

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

**Condensed Consolidated Interim Financial Information (Unaudited)  
30 June 2013**

**C o n t e n t s**

**Page**

Review Report	1
Condensed Consolidated Statement of Financial Position (Unaudited)	2
Condensed Consolidated Statement of Profit or Loss (Unaudited)	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)	4
Condensed Consolidated Statement of Changes in Equity (Unaudited)	5
Condensed Consolidated Statement of Cash Flows (Unaudited)	6
Notes to the Condensed Consolidated Interim Financial Information (Unaudited)	7 – 16



### **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 30 June 2013 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*

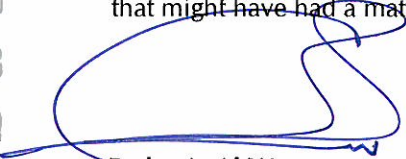
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

##### *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 Memorandum and Articles of Association of the Parent Company during the six-month period ended 30 June 2013 that might have had a material effect on the business of the Group or on its financial position.



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

Kuwait  
28 July 2013



**Dr. Saud Hamad Al-Humaidi**  
License No. 51A  
Of Dr. Saud Hamad Al-Humaidi & Partners  
Member of Baker Tilly International

Condensed Consolidated Statement of Financial Position as at 30 June 2013 (Unaudited)

	Note	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2012
<b>KD '000</b>				
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank balances	3	349,217	302,609	240,253
Trade and other receivables		336,397	319,109	309,989
Inventories		19,023	11,906	14,884
Investment securities- at fair value through profit or loss		2,145	2,693	3,200
		<u>706,782</u>	<u>636,317</u>	<u>568,326</u>
<b>Non-current assets</b>				
Investment securities – available for sale		47,289	48,659	54,711
Investment in associates	4	228,003	246,023	66,852
Interest in a jointly controlled entity		61,868	54,819	51,239
Loans to associates		160,388	145,832	193,350
Property and equipment		738,174	699,030	699,537
Intangible assets		1,023,328	998,082	1,070,750
Other assets		111,792	102,229	87,790
		<u>2,370,842</u>	<u>2,294,674</u>	<u>2,224,229</u>
<b>Total Assets</b>		<u>3,077,624</u>	<u>2,930,991</u>	<u>2,792,555</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Trade and other payables		546,733	535,114	459,625
Due to banks	5	361,366	270,656	176,501
		<u>908,099</u>	<u>805,770</u>	<u>636,126</u>
<b>Non-current liabilities</b>				
Due to banks	5	440,993	381,136	389,518
Other non-current liabilities		33,334	33,331	34,058
		<u>474,327</u>	<u>414,467</u>	<u>423,576</u>
<b>Equity</b>				
<b>Attributable to the Parent Company's shareholders</b>				
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		(643,777)	(694,184)	(550,690)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of associate		-	-	(1,767)
Investment fair valuation reserve		1,138	(987)	(11,619)
Share based compensation reserve		4,207	8,808	4,209
Retained earnings		413,245	490,189	385,920
		<u>1,563,533</u>	<u>1,590,637</u>	<u>1,612,077</u>
Non-controlling interests		131,665	120,117	120,776
<b>Total equity</b>		<u>1,695,198</u>	<u>1,710,754</u>	<u>1,732,853</u>
<b>Total Liabilities and Equity</b>		<u>3,077,624</u>	<u>2,930,991</u>	<u>2,792,555</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 28 July 2013.



Asaad Ahmed Al Banwan  
Chairman



M. Scott Gegenheimer  
Chief Executive Officer

**Condensed Consolidated Statement of Profit or Loss – six months ended 30 June 2013 (Unaudited)**

	Note	Three months ended 30 June		Six months ended 30 June	
		2013	2012	2013	2012
		KD'000		KD'000	
Revenue		312,933	337,806	611,940	663,535
Cost of sales		(88,163)	(96,321)	(172,885)	(184,847)
<b>Gross profit</b>		<u>224,770</u>	<u>241,485</u>	<u>439,055</u>	<u>478,688</u>
Operating and administrative expenses	9	(84,867)	(91,307)	(170,977)	(175,328)
Depreciation and amortization		(48,419)	(50,376)	(96,117)	(97,758)
Provision for impairment – trade and other receivables		(1,390)	(2,018)	(2,917)	(4,397)
<b>Operating profit</b>		<u>90,094</u>	<u>97,784</u>	<u>169,044</u>	<u>201,205</u>
Interest income		4,232	6,049	8,806	10,536
Investment income	10	2,126	(1,819)	2,224	(1,046)
Share of loss of associates	4	(10,410)	(7,506)	(21,490)	(15,402)
Share of profit of a jointly controlled entity		4,646	5,055	6,273	6,507
Other (expense)/income		(11,387)	3,567	(9,341)	6,697
Finance costs		(6,025)	(7,687)	(11,000)	(12,803)
(Loss)/gains from currency revaluation		(4,459)	4,654	(9,163)	248
Board of Directors' remuneration		(107)	(107)	(215)	(215)
Contribution to Kuwait Foundation for Advancement of Sciences		(623)	(728)	(1,161)	(1,459)
National Labour Support Tax and Zakat		(1,564)	(2,127)	(3,389)	(4,746)
Profit for the period before income tax		<u>66,523</u>	<u>97,135</u>	<u>130,588</u>	<u>189,522</u>
Income tax expenses		2,218	(19,529)	(4,910)	(34,236)
<b>Profit for the period</b>		<u>68,741</u>	<u>77,606</u>	<u>125,678</u>	<u>155,286</u>
<b>Attributable to:</b>					
Shareholders of the Parent Company		60,648	70,976	112,649	141,895
Non-controlling interests		8,093	6,630	13,029	13,391
		<u>68,741</u>	<u>77,606</u>	<u>125,678</u>	<u>155,286</u>
<b>Earnings per share</b>	11				
Basic – Fils		16	18	29	36
Diluted – Fils		16	18	29	36

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

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

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – six months ended  
30 June 2013 (Unaudited)**

	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	KD'000		KD'000	
<b>Profit for the period</b>	68,741	77,606	125,678	155,286
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations	5,514	(331,043)	52,224	(336,122)
Net unrealised gains/(loss) on available for sale investments	833	(5,708)	2,348	(3,510)
Net realised (gains)/loss transferred to consolidated statement of profit or loss on available for sale investments (net of impairment losses)	(87)	1,984	(223)	1,937
Cash flow hedges	-	-	-	849
Share of other comprehensive income of an associate	-	(12)	-	(7)
	<u>6,260</u>	<u>(334,779)</u>	<u>54,349</u>	<u>(336,853)</u>
Total comprehensive income for the period	<u>75,001</u>	<u>(257,173)</u>	<u>180,027</u>	<u>(181,567)</u>
Total comprehensive income attributable to:				
Shareholders of the Parent Company	66,798	(264,629)	165,181	(195,462)
Non-controlling interests	<u>8,203</u>	<u>7,456</u>	<u>14,846</u>	<u>13,895</u>
	<u>75,001</u>	<u>(257,173)</u>	<u>180,027</u>	<u>(181,567)</u>

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

Condensed Consolidated Statement of Changes in Equity – six months ended 30 June 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
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)	(3,298)	(198,087)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(5,196)	-	5,196	-	-
Share based compensation	-	-	-	-	-	-	-	-	703	-	-	-	703
Total comprehensive income for the period	-	-	-	-	50,407	-	-	2,125	-	-	112,649	14,846	180,027
Balance at 30 June 2013	432,149	1,706,674	(567,834)	215,764	(643,777)	1,967	-	1,138	4,207	-	413,245	131,665	1,695,198
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)	(4,892)	(257,602)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(3,185)	-	3,185	-	-
Share based compensation	-	-	-	-	-	-	-	-	253	-	-	-	253
Total comprehensive income for the period	-	-	-	-	(336,626)	-	(7)	(1,573)	-	849	141,895	13,895	(181,567)
Balance at 30 June 2012	431,356	1,705,158	(567,834)	215,377	(550,690)	1,967	(1,767)	(11,619)	4,209	-	385,920	120,776	1,732,853

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 2013 (Unaudited)**

	Six months ended 30 June	
	2013	2012
	KD'000	
<b>Cash flows from operating activities</b>		
Profit for the period before income tax	130,588	189,522
Adjustments for:		
Depreciation and amortization	96,117	97,758
Interest income	(8,806)	(10,536)
Investment income	(2,224)	1,046
Share of loss of associates	21,490	15,402
Share of profit of a jointly controlled entity	(6,273)	(6,507)
Finance costs	11,000	12,803
Loss/(gains) from currency revaluation	9,163	(248)
Operating profit before working capital changes	251,055	299,240
Increase in trade and other receivables	(16,161)	(8,715)
(Increase)/decrease in inventories	(6,946)	3,962
Increase/(decrease) in trade and other payables	21,510	(35,172)
Cash generated from operations	249,458	259,315
Board of Directors' remuneration paid	(430)	(430)
Paid to Kuwait Foundation for Advancement of Sciences	(5,058)	(5,058)
National Labour Support Tax and Zakat paid	(4,646)	(4,983)
Income tax paid	(9,466)	(33,136)
<i>Net cash from operating activities</i>	229,858	215,708
<b>Cash flows from investing activities</b>		
Deposits maturing after three months and bank balances blocked (note 3)	(3,442)	2,853
Investment in a subsidiary	-	(19,481)
Purchase of investments	(540)	(2,869)
Proceeds from sale of investments	4,272	9,772
Acquisition of property and equipment (net)	(85,034)	(67,987)
Acquisition of intangible assets	(27,106)	(15,060)
Interest received	4,689	4,757
Dividend received	534	904
<i>Net cash used in investing activities</i>	(106,627)	(87,111)
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	424,390	314,344
Repayment of bank borrowings	(283,041)	(293,235)
Loan to an associate	(12,883)	(2,522)
Capital contribution including share premium – employees stock option	1,801	2,409
Dividends paid to Parent Company's shareholders	(191,468)	(251,147)
Dividends paid to minority shareholders of subsidiaries	(3,298)	(4,313)
Finance costs paid	(22,512)	(7,780)
<i>Net cash used in financing activities</i>	(87,011)	(242,244)
Net increase/(decrease) in cash and cash equivalents	36,220	(113,647)
Effect of foreign currency translation	6,946	(42,276)
Cash and cash equivalents at beginning of period	188,921	386,147
<b>Cash and cash equivalents at end of period (note 3)</b>	<b>232,087</b>	<b>230,224</b>

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 and 30 June 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 in accordance 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 - 30 June 2013 (Unaudited)

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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 condensed consolidated interim financial information period. 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 condensed consolidated interim 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 other comprehensive income 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 annual consolidated financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2012.

*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.

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

The carrying value of this jointly controlled entity and its results for the period are determined by the 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) and Zain South Sudan whose working capitals are in deficit. Based on their business plans, the Group does not expect that this will have a material adverse impact on the operations of these Group companies.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2013 (Unaudited)

3. Cash and bank balances

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

	<u>Unaudited</u> 30 June 2013	<u>Audited</u> 31 December 2012	<u>Unaudited</u> 30 June 2012
	<u>KD '000</u>		
Cash on hand and at banks	221,956	182,485	162,881
Short-term deposits with banks	122,873	116,102	67,343
Government certificates of deposits held by subsidiaries	4,388	4,022	10,029
	<u>349,217</u>	<u>302,609</u>	<u>240,253</u>
Bank balances blocked (refer note 14)	(111,475)	(107,319)	-
Government certificates of deposits held by subsidiaries	(4,388)	(4,022)	(10,029)
Deposits with maturities exceeding three months	(1,267)	(2,347)	-
	<u>232,087</u>	<u>188,921</u>	<u>230,224</u>

4. Investment in associates

	<u>Unaudited</u> 30 June 2013	<u>Audited</u> 31 December 2012	<u>Unaudited</u> 30 June 2012
	<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	(21,490)	(41,053)	(15,402)
Foreign currency translation adjustment	3,470	80	274
Share of comprehensive income	-	(2,964)	849
Adjustments - transfer to subsidiary	-	(1,507)	-
Closing balance	<u>228,003</u>	<u>246,023</u>	<u>66,852</u>

The carrying amount of the Group's investment in SMTC included above is KD 228.003 million (31 December 2012 - KD 246.023 million; 30 June 2012 - KD 65.657 million) and the Group's total investment in SMTC including loans and receivables is KD 482.552 million (31 December 2012 - KD 477.899 million; 30 June 2012 - KD 330.791 million). The fair value of the Group's investment in SMTC as at 30 June 2013 is KD 301.054 million (31 December 2012 - KD 236.758 million; 30 June 2012 - KD 203.385 million).

SMTC has reported a net loss of Saudi Riyals (SAR) 768.355 million (KD 58.088 million) for the six months period ended 30 June 2013 (30 June 2012 - KD 60.371 million) and accumulated losses of SAR 3.117 billion (KD 237 million) as of that date (31 December 2012 - KD 176 million; 30 June 2012 - KD 777 million). SMTC's current liabilities also exceed current assets by SAR 9.119 billion (KD 693.038 million) as of 30 June 2013 (31 December 2012 - KD 835 million; 30 June 2012 - KD 1.121 billion).

SMTC with the consent of the murabaha facility investors extended the maturity of the syndicated murabaha facility to 31 July 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 July 2013 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its interim financial information for the period ended 30 June 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.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2013 (Unaudited)

5. Due to banks

During the period, the Parent company availed short term loans amounting to KD 49.104 million and long term loans amounting to KD 349.360 million. Long term loans include a revolving credit facility of US\$ 700 million (KD 199.500 million) from a consortium of foreign banks.

As of 30 June 2013, US\$ 20 million (KD 5.700 million) (31 December 2012 - KD 243.447 million; 30 June 2012- KD 242 million) was outstanding from the revolving credit facility availed in March 2011. This facility matures in March 2014.

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 30 June 2013 is 4,327,058,909 shares (31 December 2012 – 4,322,574,895; 30 June 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.

The issued and fully paid up share capital as of 30 June 2013 consists of 4,321,488,917 shares of 100 fils each (31 December 2012 – 4,315,274,866 shares of 100 fils each; 30 June 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).

8. Treasury shares

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

	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2012
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)	276,713	332,055	315,027
Cost (KD '000)	567,834	567,834	567,834

9. Operating and administrative expenses

This includes:

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2013	2012	2013	2012
	KD'000		KD'000	
Distribution, marketing and operating expenses	<u>60,055</u>	<u>66,441</u>	<u>121,205</u>	<u>127,947</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2013 (Unaudited)

10. Investment income

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2013	2012	2013	2012
	KD'000		KD'000	
(Loss)/gains from investment securities "at fair value through profit or loss"	(213)	(712)	(58)	17
Realised gains/(loss) from investment securities 'available for sale'	1,442	(1,911)	1,385	(1,967)
Dividend income	897	804	897	904
	<u>2,126</u>	<u>(1,819)</u>	<u>2,224</u>	<u>(1,046)</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 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2013	2012	2013	2012
	KD'000		KD'000	
Profit for the period attributable to shareholders	<u>60,648</u>	<u>70,976</u>	<u>112,649</u>	<u>141,895</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares in issue	3,895,777,269	3,887,848,264	3,895,777,269	3,887,848,264
Effect of dilution	<u>3,639,803</u>	<u>1,381,302</u>	<u>3,734,104</u>	<u>1,609,435</u>
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,899,417,072</u>	<u>3,889,229,566</u>	<u>3,899,511,373</u>	<u>3,889,457,699</u>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Earnings per share – Basic	16	18	29	36
Earnings per share – Diluted	16	18	29	36

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 - 30 June 2013 (Unaudited)

	30 June 2013					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
<b>Segment revenues</b>	165,904	70,841	99,357	242,426	33,412	611,940
<b>Net profit before interest and tax</b>	53,919	21,021	20,045	55,048	3,675	153,708
Interest income	10	353	1,247	381	1,323	3,314
Finance cost (with intragroup charges)	-	(99)	(3,248)	(9,121)	(188)	(12,656)
Income tax expenses	-	(4,740)	(1,561)	1,934	(415)	(4,782)
Net profit after interest and tax	53,929	16,535	16,483	48,242	4,395	139,584
<i>Unallocated items:</i>						
Investment income						2,224
Share of loss of an associate						(21,490)
Share of profit of a jointly controlled entity						6,273
Others						(913)
<b>Profit for the period</b>						<b>125,678</b>
<b>Segment assets</b>	243,070	233,226	579,309	1,025,425	151,823	2,232,853
<i>Unallocated items:</i>						
Investment securities-at fair value through profit or loss						2,145
Investment securities-available for sale						47,289
Investment in associates						228,003
Interest in a jointly controlled entity						61,868
Loans to associates						160,388
Others						345,078
<b>Consolidated assets</b>						<b>3,077,624</b>
<b>Segment liabilities</b>	82,522	77,799	177,850	206,869	99,004	644,044
<i>Unallocated items:</i>						
Due to banks						802,359
Others						(63,977)
<b>Consolidated liabilities</b>						<b>1,382,426</b>
<b>Net consolidated assets</b>						<b>1,695,198</b>
Capital expenditure during the period	22,681	24,977	18,518	28,794	17,138	112,108
Unallocated						32
<b>Total capital expenditure incurred during the period</b>						<b>112,140</b>
Depreciation and amortization	23,043	10,382	16,069	33,993	9,711	93,198
Unallocated						2,919
<b>Total depreciation and amortization</b>						<b>96,117</b>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2013 (Unaudited)

	30 June 2012					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
<b>Segment revenues</b>	169,401	69,391	154,822	235,313	34,608	663,535
<b>Net profit before interest and tax</b>	57,442	21,060	52,594	66,275	4,716	202,087
Interest income	2	394	3,109	414	35	3,954
Finance cost (with intragroup charges)	-	(615)	(1,274)	(8,187)	(55)	(10,131)
Income tax expenses	-	(4,562)	(19,360)	(9,824)	(316)	(34,062)
Net profit after interest and tax	57,444	16,277	35,069	48,678	4,380	161,848
<i>Unallocated items:</i>						
Investment income						(1,046)
Share of loss of associates						(15,402)
Share of profit of jointly controlled entity						6,507
Others						3,379
<b>Profit for the period</b>						<b>155,286</b>
<b>Segment assets</b>	216,544	219,247	675,007	977,977	74,024	2,162,799
<i>Unallocated items:</i>						
Investment securities-at fair value through profit or loss						3,200
Investment securities-available for sale						54,711
Investment in associates						66,852
Interest in a jointly controlled entity						51,239
Loans to associates						193,350
Others						260,404
<b>Consolidated assets</b>						<b>2,792,555</b>
<b>Segment liabilities</b>	70,088	46,999	306,742	130,502	25,255	579,586
<i>Unallocated items:</i>						
Due to banks						566,019
Others						(85,903)
<b>Consolidated liabilities</b>						<b>1,059,702</b>
<b>Net consolidated assets</b>						<b>1,732,853</b>
Capital expenditure during the period						83,017
Unallocated	22,293	6,660	26,518	18,260	9,286	30
<b>Total capital expenditure incurred during the period</b>						<b>83,047</b>
Depreciation and amortization						94,026
Unallocated	23,092	10,019	18,947	34,838	7,130	3,732
<b>Total depreciation and amortization</b>						<b>97,758</b>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 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 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2013	2012	2013	2012
	KD'000		KD'000	
Management fee (included in other income)	935	3,270	1,874	6,316
Interest income on loans to an associate	2,817	2,961	5,469	5,821
Purchase of non-controlling interest	-	-	-	36,178

Key management compensation

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2013	2012	2013	2012
	KD'000		KD'000	
Salaries and other short term employee benefits	1,778	2,097	3,532	4,413
Post-employment benefits	359	442	840	1,210
Share based compensation	76	34	152	68

14. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 June 2013	31 December 2012	30 June 2012
	KD '000		
Capital expenditure	80,097	61,909	91,131
Capital expenditure - share of an associate	7,347	20,320	3,902
Uncalled share capital of investee companies	158	156	283
Letters of credit	22,104	28,872	68,020
Letters of guarantee	324,655	322,931	388,639
Capital commitment - share capital of SMTC	-	-	96,925

The above include guarantees/letters of credit amounting to US\$ 1.007 billion (KD 287 million) (31 December 2012 - KD 289 million; 30 June 2012 – KD 379 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; 30 June 2012 – KD 10 million) granted to a founding shareholder in SMTC. The Group's management considers 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 18.525 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.

**Notes to the Condensed Consolidated Interim Financial Information - 30 June 2013 (Unaudited)**

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On 6 March 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 74.670 million) (US\$ 100 million as a fine, and US\$ 162 million as the CMC's portion of the revenue share) (31 December 2012 - US\$ 262 million, 30 June 2012 - 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 5.130 million) (31 December 2012 - US\$ 18 million, 30 June 2012 - 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.

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 25.365 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 17.100 million).

The Tax Authority has also claimed from Atheer the capital gains taxes payable by the Seller amounting to US\$ 187 million (KD 53.295 million) arising on sale of Iraqna to Atheer and instructed various banks in Iraq to block Atheer's bank balances with them to the extent of an equivalent amount. Atheer has 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 53.295 million) and to release the balance (refer note 3).

The Group expects a favorable outcome on these matters and does not consider that any of the above matters 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 consolidated financial position or the consolidated performance of the Group.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2013 (Unaudited)

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:

	Unaudited 30 June 2013	Audited 31 December 2012	Unaudited 30 June 2012 KD '000
<b>Loans and receivables:</b>			
Cash and bank balances	349,217	302,609	240,253
Trade and other receivables	336,397	319,109	309,989
Loans to associates	160,388	145,832	193,350
Other assets	105,647	97,382	87,790
<b>Investment securities - at fair value through profit or loss</b>	2,145	2,693	3,200
<b>Investment securities -available for sale</b>	47,289	48,659	54,711

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; 30 June 2012 - KD 7,507,000) which are carried at cost the carrying amounts of financial assets and liabilities approximate their fair values.

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.

30 June 2013

	Level 1	Level 2	Level 3	Total KD '000
<b>Financial assets at fair value:</b>				
Investments at fair value through profit or loss	2,145	-	-	2,145
Available for sale investments	27,921	11,619	-	39,540
Total assets	30,066	11,619	-	41,685

**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.