

Mobile Telecommunications Company K.S.C.P
Kuwait

Condensed Consolidated Interim Financial Information (Unaudited)
31 March 2025

C o n t e n t s	Page
Independent Auditor's Review Report	1 - 2
Condensed Consolidated Interim Statement of Financial Position (Unaudited)	3
Condensed Consolidated Interim Statement of Profit or Loss (Unaudited)	4
Condensed Consolidated Interim Statement of Other Comprehensive Income (Unaudited)	5
Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)	6
Condensed Consolidated Interim Statement of Cash Flows (Unaudited)	7
Notes to the Condensed Consolidated Interim Financial Information (Unaudited)	8 – 26

**KPMG Al-Qenae & Partners**Al Hamra Tower, 25th Floor

Abdulaziz Al Saqr Street

P.O Box 24, Safat 13001

State of Kuwait

+965 2228 7000

Independent auditor's report on review of condensed consolidated interim financial information

The Board of Directors

Mobile Telecommunications Company K.S.C.P.

State of Kuwait

Introduction

We have reviewed the accompanying 31 March 2025 condensed consolidated interim financial information of Mobile Telecommunications Company K.S.C.P. (the "Company") and its subsidiaries (together, the "Group"), which comprises the condensed consolidated interim statement of financial position as at 31 March 2025, the condensed consolidated interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three months period then ended, and notes to the condensed consolidated interim financial information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 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 the 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 for Qualified Conclusion

As disclosed in note 2.3 to the condensed consolidated interim financial information, the Group holds investments in subsidiaries situated in the Republic of Sudan, which have been identified as a hyperinflationary economy in accordance with the criteria of IAS 29 *Financial Reporting in Hyperinflationary Economies*. The Group did not perform an assessment of the impact of hyperinflation on these subsidiaries in the condensed consolidated interim financial information for the period ended 31 March 2025, in accordance with IAS 29. In the absence of such an assessment, it was impracticable for us to determine whether any adjustments might have been necessary in respect of elements making up the condensed consolidated interim statement of financial position, the condensed consolidated interim statements of profit or loss, other comprehensive income, changes in equity and cash flows as at and for the periods ended 31 March 2025, 31 December 2024 and 31 March 2024.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the *Basis for Qualified Conclusion* 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 IAS 34 *Interim Financial Reporting*.



Emphasis of matter – Political uncertainty in Republic of Sudan

We draw attention to note 2.4 of the condensed consolidated interim financial information, which describes the management's assessment of the ongoing impact of the political uncertainty in the Republic of Sudan on the Group's operations and financial performance and related uncertainties. Our review conclusion is not modified in respect of this matter.

Report on review of other legal and regulatory requirements

Furthermore, based on our review, except for the possible effect of the matters described in the *Basis for Qualified Conclusion* paragraph above, the condensed consolidated interim financial information is in agreement with the books of account of the Company. We further report that, nothing has come to our attention that causes us to believe that there were any other violations of the provisions of the Companies Law No. 1 of 2016, as amended and its Executive Regulations, as amended or of the Company's Memorandum of Incorporation and Articles of Association, as amended, during the three month period ended 31 March 2025 that might have had material effect on the business of the Company or on its financial position.

We further report that, based on our review, except for the possible effect of the matters described in the *Basis for Qualified Conclusion* paragraph above, nothing has come to our attention that causes us to believe that there were any other violations of the provisions of the Law No. 7 of 2010, as amended, concerning the Capital Markets Authority, and its related regulations, during the three month period ended 31 March 2025 that might have had material effect on the business of the Company or on its financial position.

Dr. Rasheed M. Al-Qenae
License No 130
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 12 May 2025

Condensed Consolidated Interim Statement of Financial Position as at 31 March 2025 (Unaudited)

		Unaudited 31 March 2025 KD '000	Audited 31 December 2024 KD '000	Unaudited 31 March 2024 KD '000
ASSETS	Note			
Current assets				
Bank and cash balances	3	193,221	195,930	211,488
Bank balances held in customers' account	4	20,167	15,928	14,448
Trade and other receivables		1,121,805	1,028,891	935,337
Contract assets		89,053	86,076	77,662
Inventories		73,855	78,322	78,929
Investment securities at FVTPL		67,822	51,504	37,744
		1,565,923	1,456,651	1,355,608
Assets classified as held for sale	5	98,760	95,604	4,027
		1,664,683	1,552,255	1,359,635
Non-current assets				
Contract assets		76,876	69,870	55,264
Investment securities at FVOCI		14,035	13,748	12,685
Investments in associates and joint venture	6	208,955	207,818	206,072
Other non-current assets		117,069	112,225	58,951
Right of use of assets		205,051	172,979	136,199
Property and equipment	7	1,166,096	1,176,529	1,061,020
Intangible assets and goodwill	8	1,972,356	1,958,685	2,016,490
		3,760,438	3,711,854	3,546,681
Total Assets		5,425,121	5,264,109	4,906,316
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables		1,187,231	1,163,209	1,093,409
Contract liabilities		59,667	60,893	63,166
Income tax payables		21,730	18,329	16,046
Bank borrowings	9	576,382	644,610	133,672
Lease liabilities		31,157	28,230	23,010
		1,876,167	1,915,271	1,329,303
Liabilities of directly associated with assets classified as held for sale	5	36,100	32,944	908
		1,912,267	1,948,215	1,330,211
Non-current liabilities				
Bank borrowings	9	1,081,746	845,742	1,099,960
Lease liabilities		206,256	184,086	154,732
Other non-current liabilities	10	221,433	324,175	357,662
		1,509,435	1,354,003	1,612,354
Equity				
Attributable to owners of the Company				
Share capital	11.1	432,706	432,706	432,706
Share premium		1,707,164	1,707,164	1,707,164
Reserves	11.2	(863,443)	(912,183)	(896,114)
		1,276,427	1,227,687	1,243,756
Non-controlling interests		726,992	734,204	719,995
Total equity		2,003,419	1,961,891	1,963,751
Total Liabilities and Equity		5,425,121	5,264,109	4,906,316

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 12 May 2025.

Osamah Othman Alfuraih
Chairman

Bader Nasser Al Kharafi
Vice Chairman & Chief Executive Officer

Condensed Consolidated Interim Statement of Profit or Loss – 31 March 2025 (Unaudited)

	Note	Three months ended 31 March	
		2025	2024
		KD'000	KD'000
Revenue		536,222	466,139
Cost of sales*		(188,081)	(154,249)
Operating and administrative expenses		(170,372)	(156,817)
Expected credit loss on financial assets (ECL)		(7,129)	(7,331)
Depreciation and amortization		(87,141)	(83,891)
Interest income		1,269	2,960
Investment income	12	16,085	3,025
Share of results of associates and joint venture		1,136	(398)
Other expenses		(11,265)	(1,291)
Finance costs	13	(30,894)	(31,707)
Foreign exchange gain		632	4,647
Net monetary gain	20	3,540	-
Profit before taxation and Board of Directors' remuneration		64,002	41,087
Taxation	14	(7,551)	(6,534)
Board of Directors' remuneration		(135)	(120)
Profit for the period		56,316	34,433
Attributable to:			
Owners of the Company		48,470	29,224
Non-controlling interests		7,846	5,209
		56,316	34,433
Earnings per share (EPS)	15		
Basic and diluted – Fils		11	7

Cost of sales comprises of access charges, trading cost, dealer commission and regulatory revenue sharing.

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

Condensed Consolidated Interim Statement of Other Comprehensive Income – 31 March 2025 (Unaudited)

	Three months ended	
	31 March	
	2025	2024
	KD'000	KD'000
Profit for the period	56,316	34,433
Other comprehensive loss		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign exchange differences on translating foreign operations	(382)	(30,484)
Other reserves	(654)	120
	(1,036)	(30,364)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value gain on investments in equity instruments designated as at FVOCI	290	69
Other comprehensive loss for the period	(746)	(30,295)
Total comprehensive income for the period	55,570	4,138
Total comprehensive income attributable to:		
Owners of the Company	47,532	(2,195)
Non-controlling interests	8,038	6,333
	55,570	4,138

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

Mobile Telecommunications Company K.S.C.P
Kuwait

Condensed Consolidated Interim Statement of Changes in Equity – Three months ended 31 March 2025 (Unaudited)

	Equity attributable to owners of the Company			Non -controlling interests	Total
	Share capital	Share premium	Reserves (note 11.2)		
	KD '000	KD '000	KD '000	KD '000	KD '000
Balance at 1 January 2025	432,706	1,707,164	(912,183)	734,204	1,961,891
Profit for the period	-	-	48,470	7,846	56,316
Other comprehensive (loss) / income for the period	-	-	(938)	192	(746)
Total comprehensive income for the period	-	-	47,532	8,038	55,570
<i>Transactions with shareholders of the Company, recognized directly in equity:</i>					
Cash dividends to non-controlling interest of subsidiaries (2024)	-	-	-	(15,250)	(15,250)
Impact of application of IAS 29 (note 20)	-	-	1,208	-	1,208
Balance at 31 March 2025	432,706	1,707,164	(863,443)	726,992	2,003,419
Balance at 1 January 2024	432,706	1,707,164	(893,919)	714,284	1,960,235
Profit for the period	-	-	29,224	5,209	34,433
Other comprehensive (loss) / income for the period	-	-	(31,419)	1,124	(30,295)
Total comprehensive (loss) /income for the period	-	-	(2,195)	6,333	4,138
<i>Transactions with shareholders of the Company, recognized directly in equity:</i>					
Non-controlling interest arising on the acquisition	-	-	-	310	310
Cash dividends to non-controlling interest of subsidiaries (2023)	-	-	-	(932)	(932)
Balance at 31 March 2024	432,706	1,707,164	(896,114)	719,995	1,963,751

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

Condensed Consolidated Interim Statement of Cash Flows – Three months ended 31 March 2025 (Unaudited)

	Note	Three months ended 31 March	
		2025	2024
		KD'000	KD'000
Cash flows from operating activities			
Profit before taxation and Board of Directors' remuneration		64,002	41,087
Adjustments for:			
Depreciation and amortization		87,141	83,891
ECL on financial assets		7,129	7,331
Interest income		(1,269)	(2,960)
Investment income	12	(16,085)	(3,025)
Share of results of associates and joint venture		(1,136)	398
Finance costs	13	30,894	31,707
Foreign currency gain		(632)	(4,647)
Net monetary gain	20	(3,540)	-
Gain on sale of property and equipment		(4)	-
Operating cash flow before working capital changes		166,500	153,782
(Increase) / decrease bank balances held in customers' account		(4,231)	577
Increase in trade and other receivables and contract assets		(123,200)	(55,001)
Decrease / (increase) in inventories		4,129	(22,931)
Increase in trade and other payables		74,823	22,185
Cash generated from operations		118,021	98,612
Income tax paid		(1,863)	(1,594)
<i>Net cash from operating activities</i>		<u>116,158</u>	<u>97,018</u>
Cash flows from investing activities			
Deposits maturing after three months, cash at banks under lien and government certificates of deposits	3	(2,328)	(5,651)
Investments in securities		(215)	(1,220)
Proceeds from sale of investment securities		-	754
Acquisition of subsidiaries, net of cash acquired		-	(3,095)
Acquisition of property and equipment (net)		(49,278)	(53,016)
Acquisition of intangible assets (net)		(26,968)	(10,056)
Interest received		1,127	1,120
<i>Net cash used in investing activities</i>		<u>(77,662)</u>	<u>(71,164)</u>
Cash flows from financing activities			
Proceeds from bank borrowings	9	174,415	2,189
Repayment of bank borrowings	9	(21,324)	(85,168)
Repayment of payable to Ministry of Finance – KSA	10	(159,155)	-
Repayment of lease liabilities		(9,634)	(11,829)
Dividend paid to Company's shareholders		(232)	(502)
Dividend paid to minority shareholders of subsidiaries		(3,084)	-
Finance costs paid		(24,017)	(22,577)
<i>Net cash used in financing activities</i>		<u>(43,031)</u>	<u>(117,887)</u>
Net decrease in cash and cash equivalents		(4,535)	(92,033)
Effect of foreign currency translation		(502)	(15,677)
Cash and cash equivalents at beginning of period		193,639	312,449
Cash and cash equivalents at end of period	3	<u>188,602</u>	<u>204,739</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 7 other countries (31 December 2024 - Kuwait and 7 other countries; 31 March 2024 - Kuwait and 7 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 Company is a subsidiary of Oman Telecommunications Company SAOG, Oman (the “Parent Company”).

2. Basis of preparation

The condensed consolidated interim financial information for three months ended 31 March 2025 has been prepared in accordance with IAS 34: Interim Financial Reporting and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2024 (“last annual financial statements”). This does not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The Group has prepared the condensed consolidated interim financial information on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The 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 2025, including the impact of the matter stated in note 2.3 regarding application of IAS 29. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended 31 December 2024.

2.1 Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of new standards effective as of 1 January 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2025, but do not have a significant impact on the condensed consolidated interim financial information of the Group as follows;

Lack of exchangeability - Amendments to IAS 21

The amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. When applying the amendments, an entity cannot restate comparative information.

These amendments had no significant impact on the Group’s condensed consolidated interim financial information.

2.2 Significant judgments and estimates

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2024.

2.3 Reporting on Hyperinflationary economies

South Sudan

The economy of Republic of South Sudan ("South Sudan") became hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies. The methods used to measure the fair value and adjustments made to the accounts of Group's entities that operate in the hyperinflationary economies are discussed further in the accounting policies and in the respective notes.

Sudan

In 2015, the Group noted that the economy of the Republic of Sudan ("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 have entailed going in and out of hyperinflation within a short period which was confirmed when Sudan went out of hyperinflation in 2016. Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, Group believes that there is no definitive basis to apply IAS 29 at this stage. However, Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 as of 31 March 2025, 31 December 2024 or 31 March 2024.

2.4 Political uncertainty in Sudan

A violent power struggle erupted on 15 April 2023, in Khartoum, the capital of Sudan, involving the two primary factions of the ruling military regime. This conflict has directly affected the Group's operations and its telecommunication assets, as certain areas in Sudan continue to experience high levels of hostility or temporary control by opposing forces. Given the Group's extensive presence and service provision across Sudan, these events have had an adverse impact on the country's economy and consequently, on the Group's business and operational outcomes.

As of the issuance date of this condensed consolidated interim financial information, the Group has not incurred any significant damage to crucial assets that would hinder its ability to sustain operations.

Since 15 April 2023, continuous monitoring of network and base station equipment has been in place, particularly in areas experiencing significant downtime. Various actions, such as reallocation of network traffic, capacity expansion, and other measures aimed at restoring network coverage and ensuring satisfactory network performance, are being implemented. Zain Sudan is actively involved in performing essential network maintenance, repairs, and optimizations utilizing both its current equipment and external resources.

The Group has taken appropriate actions to ensure the continuity of communication services and operations. The management has prepared and reviewed the updated financial forecasts for the year, taking into consideration the most likely and possible downside scenarios for the ongoing business impacts of the war. These forecasts were based on the following key assumptions:

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

- there will be no substantial increase in the intensity of hostilities, thereby not adversely impacting the number of active sites, significantly;
- Zain Sudan will have the capability to conduct maintenance and repair tasks in the affected territories of Sudan, ensuring a satisfactory level of network performance in regions where it is feasible while considering the physical security of technical specialists;
- there will be no significant fluctuations in the fuel rate, foreign exchange rates and other major costs during the course of the conflict;
- Zain Sudan will be able to ensure the uninterrupted functioning of its crucial IT infrastructure, aligning with management's implemented measures and incident response and disaster recovery plans;
- the generated revenue from service and product sales will be sufficient for Zain Sudan to meet both operating expenses and essential capital investments.

Based on these forecasts, considering possible adverse scenarios, management reasonably expects that the Group possesses adequate resources to effectively handle its operations in Sudan. Management will maintain ongoing monitoring of the potential repercussions and will proactively implement all available measures to minimize any adverse consequences.

Zain Sudan currently holds agreements with suppliers of network equipment, and transportation routes for its delivery are accessible in all regions of Sudan, except for North and South Darfur, South Kordofan and some parts of North Khartoum, which are facing the most significant impact from the ongoing hostilities.

If a worst-case scenario unfolds with widespread hostilities across Sudan, it can be anticipated that the Zain Sudan's operations may encounter disruptions for an indeterminate duration. This represents an uncertainty that is beyond the control of Zain Sudan. After evaluating the revised forecasts, management of Zain Sudan has examined the Zain Sudan's capability to operate as a going concern at the time of releasing this condensed consolidated interim financial information. As a result, it has determined that there are no significant uncertainties that could impede the Zain Sudan's infrastructure and operations, thereby casting significant doubt on its ability to continue as a going concern. Consequently, the Zain Sudan is expected to be able to realize its assets and fulfill its obligations in the ordinary course of business. Due to the unrest the Zain Sudan is not able to exercise control over 1,511 sites out of 3,000 plus network sites.

3. Bank and Cash balances

Bank and cash balances include the following:

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2025	2024	2024
	KD '000	KD '000	KD '000
Cash on hand and at banks	166,498	178,931	190,895
Short-term deposits with banks	44,758	41,444	47,463
Government certificates of deposits held by subsidiaries	2	2	4
	211,258	220,377	238,362
Expected credit loss	(18,037)	(24,447)	(26,874)
Bank and cash balances as per condensed consolidated interim statement of financial position	193,221	195,930	211,488
Deposits with original maturity over 3 months and Cash at bank under lien	(4,617)	(2,289)	(6,745)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(2)	(2)	(4)
Cash and cash equivalent in the condensed consolidated interim statements of cash flows	188,602	193,639	204,739

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

4. Bank balances held in customers' account

Bank balances held in customers' Account as part of electronic payment services provided by the Group are presented separately from bank and cash balances in the condensed consolidated interim statement of financial position of the Group. The regulations in respective locations require that these balances with banks are held in a manner to ensure that these balances are not combined with the Group's bank and cash balances .

5. Assets and liabilities of disposal group classified as held for sale and discontinued operations

5.1 Assets and liabilities of disposal group classified as held for sale

Kuwait

Following the acquisition of IHS Netherlands GCC B.V. ("IHS") (note 5.2), the Group ceased to classify the assets and liabilities related to the remaining telecom towers as held for sale in Kuwait, as the criteria for such classification are no longer met.

5.2 Discontinued operations – IHS

In December 2024, the Group acquired residual 70% equity interest of IHS, to complement its already existing 30% stake and thereby owning a 100% stake in IHS, for a purchase consideration of US\$ 139.800 million (KD 42.891 million). IHS is engaged in the business of tower infrastructure services in Kuwait.

	Unaudited 31 March 2025 KD '000	Audited 31 December 2024 KD '000
Fair value less cost to sell	62,660	62,660
Total liabilities of IHS	36,100	32,944
Total assets of IHS	98,760	95,604

The Group intends to dispose of IHS within one year and is actively in discussion with potential buyers, which is expected to conclude within one year, hence classified it as discontinuing operations.

6. Investments in associates and joint venture

6.1 Investments in associates

	Unaudited 31 March 2025		Audited 31 December 2024		Unaudited 31 March 2024	
	%	KD '000	%	KD '000	%	KD '000
IHS	-	-	-	-	30	992
TASC Towers Holding Limited ("TASC")	92.87	116,446	92.87	116,370	92.87	116,594
Entertainment Content Trading Company WLL ("Playhera MENA")	30	400	30	399	30	604
Others		568		568		510
		<u>117,414</u>		<u>117,337</u>		<u>118,700</u>

The carrying value of the associates and their results for the period are determined by Group management using the equity method based on management information provided by the associates.

IHS

During December 2024, the Group acquired 70% equity interest of IHS (note 5.2).

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

TASC

The Group determines that it does not have the control over TASC on the basis that the Group does not have the ability for a majority representation in the Board under the terms agreed in the agreement between TASC shareholders.

In December 2023, the Group signed definitive agreements with Ooredoo Group Q.P.S.C ("Ooredoo") for a merger transaction to combine both company's passive infrastructures (towers) via a cash and share deal. The Group and Ooredoo will contribute assets and cash to the newly formed tower company to retain a 49.3% stake each in the newly formed tower company. The transaction (initial market closings) is in progress and is expected to be completed during 2025.

6.2 Investments in joint venture

	Unaudited		Audited		Unaudited	
	31 March 2025		31 December 2024		31 March 2024	
	%	KD '000	%	KD '000	%	KD '000
Zain Al Ajial S.A. ("Zain Ajial")	50	91,541	50	90,481	50	87,372
		<u>91,541</u>		<u>90,481</u>		<u>87,372</u>

This represents Group's 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 carrying value of this joint venture and its results for the period are determined by Group management using equity method estimated based on the latest management information provided by Wana Corporate.

7. Property and equipment

	Unaudited	Audited	Unaudited
	31 March 2025	31 December 2024	31 March 2024
	KD '000	KD '000	KD '000
Net fixed assets	897,071	894,044	889,333
Capital work in progress	269,025	282,485	171,687
	<u>1,166,096</u>	<u>1,176,529</u>	<u>1,061,020</u>

During the three-months period ended 31 March 2025, the Group acquired property and equipment amounting to KD 30.924 million (31 March 2024: KD 10.277 million). Depreciation charged for the period amounted to KD 47.744 million (31 March 2024: KD 47.681 million).

8. Intangible assets and goodwill

	Unaudited	Audited	Unaudited
	31 March 2025	31 December 2024	31 March 2024
	KD '000	KD '000	KD '000
Intangible assets	1,425,059	1,410,484	1,469,813
Goodwill	535,087	535,995	536,638
Capital work in progress	12,210	12,206	10,039
	<u>1,972,356</u>	<u>1,958,685</u>	<u>2,016,490</u>

During the three-months period ended 31 March 2025, the Group acquired intangible assets amounting to KD 43.811 million (31 March 2024: KD 1.743 million). Amortization charged for the period amounted to KD 28.182 million (31 March 2024: KD 26.850 million).

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

During 2024, the Group, through Zain Tech, acquired 100% equity interest of Specialized Technical Services Company BVI ("STS"). During the period, the Group finalized the Purchase Price Allocation ("PPA") exercise of STS. The cumulative impact of these PPA related adjustments was passed in Q1 2025 as the impact was not material for the condensed consolidated interim financial information.

9. Bank borrowings

	Unaudited 31 March 2025 KD '000	Audited 31 December 2024 KD '000	Unaudited 31 March 2024 KD '000
<i>Company</i>			
Short term loans	40,053	40,040	-
Long term loans	661,847	661,771	517,909
	701,900	701,811	517,909
<i>Mobile Telecommunications Company Saudi Arabia ("SMT")</i>			
Short term loans	41,120	41,080	-
Long term loans	626,825	473,626	430,140
	667,945	514,706	430,140
<i>Pella Investment Company ("Pella")</i>			
Short term loans	7,311	6,516	-
Long term loans	80,114	80,077	79,985
	87,425	86,593	79,985
<i>Atheer Telecom Iraq Limited ("Atheer")</i>			
Bank overdrafts	26	-	2,139
Long term loans	199,032	185,108	201,478
	199,058	185,108	203,617
<i>Others</i>			
Short term loans	349	155	1,124
Long term loans	1,451	1,979	857
	1,800	2,134	1,981
	1,658,128	1,490,352	1,233,632

Reconciliation of movements in bank borrowings to cash flows from financing activities:

	Unaudited 31 March 2025 KD '000	Audited 31 December 2024 KD '000	Unaudited 31 March 2024 KD '000
Opening balance	1,490,352	1,311,538	1,311,538
Proceeds from bank borrowings	174,415	437,431	2,189
Repayment of bank borrowings	(21,324)	(328,936)	(85,168)
Increase in bank borrowings due to vendor financing arrangement (non-cash item)	13,916	60,205	-
On acquisition of a subsidiary	-	2,314	2,314
Effect of change in foreign exchange rates	769	7,800	2,759
	1,658,128	1,490,352	1,233,632

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

The current and non-current amounts are as follows:

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2025	2024	2024
	KD '000	KD '000	KD '000
Current liabilities	576,382	644,610	133,672
Non-current liabilities	1,081,746	845,742	1,099,960
	<u>1,658,128</u>	<u>1,490,352</u>	<u>1,233,632</u>

The carrying amounts of the Group's bank borrowings are denominated in the following currencies equivalent to Kuwaiti Dinar:

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2025	2024	2024
	KD '000	KD '000	KD '000
US dollar	467,222	456,915	471,605
Kuwaiti dinar	587,389	587,337	412,154
Saudi Riyals	594,406	437,605	349,873
Jordanian Dinar	9,111	8,495	-
	<u>1,658,128</u>	<u>1,490,352</u>	<u>1,233,632</u>

The average effective interest rate as at 31 March 2025 was 5.75% (31 December 2024 – 6.56%; 31 March 2024 – 7.03%) per annum.

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

- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortization (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- consolidated net borrowings to consolidated net worth (equity);

Also, the Group expects to comply with the covenants during 12 months after the reporting date.

Company

During the period, the Company has:

- 1) Not drawn down any loans from the loan facilities (31 December 2024 - KD 351.280 million, 31 March 2024: KD Nil)
- 2) repaid loans amounting to KD 0.052 million (31 December 2024 – KD 237.161 million, 31 March 2024: KD 69.284 million).

The above facilities carry a fixed margin over three-month CME term Secured Overnight Financing Rate (CME term SOFR) or over Central Bank Discount rate.

SMTC

Long-term loans include:

- 1) SAR 4,792 million (KD 394.082 million) (31 December 2024: SAR 5,029 million equivalent to KD 413.183 million, 31 March 2024: SAR 5,248 million equivalent to KD 430.140 million) syndicated murabaha facility availed from a consortium of banks.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the Murabaha facilities that existed as of that date and to secure additional funding for future capital investment.

The Agreement:

- a. Includes a Total Term Murabaha Facility of SAR 6,000 million (KD 493.440 million), consisting of SAR 4,880 million (KD 401.331 million) and US\$ portion of SAR 1,120 million (KD 92.109 million) for refinancing of the existing Term Murabaha Facility amounting to SAR 3,480 million (KD 286.195 million) and balance for future specified business purposes. SAR 2,560 million (KD 210.534 million) of the syndicated loan has been hedged through a profit rate swap contract.
- b. Includes a revolving working capital facility of SAR 1,000 million (KD 82.240 million) consisting of SAR 813.393 million (KD 66.893 million) and a US\$ portion totaling to SAR 186.607 million (KD 15.347 million).

The Murabaha Facility continues to be secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables. Under the Murabaha Financing Agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement.

- 2) During the period, SMTC obtained a new Islamic Shariah compliant facility amounting to SAR 1,934 million (KD 159.052 million) repayable in a single bullet payment upon its maturity on 17 February 2030. The facility obtained is on commercial term, where the profit is payable on quarterly basis based on fixed margin and three months SIBOR. This facility was utilized by SMTC to repay in full the amount payable to Ministry of Finance – KSA (note 10).
- 3) In 2024, SMTC availed facilities of SAR 1,125 million (KD 92.520 million) (31 December 2024: SAR 1,125 million equivalent to KD 91.430 million, 31 March 2024: Nil) to fund for the CAPEX payment against several projects and SAR 500 million (KD 41.120 million) (31 December 2024: SAR 500 million equivalent to KD 41.080 million, 31 March 2024: Nil) for receivables discounting.

SMTC have availed SAR 916.700 million (KD 75.389 million) (31 December 2024: SAR 736 million equivalent to KD 60.470 million, 31 March 2024: Nil) of the CAPEX facility and SAR 500 million (KD 41.120 million) (31 December 2024: SAR 500 million equivalent to KD 41.080 million, 31 March 2024: Nil) of the account receivable factoring facility as at the reporting period.

The interest amounting to SAR 12.690 million (KD 1.044 million) (31 December 2024: SAR 21.270 million equivalent to KD 1.748 million, 31 March 2024: Nil) has been capitalized by SMTC during period, based on effective interest rate of the loan.

Pella

Long term loans include:

- 1) US\$ 160 million (KD 49.296 million) (31 December 2024 – US\$ 160 million equivalent to KD 49.280 million, 31 March 2024 – US\$ 160 million equivalent to KD 49.216 million) term loan from a commercial bank which is repayable by 11 October 2025.
- 2) US\$ 100 million (KD 30.810 million) (31 December 2024 – US\$ 100 million equivalent to KD 30.800 million, 31 March 2024 – US\$ 100 million equivalent to KD 30.760 million) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer

Long term loans include:

- 1) US\$ 50 million (KD 15.405 million) (31 December 2024 – US\$ 50 million equivalent to KD 15.400 million, 31 March 2024 – US\$ 50 million equivalent to KD 15.380 million) which is repayable in annual installments of various amounts. The last installment was due on 17 January 2025. This was converted during quarter ended 31 March 2025 to revolving credit facility (point 3 below) which is repayable by 17 December 2027.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

- 2) US\$ 105 million (KD 32.351 million) (31 December 2024 – US\$ 105 million equivalent to KD 32.340 million, 31 March 2024 – US\$ 105 million equivalent to KD 32.298 million) term loan from a commercial bank which is repayable by 30 June 2026.
- 3) US\$ 131 million (KD 40.361 million) (31 December 2024 – US\$ 71 million equivalent to KD 21.868 million, 31 March 2024 – US\$ 125 million equivalent to KD 38.450 million) revolving credit facilities from a commercial bank which is repayable by 17 December 2027. This includes converted term loan amounting to US\$ 50 million (KD 15.405 million) (point 1 above).
- 4) US\$ 100 million (KD 30.810 million) (31 December 2024 – US\$ 100 million equivalent to KD 30.800 million, 31 March 2024 – US\$ 100 million equivalent to KD 30.760 million) term loan from a commercial bank which is repayable by 30 July 2026.
- 5) US\$ 85 million (KD 26.189 million) (31 December 2024 – US\$ 50 million equivalent to KD 15.400 million, 31 March 2024 – US\$ 50 million equivalent to KD 15.380 million) term loan from a commercial bank, this was rescheduled to revolving credit facility which is repayable by 24 April 2027.
- 6) US\$ 125 million (KD 38.513 million) (31 December 2024 – US\$ 125 million equivalent to KD 38.500 million, 31 March 2024 – US\$ 125 million equivalent to KD 38.450 million) term loan from a commercial bank which is repayable by 03 May 2025. During the period, the term loan has been refinanced by the same bank and is payable by 01 May 2029.
- 7) US\$ 100 million (KD 30.810 million) (31 December 2024 – US\$ 100 million equivalent to KD 30.800 million, 31 March 2024 – US\$ 100 million equivalent to KD 30.760 million) term loan from a commercial bank which is repayable by 19 August 2027.

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

10. Other non-current liabilities

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2025	2024	2024
	KD '000	KD '000	KD '000
Payable to Ministry of Finance – KSA (refer below)	-	123,055	158,536
Due for acquisition of spectrum	161,947	143,654	140,359
Customer deposits	2,557	2,596	4,300
Post-employment benefits	56,921	54,870	54,024
Others	8	-	443
	221,433	324,175	357,662

During the period, SMTC fully settled its outstanding payable to Ministry of Finance, KSA.

11. Share capital and reserves

11.1 Share capital

The authorized, issued and fully paid up share capital of the Company (in cash and bonus shares) as of 31 March 2025 is 4,327,058,909 shares (31 December 2024 – 4,327,058,909; 31 March 2024 - 4,327,058,909) of 100 fils each.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

11.2 Reserves

	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Other reserves	Retained earnings	Total reserves
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Balance at 1 January 2025	216,354	(1,633,480)	(13,994)	2,050	516,887	(912,183)
Profit for the period	-	-	-	-	48,470	48,470
Other comprehensive (loss) / income for the period	-	(987)	290	(241)	-	(938)
Total comprehensive (loss) / income for the period	-	(987)	290	(241)	48,470	47,532
<i>Transactions with shareholders of the Company, recognized directly in equity:</i>						
Impact of application of IAS 29 (note 20)	-	-	-	-	1,208	1,208
Balance at 31 March 2025	216,354	(1,634,467)	(13,704)	1,809	566,565	(863,443)
Balance at 1 January 2024	216,354	(1,556,226)	(14,070)	2,998	457,025	(893,919)
Profit for the period	-	-	-	-	29,224	29,224
Other comprehensive (loss) / income for the period	-	(31,538)	69	50	-	(31,419)
Total comprehensive (loss) / income for the period	-	(31,538)	69	50	29,224	(2,195)
Balance at 31 March 2024	216,354	(1,587,764)	(14,001)	3,048	486,249	(896,114)

Other reserves mainly include hedge reserves gain amounting to KD 1.132 million (31 March 2024 - KD 2.845 million).

11.3 Dividend

The annual general meeting of shareholders for the year ended 31 December 2024 held on 16 April 2025 approved distribution of a cash dividend of 25 fils per share to the registered shareholders, for the second half of the year 2024, after obtaining necessary regulatory approvals. This is in addition to the interim dividend of 10 fils distributed earlier in 2024 totaling 35 fils per share for the year 2024 (31 December 2023 – 35 fils per share).

12. Investment income

	Three months ended 31 March (Unaudited)	
	2025	2024
	KD'000	KD'000
Gain from investment securities mandatorily at FVTPL	206	138
Gain from investment securities designated at inception as FVTPL	15,879	2,887
	16,085	3,025

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

13. Finance cost

Finance cost consists of:

	Three months ended 31 March (Unaudited)	
	2025	2024
	KD'000	KD'000
Interest on bank borrowings	21,747	20,989
Finance cost on lease liabilities	4,217	3,316
Interest relating to license and spectrum payable	2,710	2,376
Interest amount payable to Ministry of Finance (KSA)	1,394	3,635
Others	826	1,391
	<u>30,894</u>	<u>31,707</u>

14. Taxation

	Three months ended 31 March (Unaudited)	
	2025	2024
	KD'000	KD'000
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)	491	305
National Labour Support Tax (NLST)	-	619
Zakat*	1,573	1,679
Domestic minimum top-up tax (DMTT)	888	-
Taxation related to subsidiaries	<u>4,599</u>	<u>3,931</u>
	<u>7,551</u>	<u>6,534</u>

* Zakat for the current period represents Zakat expenses of overseas subsidiaries.

The Group is within the scope of the Organization for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules, which require multinational enterprise (MNE) groups with consolidated revenues exceeding EUR 750 million to be subject to a minimum effective tax rate of 15% in each jurisdiction in which they operate.

The Group operates in various jurisdictions, out of those, from the material jurisdictions, only Kuwait, Bahrain and UAE have so far enacted the Pillar II legislation, however other jurisdictions are still in process of reviewing the implementation of the Pillar II legislation.

On 31 December 2024, the State of Kuwait enacted Law No. 157 of 2024 (the Law) introducing a Domestic Minimum Top-Up Tax (DMTT) effective from 1 January 2025. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE group operating within Kuwait. The DMTT replaces the application of the National Labor Support Tax (NLST) and Zakat regimes for in-scope entities in Kuwait.

The Group has reviewed the implementation status of the Pillar Two legislation of all the countries where it has operations and in the absence of detailed Executive regulations or implementation of Pillar Two legislation in most of the countries, the estimation was done based on OECD Pillar Two Module Rules and associated guidance for the three-month period ended 31 March 2025. The Group continues to monitor the legislative developments in the countries where it operates and its impact on the tax estimates.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

15. Earnings per share

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

	Three months ended 31 March (Unaudited)	
	2025	2024
	KD'000	KD'000
Profit for the period attributable to shareholders of the Company	48,470	29,224
	Shares	Shares
Weighted average number of shares in issue outstanding during the period	4,327,058,909	4,327,058,909
	Fils	Fils
Earnings per share – basic and diluted	11	7

16. 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 telecom operations in Kuwait, Jordan, Sudan, Iraq, Bahrain and KSA as the basis for disclosing the segment information.

Mobile Telecommunications Company K.S.C.P
Kuwait

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

	31 March 2025							Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	
Segment revenues – airtime, data, subscriptions and other services (Point over time)	61,978	40,343	32,313	86,154	12,845	191,010	39,527	464,170
Segment revenues - trading income (Point in time)	31,540	3,194	686	2,064	4,329	30,232	7	72,052
Net profit before interest and tax	18,125	9,544	18,756	14,979	1,197	21,686	2,277	86,564
Interest income	83	56	155	147	73	356	60	930
Finance costs	(280)	(2,709)	(228)	(5,344)	(312)	(14,415)	(192)	(23,480)
Income tax expenses	-*	(1,261)	(2,357)	(1,689)	-	-	(115)	(5,422)
	17,928	5,630	16,326	8,093	958	7,627	2,030	58,592
<i>Unallocated items:</i>								
Investment income								16,085
Share of results of associates and joint venture								1,056
Others (including unallocated interest income, income tax and finance costs net of eliminations)								(19,417)
Profit for the period								56,316
Segment assets including allocated goodwill	596,061	421,130	97,406	1,051,096	96,018	2,273,276	246,608	4,781,595
ROU assets	28,331	10,442	1,148	26,782	16,952	119,049	2,347	205,051
<i>Unallocated items:</i>								
Investment securities at FVTPL								67,822
Investment securities at FVOCI								13,142
Investment in associates and joint venture								208,210
Others (net of eliminations)								149,301
Consolidated assets								5,425,121
Segment liabilities	391,231	139,521	47,723	229,096	25,505	659,937	252,920	1,745,933
Lease liabilities (current and non-current)	25,947	12,751	1,357	34,627	17,242	143,158	2,331	237,413
Bank borrowings	-	87,425	-	199,058	-	667,945	1,800	956,228
	417,178	239,697	49,080	462,781	42,747	1,471,040	257,051	2,939,574
<i>Unallocated items:</i>								
Bank borrowings								701,900
Others (net of eliminations)								(219,772)
Consolidated liabilities								3,421,702
Net consolidated assets								2,003,419
Capital expenditure incurred during the period	8,983	347	8,900	6,288	780	41,436	7,739	74,473
Unallocated (net of eliminations)								262
Total capital expenditure								74,735
Depreciation of property and equipment and amortization of intangible assets	10,935	7,108	732	15,616	2,333	37,989	1,431	76,144
Amortization of ROU assets	2,255	365	164	992	949	6,375	115	11,215
Unallocated (net of elimination)								(218)
Total depreciation and amortization								87,141

* Income tax expense for Kuwait is included under unallocated.

Mobile Telecommunications Company K.S.C.P
Kuwait

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2025 (Unaudited)

	31 March 2024							Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	
Segment revenues – airtime, data, subscriptions and other services (Point over time)	62,731	38,743	15,140	77,259	12,394	184,799	15,335	406,401
Segment revenues - trading income (Point in time)	30,323	1,917	383	536	3,524	23,034	21	59,738
Net profit before interest and tax	16,822	10,363	7,322	12,181	1,044	19,404	(3,056)	64,080
Interest income	1,001	80	465	227	67	995	56	2,891
Finance costs	(238)	(3,480)	(316)	(6,358)	(239)	(14,948)	(133)	(25,712)
Income tax expenses	-	(1,762)	(637)	(1,393)	-	-	(33)	(3,825)
	17,585	5,201	6,834	4,657	872	5,451	(3,166)	37,434
<i>Unallocated items:</i>								
Investment income								3,025
Share of results of associates and joint venture								(385)
Others (including unallocated interest income, income tax and finance costs net of eliminations)								(5,641)
Profit for the period								34,433
Segment assets including allocated goodwill	439,072	417,513	112,783	986,388	96,357	2,169,345	171,371	4,392,829
ROU assets	15,551	9,941	1,670	20,357	14,469	72,102	2,109	136,199
<i>Unallocated items:</i>								
Investment securities at FVTPL								37,744
Investment securities at FVOCI								11,767
Investment in associates and joint venture								204,282
Others (net of eliminations)								123,495
Consolidated assets								4,906,316
Segment liabilities	221,200	156,594	27,881	144,510	28,245	803,538	180,610	1,562,578
Lease liabilities (current and non-current)	21,062	12,162	1,344	28,392	14,540	98,165	2,077	177,742
Bank borrowings	-	79,985	-	203,617	-	430,140	1,981	715,723
	242,262	248,741	29,225	376,519	42,785	1,331,843	184,668	2,456,043
<i>Unallocated items:</i>								
Bank borrowings								517,909
Others (net of eliminations)								(31,387)
Consolidated liabilities								2,942,565
Net consolidated assets								1,963,751
Capital expenditure incurred during the period	3,277	218	424	1,198	719	4,235	1,805	11,876
Unallocated (net of eliminations)								144
Total capital expenditure								12,020
Depreciation of property and equipment and amortization of intangible assets	11,014	6,134	756	14,657	2,799	37,633	1,550	74,543
Amortization of ROU assets	1,872	350	115	795	906	5,215	107	9,360
Unallocated (net of elimination)								(12)
Total depreciation and amortization								83,891

Notes to the Condensed Consolidated Interim Financial Information – 31 March 2025 (Unaudited)

17. 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)	
	2025	2024
	KD'000	KD'000
Revenue from parent company	4,933	299
Cost of sales from parent company	14,663	1,317
Operating expenses from parent company	5,749	-

Key management compensation

	Three months ended 31 March (Unaudited)	
	2025	2024
	KD'000	KD'000
Salaries and other short term employee benefits	771	709
Post-employment benefits	484	443

Balances

	Unaudited 31 March 2025 KD '000	Audited 31 December 2024 KD '000	Unaudited 31 March 2024 KD '000
Trade receivables (from parent company)	1,861	4,477	946
Trade payables (to parent company)	18,195	13,609	1,461

18. Commitments and contingencies

	Unaudited 31 March 2025 KD '000	Audited 31 December 2024 KD '000	Unaudited 31 March 2024 KD '000
Capital commitments	362,658	342,313	182,288
Uncalled share capital of investee companies	479	657	848
Letters of guarantee and credit	57,550	59,909	59,258

Atheer - Iraq

- a. On 10 September 2023, the Communication and Media Commission of Iraq ("CMC") imposed a fine of US\$ 75 million (KD 23.108 million) on Atheer for failing to meet 4G QoS ('Quality of Service') KPIs for the year 2022. Atheer believes that there is an error in the fine calculation regarding coverage obligation. On 9 October 2023, Atheer challenged the decision before the Appeals Board. On 13 June 2024, the Appeals Board issued a decision in favor of CMC. On 7th July 2024, Atheer submitted a petition to the Board of Commissioners (the legislative body of the CMC), articulating that the petition stems from a fundamental error, requesting them to cancel the fine. On 19 August 2024, the CMC rejected the petition and issued a demand to pay the fine amount. On 27 August 2024, the Atheer's attorneys filed another appeal, urging the Appeals Board to correct its decision on the grounds that it is fundamentally flawed as explained above.

Notes to the Condensed Consolidated Interim Financial Information – 31 March 2025 (Unaudited)

In August 2024, a new fine amounting to US\$ 1 million (KD 0.308 million) was imposed by CMC for failing to meet 4G QoS KPIs for the second half of year 2023. This amount is significantly lower as compared to the fine levied for year 2022 and first half of year 2023. Furthermore, a new QoS regulation is expected to be issued, which may support Atheer's case in challenging the fine.

On 21 January 2025, Atheer received a favorable decision for one of the four penalties issued. The decision stated that the fine amount, if calculated according to the new Quality of Service (QoS) regulation, should be significantly lower. The appeal file shall be referred back to the CMC for recalculation of the amounts based on the aforementioned decision and to issue a new order accordingly. Based on these factors and based on the report from Atheer's attorneys, the Group believes that the matter will be resolved in favor of Atheer.

- b. Newroz Telecom, based in the Kurdistan region, has initiated a preliminary lawsuit in the first instance court against Atheer and Huawei. The claim is predicated on allegations that the unlicensed installation of 4G equipment has caused harm to Newroz Telecom's infrastructure requesting US\$ 50 million (KD 15.405 million) from Atheer and Huawei jointly. Atheer operates under a national license issued by the CMC, the competent federal authority. The CMC is anticipated to issue a statement to the court affirming Atheer's lawful nationwide authorization to provide 4G services, as well as confirming that Huawei holds the necessary credentials as an authorized vendor for the equipment supplied. Atheer has submitted both formal and substantive defenses and is currently awaiting the plaintiff's responses. The court has notified the plaintiff to reply to Atheer's statements. Based on the Atheer's attorneys report, the Group believes that Atheer has strong legal grounds and compelling arguments to successfully challenge and revoke the opposing claim.

Pella - Jordan

Pella is a defendant in multiple lawsuits amounting to KD 7.604 million (31 December 2024 – KD 7.606 million). Based on the report of its attorneys, the Group is of the view that the outcome of these proceedings will be favorable for Pella.

SMTC

- a. SMTC received withholding tax ("WHT") assessments from Zakat, Tax and Customs Authority ("ZATCA") for an additional amount of SAR 100 million (KD 8.224 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees. SMTC believes that the outcome of those appeals will be in its favor with no material financial impact.
- b. SMTC was also subjected to WHT, for the years from 2012 to 2021, on International Interconnect traffic from ZATCA for payments made to International Operators and SMTC has received WHT assessment from ZATCA with respect to this. For the assessments received from ZATCA, SMTC has rejected these claims and appealed at various judiciary bodies against these assessments. In the process of appealing against these claims, SMTC had paid an amount of SAR 8.37 million (KD 0.688 million) and created a provision of SAR 148.18 million (KD 12.174 million).

However, during the year ended 31 December 2024, SMTC received communication from ZATCA that the dues for WHT on International traffic will be borne by the Government. Accordingly, SMTC has reversed a provision of SAR 148.18 million (KD 12.174 million) during the previous year. The amount paid of SAR 8.37 million (KD 0.688 million) will be settled by SMTC with dues payable to ZATCA for other ongoing assessments. There is no change in the status during the period ended 31 March 2025.

In addition, legal proceedings have been initiated by and against the Group in some 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 – 31 March 2025 (Unaudited)

19. Financial instruments

19.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the condensed consolidated interim statement of financial position are categorized as follows:

	Unaudited 31 March 2025 KD'000	Audited 31 December 2024 KD'000	Unaudited 31 March 2024 KD'000
Amortised costs:			
Bank and cash balances	193,221	195,930	211,488
Bank balances held in customers' account	20,167	15,928	14,448
Trade and other receivables	962,884	876,248	794,932
Other assets	11,739	11,570	14,449
Investment securities at FVTPL	67,822	51,504	37,744
Investment securities at FVOCI	14,035	13,748	12,685

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

19.2 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 interim 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 2025

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value:				
Investments at FVTPL	-	8,572	59,250	67,822
Investments at FVOCI	3,477	2,886	7,672	14,035
Total assets	3,477	11,458	66,922	81,857

31 December 2024

	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Financial assets at fair value:				
Investments at FVTPL	-	8,368	43,136	51,504
Investments at FVOCI	3,174	2,891	7,683	13,748
Total assets	3,174	11,259	50,819	65,252

Notes to the Condensed Consolidated Interim Financial Information – 31 March 2025 (Unaudited)

31 March 2024

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value:				
Investments at FVTPL	-	9,907	27,837	37,744
Investments at FVOCI	2,265	2,906	7,514	12,685
Total assets	2,265	12,813	35,351	50,429

During the period, there were no transfers between any of the fair value hierarchy levels.

Fair values of financial assets and liabilities are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than 12-months), it is assumed that the carrying amounts approximate to 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 year ended 31 December 2024 and 31 March 2024.

20. Hyperinflation – Zain South Sudan

Net monetary gain

The Republic of South Sudan economy had become hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group's subsidiary in South Sudan had been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting. The effect on the net monetary position is included in the interim condensed consolidated statement of profit or loss as 'net monetary gain'.

21. 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 period-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data and are classified as level 2 under fair value hierarchy.

At 31 March 2025

	Notional amounts by term to maturity		
	Positive	Negative	Notional
	fair value	fair value	amount
	KD '000	KD '000	KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges - Receive 3-month SIBOR,</i>			
<i>Pay fixed profit rate</i>			
Profit rate swaps (maturing after one year)	1,690	-	157,901

At 31 December 2024

	Notional amounts by term to maturity		
	Positive	Negative	Notional
	fair value	fair value	amount
	KD '000	KD '000	KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges – Receive 3-month SIBOR,</i>			
<i>Pay fixed profit rate</i>			
Profit rate swaps (maturing after one year)	2,342	-	157,747

Notes to the Condensed Consolidated Interim Financial Information – 31 March 2025 (Unaudited)

At 31 March 2024

	Notional amounts by term to maturity		
	Positive	Negative	Notional
	fair value	fair value	amount
	KD '000	KD '000	KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges - Receive 3-month SIBOR,</i>			
<i>Pay fixed profit rate</i>			
Profit rate swaps (maturing after one year)	6,319	-	209,843