

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

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C.P (the Company) and its subsidiaries (together called "the Group") as at 30 September 2016 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for three-month and nine-month periods then ended and the related condensed consolidated 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 condensed consolidated interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Basis of Qualified Conclusion

As disclosed in note 2 to the condensed consolidated interim financial information, the Group has excluded the effects reported therein, of applying International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies, that we believe should have been recorded in these condensed consolidated interim financial information, with respect to its subsidiaries in Sudan, to conform with that standard.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

Mobile Telecommunications Company K.S.C.P
Kuwait

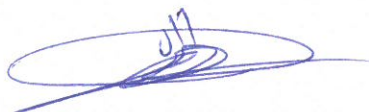
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS (Continued)

Emphasis of matter

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

Report on Other Legal and Regulatory Requirements

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



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

Kuwait
18 October 2016

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

		Unaudited 30 September 2016	Audited 31 December 2015	Unaudited 30 September 2015
	Note			KD '000
Assets				
Current assets				
Cash and bank balances	3	291,445	359,799	330,835
Trade and other receivables		450,952	406,581	424,325
Inventories		15,316	27,593	20,533
Investment securities at fair value through profit or loss		985	1,164	1,349
		<u>758,698</u>	<u>795,137</u>	<u>777,042</u>
Non-current assets				
Investment securities available for sale		22,851	26,598	29,041
Investments in associates and joint ventures	4	191,408	219,902	225,423
Due from associates		375,043	350,673	347,964
Other assets		15,386	15,880	19,969
Property and equipment		909,389	901,679	925,072
Intangible assets and goodwill		1,124,539	1,185,312	1,190,885
		<u>2,638,616</u>	<u>2,700,044</u>	<u>2,738,354</u>
Total Assets		<u>3,397,314</u>	<u>3,495,181</u>	<u>3,515,396</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		698,757	761,758	747,376
Due to banks	5	224,400	213,310	213,886
		<u>923,157</u>	<u>975,068</u>	<u>961,262</u>
Non-current liabilities				
Due to banks	5	757,213	751,569	731,566
Other non-current liabilities		39,212	40,454	41,619
		<u>796,425</u>	<u>792,023</u>	<u>773,185</u>
Equity				
Attributable to the Company's shareholders				
Share capital	6	432,706	432,706	432,706
Share premium		1,707,164	1,707,164	1,707,164
Treasury shares	8	(567,834)	(567,834)	(567,834)
Legal reserve		216,353	216,353	216,353
Foreign currency translation reserve		(786,452)	(756,643)	(660,662)
Treasury shares reserve		1,967	1,967	1,967
Investment fair valuation reserve		982	(1,446)	(3,470)
Hedge reserve		(553)	(216)	(2,631)
Retained earnings		516,503	510,641	475,049
		<u>1,520,836</u>	<u>1,542,692</u>	<u>1,598,642</u>
Non-controlling interests		156,896	185,398	182,307
Total equity		<u>1,677,732</u>	<u>1,728,090</u>	<u>1,780,949</u>
Total Liabilities and Equity		<u>3,397,314</u>	<u>3,495,181</u>	<u>3,515,396</u>

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

This condensed consolidated interim financial information was approved and authorized for issue by the Board of Directors on 18 October 2016.


Asaad Ahmed Al Banwan
Chairman


M. Scott Gegenheimer
Chief Executive Officer

Condensed Consolidated Statement of Profit or Loss – nine months ended 30 September 2016 (Unaudited)

		Three months ended 30 September		Nine months ended 30 September	
	Note	2016	2015	2016	2015
		KD'000		KD'000	
Revenue		274,526	292,408	826,410	854,759
Cost of sales		(67,089)	(64,855)	(200,733)	(198,190)
Gross profit		207,437	227,553	625,677	656,569
Operating and administrative expenses		(70,739)	(95,513)	(232,787)	(281,239)
Depreciation and amortization		(54,976)	(53,161)	(164,966)	(158,102)
Provision for impairment – trade and other receivables		(1,600)	(1,236)	(2,976)	(3,552)
Operating profit		80,122	77,643	224,948	213,676
Interest income		1,332	1,335	4,965	5,172
Investment income	9	(105)	79	(1,741)	(1,111)
Share of results of associates and joint ventures	4	(8,123)	(7,349)	(26,578)	(20,620)
Other income/(expense)		(1,879)	(3,730)	2,021	(5,460)
Finance costs		(8,286)	(7,762)	(23,911)	(21,117)
Loss from currency revaluation		(11,756)	(8,117)	(29,021)	(20,795)
Board of Directors' remuneration		(68)	(86)	(206)	(258)
Contribution to Kuwait Foundation for Advancement of Sciences		(275)	(207)	(744)	(649)
National Labour Support Tax and Zakat		(1,892)	(1,418)	(5,615)	(4,499)
Profit for the period before income tax		49,070	50,388	144,118	144,339
Income tax expenses		(5,500)	(8,748)	(15,798)	(16,878)
Profit for the period		43,570	41,640	128,320	127,461
Attributable to:					
Shareholders of the Company		42,510	37,839	124,474	118,193
Non-controlling interests		1,060	3,801	3,846	9,268
		43,570	41,640	128,320	127,461
Earnings per share	10	11	10	32	30
Basic – Fils					

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 – nine months ended 30 September 2016 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	KD'000		KD'000	
Profit for the period	43,570	41,640	128,320	127,461
Other comprehensive income				
<i>Other comprehensive income transferred or re-classifiable to condensed consolidated statement of profit or loss in subsequent periods:</i>				
Exchange differences on translating foreign operations	(13,472)	(9,132)	(31,202)	21,836
Net unrealised gains/(loss) on available for sale investments	(66)	(2,263)	499	(5,641)
Net realised (gain)/loss transferred to condensed consolidated statement of profit or loss on available for sale investments (net of impairment losses)	54	(127)	1,929	966
Cash flow hedges	(28)	(177)	(337)	(700)
	(13,512)	(11,699)	(29,111)	16,461
Total comprehensive income for the period	30,058	29,941	99,209	143,922
Total comprehensive income attributable to:				
Shareholders of the Company	29,199	26,198	96,756	129,163
Non-controlling interests	859	3,743	2,453	14,759
	30,058	29,941	99,209	143,922

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 2016 (Unaudited)

	Equity attributable to Company's shareholders								Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Foreign currency translation reserve	Treasury shares reserve	Investment fair valuation reserve	Hedge reserve		
										KD '000
Balance at 1 January 2016	432,706	1,707,164	(567,834)	216,353	(756,643)	1,967	(1,446)	(216)	185,398	1,728,090
Cash dividends (2015)	-	-	-	-	-	-	-	-	(31,740)	(148,781)
Purchase of non-controlling interests	-	-	-	-	-	-	-	-	967	(32)
Equity issue transaction costs	-	-	-	-	-	-	-	-	(182)	(754)
Total comprehensive income for the period	-	-	-	-	(29,809)	-	2,428	(337)	2,453	99,209
Balance at 30 September 2016	432,706	1,707,164	(567,834)	216,353	(786,452)	1,967	982	(553)	156,896	1,677,732
Balance at 1 January 2015	432,706	1,707,164	(567,834)	216,353	(677,007)	1,967	1,205	(1,931)	168,566	1,793,969
On acquisition of subsidiaries	-	-	-	-	-	-	-	-	714	714
Cash dividends (2014)	-	-	-	-	-	-	-	-	(1,838)	(157,891)
Effect of dilution of ownership interest	-	-	-	-	-	-	-	-	106	235
Total comprehensive income for the period	-	-	-	-	16,345	-	(4,675)	(700)	14,759	143,922
Balance at 30 September 2015	432,706	1,707,164	(567,834)	216,353	(660,662)	1,967	(3,470)	(2,631)	182,307	1,780,949

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 2016 (Unaudited)

	Nine months ended 30 September	
	2016	2015
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	144,118	144,339
Adjustments for:		
Depreciation and amortization	164,966	158,102
Interest income	(4,965)	(5,172)
Investment income	1,741	1,111
Share of loss of associates and joint ventures	26,578	20,620
Finance costs	23,911	21,117
Loss on currency revaluation	29,021	20,795
Operating profit before working capital changes	385,370	360,912
Increase in trade and other receivables	(42,586)	(73,127)
Decrease/(increase) in inventories	12,001	(3,625)
(Decrease)/increase in trade and other payables	(94,342)	52,739
Cash generated from operations	260,443	336,899
Paid to Kuwait Foundation for Advancement of Sciences	(500)	(700)
National Labour Support Tax and Zakat paid	(4,441)	(3,403)
Income tax paid	(18,316)	(14,533)
<i>Net cash from operating activities</i>	<u>237,186</u>	<u>318,263</u>
Cash flows from investing activities		
Deposits maturing after three months and bank balances blocked (note 3)	2,913	(16,337)
Net cash outflow on acquisition of non-controlling interest/a subsidiary	(26)	(4,307)
Purchase of investments	(670)	(2,077)
Proceeds from sale of investments	3,009	3,210
Acquisition of property and equipment (net)	(118,355)	(138,144)
Acquisition of intangible assets (net)	(35,186)	(134,342)
Interest received	4,214	5,188
Dividend received	703	1,111
<i>Net cash used in investing activities</i>	<u>(143,398)</u>	<u>(285,698)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	138,907	519,257
Repayment of bank borrowings	(115,648)	(391,248)
Loan to an associate	(26,954)	(21,745)
Dividends paid to Company's shareholders	(117,020)	(155,559)
Dividends paid to minority shareholders of subsidiaries	(15,059)	(1,783)
Finance costs paid	(18,045)	(17,181)
<i>Net cash used in financing activities</i>	<u>(153,819)</u>	<u>(68,259)</u>
Net decrease in cash and cash equivalents	(60,031)	(35,694)
Effect of foreign currency translation	(5,410)	6,622
Cash and cash equivalents at beginning of period	228,266	221,021
Cash and cash equivalents at end of period (Note 3)	<u>162,825</u>	<u>191,949</u>

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

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

1. Incorporation and activities

Mobile Telecommunications Company K.S.C.P (the Company) is a Kuwaiti shareholding company incorporated in 1983. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Company is at P.O Box 22244, 13083 Safat, State of Kuwait.

The Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2015 and 30 September 2015 - Kuwait and 8 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

2. Basis of preparation

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

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2015.

Amendments to IFRSs, which are effective for annual accounting period starting from 1 January 2016, did not have any material impact on the accounting policies, financial position or performance of the Group.

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could entail going in and out of hyperinflation within a short period. Based on the above matters, the Group concluded that there was no definitive basis to apply IAS 29 at that time and to review it on an ongoing basis.

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

Had IAS 29 been applied, and the opening retained earnings as at 1 January 2015 been restated, it would have been higher by approximately KD 324 million and non-monetary assets comprising of Zain Sudan's Property and Equipment, Intangible assets and Capital WIP as of that date higher by the same amount. This would have then required the Group to test the restated carrying value of its investment in Zain Sudan and the related goodwill of KD 174 million for impairment losses, if any, to be recognized in the consolidated statement of profit or loss. Even if this had resulted in goodwill being determined as fully impaired at that time, the net overall impact on the Group's consolidated statement of financial position is that net equity and the above non-monetary assets related to Zain Sudan as of 30 September 2016 would have been higher by KD 176 million (31 December 2015 : KD 108 million; 30 September 2015: KD 105 million). Furthermore, the profit for the nine months to 30 September 2016 would have been lower by KD 36 million (30 September 2015: KD 27 million).

This condensed consolidated interim financial information does not contain all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2016, including the impact of the matter stated above regarding application of IAS 29. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended 31 December 2015.

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

Zain Sudan

The Share Purchase Agreement (SPA) signed by Zain Sudan in the previous quarter to acquire the controlling interest in the fixed telecom operator in Sudan for a total consideration of US\$ 95.2 million lapsed in August 2016 when a minority shareholder exercised preemptive rights.

During Q1 2016, Zain Sudan paid National Telecommunications Corporation, Sudan (NTC) an amount of SDG 55 million (KD 2.524 million) to acquire the fourth generation (4G/LTE) mobile technology license which is valid up to February 2029.

Al Khatem/Atheer

The unrest in Iraq since June 2014 has had an impact on the Group's operations and has resulted in forced shut down of or restricted access to some sites with the result that Atheer may be unable to exercise effective control over assets with a net book value of approximately KD 4.63 million. While noting the general uncertainty on this matter, the Group currently, does not expect that it could materially affect the Group's operations or effective control over its property and equipment in the foreseeable future.

Zain South Sudan

Zain South Sudan is consolidated based on management accounts for the period.

Financial support to associate and group companies

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

3. Cash and bank balances

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

	Unaudited 30 September 2016	Audited 31 December 2015	Unaudited 30 September 2015
	KD '000		
Cash on hand and at banks	245,531	264,651	268,172
Short-term deposits with banks	45,302	94,519	62,036
Government certificates of deposits held by subsidiaries	612	629	627
	<u>291,445</u>	<u>359,799</u>	<u>330,835</u>
Bank balances blocked (refer note 13)	(128,003)	(128,818)	(129,658)
Cash at bank under lien	(5)	(2,086)	(8,601)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(612)	(629)	(627)
	<u>162,825</u>	<u>228,266</u>	<u>191,949</u>

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

4. Investments in associates and joint ventures

4.1 Investments in associates

This represents the Group's share of investments in SMTC accounted for using the equity method:

	Unaudited 30 September 2016	Audited 31 December 2015	Unaudited 30 September 2015 KD '000
Current assets	310,481	331,111	359,566
Non-current assets	1,815,613	1,774,626	1,773,059
Current liabilities	429,285	525,339	551,939
Non-current liabilities	1,400,281	1,212,441	1,196,878
Net asset of SMTC	296,528	367,957	383,808
Revenue	411,775	544,973	412,987
Loss	(67,946)	(77,868)	(54,348)
Total comprehensive income for the period	(912)	4,630	(1,890)
Proportion of Group's ownership interest in SMTC	37.045%	37.045%	37.045%
Group's share of SMTC's net assets	109,849	136,310	142,182
Goodwill	12,335	12,429	12,384
Carrying amount of Group's interest in SMTC	122,184	148,739	154,566

As at 30 September 2016 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 116.789 million (31 December 2015 – KD 146.317 million; 30 September 2015: KD 158.432 million).

Under an official order dated 1 October 2016, SMTC received:

- an extension of its telecom license for a further period of fifteen years to January 2047 on payment of 5% of the company's annual net profit to the government during the license extension period;
- an unified telecommunication license that allows SMTC to provide all telecommunication services;
- authorization to discuss settlement alternatives with the Ministry of Finance for amounts due to the Government.

SMTC's independent auditor's review report dated 17 October 2016, has, without qualifying the review conclusion, drawn attention to:

- its loss for the period, accumulated losses and to management's negotiation with the financing banks to reset the covenants based on the new business plan approved by its Board of Directors in January 2015;
- a claim of SAR 2.2 billion (KD 176.550 million) plus penalties raised by Etihad Etisalat Company (Mobily) against it, arising on the service agreement entered into by the parties in May 2008 and that this is under arbitration since 20 December 2014; and whose ultimate outcome and the resultant effect, if any, on its accounts cannot be reliably determined at this stage;
- it receiving a letter from Department of Zakat and Income Tax (DZIT) requesting additional payments amounting to SAR 619.852 million (KD 49.743 million) for Zakat, withholding tax and delay penalties for the years 2009 to 2011 and management's plan to appeal against this order and whose ultimate outcome and the resultant effect, if any, on its accounts cannot be reliably determined at this stage.

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

4.2 Interest in a joint venture

This represents Group's KD 69.224 million (31 December 2015 - KD 71.163 million; 30 September 2015: KD 70.857 million) interest in the joint venture, Zain Al Ajial S.A. that owns 31% of the equity shares and voting rights of Wana Corporate, (a Moroccan joint stock company that is specialized in the telecom sector in that country). The Group's share of loss for the period in the joint venture amounting to KD 1.407 million (30 September 2015 – Profit KD 0.487 million) has been recognized in the condensed consolidated statement of profit or loss. Group management using the equity method based on management information provided by Wana Corporate determines the carrying value of this joint venture and its results for the period.

5. Due to banks

The current and non-current amounts are as follows:

	Unaudited 30 September 2016	Audited 31 December 2015	Unaudited 30 September 2015 KD '000
Current liabilities	224,400	213,310	213,886
Non-current liabilities	757,213	751,569	731,566
	<u>981,613</u>	<u>964,879</u>	<u>945,452</u>

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

	Unaudited 30 September 2016	Audited 31 December 2015	Unaudited 30 September 2015 KD '000
US dollar	854,424	837,884	805,499
Kuwaiti dinar	110,303	110,838	115,015
Others	16,886	16,157	24,938
	<u>981,613</u>	<u>964,879</u>	<u>945,452</u>

The effective interest rate as at 30 September 2016 was 1.78% to 3.55% (31 December 2015 - 1.18% to 12.00%; 30 September 2015 – 1.28% to 12.00%) 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 Amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- equity to total assets.

During the period the Company:

- drew down US\$ 210 million (KD 63.442 million) from the US\$ 800 million revolving credit facility that was availed in February 2014. As of 30 September 2016 US\$ 360 million (KD 108.360 million) (31 December 2015 - KD 127.386 million) (30 September 2015 - KD 154.122 million) was outstanding on this facility.
- repaid loans amounting to KD 88.330 million during the period. This includes US\$ 270 million (KD 81.449 million) from the US\$ 800 million revolving credit facility availed in February 2014.

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

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

Zain – Bahrain

This represents balance outstanding on the long term Bahraini Dinar denominated facilities, availed in 2013, at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR). These are amortising facilities with maturities over four years.

Atheer

Long term loans include:

- US\$ 400 million loan availed in 2011 from a syndicate of international development finance institutions and foreign banks. This is repayable in twenty four equal installments by January 2018. As of 30 September 2016, US\$ 99.760 million (KD 30.028 million) (31 December 2015 - KD 45.434 million; 30 September 2015 – KD 50.310 million) was outstanding from this facility;
- US\$ 300 million (KD 90.3 million) loan from a commercial bank that was rolled over as a long term loan maturing in December 2019;
- US\$ 55 million (KD 16.555 million) long-term loan repayable by March 2020 availed from a commercial bank in 2015.

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

6. Share capital

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

7. Dividend

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

8. Treasury shares

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

	Unaudited 30 September 2016	Audited 31 December 2015	Unaudited 30 September 2015
Number of shares	425,711,648	425,711,648	425,711,648
Percentage of issued shares	9.84%	9.84%	9.84%
Market value (KD '000)	142,613	148,999	168,156
Cost (KD '000)	567,834	567,834	567,834

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

9. Investment income

	Three months Ended 30 September (Unaudited)		Nine months Ended 30 September (Unaudited)	
	2016	2015	2016	2015
	KD'000		KD'000	
Loss from investment securities "at fair value through profit or loss"	(9)	(32)	(185)	(597)
Realised loss from investment securities 'available for sale'	(98)	(75)	(2,259)	(1,498)
Impairment loss on available for sale investments	-	(127)	-	(127)
Dividend income	2	313	703	1,111
	(105)	79	(1,741)	(1,111)

10. Earnings per share

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

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2016	2015	2016	2015
	KD'000		KD'000	
Profit for the period attributable to shareholders	42,510	37,839	124,474	118,193
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue outstanding during the period	3,901,347,261	3,901,347,261	3,901,347,261	3,901,347,261
	Fils	Fils	Fils	Fils
Earnings per share – Basic	11	10	32	30

11. Segmental information

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

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

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

	30 September 2016					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	
Segment revenues						
Net profit before interest and tax	241,878	109,457	173,977	242,410	39,788	826,410
Interest income	64,844	34,112	34,518	18,194	2,752	153,796
Finance costs	44	299	3,270	80	48	3,854
Income tax expense	-	(3,548)	-	(9,506)	(362)	(15,879)
	-	(7,112)	(7,540)	-	-	(15,313)
Unallocated items:	64,888	23,751	30,248	8,768	2,438	126,458
Investment income						
Share of results of associates and joint ventures						(1,741)
Others						(26,578)
Profit for the period						30,181
						128,320
Segment assets including goodwill	286,102	325,823	561,524	1,184,002	93,153	2,546,392
Unallocated items:						
Investment securities at fair value through profit or loss						985
Investment securities available for sale						22,851
Investment in associates and joint ventures						191,408
Dues from associates						375,043
Others						260,635
Consolidated assets						3,397,314
Segment liabilities	99,512	153,318	77,922	326,218	31,743	891,452
Due to banks	-	-	-	151,355	10,093	161,448
	99,512	153,318	77,922	477,573	41,836	1,052,900
Unallocated items:						
Due to banks						820,165
Others						(153,483)
Consolidated liabilities						1,719,582
Net consolidated assets						1,677,732
Capital expenditure incurred during the period						
Unallocated						133,133
Total capital expenditure	33,664	13,680	52,425	18,922	12,067	31,049
Depreciation and amortization						164,182
Unallocated	50,679	19,902	22,476	54,961	12,224	164,116
Total depreciation and amortization						850
						164,966

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

	30 September 2015					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	
Segment revenues						
Net profit before interest and tax	242,829	102,959	159,935	277,083	43,252	854,759
Interest income	72,486	29,155	35,336	42,331	3,145	172,870
Finance costs	1	465	1,643	162	14	2,409
Income tax expense	-	(1,897)	-	(9,504)	(441)	(13,642)
	-	(6,401)	(3,180)	(2,463)	-	(16,084)
Unallocated items:	72,487	21,322	33,799	30,526	2,718	145,553
Investment income						
Share of results of associates and joint ventures						(1,111)
Others						(20,620)
Profit for the period						3,639
						127,461
Segment assets	265,959	333,430	534,487	1,248,190	91,993	2,646,243
Unallocated items:						
Investment securities at fair value through profit or loss						1,349
Investment securities available for sale						29,041
Investment in associates and joint ventures						225,423
Dues from associates						347,964
Others						265,376
Consolidated assets						3,515,396
Segment liabilities	92,537	163,014	76,206	270,220	26,557	818,328
Due to banks	-	-	8,594	157,591	16,344	182,529
	92,537	163,014	84,800	427,811	42,901	1,000,857
Unallocated items:						
Due to banks						189,794
Others						-
Consolidated liabilities						
Net consolidated assets						
Capital expenditure incurred during the period						762,923
Unallocated						(29,333)
Total capital expenditure						1,734,447
						1,780,949
Depreciation and amortization						269,043
Unallocated						216
Total depreciation and amortization						269,259
	43,192	16,672	17,940	50,444	13,573	157,000
						1,102
						158,102

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

12. Related party transactions

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

Key management compensation

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2016	2015	2016	2015
	KD'000		KD'000	
Salaries and other short term employee benefits	2,389	2,262	6,952	6,481
Post-employment benefits	333	310	1,326	1,400

13. Commitments and contingencies

	Unaudited 30 September 2016	Audited 31 December 2015	Unaudited 30 September 2015
	KD '000		
Capital expenditure	93,232	77,999	98,019
Capital expenditure - share of an associate	78,627	80,771	103,821
Uncalled share capital of investee companies	7,274	11,815	2,885
Letters of credit	-	-	254
Letters of guarantee	447,100	470,905	468,281

The above include guarantees amounting to KD 400.286 million (31 December 2015 - KD 419.851 million; 30 September 2015 - KD 418.120 million) relating to loans and other vendor financing availed by SMTC.

The Company is a guarantor for credit facilities amounting to KD 10.523 million (31 December 2015 - KD 10.604 million; 30 September 2015 - KD 10.565 million) granted to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

Penalties and Fee claims in Iraq

In 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 78.862 million) from Atheer, citing non-compliance with certain license terms. These claims were resolved in favor of Atheer during the second quarter of 2015. However, in March 2016, the Executive Director of the CMC filed a complaint with the Hearing Panel of the CMC claiming US\$ 100 million (KD 30.10 million) relating to the matter which had been ruled in favor of Atheer by the Appeals Board of the CMC on three previous occasions. On 13 July 2016, the Hearing Panel of the CMC issued a decision in favor of CMC. On 8 September 2016, Atheer filed an appeal against this decision with CMC Appellate Panel. Based on the report of its attorneys, the Group believes that the prospects of resolving this matter, to be in its favor.

On 30 May 2016, the Director General of the CMC sent a letter to Atheer requesting that Atheer pay approximately US\$ 61 million (KD 18.361 million) in spectrum fees for the period commencing from 2010. CPA Order number 65 (establishing the CMC) and the License Agreement between Atheer and the CMC (dated 31 August 2007) both clearly state that, any fees that are assessed on Atheer cannot be backdated, are required to be clearly stipulated to Atheer ahead of the period of their imposition and are required to comply with international laws. In addition, the CMC Appeals Board had in the past decided the procedures for establishing such spectrum fees and the decision of the Director General on 30 May 2016 is in violation of the decision of the CMC Appeals Board. Accordingly, Atheer has appealed this decision to the CMC's Appeals Board on 28 June 2016. On the basis of the report of its attorneys, the Group believes that Atheer will prevail in this matter.

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

Income taxes in Iraq

The Iraq income tax authority, the Iraq General Commission for Taxes (the "IGCT"), has raised claims for additional income taxes aggregating US\$ 263 million (KD 79.163 million) for Atheer's operations for fiscal years 2004 -2010 including US\$ 88 million (KD 26.488 million) for Iraqna and has requested the banks to block Atheer's bank accounts. Based on Atheer's appeal, the Iraq Ministry of Finance directed IGCT to re-open the assessment of the claim against Iraqna. Atheer had acquired Iraqna in 2007 from Orascom Telecom Iraq Corp. Limited (the Seller) and has a contingent asset in the form of a right, under the Sale Purchase Agreement to make claims against the Seller of Iraqna for such tax claims up to US\$ 60 million (KD 18.06 million).

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

Capital Gains Tax in Iraq

In December 2011, IGCT claimed, from Iraqna, capital gains taxes payable by the Seller amounting to US\$ 185 million (KD 55.685 million) arising from the sale of Iraqna to Atheer and instructed the various banks in Iraq to freeze Atheer's bank balances with them to the extent of an equivalent amount (see note 3). In November 2015, Atheer was unsuccessful at the Court of Cassation in its first legal appeal against the claim. On 26 June 2016, another appeal against unfavourable verdicts in lower courts was decided in favour of IGCT by the Court of Cassation. Atheer has filed a request for a correction with the Court of Cassation and is awaiting response. As regards the freeze on its bank accounts, the Group was notified by its banks that IGCT has instructed them to transfer the funds frozen to its bank accounts. Atheer notified the banks that there is a court injunction in place prohibiting this transfer until the Court of Cassation's decision is final and binding. IGCT has now requested the Central Bank of Iraq to issue an order to the banks to transfer frozen amounts. In July 2016, the Iraq Depository Center (IDC), based on a request from the IGCT recorded a lien on 31.66% of Al Khatem's equity shares (which is 41.65% of the Group's equity shareholding in Al Khatem) towards this liability. The Group considers this action to be illegal and intends to initiate legal proceedings to lift the lien.

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

Under the Share Sale Agreement (SSA) of Zain Africa BV, the Group is contingently liable for taxation claims and amounts that may be due for unprovided litigation claims after the first closing date.

In addition, legal proceedings have been initiated by and against the Group in a number of jurisdictions. On the basis of information currently available and the advice of the legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position or the consolidated performance of the Group.

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

14. Financial instruments

14.1 Categories of financial assets and liabilities

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

	(Unaudited) 30 September 2016	(Audited) 31 December 2015	(Unaudited) 30 September 2015
	KD'000		
Loans and receivables:			
Cash and bank balances	291,445	359,799	330,835
Trade and other receivables	450,952	406,278	424,325
Due from associates	375,043	350,673	347,964
Other assets	12,040	12,132	12,088
Investment securities - at fair value through profit or loss	985	1,164	1,349
Investment securities -available for sale	22,851	26,598	29,041

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

14.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

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

30 September 2016

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at fair value through profit or loss	985	-	-	985
Investments securities available for sale	14,166	6,479	-	20,645
Total assets	15,151	6,479	-	21,630

31 December 2015

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

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30 September 2015

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at fair value through profit or loss	1,349	-	-	1,349
Investments securities available for sale	18,384	5,961	-	24,345
Total assets	19,733	5,961	-	25,694

Available for sale investments include unlisted securities amounting to KD 2.206 million (31 December 2015 – KD 2.210 million; 30 September 2015 – KD 4.696 million) carried at cost less impairment since it is not possible to reliably measure their fair value.

Measurement at fair value

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

15. Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

At 30 September 2016:

At 30 September 2016:		Notional amounts by term to maturity				
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
						KD '000
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>						
Profit rate swaps - share of an associate	-	553	128,290	-	-	128,290
	-	553	128,290	-	-	128,290

At 31 December 2015:

At 31 December 2015:	Notional amounts by term to maturity					
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
						KD '000
Derivatives held for hedging:						
Cash flow hedges						
Profit rate swaps - share of an associate	-	216	129,234	-	-	129,234
	-	216	129,234	-	-	129,234

At 30 September 2015:

At 30 September 2015:	Notional amounts by term to maturity					Over 1 year
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	
						KD '000
Derivatives held for hedging:						
Cash flow hedges						
Profit rate swaps - share of an associate	-	2,631	128,850	-	-	128,850
	-	2,631	128,850	-	-	128,850