

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

**Condensed Consolidated Interim Financial Information (Unaudited)
31 March 2013**

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**Mobile Telecommunications Company K.S.C.
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. (the Parent Company) and its subsidiaries (together called "the Group") as at 31 March 2013 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this 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

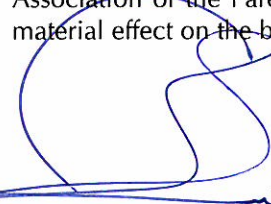
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

Conclusion

Based on our review, 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.

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 Parent 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, or of the Articles of Association of the Parent Company during the three month period ended 31 March 2013 that might have had a material effect on the business of the Group or on its financial position.



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Condensed Consolidated Statement of Financial Position as at 31 March 2013 (Unaudited)

	Note	Unaudited 31 March 2013	Audited 31 December 2012	Unaudited 31 March 2012
				KD '000
Assets				
Current assets				
Cash and bank balances	3	317,298	302,609	424,004
Trade and other receivables		345,725	319,109	334,368
Inventories		21,205	11,906	24,952
Investment securities- at fair value through profit or loss		2,529	2,693	6,587
		<u>686,757</u>	<u>636,317</u>	<u>789,911</u>
Non-current assets				
Investment securities – available for sale		48,711	48,659	64,742
Investment in associates	4	238,125	246,023	73,877
Interest in a jointly controlled entity		57,222	54,819	46,185
Loans to associates		153,177	145,832	189,737
Property and equipment		715,176	699,030	794,911
Intangible assets		1,023,271	998,082	1,250,637
Other assets		107,517	102,229	81,220
		<u>2,343,199</u>	<u>2,294,674</u>	<u>2,501,309</u>
Total Assets		<u>3,029,956</u>	<u>2,930,991</u>	<u>3,291,220</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		525,005	535,114	783,375
Due to banks	5	519,813	270,656	149,121
		<u>1,044,818</u>	<u>805,770</u>	<u>932,496</u>
Non-current liabilities				
Due to banks	5	135,724	381,136	332,276
Other non-current liabilities		33,578	33,331	36,541
		<u>169,302</u>	<u>414,467</u>	<u>368,817</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	6	432,149	431,527	431,356
Share premium		1,706,674	1,705,387	1,705,158
Treasury shares	8	(567,834)	(567,834)	(567,834)
Legal reserve		215,764	215,764	215,377
Foreign currency translation reserve		(649,181)	(694,184)	(218,821)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of associate		-	-	(1,755)
Investment fair valuation reserve		392	(987)	(7,895)
Share based compensation reserve		3,855	8,808	4,082
Retained earnings		352,597	490,189	314,944
Proposed dividend		194,789	-	-
		<u>1,691,172</u>	<u>1,590,637</u>	<u>1,876,579</u>
Non-controlling interests		124,664	120,117	113,328
Total equity		<u>1,815,836</u>	<u>1,710,754</u>	<u>1,989,907</u>
Total Liabilities and Equity		<u>3,029,956</u>	<u>2,930,991</u>	<u>3,291,220</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 8 May 2013.


Asaad Ahmed Al Banwan
Chairman


M. Scott Gegenheimer
Chief Executive Officer

Condensed Consolidated Statement of Profit or Loss – three months ended 31 March 2013 (Unaudited)

	Note	Three months ended 31 March	
		2013	2012
		KD'000	
Revenue		299,007	325,729
Cost of sales		(84,722)	(87,295)
Gross profit		<u>214,285</u>	<u>238,434</u>
Operating and administrative expenses	9	(86,110)	(85,252)
Depreciation and amortization		(47,698)	(47,382)
Provision for doubtful debts		(1,527)	(2,379)
Operating profit		<u>78,950</u>	<u>103,421</u>
Interest income		4,574	4,487
Investment income	10	98	773
Share of loss of associates	4	(11,080)	(7,896)
Share of profit of a jointly controlled entity		1,627	1,452
Other income		2,046	3,130
Finance costs		(4,975)	(5,116)
Loss on currency revaluation		(4,704)	(4,406)
Board of Directors' remuneration		(108)	(108)
Contribution to Kuwait Foundation for Advancement of Sciences		(538)	(731)
National Labour Support Tax and Zakat		(1,825)	(2,619)
Profit for the period before income tax		<u>64,065</u>	<u>92,387</u>
Income tax expenses		(7,128)	(14,707)
Profit for the period		<u><u>56,937</u></u>	<u><u>77,680</u></u>
Attributable to:			
Shareholders of the Parent Company		52,001	70,919
Non-controlling interests		<u>4,936</u>	<u>6,761</u>
		<u><u>56,937</u></u>	<u><u>77,680</u></u>
Earnings per share	11		
Basic – Fils		13	18
Diluted – Fils		13	18

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – three months ended 31 March 2013 (Unaudited)

	Three months ended 31 March	
	2013	2012
	KD'000	
Profit for the period	56,937	77,680
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	46,710	(5,079)
Net unrealised gains on available for sale investments	1,515	2,198
Net realised gains transferred to consolidated statement of income on available for sale investments (net of impairment losses)	(136)	(47)
Cash flow hedges	-	849
Share of other comprehensive income of an associate	-	5
	<u>48,089</u>	<u>(2,074)</u>
 Total comprehensive income for the period	 <u>105,026</u>	 <u>75,606</u>
 Total comprehensive income attributable to:		
Shareholders of the Parent Company	98,383	69,167
Non-controlling interests	6,643	6,439
	<u>105,026</u>	<u>75,606</u>

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

Condensed Consolidated Statement of Changes in Equity – three months ended 31 March 2013 (Unaudited)

	Equity attributable to Parent Company's shareholders										Non-controlling interests	Total		
	Share Capital	Share premium	Treasury shares	Legal reserve	Foreign currency translation reserve	Treasury shares reserve	Equity issue transaction cost of associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve			Retained earnings	Proposed dividend
Balance at 1 January 2013	431,527	1,705,387	(567,834)	215,764	(694,184)	1,967	-	(987)	8,808	-	490,189	-	120,117	1,710,754
Exercise of share options	622	1,287	-	-	-	-	-	-	(108)	-	-	-	-	1,801
Cash dividends (2012)	-	-	-	-	-	-	-	-	-	-	(194,789)	194,789	(2,096)	(2,096)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(5,196)	-	5,196	-	-	-
Share based compensation	-	-	-	-	-	-	-	-	351	-	-	-	-	351
Total comprehensive income for the period	-	-	-	-	45,003	-	-	1,379	-	-	52,001	-	6,643	105,026
Balance at 31 March 2013	432,149	1,706,674	(567,834)	215,764	(649,181)	1,967	-	392	3,855	-	352,597	194,789	124,664	1,815,836
Balance at 1 January 2012	430,754	1,703,351	(567,834)	215,377	(214,064)	1,967	(1,760)	(10,046)	7,141	(849)	516,453	-	125,048	2,205,538
Exercise of share options	602	1,807	-	-	-	-	-	-	-	-	-	-	-	2,409
Purchase from a non-controlling interest (note 2)	-	-	-	-	-	-	-	-	-	-	(22,903)	-	(13,275)	(36,178)
Cash dividends (2011)	-	-	-	-	-	-	-	-	-	-	(252,710)	-	(4,884)	(257,594)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(3,185)	-	3,185	-	-	-
Share based compensation	-	-	-	-	-	-	-	-	126	-	-	-	-	126
Total comprehensive income for the period	-	-	-	-	(4,757)	-	5	2,151	-	849	70,919	-	6,439	75,606
Balance at 31 March 2012	431,356	1,705,158	(567,834)	215,377	(218,821)	1,967	(1,755)	(7,895)	4,082	-	314,944	-	113,328	1,989,907

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

Condensed Consolidated Statement of Cash Flows – three months ended 31 March 2013 (Unaudited)

	Three months ended 31 March	
	2013	2012
	<u>KD'000</u>	
Cash flows from operating activities		
Profit for the period before income tax	64,065	92,387
Adjustments for:		
Depreciation and amortization	47,698	47,382
Interest income	(4,574)	(4,487)
Investment income	(98)	(773)
Share of loss of associates	11,080	7,896
Share of profit of a jointly controlled entity	(1,627)	(1,452)
Finance costs	4,975	5,116
Loss on currency revaluation	4,704	4,406
Operating profit before working capital changes	<u>126,223</u>	<u>150,475</u>
Increase in trade and other receivables	(18,761)	(10,393)
Increase in inventories	(8,954)	(3,932)
Decrease in trade and other payables	(19,808)	(10,416)
Cash generated from operations	<u>78,700</u>	<u>125,734</u>
Paid to Kuwait Foundation for Advancement of Sciences	(5,058)	(5,058)
Income tax paid	(2,550)	(8,823)
<i>Net cash from operating activities</i>	<u>71,092</u>	<u>111,853</u>
Cash flows from investing activities		
Deposits maturing after three months and bank balances blocked (note 3)	(2,946)	(15,065)
Purchase of investments	(2)	(276)
Proceeds from sale of investments	986	73
Acquisition of property and equipment (net)	(32,114)	(25,328)
Acquisition of intangible assets	(14,168)	(8,368)
Interest received	4,572	4,488
Dividend received	-	100
<i>Net cash used in investing activities</i>	<u>(43,672)</u>	<u>(44,376)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	53,070	95,067
Repayment of bank borrowings	(58,353)	(152,411)
Loan to an associate	(5,752)	-
Capital contribution including share premium – employees stock option	1,801	2,409
Dividends paid to Parent Company's shareholders	(362)	(555)
Dividends paid to minority shareholders of subsidiaries	-	(1,271)
Finance costs paid	(12,338)	(2,013)
<i>Net cash used in financing activities</i>	<u>(21,934)</u>	<u>(58,774)</u>
Net increase in cash and cash equivalents	5,486	8,703
Effect of foreign currency translation	6,257	(4,528)
Cash and cash equivalents at beginning of period	<u>188,921</u>	<u>386,147</u>
Cash and cash equivalents at end of period (Note 3)	<u>200,664</u>	<u>390,322</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. (the Parent 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 Parent Company is at P.O Box 22244, 13083 Safat, State of Kuwait.

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2012 - Kuwait and 8 other countries; 31 March 2012 - Kuwait and 8 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree).

According to articles 2 and 3 of the Decree, Executive Regulations which are to be issued by the Ministry of Commerce and Industry by 26 September 2013 will determine the basis and rules which the Parent Company must adopt to regularise its affairs with the Companies Law.

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 2012 except for the adoption of all applicable new and amended standards.

The Group has adopted the following new standards or amendments which are effective as of 1 January 2013

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements' and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.

IFRS 12 – Disclosure of Involvement with Other Entities

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The relevant disclosures will be made in the annual consolidated financial statements of the Group.

IFRS 13 – Fair Value measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2013 (Unaudited)

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the disclosures in the interim condensed consolidated financial information period. The Group has applied this requirement for the first time and has provided these disclosures in Note 15. The transition provisions in IAS 34 and IFRS 13 do not require comparative information for periods before initial application of IFRS 13. Consequentially, the Group does not provide the related comparative information.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard has not resulted in any material impact on the interim condensed consolidated financial information of the Group and the relevant disclosures will be made in the annual consolidated financial statements of the Group.

IAS 1 Financial Statement Presentation

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this standard resulted in presentation changes in statement of profit or loss and other comprehensive income. The amendments also preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income'.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2013. For further information, refer to the consolidated annual financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2012.

Mobile Telecommunications Company Lebanon S.A.R.L.(MTCL)

The Group's Network Management Agreement (NMA) with the Republic of Lebanon has been extended up to 30 June 2013. The financial information of MTCL are prepared on a going concern basis as management believes that any potential adjustments to the presentation and amounts in the statement of financial position arising from expiry of the NMA may not be significant.

Atheer, Iraq

Under the terms of the telecom license agreement with the Iraqi telecom regulator CMC, the Parent Company and the other two telecom operators in Iraq were required 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 before 31 August 2011. The process for complying with the listing conditions is now ongoing and the Group expects to complete the IPO process before 31 December 2013.

During the year 2012, the Group acquired an additional 4.333% equity interest in Atheer from a non-controlling interest holder for a consideration of US\$ 130 million (KD 36 million). The difference between the consideration paid and the carrying value of the shares acquired is recorded in equity.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2013 (Unaudited)

Interest in a jointly controlled entity – Zain Al Ajial S.A.

The carrying value of this jointly controlled entity and its results for the period are determined by Group management using the equity method based on estimated results.

Financial support to associate and group companies

The Group has committed to provide working capital and other financial support to Atheer, Mobile Telecommunications Company, Saudi Arabia (SMTC), Zain South Sudan and Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat 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:

	<u>Unaudited</u> <u>31 March</u> <u>2013</u>	<u>Audited</u> <u>31 December</u> <u>2012</u>	<u>Unaudited</u> <u>31 March</u> <u>2012</u>
	<u>KD '000</u>		
Cash on hand and at banks	191,224	182,485	219,320
Short-term deposits with banks	121,770	116,102	192,348
Government certificates of deposits held by subsidiaries	4,304	4,022	12,336
	<u>317,298</u>	<u>302,609</u>	<u>424,004</u>
Bank balances blocked (refer note 14)	(109,798)	(107,319)	-
Government certificates of deposits held by subsidiaries	(4,304)	(4,022)	(12,336)
Deposits with maturities exceeding three months	(2,532)	(2,347)	(21,346)
	<u>200,664</u>	<u>188,921</u>	<u>390,322</u>

4. Investments in associates

	<u>Unaudited</u> <u>31 March</u> <u>2013</u>	<u>Audited</u> <u>31 December</u> <u>2012</u>	<u>Unaudited</u> <u>31 March</u> <u>2012</u>
	<u>KD '000</u>		
Opening balance	246,023	81,131	81,131
Capital contribution	-	97,696	-
Conversion of shareholder loans in SMTC to equity	-	112,640	-
Share of loss for the period/year	(11,080)	(41,053)	(7,896)
Foreign currency translation adjustment	3,182	80	(212)
Share of comprehensive income	-	(2,964)	854
Adjustments - transfer to subsidiary	-	(1,507)	-
Closing balance	<u>238,125</u>	<u>246,023</u>	<u>73,877</u>

The carrying amount of the Group's investment in SMTC included above is KD 238.125 million (31 December 2012 - KD 246.023 million; 31 March 2012 - KD 72.499 million) and the Group's total investment in SMTC including loans and receivables is KD 481.707 million (31 December 2012 - KD 477.899 million; 31 March 2012 - KD 327.608 million). The fair value of the Group's investment in SMTC as at 31 March 2013 is KD 247.511 million (31 December 2012 - KD 236.758 million; 31 March 2012 - KD 281.015 million).

SMTC has reported a net loss of Saudi Riyals (SAR) 397.949 million (KD 29.910 million) for the three month period ended 31 March 2013 (31 March 2012 - KD 31 million) and accumulated losses of SAR 2.747 billion (KD 208 million) as of that date (31 December 2012 - KD 176 million; 31 March 2012 - KD 748 million). SMTC's current liabilities also exceed current assets by SAR 11.312 billion (KD 858.617 million) as of 31 March 2013 (31 December 2012 - KD 835 million; 31 March 2012 - KD 979 million).

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2013 (Unaudited)

SMTC with the consent of the murabaha facility investors extended the maturity of the syndicated murabaha facility to 29 May 2013 from July 2012, while finalising a revised five year US\$ 2.4 billion murabaha facility (for which there are firm commitments from banks).

SMTC's independent auditor's modified review report dated 15 April 2013 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its interim financial information for the period ended 31 March 2013 have been prepared on a going concern basis as SMTC believes it will be successful in meeting its obligations in the normal course of operations.

5. Due to banks

During the period, the Parent Company availed US\$ 124 million (KD 35.315 million) short term loan facility.

As of 31 March 2013, US\$ 742.667 million (KD 211.511 million) (31 December 2012 - KD 243.447 million; 31 March 2012- KD 183.150 million) was outstanding from the revolving credit facility. This facility matures in March 2014 and management expects its renewal at that date.

The above facilities carry a floating interest rate of a fixed margin over London Inter-Bank Offer Rate (LIBOR).

During the period, Zain Jordan and Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat- Jordan repaid its entire loans equivalent to KD 12 million and KD 1.4 million respectively.

6. Share capital

The authorized share capital as of 31 March 2013 is 4,322,574,895 shares (31 December 2012 – 4,322,574,895; 31 March 2012 - 4,331,982,637) of 100 fils each.

At the extraordinary general meeting held on 17 April 2013, the Parent Company's shareholders approved decrease in authorized share capital by 1,085,978 shares and then to increase it by 5,569,992 shares to 4,327,058,909, subject to regulatory approval.

The issued and fully paid up share capital as of 31 March 2013 consists of 4,321,488,917 shares of 100 fils each (31 December 2012 – 4,315,274,866 shares of 100 fils each; 31 March 2012 - 4,313,559,912 shares of 100 fils each).

7. Dividend

The annual general meeting of shareholders for the year ended 31 December 2012 held on 7 April 2013 (2011 - 29 March 2012) approved distribution of cash dividends of 50 fils (2011 - 65 fils) per share amounting to KD 194,789,000 (2011 - KD 252,710,000) and will be paid to the registered shareholders as of the date of annual general meeting. This amount has been presented under equity since the date of the shareholder's approval is after the statement of financial position date.

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>31 March</u>	<u>31 December</u>	<u>31 March</u>
	<u>2013</u>	<u>2012</u>	<u>2012</u>
Number of shares	425,711,648	425,711,648	425,711,648
Percentage of issued shares	9.85%	9.87%	9.87%
Market value (KD '000)	327,798	332,055	370,369
Cost (KD '000)	567,834	567,834	567,834

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2013 (Unaudited)

9. Operating and administrative expenses

This includes Distribution, marketing and operating expenses of KD 61.150 million (31 March 2012 – KD 62.736 million).

10. Investment income

	Three months ended 31 March (Unaudited)	
	2013	2012
		KD'000
Gains from investment securities "at fair value through profit or loss"	155	729
Realised loss from investment securities 'available for sale'	(57)	(56)
Dividend income	-	100
	<u>98</u>	<u>773</u>

11. 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 31 March (Unaudited)	
	2013	2012
		KD'000
Profit for the period attributable to shareholders	52,001	70,919
	Shares	Shares
Weighted average number of shares in issue	3,895,777,269	3,887,848,264
Effect of dilution	3,939,852	1,803,317
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,899,717,121</u>	<u>3,889,651,581</u>
	Fils	Fils
Earnings per share – Basic	13	18
Earnings per share – Diluted	13	18

12. Segmental information

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

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2013 (Unaudited)

	31 March 2013					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	81,122	34,132	47,678	119,012	17,063	299,007
Net profit before interest and tax	25,525	9,433	8,553	26,767	2,483	72,761
Interest income	4	208	875	216	633	1,936
Finance cost	-	(99)	(1,604)	(5,164)	(108)	(6,975)
Income tax expense	-	(2,089)	(771)	(4,019)	(215)	(7,094)
Net profit after interest and tax	25,529	7,453	7,053	17,800	2,793	60,628
<i>Unallocated items:</i>						
Investment income						98
Share of loss of an associate						(11,080)
Share of profit of a jointly controlled entity						1,627
Others						5,664
Profit for the period						56,937
Segment assets	231,412	227,162	562,303	1,037,955	154,933	2,213,765
<i>Unallocated items:</i>						
Investment securities at fair value through profit or loss						2,529
Investment securities available for sale						48,711
Investment in associates						238,125
Interest in a jointly controlled entity						57,222
Loans to associates						153,177
Others						316,427
Consolidated assets						3,029,956
Segment liabilities	79,217	46,508	174,630	231,853	105,581	637,789
<i>Unallocated items:</i>						
Due to banks						655,537
Others						(79,206)
Consolidated liabilities						1,214,120
Net consolidated assets						1,815,836
Capital expenditure during the period	11,844	1,854	12,275	15,508	4,790	46,271
Unallocated						11
Total capital expenditure incurred during the period						46,282
Depreciation and amortization	11,365	4,949	7,656	17,236	4,830	46,036
Unallocated						1,662
Total depreciation and amortization						47,698

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2013 (Unaudited)

	31 March 2012					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	84,306	33,234	76,576	114,919	16,694	325,729
Net profit before interest and tax	29,044	9,697	19,554	33,439	2,565	94,299
Interest income	1	205	1,312	119	23	1,660
Finance cost	-	(347)	(701)	(4,033)	-	(5,081)
Income tax expense	-	(2,140)	(7,403)	(4,891)	(187)	(14,621)
Net profit after interest and tax	29,045	7,415	12,762	24,634	2,401	76,257
<i>Unallocated items:</i>						
Investment income						773
Share of loss of associates						(7,896)
Share of profit of jointly controlled entity						1,452
Others						7,094
Profit for the period	227,755	210,962	1,003,420	941,714	77,765	2,461,616
Segment assets						
<i>Unallocated items:</i>						
Investment securities at fair value through profit or loss						6,587
Investment securities available for sale						64,742
Investment in associates						73,877
Interest in a jointly controlled entity						46,185
Loans to associates						189,737
Others						448,476
Consolidated assets						3,291,220
Segment liabilities						
<i>Unallocated items:</i>						
Due to banks	79,656	49,895	424,111	133,487	39,059	726,208
Others						481,397
Consolidated liabilities						93,708
Net consolidated assets						1,301,313
Capital expenditure during the period	11,125	2,828	5,651	9,246	4,816	33,666
Unallocated						30
Total capital expenditure incurred during the period						33,696
Depreciation and amortization	10,531	4,982	9,244	17,470	3,272	45,499
Unallocated						1,883
Total depreciation and amortization						47,382

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2013 (Unaudited)

13. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

Transactions

	Three months ended 31 March (Unaudited)	
	2013	2012
	KD'000	
Management fee (included in other income)	939	3,046
Interest income on loans to an associate	2,652	2,860

Key management compensation

	Three months ended 31 March (Unaudited)	
	2013	2012
	KD'000	
Salaries and other short term employee benefits	1,754	2,316
Post-employment benefits	481	768
Share based compensation	76	34

14. Commitments and contingencies

	Unaudited	Audited	Unaudited
	31 March 2013	31 December 2012	31 March 2012
	KD '000		
Capital expenditure	66,135	61,909	103,243
Capital expenditure - share of an associate	4,114	20,320	6,678
Uncalled share capital of investee companies	158	156	281
Letters of credit	21,726	28,872	63,020
Letters of guarantee	323,098	322,931	320,383

The above include guarantees/letters of credit amounting to US\$ 1.013 billion (KD 289 million) (31 December 2012 - KD 289 million; 31 March 2012 – KD 323 million) relating to loans and other vendor financing availed by SMTC.

The Parent Company is a guarantor for credit facilities of US\$ 35 million (KD 10 million) (31 December 2012 – KD 10 million; 31 March 2012 – KD 10 million) granted to a founding shareholder in SMTC. The Parent 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\$ 65 million (KD 18 million) for Atheer's operations upto fiscal year 2007. The Group has reviewed these claims and has filed an appeal denying liability for these additional tax claims on the basis that they are arbitrary and contrary to the applicable Iraqi tax law.

On 6 March 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 74 million) (US\$ 100 million as a fine, and US\$ 162 million as the CMC's portion of the revenue share) (31 December 2011 - US\$ 262 million) from Atheer citing non-compliance with certain license terms. In response to the appeal made by Atheer, the Board of Appeals of the CMC issued an order dated 30 January 2012, which annulled the above claim and asked the CMC to review it again and determine the amounts that should be paid by Atheer. In March 2012, the CMC again demanded payment of US\$ 262 million. Atheer has appealed against this demand by citing the CMC's Board of Appeals order dated 30 January 2012 for cancellation of the penalty charged and its re-assessment. Furthermore, CMC has also levied a penalty of US\$ 18 Million (KD 5 million) (31 December 2011 - US\$ 18 million) citing breach of network quality covenants. The Group believes that it has complied with the license terms and the network quality covenants and that it has strong meritorious defenses against these claims.

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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 upto the Closing Date of the SPA. The Tax Authority has raised claims for additional corporate income taxes of US\$ 89 million (KD 25 million) for Iraqna upto 2007. Atheer has reviewed these claims and has filed appeals denying liability for these claims on the basis that they are arbitrary and contrary to the applicable Iraqi tax law. Atheer also has a contingent asset in the form of a right, under the SPA to make claims against the Seller for Iraqna tax claims upto US\$ 60 million (KD 17 million).

The Tax Authority has also claimed from Atheer the capital gains taxes payable by the Seller amounting to US\$ 187 million (KD 53 million) arising on sale of Iraqna to Atheer and instructed the various banks in Iraq to block Atheer's bank balances with them to the extent of an equivalent amount. Atheer filed legal action in Iraqi courts requesting an order preventing the Tax Authority from continuing to block Atheer's bank accounts or claim the amount of the capital gains tax from Atheer.

On 13 November 2012, the Court of First Instance of Rusafah, passed a decision in favour of Atheer canceling the capital gains tax claim and to release the freeze on Atheer's bank account. The Tax Authority appealed against this decision in the Court of Appeals, and the Court of Appeals issued an order on 9 December 2012 affirming the Court of First Instance of Rusafah's decision and ordered the Tax Authority to release the freeze on Atheer's bank accounts and to claim the capital gains tax from the Seller and not from Atheer or Iraqna. In January 2013, the Tax Authority filed an appeal against this order with the Court of Cassation of Iraq. In February 2013, Iraq's Ministry of Finance issued an order to limit the amount blocked to the extent of claim of US\$ 187 million (KD 53 million) and to release the balance amounts (refer note 3).

The Group expects a favorable outcome on these matters and does not consider that any of this will have an adverse impact on the Group's business or its operations in Iraq.

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 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.

15. Financial instruments

15.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial information may also be categorized as follows:

	Kuwaiti Dinars		
	31 March 2013 (Unaudited)	31 December 2012 (Audited)	31 March 2012 (Unaudited)
Loans and receivables:			
Cash and bank balances	317,298	302,609	424,004
Trade and other receivables	345,725	319,109	334,368
Loans to associates	153,177	145,832	189,737
Other assets	101,901	97,382	80,735
Investment securities - at fair value through profit or loss	2,529	2,693	6,587
Investment securities -available for sale	48,711	48,659	64,742

All financial liabilities are categorized as 'other than at fair value through profit or loss'. Fair value represents amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In the opinion of the Group's management, except for certain available for sale investments of KD 7,750,000 (31 December 2012 – KD 7,734,000; 31 March 2012 – KD 7,494,000) which are carried at cost the carrying amounts of financial assets and liabilities approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2013 (Unaudited)

15.2 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 interim 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.

31 March 2013

	Kuwaiti Dinars			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value:				
Investments at fair value through profit or loss	2,529	-	-	2,529
Available for sale investments	27,069	13,892	-	40,961
Total assets	<u>29,598</u>	<u>13,892</u>	<u>-</u>	<u>43,490</u>

Measurement at fair value

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

16. Comparative figures

Certain comparative amounts have been reclassified to conform to the current period presentation, but with no effect on net profit or equity.