

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 June 2015**

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

INDEPENDENT AUDITORS' 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 30 June 2015 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for three-month and six-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the six-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, that we believe should have been recorded in these condensed consolidated interim financial information with respect to its subsidiaries in Sudan, to conform with that standard.

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.

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

INDEPENDENT AUDITORS' 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. 25 of 2012, as amended, and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association during the six-month period ended 30 June 2015 that might have had a material effect on the business of the Company or on its financial position.



**Bader A. Al-Wazzan
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Kuwait
29 July 2015



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Mobile Telecommunications Company K.S.C.P
Kuwait

Condensed Consolidated Statement of Financial Position as at 30 June 2015 (Unaudited)

		Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2014
	Note			KD '000
Assets				
Current assets				
Cash and bank balances	3	294,669	343,570	355,046
Trade and other receivables		386,002	358,377	361,771
Inventories		30,764	16,836	19,729
Investment securities- at fair value through profit or loss		1,453	1,941	1,718
		<u>712,888</u>	<u>720,724</u>	<u>738,264</u>
Non-current assets				
Investment securities – available for sale		30,809	37,717	42,295
Investments in associates and joint ventures	4	232,978	238,977	247,052
Due from associates		338,041	309,298	290,417
Other assets		23,379	22,772	20,269
Property and equipment		909,747	852,590	746,908
Intangible assets		1,200,533	1,094,985	1,055,329
		<u>2,735,487</u>	<u>2,556,339</u>	<u>2,402,270</u>
Total Assets		<u>3,448,375</u>	<u>3,277,063</u>	<u>3,140,534</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		695,653	656,064	550,935
Due to banks	5	317,568	171,616	244,742
		<u>1,013,221</u>	<u>827,680</u>	<u>795,677</u>
Non-current liabilities				
Due to banks	5	643,218	616,645	624,434
Other non-current liabilities		40,922	38,769	37,599
		<u>684,140</u>	<u>655,414</u>	<u>662,033</u>
Equity				
Attributable to the Company's shareholders				
Share capital	6	432,706	432,706	432,637
Share premium		1,707,164	1,707,164	1,707,104
Treasury shares	8	(567,834)	(567,834)	(567,834)
Legal reserve		216,353	216,353	216,134
Foreign currency translation reserve		(651,588)	(677,007)	(687,832)
Treasury shares reserve		1,967	1,967	1,967
Investment fair valuation reserve		(1,080)	1,205	174
Hedge reserve		(2,454)	(1,931)	(2,112)
Retained earnings		437,210	512,780	433,474
		<u>1,572,444</u>	<u>1,625,403</u>	<u>1,533,712</u>
Non-controlling interests		178,570	168,566	149,112
Total equity		<u>1,751,014</u>	<u>1,793,969</u>	<u>1,682,824</u>
Total Liabilities and Equity		<u>3,448,375</u>	<u>3,277,063</u>	<u>3,140,534</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 29 July 2015.


Asaad Ahmed Al Banwan
Chairman


M. Scott Gegerheimer
Chief Executive Officer

Mobile Telecommunications Company K.S.C.P
Kuwait

Condensed Consolidated Statement of Profit or Loss – six months ended 30 June 2015 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2015	2014	2015	2014
		KD'000		KD'000	
Revenue		283,410	315,807	562,351	626,938
Cost of sales		(72,678)	(91,396)	(146,700)	(175,612)
Gross profit		210,732	224,411	415,651	451,326
Operating and administrative expenses		(85,439)	(88,796)	(172,361)	(179,731)
Depreciation and amortization		(52,914)	(42,250)	(104,941)	(88,117)
Provision for impairment – trade and other receivables		(1,441)	(2,293)	(2,316)	(6,097)
Operating profit		70,938	91,072	136,033	177,381
Interest income		1,270	4,908	3,837	9,630
Investment income	9	(885)	(275)	(1,190)	2,196
Share of results of associates and joint ventures	4	(5,594)	(7,930)	(13,271)	(16,421)
Other (expense)/income		(444)	2,827	(1,730)	2,084
Finance costs		(7,124)	(7,117)	(13,355)	(13,652)
Loss from currency revaluation		(10,636)	(9,096)	(12,678)	(16,546)
Board of Directors' remuneration		(86)	(107)	(172)	(215)
Contribution to Kuwait Foundation for Advancement of Sciences		(216)	(402)	(442)	(777)
National Labour Support Tax and Zakat		(1,491)	(1,778)	(3,081)	(3,473)
Profit for the period before income tax		45,732	72,102	93,951	140,207
Income tax expenses		(4,007)	(6,766)	(8,130)	(13,050)
Profit for the period		41,725	65,336	85,821	127,157
Attributable to:					
Shareholders of the Company		39,240	58,786	80,354	114,700
Non-controlling interests		2,485	6,550	5,467	12,457
		41,725	65,336	85,821	127,157
Earnings per share	10				
Basic – Fils		10	15	21	29

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 – six months ended
30 June 2015 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	KD'000		KD'000	
Profit for the period	41,725	65,336	85,821	127,157
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations	8,214	635	30,968	(3,635)
Net unrealised loss on available for sale investments	(493)	(745)	(3,378)	(280)
Net realised loss/(gains) transferred to consolidated statement of profit or loss on available for sale investments (net of impairment losses)	1,093	565	1,093	(1,991)
Cash flow hedges	351	(641)	(523)	(948)
	<u>9,165</u>	<u>(186)</u>	<u>28,160</u>	<u>(6,854)</u>
Total comprehensive income for the period	<u>50,890</u>	<u>65,150</u>	<u>113,981</u>	<u>120,303</u>
Total comprehensive income attributable to:				
Shareholders of the Company	47,342	58,659	102,965	108,365
Non-controlling interests	3,548	6,491	11,016	11,938
	<u>50,890</u>	<u>65,150</u>	<u>113,981</u>	<u>120,303</u>

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 Changes in Equity – six months ended 30 June 2015 (Unaudited)

	Equity attributable to Company's shareholders								Non-controlling interests	Total		
	Share Capital	Share premium	Treasury shares	Legal reserve	Foreign currency translation reserve	Treasury shares reserve	Investment fair valuation reserve	Share based compensation reserve			Hedge reserve	Retained earnings
Balance at 1 January 2015	432,706	1,707,164	(567,834)	216,353	(677,007)	1,967	1,205	-	(1,931)	512,780	168,566	1,793,969
On acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	714	714
Cash dividends (2014)	-	-	-	-	-	-	-	-	-	(156,053)	(1,832)	(157,885)
Effect of dilution of ownership interest	-	-	-	-	-	-	-	-	-	129	106	235
Total comprehensive income for the period	-	-	-	-	25,419	-	(2,285)	-	(523)	80,354	11,016	113,981
Balance at 30 June 2015	432,706	1,707,164	(567,834)	216,353	(651,588)	1,967	(1,080)	-	(2,454)	437,210	178,570	1,751,014
Balance at 1 January 2014	432,268	1,706,779	(567,834)	216,134	(684,716)	1,967	2,445	5,482	(1,164)	509,296	142,545	1,763,202
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-	(971)	(2,751)	(3,722)
Exercise of share options	369	325	-	-	-	-	-	-	-	-	-	694
Cash dividends (2013)	-	-	-	-	-	-	-	-	-	(195,033)	(2,620)	(197,653)
Transfer to retained earnings	-	-	-	-	-	-	-	(5,482)	-	5,482	-	-
Share based compensation	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(3,116)	-	(2,271)	-	(948)	114,700	11,938	120,303
Balance at 30 June 2014	432,637	1,707,104	(567,834)	216,134	(687,832)	1,967	174	-	(2,112)	433,474	149,112	1,682,824

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 Cash Flows – six months ended 30 June 2015 (Unaudited)

	Six months ended 30 June	
	2015	2014
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	93,951	140,207
Adjustments for:		
Depreciation and amortization	104,941	88,117
Interest income	(3,837)	(9,630)
Investment income	1,190	(2,196)
Share of loss of associates and joint ventures	13,271	16,421
Finance costs	13,355	13,652
Loss from currency revaluation	12,678	16,546
Operating profit before working capital changes	235,549	263,117
Increase in trade and other receivables	(36,280)	(20,752)
Increase in inventories	(13,156)	(5,038)
Increase/(decrease) in trade and other payables	6,946	(6,245)
Cash generated from operations	192,059	231,082
Paid to Kuwait Foundation for Advancement of Sciences	(700)	(3,949)
National Labour Support Tax and Zakat paid	(3,403)	(3,807)
Income tax paid	(5,617)	(10,650)
<i>Net cash from operating activities</i>	<u>182,339</u>	<u>212,676</u>
Cash flows from investing activities		
Deposits maturing after three months and bank balances blocked (note 3)	(5,578)	1,575
Net cash outflow on acquisition of subsidiaries	(4,307)	(3,513)
Purchase of investments	(967)	(273)
Proceeds from sale of investments	2,794	3,941
Acquisition of property and equipment (net)	(89,262)	(64,429)
Acquisition of intangible assets	(115,246)	(95,550)
Interest received	4,102	4,143
Dividend received	798	272
<i>Net cash used in investing activities</i>	<u>(207,666)</u>	<u>(153,834)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	372,018	333,228
Repayment of bank borrowings	(228,990)	(217,491)
Loan to an associate	(11,722)	(11,009)
Capital contribution including share premium – employees stock option	-	694
Dividends paid to Company's shareholders	(154,206)	(193,274)
Dividends paid to minority shareholders of subsidiaries	(1,751)	(1,163)
Finance costs paid	(13,120)	(10,968)
<i>Net cash used in financing activities</i>	<u>(37,771)</u>	<u>(99,983)</u>
Net decrease in cash and cash equivalents	(63,098)	(41,141)
Effect of foreign currency translation	8,619	(1,480)
Cash and cash equivalents at beginning of period	221,021	282,687
Cash and cash equivalents at end of period (Note 3)	<u>166,542</u>	<u>240,066</u>

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 in accordance with the Law of Commercial Companies of 1960. 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 2014 and 30 June 2014 - 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.

2. Basis of preparation

This condensed consolidated interim financial information is prepared in accordance with IAS 34: Interim Financial Reporting.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2014. Amendments to IFRSs, which are effective for annual accounting period starting from 1 January 2015, did not have any material impact on the accounting policies, financial position or performance of the Group.

The Group notes that the economy of the Republic of Sudan, where the Group has subsidiaries may be hyperinflationary based on the general price index showing the cumulative three-year rate of inflation exceeding 100%. However, the Group did not adopt and apply International Accounting Standard; IAS 29: Financial Reporting in Hyperinflationary Economies, from the beginning of the current year, as it was noted that IAS 29 explicitly states that it does not establish an absolute rate at which hyperinflation is deemed to arise and that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. It also clearly states that:

Hyperinflation is indicated by characteristics of the economic environment of a country, which include, but are not limited to, the following:

- a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
- b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- d) interest rates, wages and prices are linked to a price index; and
- e) the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Except for item e) above, none of the other characteristics indicate hyperinflation in Sudan. Furthermore, the Group has obtained information to show that, earlier this year, a committee representing the Council of Ministers of the Republic of Sudan, also concluded that apart from the three year cumulative rate of inflation, all of the other characteristics mentioned in IAS 29 for a country to be deemed to be hyperinflationary, do not exist and, accordingly, their recommendation is to not apply IAS 29.

The Group also took account of the financial performance of its subsidiary in Sudan, Zain Sudan during the last three financial years, which shows that the three year cumulative cost growth rate of 60% and revenue growth rate of 39% were both significantly below 100%. In addition, the Group noted that in the International Monetary Fund Sudan country report of December 2014 the cumulative three year inflation rate outlook for Sudan in 2016 is around 57% and thus applying IAS 29 now may entail going in and out of hyperinflation within a short period of time. Based on the above matters, the Group is of the opinion that there is no definitive basis to apply IAS 29 at this time and will review it on an ongoing basis.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2015 (Unaudited)

Had IAS 29 been applied, and the opening retained earnings as at 1 January 2015 been restated, it would have been higher by approximately KD 302 million; the net profit for the current period lower by KD 22.9 million (mainly due to higher depreciation and amortisation); and non-monetary assets comprising of Zain Sudan's Property and Equipment, Intangible assets and Capital WIP higher by KD 279 million as at 30 June 2015. This would then require the Group to test the restated carrying value of its investment in Zain Sudan as at 30 June 2015 and the related goodwill of KD 182 million for impairment losses, if any, to be recognized in the statement of profit or loss for the period ended 30 June 2015. The Group notes that, even if this results in goodwill being determined as fully impaired, the net overall impact on the Group's consolidated statement of financial position is that the Group's net equity and the above non-monetary assets related to Zain Sudan as of 30 June 2015, would both be higher by KD 97 million. There is no material effect on the Group's EBITDA for the period ended 30 June 2015.

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 2015, 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 2014.

Al Khatem/Atheer

Al Khatem Telecom Company, the direct parent company of Atheer was listed on the Iraqi Stock Exchange on 23 June 2015. Atheer has thus, complied with the terms of the telecom license agreement with the Iraqi telecom regulator CMC to make an initial public offer (IPO) of at least 25% of the aggregate number of its qualifying shares in their Iraqi operations and list on the Iraqi Stock Exchange.

The unrest in Iraq since June 2014 has resulted in forced shut down of or restricted access to some sites. This has had an impact on the Group's operations, though not significantly. While noting the general uncertainty on this matter, the Group currently, does not expect that it could materially affect the Group's operations or effective control over its property and equipment in the foreseeable future.

Zain South Sudan

Zain South Sudan is consolidated based on management accounts for the period.

Financial support to associate and group companies

The Group has committed to provide working capital and other financial support to Mobile Telecommunications Company, Saudi Arabia (SMTC), Atheer and Zain South Sudan whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions to have a material adverse impact on the operations of these Group companies.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2015 (Unaudited)

3. Cash and bank balances

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

	<u>Unaudited</u> 30 June 2015	<u>Audited</u> 31 December 2014	<u>Unaudited</u> 30 June 2014
	<u>KD '000</u>		
Cash on hand and at banks	236,836	225,175	209,340
Short-term deposits with banks	57,321	117,899	145,201
Government certificates of deposits held by subsidiaries	512	496	505
	<u>294,669</u>	<u>343,570</u>	<u>355,046</u>
Bank balances blocked (refer note 13)	(125,636)	(121,583)	(111,852)
Cash at bank under lien	(1,979)	(470)	(1,501)
Government certificates of deposits held by subsidiaries	(512)	(496)	(505)
Deposits with maturities exceeding three months	-	-	(1,122)
	<u>166,542</u>	<u>221,021</u>	<u>240,066</u>

4. Investments in associates and joint ventures

4.1) Investments in associates

This represents the Group's share of investments in SMTC accounted for using the equity method:

	<u>Unaudited</u> 30 June 2015	<u>Audited</u> 31 December 2014	<u>Unaudited</u> 30 June 2014
	<u>KD '000</u>		
Current assets	332,264	303,289	270,180
Non-current assets	1,794,422	1,714,217	1,677,051
Current liabilities	538,988	304,008	282,750
Non-current liabilities	1,185,441	1,287,304	1,208,701
Net asset of SMTC	402,257	426,194	455,780
Revenue	269,190	485,778	233,468
Loss	(36,377)	(96,206)	(48,609)
Total comprehensive income for the period	(1,412)	(2,071)	(2,560)
Proportion of Group's ownership interest in SMTC	37.045%	37.045%	37.045%
Group's share of SMTC's net assets	149,017	157,884	168,845
Goodwill	12,388	11,994	11,527
Carrying amount of Group's interest in SMTC	<u>161,405</u>	<u>169,878</u>	<u>180,372</u>

As at 30 June 2015 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 198,693,000 (31 December 2014 – KD 201,303,000; 30 June 2014: KD 297,393,000).

SMTC's independent auditor's review report dated 14 July 2015, has, without qualifying the review conclusion, drawn attention to:

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2015 (Unaudited)

- its loss for the period, accumulated losses, compliance with the financing covenants for the current quarter and to management's negotiation with the financing banks to reset the covenants based on the new business plan approved by its Board of Directors in January 2015;
- a claim of SAR 2.2 billion (KD 177.320 million) plus penalties raised by Etihad Etisalat Company (Mobily) against it, arising on the service agreement entered into by the parties in May 2008 and that this is under arbitration since 20 December 2014; and whose ultimate outcome and the resultant effect, if any, on its accounts cannot be reliably determined at this stage;
- it receiving a letter from Department of Zakat and Income Tax (DZIT) requesting additional payments amounting to SAR 619.852 million (KD 49.960 million) for Zakat, withholding tax and delay penalties for the years 2009 to 2011 and management's plan to appeal against this order and whose ultimate outcome and the resultant effect, if any, on its accounts cannot be reliably determined at this stage.

4.2) Interest in a joint venture

This represents Group's interest in the joint venture, Zain Al Ajjal S.A. which owns 31% of the equity shares and voting rights of Wana Corporate, (a Moroccan joint stock company which is specialized in the telecom sector in that country). The Group's share of profit for the period in the joint venture amounting to KD 205,000 (30 June 2014 - KD 1,586,000) has been recognized in the condensed consolidated statement of profit or loss. The carrying value of this joint venture and its results for the period are determined by Group management using the equity method based on management information provided by Wana Corporate.

5. Due to banks

During the period, the Company:

- drew down US\$ 60 million (KD 17.562 million) from the US\$ 800 million revolving credit facility that was availed in April 2013. As of 30 June 2015 US\$ 390 million (KD 117.797 million) (31 December 2014 - KD 96.591 million) (30 June 2014 - KD 201.975 million) was outstanding on this facility.
- drew down US\$ 480 million (KD 140.744 million) from the US\$ 800 million revolving credit facility that was availed in February 2014. As of 30 June 2015 US\$ 290 million (KD 87.667 million) (31 December 2014 - KD 105.372 million) (30 June 2014 - KD 106.894 million) was outstanding on this facility
- drew down US\$ 125.895 million (KD 38.071 million) from the US\$ 400 million long term loan that was availed in December 2013. As of 30 June 2015, US\$ 348.935 million (KD 105.483 million) (31 December 2014 - KD 18.207 million) (30 June 2014 - KD 26.975) was outstanding on this facility.
- drew down US\$ 200.983 million (KD 59.876 million) from existing facilities.
- availed short term loan amounting to KD 75 million from a local commercial bank.

Company also repaid loans amounting to KD 205.059 million during the period. This includes:

- US\$ 550 million (KD 165.702 million) from the US\$ 800 million revolving credit facility availed in February 2014.
- fully repaid the US\$ 120 million (KD 35.496 million) term loan that was availed in August 2012. Balance outstanding on this facility as of 31 December 2014 was KD 35.124 million.

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

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2015 (Unaudited)

6. Share capital

The authorized share capital as of 30 June 2015 is 4,327,058,909 shares (31 December 2014 – 4,327,058,909; 30 June 2014 - 4,327,058,909) of 100 fils each.

The issued and fully paid up share capital as of 30 June 2015 consists of 4,327,058,909 shares of 100 fils each (31 December 2014 – 4,327,058,909 shares of 100 fils each; 30 June 2014 - 4,326,374,365 shares of 100 fils each).

7. Dividend

The annual general meeting of shareholders for the year ended 31 December 2014 held on 24 February 2015 (31 December 2013 - 20 February 2014) approved distribution of cash dividends of 40 fils (31 December 2013 - 50 fils) per share amounting to KD 156,053,000 (31 December 2013 - KD 195,033,000) to be paid to the registered shareholders as of the date of annual general meeting.

8. Treasury shares

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders in accordance with the applicable regulations and are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2014
Number of shares	425,711,648	425,711,648	425,711,648
Percentage of issued shares	9.84%	9.84%	9.84%
Market value (KD '000)	176,670	225,627	263,941
Cost (KD '000)	567,834	567,834	567,834

9. Investment income

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2015	2014	2015	2014
	KD'000		KD'000	
Loss from investment securities "at fair value through profit or loss"	(241)	(138)	(565)	(233)
Realised (loss)/gains from investment securities 'available for sale'	(1,442)	(33)	(1,423)	2,533
Impairment loss on available for sale investments	-	(565)	-	(565)
Dividend income	798	461	798	461
	<u>(885)</u>	<u>(275)</u>	<u>(1,190)</u>	<u>2,196</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2015 (Unaudited)

10. Earnings per share

Basic earnings per share based on the weighted average number of shares outstanding during the period are as follows:

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2015	2014	2015	2014
	KD'000		KD'000	
Profit for the period attributable to shareholders	39,240	58,786	80,354	114,700
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue	3,901,347,261	3,900,662,717	3,901,347,261	3,900,662,717
Effect of dilution	-	-	-	-
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	3,901,347,261	3,900,662,717	3,901,347,261	3,900,662,717
	Fils	Fils	Fils	Fils
Earnings per share – Basic	10	15	21	29

11. Segmental information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its main operations in Kuwait, the Company also operates through its foreign subsidiaries in Jordan, Bahrain, Lebanon, Sudan, South Sudan and Iraq. This forms the basis of the geographical segments.

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

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2015 (Unaudited)

	30 June 2015					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	163,748	66,637	106,099	180,326	45,541	562,351
Net profit before interest and tax	49,383	18,377	24,212	24,791	(5,801)	110,962
Interest income	1	338	1,192	106	92	1,729
Finance costs	(2)	(1,181)	-	(6,085)	(1,462)	(8,730)
Income tax expense	-	(4,037)	(2,119)	(912)	(398)	(7,466)
Net profit after interest and tax	49,382	13,497	23,285	17,900	(7,569)	96,495
<i>Unallocated items:</i>						
Investment income						(1,190)
Share of results of associates and joint ventures						(13,271)
Others						3,787
Profit for the period						<u>85,821</u>
Segment assets	267,576	321,454	519,657	1,216,107	250,102	2,574,896
<i>Unallocated items:</i>						
Investment securities at fair value through profit or loss						1,453
Investment securities available for sale						30,809
Investment in associates and joint ventures						232,978
Dues from associates						338,041
Others						270,198
Consolidated assets						<u>3,448,375</u>
Segment liabilities	88,982	158,946	69,446	235,730	202,984	756,088
Due to banks	123	-	1,969	172,357	17,108	191,557
<i>Unallocated items:</i>						
Due to banks	89,105	158,946	71,415	408,087	220,092	947,645
Others						769,229
Consolidated liabilities						(19,513)
Net consolidated assets						<u>1,697,361</u>
Capital expenditure during the period	50,804	16,964	34,952	94,488	16,086	213,294
Unallocated						156
Total capital expenditure incurred during the period						<u>213,450</u>
Depreciation and amortization	28,003	10,906	11,663	33,418	20,149	104,139
Unallocated						802
Total depreciation and amortization						<u>104,941</u>
Net increase/decrease in cash flows of subsidiaries with significant non-controlling interests	-	-	-	2,576	918	-
Al Khatem, Iraq and Zain Bahrain in Others						

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2015 (Unaudited)

	30 June 2014					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	181,696	64,955	94,249	241,059	44,979	626,938
Net profit before interest and tax	55,419	21,676	18,309	60,616	1,882	157,902
Interest income	1	532	754	141	1,373	2,801
Finance cost (with intragroup charges)	-	-	-	(7,579)	(4,591)	(12,170)
Income tax expenses	-	(5,054)	(2,298)	(6,652)	1,131	(12,873)
Net profit after interest and tax	55,420	17,154	16,765	46,526	(205)	135,660
Unallocated items:						
Investment income						2,196
Share of results of associates and joint ventures						(16,421)
Others						5,722
Profit for the period						127,157
Segment assets	243,879	313,538	454,970	1,040,481	222,448	2,275,316
Unallocated items:						
Investment securities-at fair value through profit or loss						1,718
Investment securities-available for sale						42,295
Investment in associates and joint ventures						247,052
Dues from associates						290,417
Others						283,736
Consolidated assets						3,140,534
Segment liabilities	88,485	152,653	47,287	160,842	186,234	635,501
Due to banks	-	-	-	170,153	19,015	189,168
Unallocated items:	88,485	152,653	47,287	330,995	205,249	824,669
Due to banks						680,008
Others						(46,967)
Consolidated liabilities						1,457,710
Net consolidated assets						1,682,824
Capital expenditure during the period	21,362	83,247	4,615	37,128	34,032	180,384
Unallocated						70
Total capital expenditure incurred during the period						180,454
Depreciation and amortization	27,028	8,204	10,853	25,678	14,194	85,957
Unallocated						2,160
Total depreciation and amortization						88,117
Net increase/decrease in cash flows of subsidiaries with significant non-controlling interests	-	-	-	(8,787)	(546)	-
Al Khatem, Iraq and Zain Bahrain in Others						-

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2015 (Unaudited)

12. 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 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2015	2014	2015	2014
	KD'000		KD'000	
Management fee (included in other income)	959	849	1,909	1,692
Interest income on loans to an associate	3,891	3,289	7,629	6,469

Key management compensation

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2015	2014	2015	2014
	KD'000		KD'000	
Salaries and other short term employee benefits	2,132	2,018	4,219	3,988
Post-employment benefits	403	313	1,090	989

13. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 June 2015	31 December 2014	30 June 2014
	KD '000		
Capital expenditure	115,639	209,723	89,283
Capital expenditure - share of an associate	61,366	83,909	9,529
Uncalled share capital of investee companies	2,171	162	156
Letters of credit	591	1,459	5,521
Letters of guarantee	476,028	470,381	458,866

The above include guarantees/letters of credit amounting to KD 426.504 million (31 December 2014 - KD 420.853 million; 30 June 2014 - KD 412.027 million) relating to loans and other vendor financing availed by SMTC.

The Company is a guarantor for credit facilities of KD 10.569 million (31 December 2014 - KD 10.233 million; 30 June 2014 - KD 9.835 million) granted to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

The Iraq income tax authority, the General Commission for Taxes (the "Tax Authority"), has raised claims for additional income taxes of US\$ 109 million (KD 32.950 million) for Atheer's operations up to fiscal year 2008. In December 2014, the Tax Authority has raised additional claim for income tax for the fiscal years 2009 and 2010, aggregating US\$ 68 million (KD 20.556 million). The Group has challenged these demands in accordance with the procedures of Income tax law by, among other things, depositing 25% of the amount of tax claimed. On the basis of the report of its attorneys, the Group believes that the prospects of resolving these claims in its favor are good.

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In 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 79.203 million) from Atheer, citing non-compliance with certain license terms. These claims were finally resolved in favor of Atheer during the second quarter of 2015. According to legal advice received by the Group there are no further avenues for appeal.

In 2009, the CMC levied a penalty of US\$ 18 Million (KD 5.441 million) citing breach of network quality covenants. The full Court of Cassation finally decided this matter in favor of Atheer on 23 February 2015. According to legal advice received by the Group, this decision is final and there are no further avenues for appeal.

In 2007, Atheer acquired Iraqna Company for Mobile Phone Services Limited (Iraqna) from Orascom Telecom Iraq Corp. Limited (the Seller). Under the terms of the Share Purchase Agreement (SPA), the Seller is responsible for all income tax payable by Iraqna up to the Closing Date of the SPA. In May 2012, the Tax Authority has raised claims for additional corporate income taxes of US\$ 89 million (KD 26.905 million) for Iraqna up to 2007. Based on the appeal filed by Atheer, the Ministry of Finance has instructed the Tax Authority to re-open the assessment of the aforementioned tax years. Atheer also has a contingent asset in the form of a right, under the SPA to make claims against the Seller for such tax claims up to US\$ 60 million (KD 18.138 million). On the basis of the report of its attorneys, the Group believes that its prospects of resolving these outstanding claims in its favor are good.

In December 2011, the Tax Authority has claimed from Atheer the capital gains taxes payable by the Seller amounting to US\$ 187 million (KD 56.530 million) arising on sale of Iraqna to Atheer and instructed the various banks in Iraq to freeze Atheer's bank balances with them to the extent of an equivalent amount. Based on a new law enacted by the Iraqi Parliament in February 2015, granting civil courts jurisdiction over income tax matters, Atheer then filed a claim in March 2015 against the Iraqi tax authority in the civil court, requesting a declaration that it was not responsible for the payment of such capital gains tax. The case is still in the preliminary phase and the bank balances continue to be blocked (refer note 3). Furthermore, the Group has activated a counter claim against the Seller in an English court in accordance with the related share purchase agreement. On the advice of the attorneys, the Group does not consider that this matter could have an adverse impact on the Group's business or its operations in Iraq.

In August 2013, a telecom operator in Iraq filed a claim against CMC as the first defendant and Atheer as the second defendant in the Court of First Instance, alleging that certain actions by the CMC and Atheer in 2007 deprived the telecom operator from acquiring the business of Iraqna, which ended up being acquired by Atheer. The telecom operator claimed US \$ 4.5 billion (KD 1.360 billion) from Atheer and made a combined claim of US \$ 1 billion from CMC and Atheer. In March 2015, the Iraqi Court of cassation issued its final decision in favor of Atheer. According to legal advice received by the Group, this decision is final and there are no further avenues for appeal by the plaintiff.

Under the Share Sale Agreement (SSA) of Zain Africa BV, the Group is contingently liable for taxation claims and amounts that may be due for unprovided litigation claims after the first closing date.

In addition, legal proceedings have been initiated by and against the Group in a number of jurisdictions. On the basis of information currently available and the advice of the legal advisors, Group management is of the opinion that the final outcome of these proceedings is unlikely to have a material adverse effect on the condensed consolidated financial position or the condensed consolidated performance of the Group.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2015 (Unaudited)

14. Financial instruments

14.1 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:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)	30 June 2014 (Unaudited)
	KD'000		
Loans and receivables:			
Cash and bank balances	294,669	343,570	355,046
Trade and other receivables	386,002	358,377	361,771
Due from associates	338,041	309,298	290,417
Other assets	12,092	11,732	11,297
Investment securities - at fair value through profit or loss	1,453	1,941	1,718
Investment securities -available for sale	30,809	37,717	42,295

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

14.2 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).

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.

30 June 2015

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments at fair value through profit or loss	1,453	-	-	1,453
Available for sale investments	20,417	6,493	-	26,910
Total assets	21,870	6,493	-	28,363

31 December 2014

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments at fair value through profit or loss	1,941	-	-	1,941
Available for sale investments	27,018	6,635	-	33,653
Total assets	28,959	6,635	-	35,594

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30 June 2014

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments at fair value through profit or loss	1,718	-	-	1,718
Available for sale investments	27,103	7,745	-	34,548
Total assets	28,821	7,745	-	36,266

Available for sale investments include unlisted securities amounting to KD 3.899 million (31 December 2014 – KD 4.064 million; 30 June 2014 – KD 7.747 million) carried at cost less impairment since it is not possible to reliably measure their fair value.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous year.

15. 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 year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

At 30 June 2015:

Notional amounts by term to maturity

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
	KD '000					
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>	-	-	-	-	-	-
Profit rate swaps - share of an associate	-	(2,454)	128,850	-	-	128,850
<i>Derivatives held for trading:</i>						
Fx forwards	-	-	-	-	-	-
	-	(2,454)	128,850	-	-	128,850

At 31 December 2014:

Notional amounts by term to maturity

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
	KD '000					
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>	-	-	-	-	-	-
Profit rate swaps - share of an associate	-	(1931)	124,694	-	-	124,694
<i>Derivatives held for trading:</i>						
Fx forwards	-	(1,752)	73,175	-	-	-
	-	(3,683)	197,869	-	-	124,694

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At 30 June 2014:

Notional amounts by term to maturity

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
	KD '000					
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>	-	-	-	-	-	-
Profit rate swaps - share of an associate	-	(2,112)	119,898	-	-	119,898
<i>Derivatives held for trading:</i>						
Fx forwards	34	-	33,756	-	33,756	-
	<u>34</u>	<u>(2,112)</u>	<u>153,654</u>	<u>-</u>	<u>33,756</u>	<u>119,898</u>