Hits Telecom Holding Co.

K.S.C. Public
and its subsidiaries
Kuwait

Interim condensed consolidated
financial information
for the Six months
ended June 30, 2016
(Unaudited)

Hits Telecom Holding Co.

K.S.C. Public
and its Subsidiaries
Kuwait

Interim condensed consolidated financial information for the Six months ended June 30, 2016 (Unaudited)

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The Board of Directors
Hits Telecom Holding Co.
K.S.C. Public
and its subsidiaries
State of Kuwait

Review Report on the Interim Condensed Consolidated Financial Information

We have reviewed the accompanying interim condensed consolidated statement of financial position of Hits Telecom Holding Co. K.S.C. Public - (the Parent Company) and its subsidiaries (together referred to as "the Group") as of June 30, 2016 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the Six months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard No (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditors of the Entity".

A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

Emphasis of matters

Without qualifying our report, we draw attention to Note (6) to the interim condensed consolidated financial information regarding the loan to a related party and the provision for doubtful debts made to the debt for reasons mentioned in the note.

Report on review of other legal and regulatory matters

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the accounting records of "the Parent Company". We further report that, to the best of our knowledge and belief, no violations have occurred during the Six months period ended June 30, 2016 of the Companies Law no. 1 of year 2016 and related Executive Regulations (Note 1), law no. 7 of 2010 in respect of the establishment of Capital Market Authority and the Organization of the Securities Activity and its regulation, or of the articles and memorandum of association of "the Parent Company" that might have had a material effect on the business of "the Group" or on its interim condensed consolidated financial position.

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Kuwaiti Accountant Auditing
A member of H.L.B International

August 8, 2016
State of Kuwait

Exhibit – A

Hits Telecom Holding Co.

K.S.C. Public
and its subsidiaries
Kuwait

Interim condensed consolidated statement of financial position as of June 30, 2016
(Unaudited)
"All amounts are in Kuwaiti Dinar"

Assets	Note	June 30, 2016	December 31, 2015 (audited)	June 30, 2015
Non-current assets				
Property and equipment		**183,719**	255,719	166,003
Intangible assets	4	**14,200,613**	14,273,478	14,250,899
Investment in joint venture		**785,763**	2,513,060	1,772,918
Investment in an unconsolidated subsidiary		**408,714**	414,764	-
Available for sale investments	5	**22,169,508**	22,169,508	23,078,887
Loan to a related party	6	**18,686,527**	18,686,527	22,884,302
		56,434,844	58,313,056	62,153,009
Current assets				
Inventory		**7,523,554**	5,213,858	6,095,406
Accounts receivable and other debit balances	7	**6,681,999**	6,949,120	9,201,671
Due from related parties	8	**2,867,358**	3,174,303	1,183,353
Finance, joint ventures and mudaraba		**911,209**	911,209	911,209
Investments at fair value – income statement	9	**204,000**	-	-
Cash and cash equivalents		**531,255**	1,968,449	450,409
		18,719,375	18,216,939	17,842,048
Total assets		**75,154,219**	76,529,995	79,995,057
Equity and liabilities				
Equity				
Share capital		**87,234,161**	87,234,161	87,234,161
Share premium		**6,846,580**	6,846,580	6,846,580
Treasury shares		**(640,233)**	(640,233)	(640,233)
Treasury shares reserve		**260,411**	260,411	260,411
Cumulative changes in fair value		**(2,906,077)**	(2,906,077)	(2,906,077)
Foreign currency translation reserve		**1,309,589**	1,649,089	1,700,822
Accumulated losses		**(28,118,756)**	(29,191,130)	(23,035,725)
Total equity		**63,985,675**	63,252,801	69,459,939
Non-current liabilities				
Accounts payable and other credit balances	10	**86,996**	489,276	-
Provision for end of service indemnity		**617,107**	578,358	427,842
		704,103	1,067,634	427,842
Current liabilities				
Accounts payable and other credit balances	10	**9,056,625**	12,038,901	9,966,170
Due to related parties	8	**1,407,816**	170,659	141,106
		10,464,441	12,209,560	10,107,276
Total equity and liabilities		**75,154,219**	76,529,995	79,995,057

Dr. Saad Hamad Al-Barak
Chairman

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Exhibit - B

Hits Telecom Holding Co.

K.S.C. Public
and its subsidiaries
Kuwait

Interim condensed consolidated statement of income for the Six months ended June 30, 2016
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	The Three months ended June 30		The Six months ended June 30	
		2016	2015	**2016**	2015
Revenue		**27,889,873**	15,887,906	**47,305,564**	33,809,652
Cost of sales		**(24,951,129)**	(14,963,690)	**(42,584,004)**	(31,285,939)
Gross profit		**2,938,744**	924,216	**4,721,560**	2,523,713
Unrealized gain form investment at fair value – income statement		**6,626**	-	**6,626**	-
Impairment losses on investments available for sale		**(49,763)**	-	**(49,763)**	-
General and administrative expenses		**(1,874,134)**	(1,431,825)	**(3,442,670)**	(2,869,026)
Depreciation and amortization		**(49,310)**	(64,464)	**(95,809)**	(88,456)
Finance charges		**(9,851)**	(8,854)	**(29,044)**	(11,871)
(Loss)/profit from investment in joint venture		**(20,202)**	610,045	**-**	898,045
Other income		**512**	30,201	**1,774**	39,466
Profit for the period before calculating contribution to Kuwait Foundation for the Advancement of Science, National Labor Support Tax and Zakat		**942,622**	59,319	**1,112,674**	491,871
Zakat		**(6,748)**	(1,003)	**(11,514)**	(5,381)
National Labor Support Tax		**(26,880)**	(2,508)	**(28,786)**	(13,452)
Profit for the period		**908,994**	55,808	**1,072,374**	473,038
Earnings per share (Fils)	11	**1.05**	0.063	**1.240**	0.553

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Exhibit - C

Hits Telecom Holding Co.

K.S.C. Public
and its subsidiaries
Kuwait

Interim condensed consolidated comprehensive income for the Six months ended June 30, 2016
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	The Three months ended June 30		The Six months ended June 30	
	2016	2015	**2016**	2015
Net profit for the period	**908,994**	55,808	**1,072,374**	473,038
Other comprehensive income for the period:				
Foreign currency translation differences	**(65,114)**	(65,506)	**(339,500)**	619,512
Total other comprehensive (loss)/income for the period	**(65,114)**	(65,506)	**(339,500)**	619,512
Total comprehensive income for the period	**843,880**	(9,698)	**732,874**	1,092,550

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Exhibit - E

Hits Telecom Holding Co.

K.S.C. Public
and its subsidiaries
Kuwait

Interim condensed consolidated statement of cash flows for the Six months ended June 30, 2016
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	The Six months ended June 30	
	2016	2015
Cash flows from operating activities		
Net profit for the period	**1,072,374**	473,038
Adjustments:		
Depreciation and amortization	**95,809**	88,456
Provision for end of service indemnity	**38,749**	51,426
Unrealized gain form investment at fair value – income statement	**(6,626)**	-
Profit from investment in joint venture	**-**	(898,045)
Finance charges	**29,044**	11,871
Adjusted profit/(loss) before calculating the effect of changes in working capital items	**1,229,350**	(273,254)
Inventory	**(582,399)**	2,081,579
Accounts receivable and other debit balances	**267,122**	(567,865)
Related parties	**1,544,102**	2,566,659
Accounts payable and other credit balances	**(3,384,557)**	(3,333,859)
Net cash (used in)/generated from operating activities	**(926,382)**	473,260
Cash flows from investing activities		
Investment on fair value – income statement	**(197,374)**	-
Intangible assets	**-**	(39,642)
Available for sale investments	**-**	(2,468,553)
Investment in joint venture	**-**	(560,397)
Net cash used in investing activities	**(197,374)**	(3,068,592)
Cash flows from financing activities		
Finance charges paid	**(29,044)**	(11,871)
Change in treasury shares	**-**	2,327,264
Net cash (used in)/generated from financing activities	**(29,044)**	2,315,393
Foreign currency translation reserve	**(284,394)**	(45,338)
Net decrease in cash and cash equivalents	**(1,437,194)**	(325,277)
Cash and cash equivalents at the beginning of the period	**1,968,449**	775,686
Cash and cash equivalents at the end of the period	**531,255**	450,409

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Exhibit - D

Hits Telecom Holding Co.

K.S.C. Public
and its subsidiaries
Kuwait

Interim condensed consolidated statement of changes in equity for the Six months ended June 30, 2016
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Cumulative changes in fair value	Foreign currency translation reserve	Accumulated losses	Total equity
Balance at January 1, 2015	87,234,161	6,846,580	(2,740,011)	-	(2,906,077)	1,081,310	(23,508,763)	66,007,200
Net profit for the period	-	-	-	-	-	-	473,038	473,038
Other comprehensive income for the period	-	-	-	-	-	619,512	-	619,512
Total comprehensive income for the period	-	-	-	-	-	619,512	473,038	1,092,550
Sale of treasury shares	-	-	2,099,778	260,411	-	-	-	2,360,189
Balance as of June 30, 2015	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,700,822	(23,035,725)	69,459,939
Balance at January 1, 2016	87,234,161	6,846,580	(640,233)	260,411	(2,906,077)	1,649,089	(29,191,130)	63,252,801
Net profit for the period	-	-	-	-	-	-	1,072,374	1,072,374
Other comprehensive loss for the period	-	-	-	-	-	(339,500)	-	(339,500)
Total comprehensive income for the period	-	-	-	-	-	(339,500)	1,072,374	732,874
Balance as of June 30, 2016	**87,234,161**	**6,846,580**	**(640,233)**	**260,411**	**(2,906,077)**	**1,309,589**	**(28,118,756)**	**63,985,675**

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Hits Telecom Holding Co.

K.S.C. Public
and its subsidiaries
Kuwait

Notes to the interim condensed consolidated financial information for the Six months ended June 30, 2016 (Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Brief on "The Parent company"

Hits Telecom Holding Company – K.S.C. Public - was incorporated on May 22, 1999 in accordance with the Commercial Companies' Law of 1960 article No. 15, and its subsequent amendments. The parent company's shares are listed on Kuwaiti Stock Exchange Market.

The objectives for which "the parent company's" was incorporated are:

- Owning shares in Kuwaiti and Non-Kuwaiti shareholding companies and owning shares or quotas in Kuwaiti and Non-Kuwaiti limited liability companies or participating in establishing, managing and sponsoring both kinds of companies to others related to communication segment only.
- Lending companies in which it holds shares and guaranteeing them to others, providing that the holding company's ownership percentage in the share capital of the borrowing company must be at least 20%.
- Owning industrial property rights of patents or industrial trademarks, or industrial charges or any other rights relating thereto, and leasing to other companies for utilization inside or outside the State of Kuwait related to communication segment only.
- Holding movables and real estates necessary to initiate its activity in accordance with the Law.
- Utilizing the surplus funds by investing them in investment and real estate portfolios managed by specialized companies and institutions.

"The parent company" has the right to participate and subscribe in any way, in other firms or institutions which operate in the same field or those which would assist in achieving its objectives in Kuwait or abroad and to establish, participate or purchase these firms or institutions or join them.

The registered head office of the parent company is: Jasem El–Asfour Tower – Sour Street – Kuwait City.

Companies law no. 1 of year 2016 ("new law") was issued on January 24, 2016 and published in the official gazette on February 1, 2016 which has cancelled the companies law no. 25 of year 2012, as amended ("previous law"). The new law shall be applied as of November 26, 2012 and the executive regulation of previous law will continue until the issuance of an executive regulation for the new law within two months of publishing in the official gazette.

The interim condensed consolidated financial information for the Six months ended June 30, 2016 were authorized for issue from the Board of Directors on ..... 2016.

2- Significant Accounting Policies

2/1) Basis of preparation

The interim condensed consolidated financial information of "the Group" has been prepared in accordance with IAS 34, "***Interim Financial Reporting***". Accordingly, it does not include all of the information and footnotes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards.

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

During the period "the Group" has adopted all the standards that came into effect for annual periods beginning January 1, 2016. The adoption of these standards did not have any material impact on this interim condensed consolidated financial information.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2015.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of "the Group".

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

2/2) Critical Judgments and estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying "the Parent company's" accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2015.

Hits Telecom Holding Co.
K.S.C. Public
and its subsidiaries
Kuwait

Notes to the interim condensed consolidated financial information for the Six months ended June 30, 2016 (Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

3- Subsidiaries

The interim condensed consolidated financial information includes the interim condensed financial information of the parent company and its subsidiaries as following:

		Ownership percentage	
	Country of incorporation	June 30, 2016	June 30, 2015
Qanawat Holding Company B.S.C - closed (Previously : Rehab Al Madina Real Estate Company - B.S.C - closed)	Bahrain	**99%**	99%
Elite Telecommunications Services for General Trading company (W.L.L)	Kuwait	**99%**	99%
Fawran Telecom Company (W.L.L)	Saudi Arabia	**10%**	10%
Qanawat for general trading and contracting company (W.L.L)	Kuwait	**10%**	10%

- The interim condensed financial information for all subsidiaries has been consolidated based on the financial statements prepared by the management for the six months period ended June 30, 2016, total assets of these subsidiaries included in the interim condensed consolidated statement of financial position are KD 42,073,081 and their net profit included in the interim condensed consolidated statement of income is KD 1,393,243.

4- Intangible assets

This item represents key money amounting to KD 185,556 and a Goodwill amounting to KD 14,015,057 resulted from acquisition of a subsidiary company - Qanawat Telecom Company (W.L.L) - Kingdom of Saudi Arabia – and the management annually establishes a test to determine whether there is any indication of impairment in the value of the Goodwill.

5- Available for sale investments

This available for sale investments represents on unquoted local and foreign investments. The following movement occurred during the period:

	June 30, 2016	December 31, 2015 (audited)	June 30, 2015
Balance at January 1,	**22,169,508**	20,610,334	20,610,334
Additions	**-**	5,237,278	2,468,553
Impairment loss on value	**-**	(3,678,104)	-
Balance at June 30,	**22,169,508**	22,169,508	23,078,887

- Investments have been recorded at cost less impairment at value due to the unavailability of a reliable method to measure the fair value at the date of the interim condensed consolidated financial statements.

6- Loan to a related party

This item represents a loan granted to Hits Africa Company (Ltd)- Cayman Island (Previously: an associate company) amounted to USD 75,680,606 bearing an interest rate of 6% matured on March 31, 2017. This loan was granted to Hits Africa Company (Ltd) - Cayman Island (Previously: an associate company) in prior years as a joint venture contract and it hasn't been disclosed in the consolidated financial statements. Since these transactions were eliminated previously between "The Parent" company and its subsidiaries for the consolidation purpose.

This loan is secured upon a transfer of rights agreement between Hits Africa Company (Ltd)- Cayman Islands (Previously: an associate company) and one of its subsidiaries and mortgaged shares of Hits Africa Company (Ltd)- Cayman Islands (Previously: an associate company) in one of its subsidiaries and the relevant rights in favor of Hits Telecom Company.

Due to the discontinuity of Hits Africa Company's business (Ltd)- Cayman Islands (Previously: an associate company) until know whether it will be liquidated or decided to resume in the future the company's business and for hedge purpose the provision for doubtful debts amounting to KD 3,500,000 was made by "the Group" during the previous year to meet any amounts uncollectible from this loan. See that there is a possibility the company's management and its external counsel for see the possibility of a good collection of the loan in the future.

The loan interest has not been calculated based on the Sharia's opinion which states non calculation of interests before the contract settlement

7- Accounts receivable and other debit balances

	June 30, 2016	December 31, 2015 (audited)	June 30, 2015
Trade receivables	**479,460**	1,182,637	3,967,822
Provision for doubtful debts	**(152,132)**	(152,132)	-
	327,328	1,030,505	3,967,822
Accrued commissions	**2,922,057**	2,110,063	-
Accrued income	**1,150,043**	1,619,696	3,055,271
Letters of guarantees	**579,734**	1,416,805	1,602,666
Prepaid expenses	**407,292**	468,407	431,431
Staff receivable	**200,194**	233,569	105,306
Refundable deposits	**802,583**	2,950	18,731
Advance payments	**-**	67,125	10,703
Other	**292,768**	-	9,741
	6,681,999	6,949,120	9,201,671

8- Transactions with related parties

Related parties comprise of associates, major shareholders, directors and key management personnel of the Group's entities controlled, jointly controlled or significantly controlled by such parties. The Group's management decides on terms and conditions of these transactions. The amounts and balances due from/to related parties are interests free and have no fixed maturity.
The balances and transactions with related parties included in the interim condensed consolidated financial information are as follows:

Interim condensed consolidated Statement of financial position	**June 30, 2016**	December 31, 2015 (audited)	June 30, 2015
Finance, joint ventures and mudaraba	**911,209**	911,209	911,209
Due from related parties	**2,867,358**	3,174,303	1,183,353
Due to related parties	**1,407,816**	170,659	141,106
Available for sale investments	**18,686,527**	18,686,527	23,078,887

These transactions with related parties are subject to the approval of the shareholders General Assembly.

Interim condensed consolidated statement of income

The interim condensed consolidated statement of income did not include transactions with related parties.

The transactions with related parties are subject to approval of the shareholders' General Assembly.

9- Investments at fair value – income statement

	June 30, 2016	December 31, 2015 (audited)	June 30, 2015
Additions during the period	**197,374**	-	-
Change in fair value	**6,626**	-	-
	204,000	-	-

- The fair value of the quoted investments is determined based on the last bid price as of June 30, 2016.

10- Accounts payable and other credit balances

	June 30, 2016	December 31, 2015 (audited)	June 30, 2015
Trade payables	**6,870,390**	10,505,538	4,112,905
Accrued expenses	**1,468,580**	1,275,575	1,379,064
Deferred cheques	**301,715**	-	517,667
Advance payments from customers	**-**	130,427	569,296
Other	**502,936**	616,637	3,387,238
	9,143,621	12,528,177	9,966,170

11- Earnings per share (Fils)

Earnings per share are computed by dividing the net profit of the Parent company for the period by the weighted average number of shares outstanding during the period after deducting treasury shares as follow:

	The Three months ended June 30		The Six months ended June 30	
	2016	2015	**2016**	2015
Net profit for the period	**908,994**	55,808	**1,072,374**	473,038
Weighted average numbers of outstanding shares during the period	**872,341,610**	872,341,610	**872,341,610**	872,341,610
Weighted average of the treasury shares	**(7,319,654)**	(7,319,654)	**(7,319,654)**	(16,205,974)
Weighted average number of shares, less treasury shares	**865,021,956**	865,021,956	**865,021,956**	856,135,636
Earning per share (Fils)	**1.05**	0.063	**1.240**	0.553

12- Shareholders' General Assembly

On May 18, 2016, the annual general assembly of the Shareholders held and approved the consolidated financial statements for the financial year ended December 31, 2015 and approved the Board of Directors' proposals to not distribute dividends for the financial year ended December 31, 2015 and also not to distribute board of directors rewards for the financial year ended December 31, 2015.

13- Segment information

"The Group" monitors the operating results of its segments separately for the purpose of making decisions about resource allocations and performance assessment.

Operating segment
"The Group" primarily operates on one area of the business activity represented in communication field, accordingly information reported to the group's decision makers for the purpose of resource allocation and performance assessment is more specifically focused on the types of communication activities

Geographic information
"The Group" operates in various geographic regions and the following table shows the distribution of "the Group's" income and non-current assets by geographic region:

	The Six months ended June 30, 2016		The Six months ended June 30, 2015	
Region	**Revenues**	**Non-current assets**	Revenues	Non-current assets
State of Kuwait	**3,617,331**	**30,234,682**	8,592,197	35,666,107
Outside Kuwait				
Kingdom of Saudi Arabia	**43,688,233**	**15,240,132**	25,217,455	15,526,872
Bahrain	**-**	**10,960,030**	-	10,960,030
	47,305,564	**56,434,844**	33,809,652	62,153,009

14- Financial instruments

Categories of financial instruments

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

Financial assets	June 30, 2016	June 30, 2015
Available for sale investments	**22,169,508**	23,078,887
Investment in joint venture	**785,763**	1,772,918
Accounts receivable and other debit balances	**6,681,999**	9,201,671
Due from related parties	**2,867,358**	1,183,353
Loan to a related party	**18,686,527**	22,884,302
Investments at fair value – income statement	**204,000**	-
Cash and cash equivalents	**531,255**	450,409
	51,926,410	58,571,540

Financial liabilities	June 30, 2016	June 30, 2015
Accounts payable and other credit balances	**9,143,621**	9,966,170
Due to related parties	**1,407,816**	141,106
	10,551,437	10,107,276

Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group has used the assumptions and accepted methods in the assessment of fair values of financial instruments. The fair values of the Group's financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on future discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Fair value of the non-derivative financial instruments is not materially different from its respective carrying value.

15- Lawsuits

"The Group" has some potential lawsuits represented in cases pending at various levels of judgment with other parties and it could not determine their outcome until to the date of interim condensed consolidated statement of financial position. Therefore "the Group's" management believes that there is no need to make provision for these amounts until determining the outcome of these claims and issues.