

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 September 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 September 2015 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for three-month and nine-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the nine-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.

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 2 to the condensed consolidated interim financial information, which describes the effects on one of the Company's subsidiary due to the current security situation in Iraq.

**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 nine-month period ended 30 September 2015 that might have had a material effect on the business of the Company or on its financial position.



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**Kuwait
25 October 2015**

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

		Unaudited 30 September 2015	Audited 31 December 2014	Unaudited 30 September 2014
	Note			KD '000
Assets				
Current assets				
Cash and bank balances	3	330,835	343,570	307,972
Trade and other receivables		424,325	358,377	394,521
Inventories		20,533	16,836	13,234
Investment securities- at fair value through profit or loss		1,349	1,941	2,163
		<u>777,042</u>	<u>720,724</u>	<u>717,890</u>
Non-current assets				
Investment securities – available for sale		29,041	37,717	44,001
Investments in associates and joint ventures	4	225,423	238,977	243,121
Due from associates		347,964	309,298	309,287
Other assets		19,969	22,772	21,355
Property and equipment		925,072	852,590	779,265
Intangible assets		1,190,885	1,094,985	1,068,528
		<u>2,738,354</u>	<u>2,556,339</u>	<u>2,465,557</u>
Total Assets		<u>3,515,396</u>	<u>3,277,063</u>	<u>3,183,447</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		747,376	656,064	572,538
Due to banks	5	213,886	171,616	287,674
		<u>961,262</u>	<u>827,680</u>	<u>860,212</u>
Non-current liabilities				
Due to banks	5	731,566	616,645	524,672
Other non-current liabilities		41,619	38,769	37,818
		<u>773,185</u>	<u>655,414</u>	<u>562,490</u>
Equity				
Attributable to the Company's shareholders				
Share capital	6	432,706	432,706	432,706
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		(660,662)	(677,007)	(669,081)
Treasury shares reserve		1,967	1,967	1,967
Investment fair valuation reserve		(3,470)	1,205	4,083
Hedge reserve		(2,631)	(1,931)	(1,287)
Retained earnings		475,049	512,780	479,729
		<u>1,598,642</u>	<u>1,625,403</u>	<u>1,603,521</u>
Non-controlling interests		182,307	168,566	157,224
Total equity		<u>1,780,949</u>	<u>1,793,969</u>	<u>1,760,745</u>
Total Liabilities and Equity		<u>3,515,396</u>	<u>3,277,063</u>	<u>3,183,447</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 25 October 2015.


Asaad Ahmed Al Banwan
Chairman


M. Scott Gegenheimer
Chief Executive Officer

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

Condensed Consolidated Statement of Profit or Loss – nine months ended 30 September 2015 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2015	2014	2015	2014
		KD'000		KD'000	
Revenue		292,408	294,459	854,759	921,397
Cost of sales		(72,198)	(81,326)	(218,898)	(256,938)
Gross profit		220,210	213,133	635,861	664,459
Operating and administrative expenses		(88,170)	(87,321)	(260,531)	(267,052)
Depreciation and amortization		(53,161)	(40,971)	(158,102)	(129,088)
Provision for impairment – trade and other receivables		(1,236)	(2,451)	(3,552)	(8,548)
Operating profit		77,643	82,390	213,676	259,771
Interest income		1,335	5,912	5,172	15,542
Investment income	9	79	(448)	(1,111)	1,748
Share of results of associates and joint ventures	4	(7,349)	(9,005)	(20,620)	(25,426)
Other (expense)/income		(3,730)	598	(5,460)	2,682
Finance costs		(7,762)	(6,750)	(21,117)	(20,402)
Loss from currency revaluation		(8,117)	(14,885)	(20,795)	(31,431)
Board of Directors' remuneration		(86)	(108)	(258)	(323)
Contribution to Kuwait Foundation for Advancement of Sciences		(207)	(347)	(649)	(1,124)
National Labour Support Tax and Zakat		(1,418)	(1,686)	(4,499)	(5,159)
Profit for the period before income tax		50,388	55,671	144,339	195,878
Income tax expenses		(8,748)	(4,967)	(16,878)	(18,017)
Profit for the period		41,640	50,704	127,461	177,861
Attributable to:					
Shareholders of the Company		37,839	46,255	118,193	160,955
Non-controlling interests		3,801	4,449	9,268	16,906
		41,640	50,704	127,461	177,861
Earnings per share	10				
Basic – Fils		10	12	30	41

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 –
nine months ended 30 September 2015 (Unaudited)**

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	KD'000		KD'000	
Profit for the period	41,640	50,704	127,461	177,861
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations	(9,132)	22,422	21,836	18,787
Net unrealised (loss)/gain on available for sale investments	(2,263)	1,934	(5,641)	1,654
Net realised loss/(gains) transferred to consolidated statement of profit or loss on available for sale investments (net of impairment losses)	(127)	1,975	966	(16)
Cash flow hedges	(177)	825	(700)	(123)
	<u>(11,699)</u>	<u>27,156</u>	<u>16,461</u>	<u>20,302</u>
Total comprehensive income for the period	29,941	77,860	143,922	198,163
Total comprehensive income attributable to:				
Shareholders of the Company	26,198	69,740	129,163	178,105
Non-controlling interests	3,743	8,120	14,759	20,058
	<u>29,941</u>	<u>77,860</u>	<u>143,922</u>	<u>198,163</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 – nine months ended 30 September 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)	(1,838)	(157,891)
Effect of dilution of ownership interest	-	-	-	-	-	-	-	-	-	129	106	235
Total comprehensive income for the period	-	-	-	-	16,345	-	(4,675)	-	(700)	118,193	14,759	143,922
Balance at 30 September 2015	432,706	1,707,164	(567,834)	216,353	(660,662)	1,967	(3,470)	-	(2,631)	475,049	182,307	1,780,949
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	438	325	-	-	-	-	-	-	-	-	-	763
Cash dividends (2013)	-	-	-	-	-	-	-	-	-	(195,033)	(2,628)	(197,661)
Transfer to retained earnings	-	-	-	-	-	-	-	(5,482)	-	5,482	-	-
Total comprehensive income for the period	-	-	-	-	15,635	-	1,638	-	(123)	160,955	20,058	198,163
Balance at 30 September 2014	432,706	1,707,104	(567,834)	216,134	(669,081)	1,967	4,083	-	(1,287)	479,729	157,224	1,760,745

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 – nine months ended 30 September 2015 (Unaudited)

	Nine months ended 30 September	
	2015	2014
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	144,339	195,878
Adjustments for:		
Depreciation and amortization	158,102	129,088
Interest income	(5,172)	(15,542)
Investment income	1,111	(1,748)
Share of loss of associates and joint ventures	20,620	25,426
Finance costs	21,117	20,402
Loss from currency revaluation	20,795	31,431
Operating profit before working capital changes	360,912	384,935
Increase in trade and other receivables	(73,127)	(50,254)
(Increase)/decrease in inventories	(3,625)	1,485
Increase/(decrease) in trade and other payables	52,739	(9,483)
Cash generated from operations	336,899	326,683
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	(14,533)	(13,022)
<i>Net cash from operating activities</i>	<u>318,263</u>	<u>305,905</u>
Cash flows from investing activities		
Deposits maturing after three months and bank balances blocked (note 3)	(16,337)	(16,171)
Net cash outflow on acquisition of subsidiaries	(4,307)	(3,513)
Purchase of investments	(2,077)	(750)
Proceeds from sale of investments	3,210	4,879
Acquisition of property and equipment (net)	(138,144)	(110,946)
Acquisition of intangible assets	(134,342)	(105,753)
Interest received	5,188	6,312
Dividend received	1,111	608
<i>Net cash used in investing activities</i>	<u>(285,698)</u>	<u>(225,334)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	519,257	368,329
Repayment of bank borrowings	(391,248)	(328,033)
Loan to an associate	(21,745)	(20,445)
Capital contribution including share premium – employees stock option	-	763
Dividends paid to Company's shareholders	(155,559)	(194,602)
Dividends paid to minority shareholders of subsidiaries	(1,783)	(2,647)
Finance costs paid	(17,181)	(14,855)
<i>Net cash used in financing activities</i>	<u>(68,259)</u>	<u>(191,490)</u>
Net decrease in cash and cash equivalents	(35,694)	(110,919)
Effect of foreign currency translation	6,622	3,478
Cash and cash equivalents at beginning of period	221,021	282,687
Cash and cash equivalents at end of period (Note 3)	<u>191,949</u>	<u>175,246</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 September 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 accounting periods 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.

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

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.

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 310 million; the net profit for the period lower by KD 27.353 million (mainly due to higher depreciation and amortisation); and non-monetary assets comprising of Group's Property and Equipment, Intangible assets and Capital WIP higher by KD 283 million as at 30 September 2015. This would then require the Group to test the restated carrying value of its investment in Zain Sudan as at 30 September 2015 and the related goodwill of KD 178 million for impairment losses, if any, to be recognized in the statement of profit or loss for the period ended 30 September 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 September 2015, would both be higher by KD 105 million. There is no material effect on the Group's EBITDA for the period ended 30 September 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 had an impact on the Group's operations and has resulted in forced shut down of or restricted access to some sites with the result that Atheer may be unable to exercise effective control over assets with a net book value of approximately KD 9 million. 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 September 2015 (Unaudited)

3. Cash and bank balances

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

	Unaudited 30 September 2015	Audited 31 December 2014	Unaudited 30 September 2014
	KD '000		
Cash on hand and at banks	268,172	225,175	203,701
Short-term deposits with banks	62,036	117,899	103,763
Government certificates of deposits held by subsidiaries	627	496	508
	<u>330,835</u>	<u>343,570</u>	<u>307,972</u>
Bank balances blocked (refer note 13)	(129,658)	(121,583)	(117,465)
Cash at bank under lien	(8,601)	(470)	(8,144)
Government certificates of deposits held by subsidiaries	(627)	(496)	(508)
Deposits with maturities exceeding three months	-	-	(6,609)
	<u>191,949</u>	<u>221,021</u>	<u>175,246</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:

	Unaudited 30 September 2015	Audited 31 December 2014	Unaudited 30 September 2014
	KD '000		
Current assets	359,566	303,289	293,172
Non-current assets	1,773,059	1,714,217	1,699,802
Current liabilities	551,939	304,008	296,997
Non-current liabilities	1,196,878	1,287,304	1,251,146
Net asset of SMTC	383,808	426,194	444,831
Revenue	412,987	485,778	351,342
Loss	(54,348)	(96,206)	(72,500)
Total comprehensive income for the period	(1,890)	(2,071)	(268)
Proportion of Group's ownership interest in SMTC	37.045%	37.045%	37.045%
Group's share of SMTC's net assets	142,182	157,884	164,788
Goodwill	12,384	11,994	11,806
Carrying amount of Group's interest in SMTC	<u>154,566</u>	<u>169,878</u>	<u>176,594</u>

As at 30 September 2015 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 158,432,000 (31 December 2014 - KD 201,303,000; 30 September 2014 - KD 327,578,000).

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

SMTC's independent auditor's review report dated 21 October 2015, has, without qualifying the review conclusion, drawn attention to:

- its loss for the period, accumulated losses 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;
- appeal filed against a claim received from Department of Zakat and Income Tax (DZIT) demanding additional payments amounting to SAR 619 million (KD 49.89 million) for Zakat, withholding tax and delay penalties for the years 2009 to 2011 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 the Group's KD 70.857 million (31 December 2014 - KD 69.099 million; 30 September 2014 - KD 66.527 million) interest in the joint venture, Zain Al Ajial 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 loss for the period in the joint venture amounting to KD 487,000 (30 September 2014 - profit of KD 1,432,000) 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

	<u>Unaudited</u> 30 September 2015	<u>Audited</u> 31 December 2014	<u>Unaudited</u> 30 September 2014
	KD '000		
<i>Company</i>			
Short term loans	171,640	142,587	136,085
Long term loans	591,283	477,004	480,653
	<u>762,923</u>	<u>619,591</u>	<u>616,738</u>
<i>Zain Sudan</i>			
Short term Murabaha financing	8,594	457	6,961
<i>Zain South Sudan</i>			
Short term	-	-	170
<i>Zain - Bahrain</i>			
Long term loans	16,344	17,028	19,017
<i>Atheer - Iraq</i>			
Short term loan	-	-	86,430
Long term loans	157,591	151,185	83,030
	<u>157,591</u>	<u>151,185</u>	<u>169,460</u>
	<u>945,452</u>	<u>788,261</u>	<u>812,346</u>

The current and non-current amounts are as follows:

	<u>Unaudited</u> 30 September 2015	<u>Audited</u> 31 December 2014	<u>Unaudited</u> 30 September 2014
	KD '000		
Current liabilities	213,886	171,616	287,674
Non-current liabilities	731,566	616,645	524,672
	<u>945,452</u>	<u>788,261</u>	<u>812,346</u>

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

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

	Unaudited 30 September 2015	Audited 31 December 2014	Unaudited 30 September 2014 KD '000
US dollar	805,499	731,226	752,319
Kuwaiti dinar	115,015	39,550	34,050
Others	24,938	17,485	25,977
	<u>945,452</u>	<u>788,261</u>	<u>812,346</u>

The effective interest rate as at 30 September 2015 was 1.28% to 12.00% (31 December 2014 - 1.18% to 12.00%; 30 September 2014 - 1.18% to 12.00%) per annum.

The Group is compliant with the principal covenant ratios, which include:

- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- equity to total assets.

Company

During the period, the Company drew down:

- two new long term facilities of US\$ 100 million each, maturing in June 2022 and August 2020. Balance outstanding on these facilities as of 30 September 2015 was US\$ 52.982 million (KD – 16.011 million) and US\$ 100 million (KD – 30.210 million) respectively.
- a new short term loan amounting to KD 75 million from a local commercial bank.
- US\$ 780 million (KD 231.374 million) from the US\$ 800 million revolving credit facility that was availed in February 2014. As of 30 September 2015, US\$ 510 million (KD 154.122 million) (31 December 2014 - KD 105.372 million; 30 September 2014 – KD 158.455 million) was outstanding on this facility
- 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 September 2015, US\$ 348.935 million (KD 105.448 million) (31 December 2014 - KD 65.284 million; 30 September 2014 – KD 27.628) was outstanding on this facility.
- US\$ 260.983 million (KD 77.438 million) from other existing long term facilities.

Company also repaid loans amounting to KD 349.234 million during the period. This includes:

- US\$ 390 million (KD 117.819 million) paid to fully settle the US\$ 800 million revolving credit facility that was availed in April 2013;
- US\$ 630 million (KD 189.873 million) from the US\$ 800 million revolving credit facility availed in February 2014;
- US\$ 120 million (KD 35.496 million) paid to settle the long term loan that was availed in August 2012;

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.

Zain – Bahrain

This represents balance outstanding on the long term Bahraini Dinar denominated facilities, availed in 2013, at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR). These are amortising facilities with maturities over four years.

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Atheer

Long term loans include:

- US\$ 400 million loan availed in 2011 from a syndicate of international development finance institutions and foreign banks. This is repayable in twenty four equal installments by January 2018. As of 30 September 2015, US\$ 166.480 million (KD 50.310 million) (31 December 2014 - KD 63.375 million; 30 September 2014 – KD 67.185 million) was outstanding from this facility;
- US\$ 300 million (KD 90.660 million) loan from a commercial bank that was rolled over as a long term loan maturing in December 2019;
- US\$ 55 million (KD 16.621 million) long-term loan repayable in March 2020 availed from a commercial bank during the year.

During the period, Atheer also availed an over-draft facility of US\$ 50 million (KD 14.883 million) which was fully repaid.

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

Zain Sudan

This represents Sudanese Pounds short term financing availed from a local Islamic bank carrying an effective interest rate of 12% per annum. This facility is secured by cash at bank of an equivalent amount (note 3).

6. Share capital

The authorized, issued and fully paid up share capital as of 30 September 2015 is 4,327,058,909 shares (31 December 2014 – 4,327,058,909; 30 September 2014 - 4,327,058,909) 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 September 2015	Audited 31 December 2014	Unaudited 30 September 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)	168,156	225,627	280,970
Cost (KD '000)	567,834	567,834	567,834

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

9. Investment income

	Three months ended		Nine months ended	
	30 September (Unaudited)		30 September (Unaudited)	
	2015	2014	2015	2014
	KD'000		KD'000	
(Loss)/gain from investment securities "at fair value through profit or loss"	(32)	446	(597)	213
Realised (loss)/gain from investment securities 'available for sale'	(75)	626	(1,498)	3,159
Impairment loss on available for sale investments	(127)	(1,975)	(127)	(2,540)
Dividend income	313	455	1,111	916
	79	(448)	(1,111)	1,748

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		Nine months ended	
	30 September (Unaudited)		30 September (Unaudited)	
	2015	2014	2015	2014
	KD'000		KD'000	
Profit for the period attributable to shareholders	37,839	46,255	118,193	160,955
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue	3,901,347,261	3,901,347,261	3,901,347,261	3,901,347,261
Effect of dilution	-	-	-	-
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	3,901,347,261	3,901,347,261	3,901,347,261	3,901,347,261
	Fils	Fils	Fils	Fils
Earnings per share – Basic	10	12	30	41

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.

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	30 September 2015				Total KD '000	
	Kuwait	Jordan	Sudan	Iraq		Others
Segment revenues	245,270	102,959	159,935	277,083	69,512	854,759
Net profit before interest and tax	72,230	29,155	35,336	42,331	(6,279)	172,773
Interest income	1	465	1,643	162	138	2,409
Finance costs	(3)	(1,897)	-	(9,504)	(2,238)	(13,642)
Income tax expense	-	(6,401)	(3,180)	(2,463)	(4,040)	(16,084)
Net profit after interest and tax	72,228	21,322	33,799	30,526	(12,419)	145,456
Unallocated items:						
Investment income						(1,111)
Share of results of associates and joint ventures						(20,620)
Others						3,736
Profit for the period						<u>127,461</u>
Segment assets	273,955	333,430	534,487	1,248,190	252,013	2,642,075
Unallocated items:						
Investment securities at fair value through profit or loss						1,349
Investment securities available for sale						29,041
Investment in associates and joint ventures						225,423
Dues from associates						347,964
Others						269,544
Consolidated assets						<u>3,515,396</u>
Segment liabilities	96,710	163,014	76,206	270,220	210,501	816,651
Due to banks	-	-	8,594	157,591	16,344	182,529
Unallocated items:						
Due to banks						999,180
Others						762,923
Consolidated liabilities						<u>(27,656)</u>
Net consolidated assets						<u>1,734,447</u>
Capital expenditure during the period	70,958	19,907	56,657	108,932	12,589	269,043
Unallocated						216
Total capital expenditure incurred during the period						<u>269,259</u>
Depreciation and amortization	43,678	16,672	17,940	50,444	28,266	157,000
Unallocated						1,102
Total depreciation and amortization						<u>158,102</u>
Net increase/decrease in cash flows of subsidiaries with significant non-controlling interests (Al Khater, Iraq and Zain Bahrain in Others)	-	-	-	71,046	5,761	

Notes to the Condensed Consolidated Interim Financial Information - 30 September 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 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2015	2014	2015	2014
	KD'000		KD'000	
Management fee (included in other income)	1,032	848	2,941	2,540

Key management compensation

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2015	2014	2015	2014
	KD'000		KD'000	
Salaries and other short term employee benefits	2,262	1,849	6,481	5,837
Post-employment benefits	310	246	1,400	1,235

13. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 September 2015	31 December 2014	30 September 2014
	KD '000		
Capital expenditure	98,019	209,723	102,969
Capital expenditure - share of an associate	103,821	83,909	30,040
Uncalled share capital of investee companies	2,885	162	160
Letters of credit	254	1,459	6,525
Letters of guarantee	468,281	470,381	458,536

The above include guarantees/letters of credit amounting to KD 418.120 million (31 December 2014 - KD 420.853 million; 30 September 2014 - KD 413.992 million) relating to loans and other vendor financing availed by SMTC.

The Company is a guarantor for credit facilities of KD 10.565 million (31 December 2014 - KD 10.233 million; 30 September 2014 - KD 10.084 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 32.940 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 20.550 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 to be in its favor.

In 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 79.176 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 5.440 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.

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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 26.896 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 18.132 million). On the basis of the report of its attorneys, the Group believes that its prospects of resolving these outstanding claims to be in its favor.

In December 2011, the Tax Authority has claimed from Atheer the capital gains taxes payable by the Seller amounting to US\$ 187 million (KD 56.511 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 (see note 3). In August 2015 the court of appeal ruled that Atheer is liable, against which Atheer has since filed an appeal with the Cassation Court. Atheer has also filed another case in the Iraqi Court of First Instance disputing the capital gains tax claim. Furthermore, Atheer has filed a counter claim against the Seller of Iraqna in an English court in accordance with the terms of the related share purchase agreement. 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.

14. Financial instruments

14.1 Categories of financial assets and liabilities

The carrying amounts of the Group's reported financial assets and liabilities are categorized as follows:

	30 September 2015 (Unaudited)	31 December 2014 (Audited)	30 September 2014 (Unaudited)
	KD'000		
Loans and receivables:			
Cash and bank balances	330,835	343,570	307,972
Trade and other receivables	424,325	358,377	394,521
Due from associates	347,964	309,298	309,287
Other assets	12,088	11,732	11,559
Investment securities - at fair value through profit or loss	1,349	1,941	2,163
Investment securities - available for sale	29,041	37,717	44,001

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

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

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 September 2015

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments at fair value through profit or loss	1,349	-	-	1,349
Available for sale investments	18,384	5,961	-	24,345
Total assets	19,733	5,961	-	25,694

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

30 September 2014

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments at fair value through profit or loss	2,163	-	-	2,163
Available for sale investments	30,254	7,825	-	38,079
Total assets	32,417	7,825	-	40,242

Available for sale investments include unlisted securities amounting to KD 4.696 million (31 December 2014 – KD 4.064 million; 30 September 2014 – KD 5.922 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.

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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 September 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	-	(2,631)	128,850	-	-	128,850
<i>Derivatives held for trading:</i>						
Fx forwards	-	-	-	-	-	-
	-	(2,631)	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	-	(1,931)	124,694	-	-	124,694
<i>Derivatives held for trading:</i>						
Fx forwards	-	(1,752)	73,175	73,175	-	-
	-	(3,683)	197,869	73,175	-	124,694

At 30 September 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	-	(1,287)	122,776	-	-	122,776
<i>Derivatives held for trading:</i>						
Fx forwards	-	(884)	57,620	-	57,620	-
	-	(2,171)	180,396	-	57,620	122,776