

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

**Condensed Consolidated Interim Financial Information (Unaudited)  
30 June 2016**

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS

**Report on Review of Condensed Consolidated Interim Financial Information**

*Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C.P (the Company) and its subsidiaries (together called "the Group") as at 30 June 2016 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 AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS (Continued)

*Emphasis of matter*

Without qualifying our conclusion, we draw attention to note 2 and to note 13 to the condensed consolidated interim financial information, which describes the effects on the subsidiary in Iraq due to the current security situation and the uncertainty related to the outcome of various claims against it, respectively.

**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association during the six-month period ended 30 June 2016 that might have had a material effect on the business of the Company or on its financial position.

A handwritten signature in blue ink, consisting of several loops and strokes, positioned above a horizontal line.

**Talal Y. Al-Muzaini**  
**Licence No. 209A**  
**Deloitte & Touche**  
**Al-Wazzan & Co.**

Kuwait  
31 July 2016

Mobile Telecommunications Company K.S.C.P  
Kuwait

Condensed Consolidated Statement of Financial Position as at 30 June 2016 (Unaudited)

		Unaudited	Audited	Unaudited
	Note	30 June	31 December	30 June
		2016	2015	2015
		KD '000		
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank balances	3	311,739	359,799	294,669
Trade and other receivables		437,672	406,581	386,002
Inventories		15,317	27,593	30,764
Investment securities at fair value through profit or loss		992	1,164	1,453
		<u>765,720</u>	<u>795,137</u>	<u>712,888</u>
<b>Non-current assets</b>				
Investment securities available for sale		24,590	26,598	30,809
Investments in associates and joint ventures	4	199,932	219,902	232,978
Due from associates		363,256	350,673	338,041
Other assets		15,485	15,880	23,379
Property and equipment		887,922	901,679	909,747
Intangible assets and goodwill		1,152,711	1,185,312	1,200,533
		<u>2,643,896</u>	<u>2,700,044</u>	<u>2,735,487</u>
<b>Total Assets</b>		<u>3,409,616</u>	<u>3,495,181</u>	<u>3,448,375</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Trade and other payables		718,480	761,758	695,653
Due to banks	5	219,738	213,310	317,568
		<u>938,218</u>	<u>975,068</u>	<u>1,013,221</u>
<b>Non-current liabilities</b>				
Due to banks	5	785,146	751,569	643,218
Other non-current liabilities		38,572	40,454	40,922
		<u>823,718</u>	<u>792,023</u>	<u>684,140</u>
<b>Equity</b>				
<b>Attributable to the Company's shareholders</b>				
Share capital	6	432,706	432,706	432,706
Share premium		1,707,164	1,707,164	1,707,164
Treasury shares	8	(567,834)	(567,834)	(567,834)
Legal reserve		216,353	216,353	216,353
Foreign currency translation reserve		(773,181)	(756,643)	(651,588)
Treasury shares reserve		1,967	1,967	1,967
Investment fair valuation reserve		994	(1,446)	(1,080)
Hedge reserve		(525)	(216)	(2,454)
Retained earnings		473,994	510,641	437,210
		<u>1,491,638</u>	<u>1,542,692</u>	<u>1,572,444</u>
Non-controlling interests		156,042	185,398	178,570
<b>Total equity</b>		<u>1,647,680</u>	<u>1,728,090</u>	<u>1,751,014</u>
<b>Total Liabilities and Equity</b>		<u>3,409,616</u>	<u>3,495,181</u>	<u>3,448,375</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 31 July 2016.

  
Asaad Ahmed Al Banwan  
Chairman

  
M. Scott Cegenheimer  
Chief Executive Officer

**Condensed Consolidated Statement of Profit or Loss – six months ended 30 June 2016 (Unaudited)**

	Note	Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
		KD'000		KD'000	
Revenue		274,964	283,410	551,884	562,351
Cost of sales		(67,706)	(65,850)	(133,644)	(133,336)
<b>Gross profit</b>		<u>207,258</u>	<u>217,560</u>	<u>418,240</u>	<u>429,015</u>
Operating and administrative expenses		(75,050)	(92,267)	(162,048)	(185,725)
Depreciation and amortization		(55,300)	(52,914)	(109,990)	(104,941)
Provision for impairment – trade and other receivables		-	(1,441)	(1,376)	(2,316)
<b>Operating profit</b>		<u>76,908</u>	<u>70,938</u>	<u>144,826</u>	<u>136,033</u>
Interest income		1,328	1,270	3,633	3,837
Investment income	9	(1,520)	(885)	(1,636)	(1,190)
Share of results of associates and joint ventures	4	(9,969)	(5,594)	(18,455)	(13,271)
Other income/(expense)		2,326	(444)	3,900	(1,730)
Finance costs		(8,061)	(7,124)	(15,625)	(13,355)
Loss from currency revaluation		(6,719)	(10,636)	(17,265)	(12,678)
Board of Directors' remuneration		(69)	(86)	(138)	(172)
Contribution to Kuwait Foundation for Advancement of Sciences		(251)	(216)	(469)	(442)
National Labour Support Tax and Zakat		(2,000)	(1,491)	(3,723)	(3,081)
Profit for the period before income tax		<u>51,973</u>	<u>45,732</u>	<u>95,048</u>	<u>93,951</u>
Income tax expenses		(5,161)	(4,007)	(10,298)	(8,130)
<b>Profit for the period</b>		<u>46,812</u>	<u>41,725</u>	<u>84,750</u>	<u>85,821</u>
<b>Attributable to:</b>					
Shareholders of the Company		44,713	39,240	81,964	80,354
Non-controlling interests		2,099	2,485	2,786	5,467
		<u>46,812</u>	<u>41,725</u>	<u>84,750</u>	<u>85,821</u>
<b>Earnings per share</b>	10				
Basic – Fils		11	10	21	21

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 2016 (Unaudited)

	Three months ended		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	KD'000		KD'000	
<b>Profit for the period</b>	46,812	41,725	84,750	85,821
<b>Other comprehensive income</b>				
<i>Other comprehensive income transferred or reclassifiable to condensed consolidated statement of profit or loss in subsequent periods:</i>				
Exchange differences on translating foreign operations	2,492	8,214	(17,730)	30,968
Net unrealised gains/(loss) on available for sale investments	(215)	(493)	565	(3,378)
Net realised loss transferred to condensed consolidated statement of profit or loss on available for sale investments (net of impairment losses)	1,875	1,093	1,875	1,093
Cash flow hedges	92	351	(309)	(523)
	<u>4,244</u>	<u>9,165</u>	<u>(15,599)</u>	<u>28,160</u>
Total comprehensive income for the period	<u>51,056</u>	<u>50,890</u>	<u>69,151</u>	<u>113,981</u>
Total comprehensive income attributable to:				
Shareholders of the Company	49,000	47,342	67,557	102,965
Non-controlling interests	2,056	3,548	1,594	11,016
	<u>51,056</u>	<u>50,890</u>	<u>69,151</u>	<u>113,981</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 2016 (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	Hedge reserve	Retained earnings		
										KD '000	
Balance at 1 January 2016	432,706	1,707,164	(567,834)	216,353	(756,643)	1,967	(1,446)	(216)	510,641	185,398	1,728,090
Cash dividends (2015)	-	-	-	-	-	-	-	-	(117,041)	(31,735)	(148,776)
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	(999)	967	(32)
Equity issue transaction costs	-	-	-	-	-	-	-	-	(571)	(182)	(753)
Total comprehensive income for the period	-	-	-	-	(16,538)	-	2,440	(309)	81,964	1,594	69,151
Balance at 30 June 2016	<u>432,706</u>	<u>1,707,164</u>	<u>(567,834)</u>	<u>216,353</u>	<u>(773,181)</u>	<u>1,967</u>	<u>994</u>	<u>(525)</u>	<u>473,994</u>	<u>156,042</u>	<u>1,647,680</u>
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	<u>432,706</u>	<u>1,707,164</u>	<u>(567,834)</u>	<u>216,353</u>	<u>(651,588)</u>	<u>1,967</u>	<u>(1,080)</u>	<u>(2,454)</u>	<u>437,210</u>	<u>178,570</u>	<u>1,751,014</u>

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

Condensed Consolidated Statement of Cash Flows – six months ended 30 June 2016 (Unaudited)

	Six months ended 30 June	
	2016	2015
	KD'000	
<b>Cash flows from operating activities</b>		
Profit for the period before income tax	95,048	93,951
Adjustments for:		
Depreciation and amortization	109,990	104,941
Interest income	(3,633)	(3,837)
Investment income	1,636	1,190
Share of loss of associates and joint ventures	18,455	13,271
Finance costs	15,625	13,355
Loss on currency revaluation	17,265	12,678
Operating profit before working capital changes	254,386	235,549
Increase in trade and other receivables	(31,516)	(37,280)
Decrease/(Increase) in inventories	12,511	(13,156)
(Decrease)/increase in trade and other payables	(87,062)	6,946
Cash generated from operations	148,319	192,059
Paid to Kuwait Foundation for Advancement of Sciences	(500)	(700)
National Labour Support Tax and Zakat paid	(2,599)	(3,403)
Income tax paid	(14,698)	(5,617)
<i>Net cash from operating activities</i>	<u>130,522</u>	<u>182,339</u>
<b>Cash flows from investing activities</b>		
Deposits maturing after three months and bank balances blocked (note 3)	61	(5,578)
Net cash outflow on acquisition of non-controlling interest/a subsidiary	(26)	(4,307)
Purchase of investments	(668)	(967)
Proceeds from sale of investments	3,009	2,794
Acquisition of property and equipment (net)	(56,973)	(89,262)
Acquisition of intangible assets (net)	(26,416)	(115,246)
Interest received	3,573	4,102
Dividend received	701	798
<i>Net cash used in investing activities</i>	<u>(76,739)</u>	<u>(207,666)</u>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	100,764	372,018
Repayment of bank borrowings	(55,669)	(228,990)
Loan to an associate	(14,592)	(11,722)
Dividends paid to Company's shareholders	(115,938)	(154,206)
Dividends paid to minority shareholders of subsidiaries	(1,908)	(1,751)
Finance costs paid	(11,534)	(13,120)
<i>Net cash used in financing activities</i>	<u>(98,877)</u>	<u>(37,771)</u>
Net decrease in cash and cash equivalents	(45,094)	(63,098)
Effect of foreign currency translation	(2,905)	8,619
Cash and cash equivalents at beginning of period	228,266	221,021
<b>Cash and cash equivalents at end of period</b> (Note 3)	<u>180,267</u>	<u>166,542</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. 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 2015 and 30 June 2015 - 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 2015. Amendments to IFRSs, which are effective for annual accounting period starting from 1 January 2016, did not have any material impact on the accounting policies, financial position or performance of the Group.

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 entail going in and out of hyperinflation within a short period. Based on the above matters, the Group concluded that there was no definitive basis to apply IAS 29 at that time and to review it on an ongoing basis.

In 2016, the Group notes that the IMF World Economic Outlook report of April 2016 shows the consumer price inflation estimate for Sudan for the years 2016 to 2017 to be 13% and 12.3% respectively and the cumulative inflation rate as of year-end 2016 to be around 61%. Accordingly, the Group is of the opinion that the 2015 determination that there was no definitive basis to apply IAS 29 continues to be applicable.

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 324 million and non-monetary assets comprising of Zain Sudan's Property and Equipment, Intangible assets and Capital WIP as of that date higher by the same amount. This would have then required the Group to test the restated carrying value of its investment in Zain Sudan and the related goodwill of KD 178 million for impairment losses, if any, to be recognized in the consolidated statement of profit or loss. Even if this had resulted in goodwill being determined as fully impaired at that time, the net overall impact on the Group's consolidated statement of financial position is that net equity and the above non-monetary assets related to Zain Sudan as of 30 June 2016 would have been higher by KD 134 million (31 December 2015 : KD 108 million; 30 June 2015: KD 97 million). Furthermore, the profit for the six months to 30 June 2016 would have been lower by KD 27 million (30 June 2015: KD 23 million).

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 2016, 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 2015.

**Notes to the Condensed Consolidated Interim Financial Information - 30 June 2016 (Unaudited)**

*Zain Sudan*

During the current quarter, Zain Sudan signed a Share Purchase Agreement (SPA) to acquire the controlling interest in the fixed telecom operator in Sudan for a total consideration of US\$ 95.2 million and is subject to regulatory approval and preemptive share acquisition rights of another shareholder of the operator.

During Q1 2016, Zain Sudan paid National Telecommunications Corporation, Sudan (NTC) an amount of SDG 55 million (KD 2.578 million) to acquire the fourth generation (4G/LTE) mobile technology licence which is valid upto February 2029.

*Al Khatem/Atheer*

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 5.870 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), Al Khatem 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.

**3. Cash and bank balances**

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

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>KD '000</b>		
Cash on hand and at banks	264,366	264,651	236,836
Short-term deposits with banks	46,748	94,519	57,321
Government certificates of deposits held by subsidiaries	625	629	512
	<u>311,739</u>	<u>359,799</u>	<u>294,669</u>
Bank balances blocked (refer note 13)	(128,241)	(128,818)	(125,636)
Cash at bank under lien	(2,606)	(2,086)	(1,979)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(625)	(629)	(512)
	<u>180,267</u>	<u>228,266</u>	<u>166,542</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2016 (Unaudited)

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 June 2016	Audited 31 December 2015	Unaudited 30 June 2015
	KD '000		
Current assets	279,880	331,111	332,264
Non-current assets	1,812,143	1,774,626	1,794,422
Current liabilities	417,938	525,339	538,988
Non-current liabilities	1,355,397	1,212,441	1,185,441
Net asset of SMTC	318,688	367,957	402,257
Revenue	280,605	544,973	269,190
Loss	(46,512)	(77,868)	(36,377)
Total comprehensive income for the period	(833)	4,630	(1,412)
Proportion of Group's ownership interest in SMTC	37.045%	37.045%	37.045%
Group's share of SMTC's net assets	118,058	136,310	149,017
Goodwill	12,355	12,429	12,388
Carrying amount of Group's interest in SMTC	<u>130,413</u>	<u>148,739</u>	<u>161,405</u>

As at 30 June 2016 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 136.514 million (31 December 2015 – KD 146.317 million; 30 June 2015: KD 198.693 million).

SMTC's independent auditor's review report dated 28 July 2016, 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 176.924 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 49.848 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.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2016 (Unaudited)

4.2 Interest in a joint venture

This represents Group's KD 69.519 million (31 December 2015 - KD 71.163 million; 30 June 2015: KD 71.573 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 Group's share of loss for the period in the joint venture amounting to KD 1.227 million (30 June 2015 – Profit KD 0.205 million) has been recognized in the condensed consolidated statement of profit or loss. Group management using the equity method based on management information provided by Wana Corporate determines the carrying value of this joint venture and its results for the period.

5. Due to banks

	<u>Unaudited</u> <u>30 June</u> <u>2016</u>	<u>Audited</u> <u>31 December</u> <u>2015</u>	<u>Unaudited</u> <u>30 June</u> <u>2015</u>
	<u>KD '000</u>		
<i>Company</i>			
Short term loans	157,600	171,894	275,657
Long term loans	677,867	623,722	493,572
	<u>835,467</u>	<u>795,616</u>	<u>769,229</u>
<i>Zain Sudan</i>			
Short term Murabaha financing	2,600	2,079	1,969
<i>Zain – Bahrain</i>			
Long term loans	10,834	14,078	17,107
<i>Mada Communications Company K.S.C. (Closed)</i>			
Bank overdraft	-	-	123
<i>Atheer – Iraq</i>			
Bank overdraft	13,844	-	9,672
Long term loans	142,139	153,106	162,686
	<u>1,004,884</u>	<u>964,879</u>	<u>960,786</u>

The current and non-current amounts are as follows:

	<u>Unaudited</u> <u>30 June</u> <u>2016</u>	<u>Audited</u> <u>31 December</u> <u>2015</u>	<u>Unaudited</u> <u>30 June</u> <u>2015</u>
	<u>KD '000</u>		
Current liabilities	219,738	213,310	317,568
Non-current liabilities	785,146	751,569	643,218
	<u>1,004,884</u>	<u>964,879</u>	<u>960,786</u>

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

	<u>Unaudited</u> <u>30 June</u> <u>2016</u>	<u>Audited</u> <u>31 December</u> <u>2015</u>	<u>Unaudited</u> <u>30 June</u> <u>2015</u>
	<u>KD '000</u>		
US dollar	880,969	837,884	826,393
Kuwaiti dinar	110,481	110,838	115,317
Others	13,434	16,157	19,076
	<u>1,004,884</u>	<u>964,879</u>	<u>960,786</u>

The effective interest rate as at 30 June 2016 was 1.4211% to 12.00% (31 December 2015 - 1.18% to 12.00%; 30 June 2015 – 1.2128% to 12.00%) per annum.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2016 (Unaudited)

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

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

During the period, the Company:

- drew down US\$ 210 million (KD 63.442 million) from the US\$ 800 million revolving credit facility that was availed in February 2014. As of 30 June 2016 US\$ 460 million (KD 138.690 million) (31 December 2015 - KD 127.386 million) (30 June 2015 - KD 87.667 million) was outstanding on this facility.
- repaid loans amounting to KD 56.036 million during the period. This includes US\$ 170 million (KD 51.349 million) from the US\$ 800 million revolving credit facility availed in February 2014.

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

*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.

*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 June 2016, US\$ 116.440 million (KD 35.106 million) (31 December 2015 - KD 45.434 million; 30 June 2015 – KD 55.369 million) was outstanding from this facility;
- US\$ 300 million (KD 90.45 million) loan from a commercial bank that was rolled over as a long term loan maturing in December 2019;
- US\$ 55 million (KD 16.583 million) long-term loan repayable by March 2020 availed from a commercial bank in 2015.

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

**6. Share capital**

The authorized, issued and fully paid up share capital as of 30 June 2016 is 4,327,058,909 shares (31 December 2015 – 4,327,058,909; 30 June 2015 - 4,327,058,909) of 100 fils each.

**7. Dividend**

The annual general meeting of shareholders for the year ended 31 December 2015 held on 23 March 2016 (31 December 2014 - 24 February 2015) approved distribution of cash dividends of 30 fils (31 December 2014 - 40 fils) per share amounting to KD 117,041,000 (31 December 2014 - KD 156,053,000) to be paid to the registered shareholders as of the date of annual general meeting.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2016 (Unaudited)

8. Treasury shares

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No. 10 of 1987 and No. 11 of 1988 and are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>
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)	142,613	148,999	176,670
Cost (KD '000)	567,834	567,834	567,834

9. Investment income

	<u>Three months</u>		<u>Six months</u>	
	<u>ended 30 June</u>		<u>ended 30 June</u>	
	<u>(Unaudited)</u>		<u>(Unaudited)</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>KD'000</u>		<u>KD'000</u>	
Loss from investment securities "at fair value through profit or loss"	(60)	(241)	(176)	(565)
Realised (loss)/gains from investment securities 'available for sale'	(2,161)	(1,442)	(2,161)	(1,423)
Dividend income	701	798	701	798
	<u>(1,520)</u>	<u>(885)</u>	<u>(1,636)</u>	<u>(1,190)</u>

10. Earnings per share

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

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>30 June (Unaudited)</u>		<u>30 June (Unaudited)</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>KD'000</u>		<u>KD'000</u>	
Profit for the period attributable to shareholders	44,713	39,240	81,964	80,354
	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>
Weighted average number of shares in issue outstanding during the period	3,901,347,261	3,901,347,261	3,901,347,261	3,901,347,261
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Earnings per share – Basic	11	10	21	21

11. 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 and Bahrain as the basis for disclosing the segment information.

Mobile Telecommunications Company K.S.C.P  
Kuwait

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2016 (Unaudited)

	30 June 2016						Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	Others	
<b>Segment revenues</b>	165,110	71,600	114,613	161,615	25,847	13,099	551,884
<b>Net profit before interest and tax</b>	43,465	21,621	25,265	13,567	1,692	(664)	104,946
Interest income	44	196	2,263	53	34	75	2,665
Finance costs	-	(2,305)	-	(6,291)	(250)	(1,618)	(10,464)
Income tax expense	-	(4,478)	(5,001)	-	-	(473)	(9,952)
	<u>43,509</u>	<u>15,034</u>	<u>22,527</u>	<u>7,329</u>	<u>1,476</u>	<u>(2,680)</u>	<u>87,195</u>
<i>Unallocated items:</i>							
Investment income							(1,636)
Share of results of associates and joint ventures							(18,455)
Others							17,646
<b>Profit for the period</b>							<b>84,750</b>
<b>Segment assets including goodwill</b>	284,198	322,166	567,378	1,201,045	92,570	83,797	2,551,154
<i>Unallocated items:</i>							
Investment securities at fair value through profit or loss							992
Investment securities available for sale							24,590
Investment in associates and joint ventures							199,932
Dues from associates							363,256
Others							269,692
<b>Consolidated assets</b>							<b>3,409,616</b>
<b>Segment liabilities</b>	94,648	158,116	78,416	338,899	31,427	189,865	891,371
Due to banks	-	-	2,600	155,983	10,834	-	169,417
	<u>94,648</u>	<u>158,116</u>	<u>81,016</u>	<u>494,882</u>	<u>42,261</u>	<u>189,865</u>	<u>1,060,788</u>
<i>Unallocated items:</i>							
Due to banks							835,467
Others							(134,319)
<b>Consolidated liabilities</b>							<b>1,761,936</b>
<b>Net consolidated assets</b>							<b>1,647,680</b>
Capital expenditure incurred during the period	17,657	7,725	20,874	14,220	6,597	5,989	73,062
Unallocated							1,502
<b>Total capital expenditure</b>							<b>74,564</b>
Depreciation and amortization	34,235	13,156	14,716	36,456	8,187	2,675	109,425
Unallocated							565
<b>Total depreciation and amortization</b>							<b>109,990</b>

Mobile Telecommunications Company K.S.C.P  
Kuwait

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2016 (Unaudited)

	30 June 2015						Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	Others	
<b>Segment revenues</b>	162,390	66,637	106,099	180,326	28,177	18,722	562,351
<b>Net profit before interest and tax</b>	49,600	18,377	24,212	24,791	1,930	(7,939)	110,971
Interest income	1	338	1,192	106	6	86	1,729
Finance costs	-	(1,181)	-	(6,085)	(291)	(1,173)	(8,730)
Income tax expense	-	(4,037)	(2,119)	(912)	-	(398)	(7,466)
	49,601	13,497	23,285	17,900	1,645	(9,424)	96,504
<i>Unallocated items:</i>							
Investment income							(1,190)
Share of results of associates and joint ventures							(13,271)
Others							3,778
<b>Profit for the period</b>							<b>85,821</b>
<b>Segment assets</b>	259,290	321,454	519,657	1,216,107	88,224	174,408	2,579,140
<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							265,954
<b>Consolidated assets</b>							<b>3,448,375</b>
<b>Segment liabilities</b>	84,751	158,946	69,446	235,730	23,121	185,996	757,990
Due to banks	-	-	1,969	172,357	17,108	123	191,557
	84,751	158,946	71,415	408,087	40,229	186,119	949,547
<i>Unallocated items:</i>							
Due to banks							769,229
Others							(21,415)
<b>Consolidated liabilities</b>							<b>1,697,361</b>
<b>Net consolidated assets</b>							<b>1,751,014</b>
Capital expenditure incurred during the period	50,804	16,964	34,952	94,488	6,624	9,462	213,294
Unallocated							156
<b>Total capital expenditure</b>							<b>213,450</b>
Depreciation and amortization	27,726	10,906	11,663	33,418	9,163	11,263	104,139
Unallocated							802
<b>Total depreciation and amortization</b>							<b>104,941</b>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2016 (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:

Key management compensation

	Three months ended		Six months ended	
	30 June (Unaudited)		30 June (Unaudited)	
	2016	2015	2016	2015
	KD'000		KD'000	
Salaries and other short term employee benefits	2,238	2,132	4,563	4,219
Post-employment benefits	262	403	993	1,090

13. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 June	31 December	30 June
	2016	2015	2015
	KD '000		
Capital expenditure	94,522	77,999	115,639
Capital expenditure - share of an associate	77,428	80,771	61,366
Uncalled share capital of investee companies	6,822	11,815	2,171
Letters of credit	-	-	591
Letters of guarantee	459,961	470,905	476,028

The above include guarantees amounting to KD 409.415 million (31 December 2015 - KD 419.851 million; 30 June 2015 – KD 426.504 million) relating to loans and other vendor financing availed by SMTC.

The Company is a guarantor for credit facilities amounting to KD 10.541 million (31 December 2015 - KD 10.604 million; 30 June 2015 - KD 10.569 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.

Penalties and Fee claims in Iraq

In 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 78.993 million) from Atheer, citing non-compliance with certain license terms. These claims were resolved in favor of Atheer during the second quarter of 2015. However, in March 2016, the Executive Director of the CMC filed a complaint with the Hearing Panel of the CMC claiming US\$ 100 million (KD 30.15 million) relating to the matter which had been ruled in favor of Atheer by the Appeals Board of the CMC on three previous occasions. On 13 July 2016, the Hearing Panel of the CMC issued a decision in favor of CMC. Management is in the process of filing an appeal against this decision. Based on past favorable rulings, the Group believes that the prospects of resolving this matter, to be in its favor.

On 30 May 2016, the Director General of the CMC sent a letter to Atheer requesting that Atheer pay approximately US\$ 61 million (KD 18.392 million) in spectrum fees for the period commencing from 2010. CPA Order number 65 (establishing the CMC) and the License Agreement between Atheer and the CMC (dated 31 August 2007) both clearly state that, any fees that are assessed on Atheer cannot be backdated, are required to be clearly stipulated to Atheer ahead of the period of their imposition and are required to comply with international laws. In addition, the CMC Appeals Board had in the past decided the procedures for establishing such spectrum fees and the decision of the Director General on 30 May 2016 is in violation of the decision of the CMC Appeals Board. Accordingly, Atheer has appealed this decision to the CMC's Appeals Board on 28 June 2016. On the basis of the report of its attorneys, the Group believes that Atheer will prevail in this matter.

#### Income taxes in Iraq

The Iraq income tax authority, the Iraq General Commission for Taxes (the "IGCT"), has raised claims for additional income taxes aggregating US\$ 263 million (KD 79.295 million) for Atheer's operations for fiscal years 2004 -2010 including US\$ 88 million (KD 26.532 million) for Iraqna and has requested the banks to block Atheer's bank accounts. Based on Atheer's appeal, the Iraq Ministry of Finance directed IGCT to re-open the assessment of the claim against Iraqna. Atheer had acquired Iraqna in 2007 from Orascom Telecom Iraq Corp. Limited (the Seller) and has a contingent asset in the form of a right, under the Sale Purchase Agreement to make claims against the Seller of Iraqna for such tax claims up to US\$ 60 million (KD 18.09 million).

Atheer is in negotiations with the Ministry of Finance, Iraq on the above tax claims as well as on unpaid tax deposits for appeals of certain years and continues to challenge the disputed amounts in the Iraqi courts. Based on the report of its attorneys, the Group expects the outcome of several of the additional tax claim years is likely to be favorable to Atheer.

#### Capital Gains Tax in Iraq

In December 2011, IGCT claimed, from Iraqna, capital gains taxes payable by the Seller amounting to US\$ 185 million (KD 55.778 million) arising from the 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 November 2015, Atheer was unsuccessful at the Court of Cassation in its first legal appeal against the claim and another appeal against unfavorable verdicts in lower courts is now pending at the Court of Cassation. As regards the freeze on its bank accounts, the Group was notified by its banks that IGCT has instructed them to transfer the funds frozen to its bank accounts. Atheer notified the banks that there is a court injunction in place prohibiting this transfer until the Court of Cassation's decision is final and binding. In July 2016, the Iraq Depository Center (IDC), based on a request from the IGCT recorded a lien on 31.66% of Al Khatem's equity shares (which is 41.65% of the Group's equity shareholding in Al Khatem) towards this liability. The Group considers this action to be illegal and intends to initiate legal proceedings to lift the lien.

Furthermore, an independent legal opinion has confirmed that the Company should, as a Kuwaiti investor in Iraq, have a reasonable chance to pursue a successful claim through international arbitration against the Republic of Iraq based on mutually agreed investment protection convention signed between Kuwait and Iraq. The Company has since issued letters in February and May 2016 to the Government of the Republic of Iraq requesting an opportunity to engage in negotiations designed to reach a settlement, while reserving its rights to take legal action, including an international arbitration claim based upon the terms of the Bilateral Investment Treaty existing between the Republic of Iraq and the State of Kuwait. This bilateral investment treaty allows nationals of one country investing in the other country to commence arbitration with the International Centre for the Settlement of Investment Disputes ("ICSID"), which is part of the World Bank Group, notwithstanding the provisions of any license or contract signed. In the event that the Government of Iraq fails to respond to the letter or negotiations fail to produce a settlement within six months of the date of the letter, the Company intends to file an international arbitration claim. The attorneys of the Group have advised that there is a strong possibility of settlement of this case along the lines of having a standstill arrangement and allowing the case to be adjudicated under the auspices of ICSID. Simultaneously, Atheer has filed a claim against the Seller in an English court in accordance with the terms of the tax indemnity deed of the related share purchase agreement. Accordingly, Group management is of the opinion that this matter is unlikely to have a material adverse effect on the condensed consolidated financial position or the consolidated performance of the Group.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2016 (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:

	(Unaudited) 30 June 2016	(Audited) 31 December 2015	(Unaudited) 30 June 2015
	KD'000		
<b>Loans and receivables:</b>			
Cash and bank balances	311,739	359,799	294,669
Trade and other receivables	437,672	406,278	386,002
Due from associates	363,256	350,673	338,041
Other assets	12,060	12,132	12,092
<b>Investment securities - at fair value through profit or loss</b>	992	1,164	1,453
<b>Investment securities -available for sale</b>	24,590	26,598	30,809

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 2016

	Level 1	Level 2	Level 3	Total
	KD'000			
<b>Financial assets at fair value:</b>				
Investments securities at fair value through profit or loss	992	-	-	992
Investments securities available for sale	15,526	6,856	-	22,382
Total assets	16,518	6,856	-	23,374

31 December 2015

	Level 1	Level 2	Level 3	Total
	KD'000			
<b>Financial assets at fair value:</b>				
Investments securities at fair value through profit or loss	1,164	-	-	1,164
Investments securities available for sale	17,250	7,138	-	24,388
Total assets	18,414	7,138	-	25,552

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30 June 2015

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

Available for sale investments include unlisted securities amounting to KD 2.208 million (31 December 2015 – KD 2.210 million; 30 June 2015 – KD 3.899 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 2016:**

	Notional amounts by term to maturity					Over 1 year
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	
						KD '000
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>						
Profit rate swaps - share of an associate	-	525	128,562	-	-	128,562
	-	525	128,562	-	-	128,562

**At 31 December 2015:**

	Notional amounts by term to maturity					Over 1 year
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	
						KD '000
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>						
Profit rate swaps - share of an associate	-	216	129,234	-	-	129,234
	-	216	129,234	-	-	129,234

**At 30 June 2015:**

	Notional amounts by term to maturity					Over 1 year
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	
						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
	-	2,454	128,850	-	-	128,850