

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 September 2023**

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C.P. (the "Company") and its subsidiaries (together called "the Group") as at 30 September 2023 and the related statements of profit or loss, profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the related statements of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

As disclosed in note 2 to the interim financial information, the Group has excluded the effects reported therein of applying International Accounting Standard (IAS) 29: Financial reporting in Hyperinflationary Economies with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29. Our audit opinion in the prior year and our review conclusion in the prior periods were also modified in respect of this matter.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

We draw attention to note 2 of the interim financial information, which describe that the Group's operations in Sudan have been affected as a result of the military operations taking place in Sudan since 15 April 2023. Our conclusion is not modified in respect of this matter

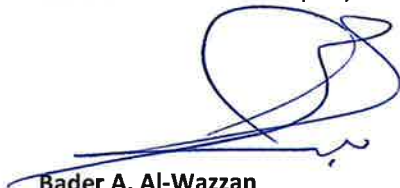
**Mobile Telecommunications Company K.S.C.P.
Kuwait**

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the 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 is any violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association during the nine-month period ended 30 September 2023 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, nothing has come to our attention that causes us to believe that there is any violations of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2023 that might have had a material effect on the business of the Company or on its financial position.



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

Kuwait
13 November 2023

Condensed Consolidated Statement of Financial Position as at 30 September 2023 (Unaudited)

| | Note | Unaudited 30 September 2023 | Audited 31 December 2022 | Unaudited 30 September 2022 |
|---|------|-----------------------------------|--------------------------------|-----------------------------------|
| KD '000 | | | | |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and bank balances | 3 | 294,133 | 240,409 | 217,337 |
| Trade and other receivables | | 965,692 | 784,406 | 752,072 |
| Contract assets | | 71,974 | 70,457 | 73,676 |
| Inventories | | 51,398 | 48,144 | 49,823 |
| Investment securities at FVTPL | | 84,644 | 34,129 | 34,557 |
| | | 1,467,841 | 1,177,545 | 1,127,465 |
| Assets of disposal group classified as held for sale | 4 | 101,964 | 259,759 | 264,232 |
| | | 1,569,805 | 1,437,304 | 1,391,697 |
| Non-current assets | | | | |
| Contract assets | | 49,754 | 49,155 | 51,325 |
| Investment securities at FVOCI | | 19,401 | 17,600 | 19,369 |
| Investments in associates and joint venture | 5 | 206,436 | 96,533 | 95,871 |
| Other non-current assets | | 75,180 | 42,328 | 72,609 |
| Right of use of assets | | 116,825 | 106,461 | 94,579 |
| Property and equipment | 6 | 990,428 | 1,067,694 | 1,016,386 |
| Intangible assets and goodwill | 7 | 2,058,896 | 2,132,433 | 2,156,597 |
| | | 3,516,920 | 3,512,204 | 3,506,736 |
| Total Assets | | 5,086,725 | 4,949,508 | 4,898,433 |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities | | | | |
| Trade and other payables | | 1,125,883 | 983,262 | 934,402 |
| Deferred revenue | | 67,317 | 64,270 | 75,667 |
| Income tax payables | 8 | 23,084 | 18,604 | 16,894 |
| Due to banks | 9 | 155,758 | 213,559 | 274,990 |
| Lease liabilities | | 28,560 | 19,424 | 17,507 |
| | | 1,400,602 | 1,299,119 | 1,319,460 |
| Liabilities of disposal group classified as held for sale | 4 | 35,017 | 88,281 | 99,177 |
| | | 1,435,619 | 1,387,400 | 1,418,637 |
| Non-current liabilities | | | | |
| Due to banks | 9 | 1,195,422 | 1,152,999 | 1,139,756 |
| Lease liabilities | | 120,203 | 85,375 | 79,411 |
| Other non-current liabilities | 10 | 381,781 | 427,874 | 392,972 |
| | | 1,697,406 | 1,666,248 | 1,612,139 |
| Equity | | | | |
| Attributable to the Company's shareholders | | | | |
| Share capital | 11 | 432,706 | 432,706 | 432,706 |
| Share premium | | 1,707,164 | 1,707,164 | 1,707,164 |
| Legal reserve | | 216,354 | 216,354 | 216,354 |
| Foreign currency translation reserve | | (1,518,929) | (1,513,879) | (1,499,396) |
| Investment fair valuation reserve | | (8,951) | (9,353) | (7,093) |
| Other reserves | | 4,495 | 3,855 | 4,088 |
| Retained earnings | | 413,730 | 392,999 | 348,907 |
| | | 1,246,569 | 1,229,846 | 1,202,730 |
| Non-controlling interests | | 707,131 | 666,014 | 664,927 |
| Total equity | | 1,953,700 | 1,895,860 | 1,867,657 |
| Total Liabilities and Equity | | 5,086,725 | 4,949,508 | 4,898,433 |

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 13 November 2023.

Osamah Othman Alfuraih
Chairman

Bader Nasser Al Kharaa
Vice Chairman & Chief Executive Officer

Condensed Consolidated Statement of Profit or Loss – 30 September 2023 (Unaudited)

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|---|------|------------------------------------|---------------|-----------------------------------|----------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | KD'000 | | KD'000 | |
| Revenue | | 485,107 | 441,118 | 1,414,820 | 1,269,784 |
| Cost of sales | | (155,472) | (142,033) | (451,348) | (419,714) |
| Operating and administrative expenses | 13 | (144,120) | (116,671) | (413,044) | (336,461) |
| Expected credit loss on financial assets (ECL) | | (2,643) | (11,558) | (19,984) | (22,782) |
| Depreciation and amortization | | (82,379) | (82,417) | (246,382) | (250,239) |
| Interest income | | 2,751 | 1,560 | 9,778 | 3,259 |
| Investment (loss) / income | 12 | (448) | 3,273 | 530 | 5,911 |
| Share of results of associates and joint venture | 5 | 723 | 570 | 979 | 2,963 |
| Other expenses | | (5,182) | (5,855) | (13,614) | (9,056) |
| Gain on sale and lease back transaction | 4 | 17,650 | 402 | 63,922 | 402 |
| Finance costs | | (33,181) | (25,055) | (92,061) | (60,356) |
| Gain from currency revaluation | | 1,876 | 974 | 1,442 | 3,166 |
| Gain from disposal of Subsidiary | 4 | 2,711 | - | 2,711 | - |
| Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration | | 87,393 | 64,308 | 257,749 | 186,877 |
| Contribution to Kuwait foundation for Advancement of Sciences (KFAS) | | (628) | (567) | (1,780) | (1,576) |
| National Labour Support Tax (NLST) and Zakat | | (3,404) | (2,625) | (10,840) | (6,080) |
| Income tax expenses | | (6,084) | (1,581) | (15,458) | (9,755) |
| Board of Directors' remuneration | | (108) | (108) | (326) | (326) |
| Profit for the period | | 77,169 | 59,427 | 229,345 | 169,140 |
| Attributable to: | | | | | |
| Shareholders of the Company | | 60,491 | 54,254 | 172,178 | 151,882 |
| Non-controlling interests | | 16,678 | 5,173 | 57,167 | 17,258 |
| | | 77,169 | 59,427 | 229,345 | 169,140 |
| Earnings per share | 14 | | | | |
| Basic and diluted – Fils | | 14 | 13 | 40 | 35 |

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – 30 September 2023 (Unaudited)

| | Three months ended | | Nine months ended | |
|--|--------------------|---------------|-------------------|----------------|
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | KD'000 | | KD'000 | |
| Profit for the period | 77,169 | 59,427 | 229,345 | 169,140 |
| Other comprehensive income | | | | |
| <i>Items that will be reclassified to profit or loss:</i> | | | | |
| Exchange differences on translating foreign operations | 1,453 | 13,760 | 7,774 | 16,305 |
| Less: Gain reclassified to profit or loss on disposal of foreign operation | (5,067) | - | (5,067) | - |
| | (3,614) | 13,760 | 2,707 | 16,305 |
| Other reserves | (339) | 4,533 | 102 | 17,636 |
| | (3,953) | 18,293 | 2,809 | 33,941 |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | |
| Changes in the fair value of equity investments at FVOCI | (43) | (2,485) | 402 | (2,436) |
| Other reserves | 1,061 | - | 1,525 | - |
| | 1,018 | (2,485) | 1,927 | (2,436) |
| Total comprehensive income for the period | 74,234 | 75,235 | 234,081 | 200,645 |
| Total comprehensive income attributable to: | | | | |
| Shareholders of the Company | 52,753 | 58,401 | 168,170 | 156,088 |
| Non-controlling interests | 21,481 | 16,834 | 65,911 | 44,557 |
| | 74,234 | 75,235 | 234,081 | 200,645 |

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

Condensed Consolidated Statement of Changes in Equity – Nine months ended 30 September 2023 (Unaudited)

| | Equity attributable to Company's shareholders | | | | | | | Total |
|---|---|---------------|---------------|--------------------------------------|-----------------------------------|----------------|-------------------|-----------------------------|
| | Share capital | Share premium | Legal reserve | Foreign currency translation reserve | Investment fair valuation reserve | Other reserves | Retained earnings | Non - controlling interests |
| | | | | | | | | KD '000 |
| Balance at 1 January 2023 | 432,706 | 1,707,164 | 216,354 | (1,513,879) | (9,353) | 3,855 | 392,999 | 666,014 |
| Profit for the period | - | - | - | - | - | - | 172,178 | 57,167 |
| Other comprehensive income for the period | - | - | - | (5,050) | 402 | 640 | - | 8,744 |
| Total comprehensive income for the period | - | - | - | (5,050) | 402 | 640 | 172,178 | 65,911 |
| Transactions with shareholders of the Company, recognized directly in equity: | | | | | | | | |
| Non-controlling interest arising on the acquisition (Note 2) | - | - | - | - | - | - | - | 84 |
| Cash dividends (Note 11) | - | - | - | - | - | - | (151,447) | - |
| Cash dividends to non-controlling interest of subsidiaries (2022) | - | - | - | - | - | - | - | (24,878) |
| Balance at 30 September 2023 | 432,706 | 1,707,164 | 216,354 | (1,518,929) | (8,951) | 4,495 | 413,730 | 707,131 |
| Balance at 1 January 2022 | 432,706 | 1,707,164 | 216,354 | (1,499,458) | (4,620) | (2,492) | 339,781 | 622,581 |
| Profit for the period | - | - | - | - | - | - | 151,882 | 17,258 |
| Other comprehensive income for the period | - | - | - | 62 | (2,436) | 6,580 | - | 27,299 |
| Total comprehensive income for the period | - | - | - | 62 | (2,436) | 6,580 | 151,882 | 44,557 |
| Transactions with shareholders of the Company, recognized directly in equity: | | | | | | | | |
| Cash dividends (Note 11) | - | - | - | - | - | - | (142,793) | - |
| Cash dividends to non-controlling interest of subsidiaries (2021) | - | - | - | - | - | - | - | (2,211) |
| Transfer to retained earnings | - | - | - | - | (37) | - | 37 | - |
| Balance at 30 September 2022 | 432,706 | 1,707,164 | 216,354 | (1,499,396) | (7,093) | 4,088 | 348,907 | 664,927 |
| | | | | | | | | 1,867,657 |

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

Condensed Consolidated Statement of Cash Flows – Nine months ended 30 September 2023 (Unaudited)

| | | Nine months ended 30 September | |
|--|------|-----------------------------------|------------------|
| | Note | 2023 | 2022 |
| | | | KD'000 |
| Cash flows from operating activities | | | |
| Profit for the period before income tax, KFAS, NLST and Zakat | | 257,423 | 186,551 |
| Adjustments for: | | | |
| Depreciation and amortization | | 246,382 | 250,239 |
| ECL on financial assets | | 19,984 | 22,782 |
| Interest income | | (9,778) | (3,259) |
| Investment income | 12 | (530) | (5,911) |
| Share of results of associates and joint venture | | (979) | (2,963) |
| Finance costs | | 92,061 | 60,356 |
| Gain on sale and lease back transaction | 4 | (63,922) | (402) |
| Gain from currency revaluation | | (1,442) | (3,166) |
| Loss / (gain) on sale of property and equipment | | 274 | (75) |
| Gain from disposal of Subsidiary | | (2,711) | - |
| Operating cashflow before working capital changes | | 536,762 | 504,152 |
| Increase in trade and other receivables and contract assets | | (132,621) | (106,281) |
| (Increase) / decrease in inventories | | (3,539) | 9,973 |
| Decrease in trade and other payables | | (32,929) | (66,330) |
| Cash generated from operations | | 367,673 | 341,514 |
| Income tax paid | | (7,179) | (10,957) |
| Paid to KFAS | | (2,027) | (6,816) |
| National Labour Support Tax and Zakat paid | | (5,330) | (2,503) |
| Net cash from operating activities | | 353,137 | 321,238 |
| Cash flows from investing activities | | | |
| Deposits maturing after three months and cash at bank under lien | 3 | (10,776) | (3,454) |
| Investments in securities | | (1,076) | (3,568) |
| Proceeds from sale of investment securities | | 197 | 442 |
| Acquisition of subsidiaries, net of cash acquired | 2 | (10,942) | - |
| Investment in associates and joint control entity | | (783) | (115) |
| Acquisition of property and equipment (net) | | (127,074) | (123,352) |
| Acquisition of intangible assets (net) | | (37,939) | (56,097) |
| Proceeds from sale of telecom assets (sale and lease back) | 4 | 199,274 | - |
| Interest received | | 2,949 | 1,727 |
| Dividend received | | 135 | 331 |
| Net cash from / (used) in investing activities | | 13,965 | (184,086) |
| Cash flows from financing activities | | | |
| Proceeds from bank borrowings | 9 | 131,018 | 386,947 |
| Repayment of bank borrowings | 9 | (160,479) | (314,888) |
| Repayment of lease liabilities | | (35,793) | (44,120) |
| Dividend paid to Company's shareholders | | (151,031) | (141,872) |
| Dividend paid to minority shareholders of subsidiaries | | (24,760) | (2,215) |
| Finance costs paid | | (78,115) | (36,423) |
| Net cash used in financing activities | | (319,160) | (152,571) |
| Net increase / (decrease) in cash and cash equivalents | | 47,942 | (15,419) |
| Effect of foreign currency translation | | (4,994) | (2,582) |
| Cash and cash equivalents at beginning of period | | 234,363 | 229,716 |
| Cash and cash equivalents at end of period | 3 | 277,311 | 211,715 |

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 2022 - Kuwait and 7 other countries; 30 September 2022 - 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.

2. Basis of preparation

This condensed consolidated interim financial information is prepared in accordance with IAS 34: Interim Financial Reporting.

The economy of Republic of 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.

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could have entailed going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of 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 30 September 2023.

This condensed consolidated interim financial information does not contain all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2023, including the impact of the matter stated above regarding application of IAS 29. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended 31 December 2022.

Changes in accounting policy and disclosures

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022 except following accounting policy.

Investments in associates and joint ventures

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. The Group has elected to apply this accounting policy in situation where it ceases to have control of a subsidiary as a result of selling its controlling interest to an existing associate or joint venture.

New and amended IFRS Standards that are effective for the current year

The Group has applied the certain new and revised IFRS Standards that have been issued and effective during the current period. The application of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

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 2022.

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. These events have had an adverse impact on the country's economy and consequently, on the Group's operations in Sudan.

As of the issuance date of these interim condensed consolidated financial statements, 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. 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 Darfur, North Kordofan, and Khartoum, which are facing the most significant impact from the ongoing hostilities.

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 most likely and possible downside scenarios for the ongoing business impacts of the war. These forecasts were based on the following key assumptions:

- 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 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 the 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 throughout the year. Based on these forecasts, the management has concluded that there are no impairment indicators since the Group's operations in Sudan are expected to be profitable even in the possible adverse scenario. Management will maintain ongoing monitoring of the potential repercussions and will proactively implement all available measures to minimize any adverse consequences.

If a worst-case scenario unfolds with widespread hostilities across Sudan, it can be anticipated that the Group's operations may encounter disruptions for an indeterminate duration. This represents an uncertainty that is beyond the control of the Group. After evaluating the revised forecasts, management has examined the Zain Sudan's capability to operate as a going concern at the time of releasing this interim condensed consolidated 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.

Because of the ongoing conflict in Sudan as described above, there have been some damages to network equipment, spares and inventories. Unfortunately, the current situation is not viable for the management of the Zain Sudan to access these areas and take stock of the actual damages and losses due to continuing hostilities in these regions. However, the management of the Zain Sudan does not expect any significant damage to the Zain Sudan's network sites in the Sudanese regions of North Darfur, North Kordofan, and Khartoum and has concluded that the affected sites have the ability to generate future economic benefits.

The Zain Sudan's management estimate such losses are fully covered under the Political Violence Insurance Policy and has submitted an initial provisional claim of USD 45 million (KD 13.905 million) with the insurer mainly relating to the equipment, spares and commercial items in the main warehouse which was partially set on fire during the conflict. According to the Political Violence Insurance Policy, Zain Sudan has a claim for Business Interruption loss over a twelve-month period. The Group has estimated the possible impact of the damages to assets as per the available information and recognized adequate provision in the interim condensed consolidated financial information.

Acquisition of Subsidiaries

In January 2023, the Group acquired the entire equity interest of Business Integrated Operating Systems (BIOS) for a purchase consideration of AED 157.57 million (KD 13.171 million) of which an amount of AED 126.056 million (KD 10.029 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to AED 120.167 million (KD 10.002 million). The recognized amounts of net assets of BIOS as at the date of acquisition was AED 6.851 million (KD 0.574 million), resulting in a goodwill of AED 150.719 million (KD 12.597 million). The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA). BIOS is a company incorporated in UAE having multiple subsidiaries engaged in business of IT related activities and cloud services.

In May 2023, the Group acquired 65% equity interest of Adfolks Software Trading L.L.C (Adfolks) for a purchase consideration of AED 15.823 million (KD 1.326 million) of which an amount of AED 10.554 million (KD 0.883 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to AED 8.782 million (KD 0.735 million). The recognized amounts of net assets of Adfolks as at the date of acquisition was negative AED 0.986 million (negative KD 0.083 million), resulting in a goodwill of AED 16.463 million (KD 1.379 million). The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA). Adfolks is a company incorporated in UAE engaged in cloud and related services.

During the period, the Group acquired 83.39% equity interest of Xenon Electronic Payment Company W.L.L (Bookeey) for a purchase consideration of KD 2.437 million, which was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to KD 0.205 million. The recognized amounts of net assets of Bookeey as at the date of acquisition was KD 0.675 million, resulting in a goodwill of KD 1.874 million. The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA). Bookeey is a company incorporated in Kuwait engaged in electronic payment and settlement systems services.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2023 (Unaudited)

Subsequently on 16 October 2023, the Group entered into an agreement for acquisition of 100 % equity interest of Specialized Technical Services Company ("STS"), a company engaged in providing digital transformation solutions in the Middle East and North Africa, for a purchase consideration of US\$ 32 million (KD 9.900 million) (including contingent consideration). This acquisition is subject to regulatory approvals.

Financial support to Group companies

The Group has committed to provide working capital and other financial support to certain subsidiaries including Mobile Telecommunications Company Saudi Arabia ("SMTC") and Zain Jordan (Pella) whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

3. Cash and bank balances

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

| | Unaudited 30 September 2023 | Audited 31 December 2022 | Unaudited 30 September 2022 |
|---|-----------------------------------|--------------------------------|-----------------------------------|
| | KD '000 | | |
| Cash on hand and at banks | 254,971 | 213,681 | 217,202 |
| Short-term deposits with banks | 67,499 | 56,336 | 23,392 |
| Government certificates of deposits held by subsidiaries | 8 | 8 | 8 |
| | 322,478 | 270,025 | 240,602 |
| Expected credit loss | (28,345) | (29,616) | (23,265) |
| | 294,133 | 240,409 | 217,337 |
| Cash at bank under lien | (1,364) | (6,038) | (5,614) |
| Time deposits with original maturity over three months | (15,450) | - | - |
| Government certificates of deposits with maturities exceeding three months held by subsidiaries | (8) | (8) | (8) |
| Cash and cash equivalent in the condensed consolidated statements of cash flows | 277,311 | 234,363 | 211,715 |

4. Assets and liabilities of disposal group classified as held for sale.

The carrying value of disposal group held for sale comprises of remaining telecom tower assets and remaining right of use of assets and its related lease liabilities classified as held for sale in Kuwait, KSA and Iraq as follows.

| | KD'000 | | | | |
|------------------------|--------|--------|----------------------|------------------------------|----------------------|
| | Kuwait | KSA | 30 September 2023 | Total 31 December 2022 | 30 September 2022 |
| Telecom tower assets | 855 | 47,567 | 48,422 | 150,547 | 152,787 |
| Right of use of assets | 3,169 | 50,373 | 53,542 | 109,212 | 111,445 |
| | 4,024 | 97,940 | 101,964 | 259,759 | 264,232 |
| Lease liabilities | 1,009 | 34,008 | 35,017 | 88,281 | 99,177 |

These are expected to be sold within one year.

The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity.

Kuwait

Between 2020 and 2022 the Company completed the sale and lease back of 1,398 telecom towers in Kuwait.

During August 2023, the Company completed sale and lease back of additional 101 telecom towers in Kuwait for a total sale consideration of US\$ 6.409 million (KD 1.974 million). Total gain from this transaction was KD 1.073 million which is recognized in the statement of profit or loss during the period.

KSA

In 2022, SMTC received board of directors' approval on the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud bin Fahd Bin Abdulaziz, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in SMTC's towers infrastructure comprising of 8,069 towers, valuing these assets at US\$ 807 million (KD 250.089 million). Pursuant to the Final Offers SMTC will own 20% stake in newly formed Tower Company. PIF's Final Offer also includes a call option that will grant PIF the right to buy the remaining 20% stake from SMTC for a certain amount. Under the terms of the offers, SMTC will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

On 28 May 2022, SMTC received a letter from the Communications, Space and Technology Commission ("CST"), which included the CST's Board of Directors approval for "Zain Business Limited" (a subsidiary of Zain KSA) to acquire aforementioned telecom tower sites owned by SMTC.

In September 2022, PIF acquired Zain Business Limited and changed the name to Golden Lattice Investment Company (GLI). In October 2022, SMTC entered into a Shareholders' Agreement (the "SHA") with PIF and other shareholders. Simultaneously, in October 2022, SMTC entered into an Asset Purchase Agreement ("APA") with GLI to transfer 8,069 towers for an aggregate value of USD 807 million (KD 250.089 million). Under the APA, as part of "Financial Completion" SMTC was to receive cash proceed of SAR 2,421 million (KD 197.892 million) along with a 20% equity stake in GLI.

During the period, pursuant to the financial completion under the APA the Group:-

- received cash from GLI amounting to SAR 2,421 million (KD 197.892 million)
- derecognized 5,000 towers for a cash consideration of SAR 1,270 million (KD 103.889 million) which was
 - partially adjusted against the advances received from GLI and;
 - partially adjusted against 20% stake in GLI valued at SAR 605 million (KD 49.459 million) as in-kind consideration.

Total gain from this transaction was SAR 768.106 million (KD 62.849 million) which is recognized in the statement of profit or loss during period.

Subsequently on 19 October 2023 SMTC received a request from PIF to exercise unconditional call option as per SHA.

Iraq

During 2022, Atheer Telecom Iraq Limited received approval from its board of directors for the sale of its passive tower infrastructure. Under the terms of the offer received, Atheer was to sell and leaseback its passive physical towers infrastructure comprising of 4,604 towers.

In January 2023, Atheer sold and leased back from TTI Holding Limited (TTI, a subsidiary of the Group) 4,604 towers, for an aggregate value of US\$ 180 million (KD 55.224 million). This intercompany transaction was eliminated at the Group level.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2023 (Unaudited)

Subsequently, in July 2023, the Group sold its controlling stake in TTI (including tower infrastructure) to TASC Towers Holding Limited ("TASC") (an associate of the Group), for a consideration of US\$ 238 million (KD 73.469 million). This resulted in a gain of US\$ 8.7 million (KD 2.711 million) after elimination of loss resulting from downstream transaction. This includes the impact of reallocating goodwill of US\$ 161 million (KD 49.671 million) attributable to tower operations and recycling of \$16 million (KD 5.067 million) FCTR to income statement.

5. Investments in associates and joint venture

Investments in associates

This includes the Group's:

- KD 0.959 million (31 December 2022 – KD 1.083 million; 30 September 2022- KD 1.001 million) interest in IHS Kuwait Limited which represents 30% of the equity shares and voting rights of the associate. The associate became operational in February 2020 pursuant to the sale and lease back of telecommunication towers transaction with the Company.
- KD 118.782 million (31 December 2022 – KD 13.360 million; 30 September 2022- KD 13.772 million) interest in TASC Towers Holding Limited which represents 92.87% (31 December 2022 – 69.10%) of the equity shares of the associate.

During the period the Group increased its' holding in TASC from 83.50% to 92.87% as a result of issuing of additional shares to settle the consideration on sale of TTI as disclosed in note 4.

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

- KD 0.677 million (31 December 2022 – KD Nil; 30 September 2022 - KD Nil) interest in Entertainment Content Trading Company WLL (referred to as "Playhera MENA") which represents 30% (31 December 2022 – Nil) of the equity shares of the associate acquired during 2023.

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

Investments in joint venture

This includes Group's KD 85.273 million (31 December 2022 - KD 81.925 million; 30 September 2022: KD 80.968 million) interest in the joint venture, Zain Al Ajial S.A. that owns 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company that is specialized in the telecom sector in that country). The carrying value of this joint venture and its results for the year are determined by Group management using equity method based on management information provided by Wana Corporate.

6. Property and equipment

| | Unaudited 30 September 2023 | Audited 31 December 2022 | Unaudited 30 September 2022 |
|--------------------------|-----------------------------------|--------------------------------|-----------------------------------|
| | KD '000 | | |
| Net fixed assets | 876,479 | 941,950 | 922,891 |
| Capital work in progress | 113,949 | 125,744 | 93,495 |
| | 990,428 | 1,067,694 | 1,016,386 |

During the nine-months period ended 30 September 2023, the Group acquired property and equipment amounting to KD 70.213 million (30 September 2022: KD 81.953 million). Depreciation charged for the period amounted to KD 143.568 million (30 September 2022: KD 148.663 million).

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2023 (Unaudited)

7. Intangible assets and goodwill

| | Unaudited 30 September 2023 | Audited 31 December 2022 | Unaudited 30 September 2022 |
|--------------------------|-----------------------------------|--------------------------------|-----------------------------------|
| | KD '000 | | |
| Intangible assets | 1,512,513 | 1,557,230 | 1,559,684 |
| Goodwill | 540,028 | 568,916 | 596,913 |
| Capital work in progress | 6,355 | 6,287 | - |
| | 2,058,896 | 2,132,433 | 2,156,597 |

During the nine-months period ended 30 September 2023, the Group acquired intangible assets amounting to KD 14.285 million (30 September 2022: KD 14.995 million). Amortization charged for the period amounted to KD 78.082 million (30 September 2022: KD 101.576 million).

During the period the Group recognized additional goodwill of KD 12.597 million, KD 1.379 million and KD 1.874 million as a result of acquisition of BIOS, Adfolks and Bookeey respectively (Note 2).

8. Income tax payables

Income tax payables mainly includes current tax payables by Group's subsidiaries in Iraq, Jordan and Sudan.

Atheer - Iraq

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT) (Note 17).

Atheer has booked the income tax expenses for the year from 2019 to date, based on self-assessment, considering most likely outcome. No assessment order has yet been received. Income tax assessment for all other years are paid and settled.

Management believes that they have adequate provisions for liabilities in respect of the assessments contested.

9. Due to banks

| | Unaudited 30 September 2023 | Audited 31 December 2022 | Unaudited 30 September 2022 |
|----------------------|-----------------------------------|--------------------------------|-----------------------------------|
| | KD '000 | | |
| <i>Company</i> | | | |
| Short term loans | 15,450 | 21,406 | 40,287 |
| Long term loans | 592,927 | 538,854 | 556,449 |
| | 608,377 | 560,260 | 596,736 |
| <i>SMTC</i> | | | |
| Long term loans | 429,928 | 490,723 | 493,348 |
| | 429,928 | 490,723 | 493,348 |
| <i>Zain Jordan</i> | | | |
| Long term loans | 80,354 | 79,506 | 80,575 |
| | 80,354 | 79,506 | 80,575 |
| <i>Atheer – Iraq</i> | | | |
| Bank overdrafts | - | 2,516 | 40 |
| Long term loans | 232,521 | 233,553 | 244,047 |
| | 232,521 | 236,069 | 244,087 |
| | 1,351,180 | 1,366,558 | 1,414,746 |

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2023 (Unaudited)

Reconciliation of movements of amounts due to banks to cash flows from financing activities:

| | Unaudited | Audited | Unaudited |
|--|---------------------|--------------------|---------------------|
| | 30 September | 31 December | 30 September |
| | 2023 | 2022 | 2022 |
| | KD '000 | | |
| Opening balance | 1,366,558 | 1,305,560 | 1,305,560 |
| Proceeds from bank borrowings | 131,018 | 458,543 | 386,947 |
| Repayment of bank borrowings | (160,479) | (420,518) | (314,888) |
| Effect of change in foreign exchange rates | 14,083 | 22,973 | 37,127 |
| | 1,351,180 | 1,366,558 | 1,414,746 |

The current and non-current amounts are as follows:

| | Unaudited | Audited | Unaudited |
|-------------------------|---------------------|--------------------|---------------------|
| | 30 September | 31 December | 30 September |
| | 2023 | 2022 | 2022 |
| | KD '000 | | |
| Current liabilities | 155,758 | 213,559 | 274,990 |
| Non-current liabilities | 1,195,422 | 1,152,999 | 1,139,756 |
| | 1,351,180 | 1,366,558 | 1,414,746 |

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

| | Unaudited | Audited | Unaudited |
|---------------|---------------------|--------------------|---------------------|
| | 30 September | 31 December | 30 September |
| | 2023 | 2022 | 2022 |
| | KD '000 | | |
| US dollar | 589,239 | 670,902 | 888,967 |
| Kuwaiti dinar | 412,241 | 296,343 | 124,359 |
| Saudi Riyals | 349,700 | 399,313 | 401,420 |
| | 1,351,180 | 1,366,558 | 1,414,746 |

The effective interest rate as at 30 September 2023 was 6.35% (31 December 2022 - 4.06%; 30 September 2022 - 3.61%) 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);

Company

During the period, the Company has:

- 1) drawn down amount of KD 141.340 million from existing and new facilities (31 December 2022 - KD 143.489 million). This includes:
 - US\$ 50 million (KD 15.374 million) of a revolving credit facility amounting to US\$ 50 million.
 - KD 101 million of a revolving credit facility amounting to KD 200 million.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2023 (Unaudited)

2) repaid loans amounting to KD 95.681 million (31 December 2022 – KD 127.457 million). This includes:

- US\$ 70 million (KD 21.476 million) of a revolving credit facility amounting to US\$ 70 million.
- US\$ 159.383 million (KD 48.856 million) of export credit agency financing amounting to US\$ 159.383 million.

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

SMTC

Term loans include:

- 1) SAR 5,218 million (KD 429.963 million) (31 December 2022: SAR 5,488 million equivalent to KD 448.259 million) syndicated murabaha facility. The working capital facility amounting to SAR 520 million (KD 42.848 million) as at 31 December 2022 was repaid during the period.

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 490.400 million), consisting of SAR 4.880 billion (KD 0.402 billion) and US\$ portion of SAR 1.120 billion (KD 0.092 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.480 billion (KD 0.287 billion) and balance for future specified business purposes.
- b. Includes a revolving working capital facility of SAR 1,000 million (KD 82.400 million) consisting of SAR 813.393 million (KD 67.024 million) and a US\$ portion totaling to SAR 186.607 million (KD 15.376 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.

A portion of above syndicated loan has been hedged through a profit rate swap contract.

Zain Jordan

Long term loans include:

- 1) US\$ 160 million (KD 49.440 million) (31 December 2022 – US\$ 160 million equivalent to KD 48.928 million; 30 September 2022 – US\$ 160 million equivalent to KD 49.584 million) term loan from a commercial bank that is repayable by 2025.
- 2) US\$ 100 million (KD 30.900 million) (31 December 2022 – US\$ 100 million equivalent to KD 30.580 million; 30 September 2022 – US\$ 100 million equivalent to KD 30.990) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer

Long term loans include:

- 1) US\$ 70 million (KD 21.630 million) (31 December 2022 – US\$ 70 million equivalent to KD 21.406 million; 30 September 2022 - US\$ 90 million equivalents to KD 27.891 million) term loan from a commercial bank that is repayable by 17 December 2024.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2023 (Unaudited)

- 2) US\$ 105 million (KD 32.445 million) (31 December 2022 – US\$ 105 million equivalent to KD 32.109 million; 30 September 2022 -US\$ 105 million equivalents to KD 32.539 million) term loan from a commercial bank which is repayable by 30 June 2026.
- 3) US\$ 150 million (KD 46.350 million) (31 December 2022 – US\$ 150 million equivalent to KD 45.870 million; 30 September 2022 - US\$ 150 million equivalents to KD 46.485 million) revolving credit facilities from a commercial bank repayable by 17 December 2025.
- 4) US\$ 100 million (KD 30.900 million) (31 December 2022 – US\$ 100 million equivalent to KD 30.580 million; 30 September 2022 - US\$ 100 million equivalents to KD 30.990 million) term loan from a commercial bank repayable by 31 July 2026.
- 5) US\$ 50 million (KD 15.450 million) (31 December 2022 – US\$ 50 million equivalent to KD 15.290 million; 30 September 2022 -US\$ 50 million equivalents to KD 15.495 million) term loan from a commercial bank repayable by 14 April 2024.
- 6) US\$ 52.5 million (KD 16.223 million) (31 December 2022 – US\$ 63.750 million equivalent to KD 19.495 million; 30 September 2022 -US\$ 67.5 million equivalents to KD 20.918 million) term loan from a commercial bank repayable by 28 April 2025.
- 7) US\$ 125 million (KD 38.625 million) (31 December 2022 – US\$ 125 million equivalent to KD 38.225 million; 30 September 2022 -US\$ 125 million equivalents to KD 38.737 million) term loan from a commercial bank repayable by 03 May 2025.
- 8) US\$ 100 million (KD 30.900 million) (31 December 2022 – US\$ 100 million equivalent to KD 30.580 million; 30 September 2022 -US\$ 100 million equivalents to KD 30.990 million) term loan from a commercial bank repayable by 25 May 2024.

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

10. Other non-current liabilities

| | Unaudited | Audited | Unaudited |
|---|---------------------|--------------------|---------------------|
| | 30 September | 31 December | 30 September |
| | 2023 | 2022 | 2022 |
| | KD '000 | | |
| Payable to Ministry of Finance – Saudi Arabia (refer below) | 159,367 | 203,152 | 206,136 |
| Due on acquisition of spectrum | 164,125 | 167,239 | 131,347 |
| Customer deposits | 4,778 | 3,190 | 3,533 |
| Post-employment benefits | 49,435 | 46,648 | 44,605 |
| Others | 4,076 | 7,645 | 7,351 |
| | 381,781 | 427,874 | 392,972 |

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due to the government until 2021. Based on the agreement, the amounts are to be repaid in seven annual instalments starting from June 2021. On 20 February 2023, the Group signed a revised agreement with MOF in which the existing deferral of payment to MOF was converted into a Murabaha facility with MOF with the repayment terms being the same as mentioned above.

11. Share capital

The authorized, issued and fully paid up (in cash and bonus shares) share capital as of 30 September 2023 is 4,327,058,909 shares (31 December 2022 – 4,327,058,909; 30 September 2022 - 4,327,058,909) of 100 fils each.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2023 (Unaudited)

Dividend

The annual general meeting of shareholders for the year ended 31 December 2022 held on 11 April 2023 approved distribution of a cash dividend of 25 fils per share to the registered shareholders, for the second half of the year 2022, after obtaining necessary regulatory approvals. This is in addition to the interim dividend of 10 fils distributed earlier in 2022 totaling 35 fils per share for the year 2022 (31 December 2021 – 33 fils per share).

Interim dividend

The Board of Directors in their meeting held on 08 August 2023, declared distribution of 10 fils per share of interim dividend in cash.

12. Investment income

| | Three months ended 30 September (Unaudited) | | Nine months ended 30 September (Unaudited) | |
|---|--|--------------|---|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | KD'000 | | KD'000 | |
| (Loss) / gain from investment securities at fair value through profit or loss (FVTPL) | (548) | 3,173 | 395 | 5,580 |
| Dividend income | 100 | 100 | 135 | 331 |
| | (448) | 3,273 | 530 | 5,911 |

13. Operating and administrative expenses

A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communication since 26 July 2011 was invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group's claim amounted to KD 24.680 million.

- In June 2022 and in February 2023 the Courts of First Instance and the Court of Appeal respectively, issued judgements in favor of the Group.
- In April 2023 the Ministry appealed to the Court of Cassation against the above ruling and to suspend its execution. The request to suspend the execution of order of Court of Appeal was rejected on 30 May 2023. The final order of the Court of Cassation on the appeal against the ruling is pending.

Based on the above, the Group has determined that the recoverability of the claim is virtually certain and has recognized an amount of KD 24.680 million in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2023.

In October 2023 the group received a part of the above claim amounting to KD 2.552 million.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2023 (Unaudited)

14. 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 30 September (Unaudited) | | Nine months ended 30 September (Unaudited) | |
|--|--|---------------|---|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| | KD'000 | | KD'000 | |
| Profit for the period attributable to shareholders of the Company | 60,491 | 54,254 | 172,178 | 151,882 |
| | Shares | Shares | Shares | Shares |
| Weighted average number of shares in issue outstanding during the period | 4,327,058,909 | 4,327,058,909 | 4,327,058,909 | 4,327,058,909 |
| | Fils | Fils | Fils | Fils |
| Earnings per share – basic and diluted | 14 | 13 | 40 | 35 |

15. Segmental information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services in Kuwait and other countries. This forms the basis of the geographical segments.

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

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2023 (Unaudited)

| | 30 September 2023 | | | | | | Total |
|--|-------------------|---------|---------|-----------|---------|-----------|-----------|
| | Kuwait | Jordan | Sudan | Iraq | Bahrain | KSA | Others |
| | | | | | | | KD '000 |
| Segment revenues – airtime, data & subscriptions (Point over time) | 192,354 | 115,062 | 131,883 | 217,192 | 35,381 | 530,119 | 34,696 |
| Segment revenues - trading income (Point in time) | 71,444 | 5,718 | 1,587 | 1,683 | 8,465 | 68,644 | 592 |
| | | | | | | | 1,256,687 |
| | | | | | | | 158,133 |
| Net profit before interest and tax | 82,062 | 32,928 | 61,711 | 31,803 | 3,904 | 59,415 | (7,870) |
| Interest income | 1,984 | 534 | 2,694 | 431 | 233 | 3,702 | 150 |
| Gain on sale and lease back transaction | 1,073 | - | - | 9,905 * | - | 62,849 | - |
| Finance costs | (583) | (9,594) | (1,080) | (20,057) | (587) | (42,239) | (181) |
| Income tax expenses | - | (6,022) | (5,365) | (2,357) | - | - | (129) |
| | 84,536 | 17,846 | 57,960 | 19,725 | 3,550 | 83,727 | (8,030) |
| | | | | | | | 259,314 |
| Unallocated items: | | | | | | | |
| Investment income | | | | | | | 530 |
| Share of results of associates and joint venture | | | | | | | 1,407 |
| Others (including unallocated interest income, income tax and finance costs net of eliminations) | | | | | | | (31,906) |
| Profit for the period | | | | | | | 229,345 |
| Segment assets including allocated goodwill | 453,873 | 383,814 | 203,417 | 1,019,250 | 96,658 | 2,286,595 | 144,728 |
| ROU assets | 11,582 | 9,409 | 2,791 | 19,685 | 13,197 | 58,562 | 1,599 |
| | | | | | | | 4,588,335 |
| | | | | | | | 116,825 |
| Unallocated items: | | | | | | | |
| Investment securities at FVTPL | | | | | | | 34,771 |
| Investment securities at FVOCI | | | | | | | 7,860 |
| Investment in associates and joint venture | | | | | | | 204,440 |
| Others (net of eliminations) | | | | | | | 134,494 |
| Consolidated assets | | | | | | | 5,086,725 |
| Segment liabilities | 163,784 | 132,903 | 75,527 | 147,461 | 27,524 | 950,589 | 147,440 |
| Lease liabilities (current and non-current) | 17,868 | 11,606 | 1,876 | 27,377 | 13,286 | 75,282 | 1,468 |
| Due to banks | - | 80,354 | - | 232,522 | - | 429,928 | - |
| | 181,652 | 224,863 | 77,403 | 407,360 | 40,810 | 1,455,799 | 148,908 |
| | | | | | | | 2,536,795 |
| Unallocated items: | | | | | | | |
| Due to banks | | | | | | | 608,376 |
| Others (net of eliminations) | | | | | | | (12,146) |
| Consolidated liabilities | | | | | | | 3,133,025 |
| Net consolidated assets | | | | | | | 1,953,700 |
| Capital expenditure incurred during the period | 21,938 | 4,885 | 17,403 | 10,349 | 992 | 15,699 | 12,932 |
| Unallocated (net of eliminations) | | | | | | | 300 |
| Total capital expenditure | | | | | | | 84,498 |
| Depreciation of property and equipment and amortization of intangible assets | 32,457 | 16,225 | 3,238 | 44,797 | 7,299 | 113,789 | 4,659 |
| Amortization of ROU assets | 5,271 | 1,090 | 580 | 2,063 | 2,505 | 13,794 | 261 |
| | | | | | | | 222,464 |
| | | | | | | | 25,564 |
| Total depreciation and amortization | | | | | | | (1,646) |
| *Eliminated at Group level (Refer Note 4) | | | | | | | 246,382 |

Notes to the Condensed Consolidated Interim Financial Information – 30 September 2023 (Unaudited)

| | 30 September 2022 | | | | | | Total |
|--|-------------------|---------|---------|-----------|---------|-----------|-----------|
| | Kuwait | Jordan | Sudan | Iraq | Bahrain | KSA | Others |
| | | | | | | | KD'000 |
| Segment revenues – airtime, data & subscriptions (Point over time) | 192,431 | 111,890 | 102,341 | 182,032 | 33,801 | 471,267 | 23,154 |
| Segment revenues - trading income (Point in time) | 65,342 | 4,858 | 1,373 | 1,596 | 7,148 | 72,494 | 57 |
| Net profit before interest and tax | 60,142 | 25,000 | 54,611 | 18,821 | 4,096 | 57,373 | 2,384 |
| Interest income | 1,231 | 1,018 | 1,012 | 5 | 79 | 571 | 47 |
| Gain on sale and lease back transaction | 402 | - | - | - | - | - | - |
| Finance costs | (568) | (5,616) | (177) | (13,480) | (582) | (33,515) | (24) |
| Income tax expenses | - | (4,794) | (2,204) | (2,326) | - | - | (63) |
| | 61,207 | 15,608 | 53,242 | 3,020 | 3,593 | 24,429 | 2,344 |
| Unallocated items: | | | | | | | |
| Investment income | | | | | | | 5,911 |
| Share of results of associates and joint venture | | | | | | | 2,656 |
| Others (including unallocated interest income, income tax and finance costs, net of elimination) | | | | | | | (2,870) |
| Profit for the period | | | | | | | 169,140 |
| Segment assets including allocated goodwill | 395,492 | 364,695 | 96,749 | 1,100,178 | 94,299 | 2,311,425 | 86,656 |
| ROU assets | 10,567 | 9,737 | 1,886 | 4,593 | 12,107 | 55,626 | 63 |
| Unallocated items: | | | | | | | |
| Investment securities at FVTPL | | | | | | | 34,557 |
| Investment securities at FVOCI | | | | | | | 19,369 |
| Investment in associates and joint venture | | | | | | | 95,871 |
| Others (net of eliminations) | | | | | | | 204,563 |
| Consolidated assets | | | | | | | 4,898,433 |
| Segment liabilities | 128,379 | 113,763 | 27,353 | 173,292 | 26,906 | 990,542 | 72,004 |
| Lease liabilities (current and non-current) | 17,347 | 11,628 | 812 | 2,910 | 12,184 | 51,999 | 38 |
| Due to banks | - | 80,575 | - | 244,086 | - | 493,348 | - |
| | 145,726 | 205,966 | 28,165 | 420,288 | 39,090 | 1,535,889 | 72,042 |
| Unallocated items: | | | | | | | |
| Due to banks | | | | | | | 596,737 |
| Others (net of eliminations) | | | | | | | (13,127) |
| Consolidated liabilities | | | | | | | 3,030,776 |
| Net consolidated assets | | | | | | | 1,867,657 |
| Capital expenditure incurred during the period | 10,443 | 7,023 | 14,922 | 13,428 | 936 | 34,316 | 13,651 |
| Unallocated (net of eliminations) | | | | | | | 2,229 |
| Total capital expenditure | | | | | | | 96,948 |
| Depreciation of property and equipment and amortization of intangible assets | 31,069 | 21,383 | 1,948 | 48,820 | 7,151 | 113,090 | 3,520 |
| Amortization of ROU assets | 4,690 | 1,073 | 265 | 3,669 | 2,309 | 11,541 | 19 |
| Unallocated (net of eliminations) | | | | | | | (308) |
| Total depreciation and amortization | | | | | | | 250,239 |

Notes to the Condensed Consolidated Interim Financial Information – 30 September 2023 (Unaudited)

16. Related party transactions

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

Transactions

| | Three months ended 30 September (Unaudited) | | Nine months ended 30 September (Unaudited) | |
|---------------|---|-------|--|-------|
| | 2023 | 2022 | 2023 | 2022 |
| | KD'000 | | KD'000 | |
| Revenue | 1,954 | 998 | 6,986 | 1,124 |
| Cost of sales | 2,468 | 2,378 | 9,972 | 5,863 |

Key management compensation

| | Three months ended 30 September (Unaudited) | | Nine months ended 30 September (Unaudited) | |
|---|---|------|--|-------|
| | 2023 | 2022 | 2023 | 2022 |
| | KD'000 | | KD'000 | |
| Salaries and other short term employee benefits | 739 | 598 | 2,058 | 1,795 |
| Post-employment benefits | 92 | 76 | 343 | 360 |

Balances

| | Unaudited 30 September 2023 | Audited 31 December 2022 | Unaudited 30 September 2022 |
|---|-----------------------------------|--------------------------------|-----------------------------------|
| | KD '000 | | |
| Trade receivables (from parent company) | 7,001 | 2,649 | 1,300 |
| Due from associates | 10,123 | 22,051 | 21,345 |
| Trade payables (to parent company) | 10,037 | 8,355 | 5,985 |

17. Commitments and contingencies

| | Unaudited 30 September 2023 | Audited 31 December 2022 | Unaudited 30 September 2022 |
|--|-----------------------------------|--------------------------------|-----------------------------------|
| | KD '000 | | |
| Capital commitments | 222,327 | 63,803 | 116,925 |
| Uncalled share capital of investee companies | 375 | 634 | 917 |
| Letters of guarantee and credit | 53,633 | 64,461 | 64,612 |

Atheer - Iraq

Atheer received an income tax claim of US\$ 19.3 million (KD 5.923 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer submitted its objection to this additional income tax claim which was rejected by the IGCT on 15 March 2020. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

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On 10 September 2023, the Communication and Media Commission of Iraq ("CMC") imposed a fine of US\$75 million (KD 23.018 million) on Atheer for failing to meet 4G QoS ('Quality of Service') KPIs for the year 2022. Atheer's position is that the penalties are not assessed in line with license agreement with CMC and did not comply with existing regulations. On 9 October 2023, Atheer challenged the decision before the Appeals Board. Based on the report from its attorneys, Atheer believes that the prospects of this matter being resolved in Atheer's favor are good.

Pella - Jordan

Pella is a defendant in lawsuits amounting to KD 22.588 million (31 December 2022 – KD 22.573 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

SMTC

- a. SMTC received withholding tax assessments from Zakat, Tax and Customs Authority ("ZATCA") for an additional amount of SAR 252 million (KD 20.616 million) for certain withholding tax items for the years from 2012 to 2021. SMTC has appealed these assessments against the relevant committees.

The SMTC believes that the outcome of those appeals will be in its favor with no material financial impact as the SMTC has sufficient provisions to cover these amounts.

- b. In accordance with the Net Telecommunications Revenue Base Regulations for Licensed Service Providers (the regulation) as issued by Communications, Space and Technology Commission in KSA (CST), SMTC is required to submit quarterly Net Telecom Revenue forms (NTR forms) including NTR base.

Due to absence of reasonable assurance report on the submitted NTR forms for the period ended 31 March 2023, during the quarter ended 30 September 2023, SMTC has received an invoice from CST amounting to SR 266 million which was calculated based on the revenue as reported in the interim condensed consolidated financial information of SMTC for the period ended 31 March 2023 instead of NTR base for the respective period which resulted in SR 97 million being additional amount.

Subsequent to the quarter ended 30 September 2023, the reasonable assurance report was submitted and management of SMTC believes that the additional amount requested by CST over the NTR base is recoverable through adjustment against future payments to CST. Hence no additional provision is required to be provided in the interim condensed financial information of the Group for the period ended 30 September 2023.

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.

18. Financial instruments

18.1 Categories of financial assets and liabilities

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

| | Unaudited 30 September 2023 | Audited 31 December 2022 | Unaudited 30 September 2022 |
|--------------------------------------|-----------------------------------|--------------------------------|-----------------------------------|
| | KD'000 | | |
| Amortised costs: | | | |
| Cash and bank balances | 294,133 | 240,409 | 217,337 |
| Trade and other receivables | 832,365 | 668,998 | 631,065 |
| Other assets | 17,443 | 15,967 | - |
| Investment securities - FVTPL | 84,644 | 34,129 | 34,557 |
| Investment securities - FVOCI | 19,401 | 17,600 | 19,369 |

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

Notes to the Condensed Consolidated Interim Financial Information – 30 September 2023 (Unaudited)

18.2 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

30 September 2023

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|---------|
| | | | | KD'000 |
| Financial assets at fair value: | | | | |
| Investments securities at FVTPL | - | 11,405 | 73,239 | 84,644 |
| Investments securities at FVOCI | 1,975 | 2,362 | 15,064 | 19,401 |
| Total assets | 1,975 | 13,767 | 88,303 | 104,045 |

31 December 2022

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|--------|
| | | | | KD'000 |
| Financial assets at fair value: | | | | |
| Investments securities at FVTPL | - | 12,021 | 22,108 | 34,129 |
| Investments securities at FVOCI | 1,857 | 2,803 | 12,940 | 17,600 |
| Total assets | 1,857 | 14,824 | 35,048 | 51,729 |

30 September 2022

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|--------|
| | | | | KD'000 |
| Financial assets at fair value: | | | | |
| Investments securities at FVTPL | - | 12,197 | 22,360 | 34,557 |
| Investments securities at FVOCI | 2,075 | 2,881 | 14,413 | 19,369 |
| Total assets | 2,075 | 15,078 | 36,773 | 53,926 |

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

Measurement at fair value

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

19. Hyperinflation – Zain South Sudan

Net monetary gain/ (loss)

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 have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting. The impact of Net monetary gain/loss for the period is not material to the condensed consolidated interim financial information.

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20. 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.

At 30 September 2023:

| | Notional amounts by term to maturity | | |
|--|--------------------------------------|---------------------|-----------------|
| | Positive fair value | Negative fair value | Notional amount |
| | | | 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 | 9,239 | | 238,960 |

At 31 December 2022:

| | Notional amounts by term to maturity | | |
|--|--------------------------------------|---------------------|-----------------|
| | Positive fair value | Negative fair value | Notional amount |
| | | | KD '000 |
| <i>Derivatives held for hedging:</i> | | | |
| <i>Cash flow hedges – Receive 3-month LIBOR/SIBOR,</i> | | | |
| <i>Pay fixed profit rate</i> | | | |
| Profit rate swaps | 9,056 | - | 236,872 |

At 30 September 2022:

| | Notional amounts by term to maturity | | |
|--|--------------------------------------|---------------------|-----------------|
| | Positive fair value | Negative fair value | Notional amount |
| | | | KD '000 |
| <i>Derivatives held for hedging:</i> | | | |
| <i>Cash flow hedges - Receive 3-month LIBOR/SIBOR,</i> | | | |
| <i>Pay fixed profit rate</i> | | | |
| Profit rate swaps | 8,808 | - | 240,352 |

21. Subsequent event

At the date of authorization of this interim condensed consolidated financial information, the Group lacks the ability to predict the duration of the war in Sudan, its potential level of intensity, or the influence of migration on its operations. The factions of the ruling military regime have expressed their openness for international mediations for permanent ceasefire and concluding on the current conflict. As of the date of authorization of this interim condensed consolidated financial information, there were no significant developments in the ongoing conflict that could have a substantial impact on the Zain Sudan's current or future performance.