18,839	29,499
Investments securities at FVOCI	2,368	2,856	14,115	19,339
Total assets	2,368	13,516	32,954	48,838

During the period, there were no transfers between any of the fair value hierarchy levels.

**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/loss**

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 impact of Net monetary gain/loss for the period is not material to the interim financial information.

**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.

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**At 31 March 2023:**

	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 – Receive 3-month LIBOR/SIBOR, Pay fixed profit rate</i>			
Profit rate swaps	12,744	-	237,075

**At 31 December 2022:**

	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 – Receive 3-month LIBOR/SIBOR, Pay fixed profit rate</i>			
Profit rate swaps	9,056	-	236,872

**At 31 March 2022:**

	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 – Receive 3-month LIBOR/SIBOR, Pay fixed profit rate</i>			
Profit rate swaps	627	-	259,328