Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Interim condensed consolidated
financial information
for the three months
ended March 31, 2012
(Unaudited)

Hits Telecom Holding Co.

K.S.C(Holding)
and its subsidiaries
Kuwait

Interim condensed consolidated financial information for the three months ended March 31, 2012 (Unaudited)

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The Board of Directors
Hits Telecom Holding Co.
K.S.C (Holding)
And its subsidiaries
State of Kuwait

Review Report on the interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Hits Telecom Holding CO. K.S.C (Holding) - (the parent company) and its subsidiaries (together referred to as the group) as of March 31, 2012 and the related interim condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the three 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 company".

A review of interim condensed consolidated financial information consists of making inquires, 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 respect in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

Report on review of other legal and regulatory matters

Furthermore, based on our review, the interim condensed consolidated financial information are in agreement with the books of the parent company. Also, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the Articles of Association of the parent company have occurred during the three months ended March 31, 2012 that might have had a material effect on the business of the parent company or on its consolidated financial position.

Emphasis of matters

We draw our attention to note (2) to the interim condensed consolidated financial information in respects of the structuring plan of some subsidiaries

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May 15, 2012
State of Kuwait

Exhibit - A

Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Interim condensed consolidated statement of financial position as of March 31, 2012
(Unaudited)
"All amounts are in Kuwaiti Dinar"

Assets	Note	March 31, 2012	December 31, 2011 (audited)	March 31, 2011
Non-current assets				
Property and equipment		**20,871,390**	20,839,521	22,449,127
Intangible assets	6	**92,540,955**	92,761,664	89,504,083
Investment in joint venture		**340,598**	222,955	140,657
Available for sale investments	7	**11,624,307**	11,624,307	-
		125,377,250	125,448,447	112,093,867
Current assets				
Inventory		**1,529,168**	1,306,471	1,420,880
Accounts receivable and other debit balances	8	**7,924,546**	7,643,531	6,104,788
Due from related parties	9	**748,991**	1,943,790	3,232,104
Advance payments for purchasing investments	10	**5,946,778**	5,946,778	5,946,778
Finance, joint ventures and mudaraba	11	**2,971,870**	1,340,127	12,560,690
Cash and cash equivalents	12	**701,785**	357,341	1,944,311
		19,823,138	18,538,038	31,209,551
Total assets		**145,200,388**	143,986,485	143,303,418
Equity and liabilities				
Equity				
Share capital		**72,091,686**	72,091,686	72,091,686
Share premium		**34,149,954**	34,149,954	34,149,954
Statutory reserve		**462,499**	462,499	462,499
General reserve		**462,499**	462,499	462,499
Other reserves		**147,896**	147,896	147,896
Treasury shares	13	**(6,837,335)**	(6,837,335)	(6,837,335)
Foreign currency translation reserve		**(1,880,096)**	(1,876,306)	(1,469,919)
Accumulated losses		**(2,036,359)**	(2,091,155)	(1,932,969)
Equity attributable to the shareholders of the parent company		**96,560,744**	96,509,738	97,074,311
Non-controlling interests		**(6,978,258)**	(6,734,415)	(4,049,023)
		89,582,486	89,775,323	93,025,288
Non-current liabilities				
Provision for end of service indemnity		**346,401**	315,325	276,335
License obligations		**9,012,384**	9,038,304	6,107,420
Term loans		**767,179**	749,739	816,055
Loan form shareholders		**491,450**	481,900	448,944
Accounts payable and other credit balances		**1,574,417**	1,534,436	1,670,142
		12,191,831	12,119,704	9,318,896
Current liabilities				
Accounts payable and other credit balances		**20,002,211**	19,824,495	20,949,329
Due to related parties	9	**4,061,530**	3,422,252	2,774,104
License obligations		**3,518,037**	3,699,010	3,053,710
Term loans		**4,161,089**	3,939,956	3,168,234
Islamic debt instruments	14	**11,683,204**	11,205,745	11,013,857
		43,426,071	42,091,458	40,959,234
Total equity and liabilities		**145,200,388**	143,986,485	143,303,418

Khaled y. Al Mutawa
Vice chairman

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

Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Interim condensed consolidated statement of income for the three months ended March 31, 2012
(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Note	Three months ended March 31	
		2012	2011
Revenue of activity		23,540,955	16,442,194
Cost of activity		(21,181,978)	(15,007,308)
Gross profit of activity		2,358,977	1,434,886
General and administrative expenses		(2,593,812)	(2,523,612)
Depreciation and amortization		(416,250)	(446,088)
Finance charges		(145,019)	(260,413)
Bad debits		(20,023)	-
Group's share from joint venture income		118,478	37,240
Mudaraba and joint venture income		229,320	12,779
Tax income		51,124	75,182
Other income		15,555	936,931
Loss for the period before National Labor Support Tax and Zakat		(401,650)	(733,095)
National Labor Support Tax		(1,423)	(3,819)
Zakat		(694)	(1,393)
Loss for the period		(403,767)	(738,307)
Attributable to:			
Shareholders of parent company		54,796	147,548
Non-controlling interests		(458,563)	(885,855)
		(403,767)	(738,307)
Earning per share/(Fils)	15	0.081	0.217

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

Hits Telecom Holding Co.

K.S.C (Holding)
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Interim condensed consolidated comprehensive income for the three months ended March 31, 2012

(Unaudited)
"All amounts are in Kuwaiti Dinar"

	Three months ended March 31	
	2012	2011
Net loss for the period	(403,767)	(738,307)
Other comprehensive income		
Foreign currency translation differences	(3,790)	(624,219)
Total other comprehensive loss for the period	(3,790)	(624,219)
Total comprehensive loss for the period	(407,557)	(1,362,526)
Attributable to:		
Shareholders of parent company	51,006	(476,671)
Non-controlling interests	(458,563)	(885,855)
	(407,557)	(1,362,526)

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

Hits Telecom Holding Co.

K.S.C (Holding)
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Kuwait

Interim condensed consolidated statement of cash flows for the three months ended March 31, 2012 (Unaudited)

"All amounts are in Kuwaiti Dinar"

	Note	Three months ended March 31	
		2012	2011
Cash flows from operating activities			
Net loss for the period		**(403,767)**	(738,307)
Adjustments:			
Depreciation and amortization		**416,251**	446,088
Provision for end of service indemnity		**31,076**	17,190
Group's share from joint venture income		**(118,478)**	-
Mudaraba and joint venture income		**(229,320)**	(12,779)
Bad debits		**20,023**	-
Finance charges		**145,019**	260,413
Working capital changes:		**(139,196)**	(27,395)
Inventory		**(222,697)**	(433,269)
Accounts receivable and other debit balances		**(314,335)**	(19,726)
Related parties		**562,863**	(306,342)
Accounts payable and other credit balances		**232,015**	(106,380)
Net cash generated from/(used in) operating activities		**118,650**	(893,112)
Cash flows from investing activities			
Property and equipment		**(111,608)**	(144,516)
Intangible assets		**(861)**	-
Finance, joint ventures and mudaraba		**79,400**	26,821
Investment in joint venture		**-**	60,143
Net cash used in investing activities		**(33,069)**	(57,552)
Cash flows from financing activities			
Term loans		**264,077**	308,290
Loan from shareholders		**9,550**	-
Islamic debt instruments		**185,251**	537,832
Finance charges paid		**(145,019)**	(106,215)
Change in non-controlling interests		**214,720**	113,382
Net cash generated from financing activities		**528,579**	853,289
Foreign currency translation reserve		**(269,716)**	210,930
Net increase in cash and cash equivalents		**344,444**	113,555
Cash and cash equivalents at the beginning of the period		**357,341**	1,830,756
Cash and cash equivalents at the end of the period	12	**701,785**	1,944,311

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

Exhibit - E

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

Interim condensed consolidated Statement of changes in equity for the three months ended March 31, 2012
(unaudited)
"All amounts are in Kuwaiti Dinar"

	Equity attributable to parent company's shareholders										
	Share capital	Share premium	Statutory reserve	General reserve	Other reserves	Treasury shares	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at January 1, 2011	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	(845,700)	(2,080,517)	97,550,982	(3,276,550)	94,274,432
Net loss for the period	-	-	-	-	-	-	-	147,548	147,548	(885,855)	(738,307)
Total other comprehensive loss for the period	-	-	-	-	-	-	(624,219)	-	(624,219)	-	(624,219)
Total comprehensive loss for the period	-	-	-	-	-	-	(624,219)	147,548	(476,671)	(885,855)	(1,362,526)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	113,382	113,382
Balance at March 31, 2011	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	(1,469,919)	(1,932,969)	97,074,311	(4,049,023)	93,025,288
Balance at January 1, 2012	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	(1,876,306)	(2,091,155)	96,509,738	(6,734,415)	89,775,323
Net loss for the period	-	-	-	-	-	-	-	54,796	54,796	(458,563)	(403,767)
Other comprehensive loss for the period	-	-	-	-	-	-	(3,790)	-	(3,790)	-	(3,790)
Total comprehensive loss for the period	-	-	-	-	-	-	(3,790)	54,796	51,006	(458,563)	(407,557)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	214,720	214,720
Balance as of March 31, 2012	72,091,686	34,149,954	462,499	462,499	147,896	(6,837,335)	(1,880,096)	(2,036,359)	96,560,744	(6,978,258)	89,582,486

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

Hits Telecom Holding Co.

K.S.C (Holding)
and its subsidiaries
Kuwait

Notes to the interim condensed consolidated financial information for the three months ended March 31, 2012
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Company's brief

Hits Telecom Holding Company – K.S.C (Holding) - 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 main office of the parent company is: Jasem Tower – Sour Street – Kuwait City.

The Board of Directors approved these interim condensed consolidated financial statements for the three months ended March 31, 2012 for issue on May 15, 2012.

2- Restructuring plan of some subsidiaries

The interim condensed financial information prepared by the management of some subsidiaries based on going concern despite that the accumulated losses of these companies exceed their share capital, based on the financial support of parent company and Group's plans of re-structuring these companies to extinguish the accumulated losses of the subsidiaries and improve their performance and profitability in future.

3- Judgments and estimates

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

In preparing this interim condensed financial information, 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 annual audited consolidated financial statements for the year ended December 31, 2011.

4- Basis of presentation

The interim condensed consolidated financial information has been prepared in compliance with the International Accounting Standard No. 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent, with those used in the preparation of the consolidated financial statements for the year ended December 31, 2011

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standard. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. In addition results for the three months period ending March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. For further information, refer to the group's audited condensed financial statements for the year ended December 31, 2011.

5- Subsidiaries

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

		Shareholding %	
	Country of incorporation	March 31, 2012	December 31, 2011
Qanawat Telecom Company (W.L.L)	Saudi Arabia	**%100**	%100
Fawran Telecom Company (W.L.L)	Saudi Arabia	**%100**	%100
Hits Telecom Spain Company (S.A.)	Spain	**%100**	%100
Hits Africa Company (L.T.D)	Cayman Islands	**%92.82**	%92.82

The interim condensed financial information for all subsidiaries has been consolidated based on the financial statements prepared by the management for the three months period ended March 31, 2012. Total assets of these subsidiaries included in the interim consolidated financial statements position are KD 55,235,328 and their net profit included in the interim consolidated statement of income are KD 138,784 .

6- Intangible assets

- The company has entered into sale and purchase agreements with the shareholders of certain companies who originally were awarded the license to establish, install and operate cellular public telephony network in their respective countries of operations amounted to KD 19,408,541 In accordance with IFRS 3, "Business Combinations" the above acquisitions have been accounted for by applying the purchase method. As these companies which own these licenses, had yet to commence operations and had no other assets at the time of the acquisition by the company, the purchase consideration and acquisition cost paid to acquire these companies is treated as goodwill. The goodwill is attributable to the growth prospects of the acquired businesses and the significant synergies that are expected to arise for the Group after the acquisition of subsidiaries.

- This item represents goodwill amounted to KD 33,747,166 resulted from acquisition of a subsidiary - Hits Africa Company (Limited) located in Cayman Islands, and goodwill amounted to KD 14,015,057 resulted from acquisition of the subsidiary company - (Qanawat Telecoms Company (W.L.L) located in (Kingdom of Saudi Arabia). and goodwill amounted to KD 5,067,662 resulted from acquisition of the subsidiary company - (Atlantic Wireless Company – Liberia) as a subsidiary for Hits Africa –Limited and goodwill amounted to KD 693,330 resulted from Hits Telecom Spain (S.A).
- The management tests impairment of goodwill annually if there are any indications that impairment may have arisen. The recoverable amount of Cash Generating Unit "CGU" is determined based on its value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates and the long term growth rates. The discount rate is based on the weighted average cost of capital, while growth rates are based on management's experience and expectations and do not exceed the long term average growth rate for the region in which the "CGU" operates. These calculations use cash flow projections based on financial budgets approved by the Board of Directors, covering the period of the validity of the telecom license. Cash flows are extrapolated using the estimated growth rates. The weighted average growth rates are consistent with forecasts, and the parent company's management believes that there are no indications for impairment in value of goodwill depending on a study prepared by external party in the end of previously financial statements.

7- Available for sale investments

This item represents unquoted local investments available for sale and acquired in the previous year in accordance with a settlement contract with a related party against compromising the finance and Mudaraba contracts signed with the same party.

8- Accounts receivable and other debit balances

	March 31, 2012	December 31, 2011 (audited)	March 31, 2011
Trade receivables	**2,533,591**	1,890,874	1,200,771
Accrued income	**1,263,599**	1,681,067	1,662,738
Deferred tax assets	**2,783,650**	2,649,782	2,072,766
Letter of guaranties	**597,202**	597,207	595,264
Prepaid expenses	**447,236**	468,731	336,510
Refundable deposits	**51,474**	86,154	98,198
Advance payments	**122,521**	124,248	38,339
Other receivables	**125,273**	145,468	100,202
	7,924,546	7,643,531	6,104,788

9- Transactions with related parties

Related parties comprise of associates, major shareholders, directors and key management personnel of the Group, entities controlled, jointly controlled or significantly 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 statements are as follows:

Notes to the interim condensed consolidated financial information for the three months ended March 31, 2012
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

Interim condensed consolidated Statement of financial position	**March 31, 2012**	December 31, 2011 (audited)	March 31, 2011
Finance, joint ventures and mudaraba (note 11)	**2,971,870**	1,340,127	12,560,690
Islamic debt instruments (Note 14)	**11,136,412**	10,658,953	10,299,538
Loan from shareholders	**-**	-	448,944
Due from related parties	**748,991**	1,943,790	3,232,104
Due to related parties	**4,061,530**	3,422,252	2,774,104

Interim condensed consolidated Statement of income	**Three months ended March 31**	
	2012	2011
Mudaraba and joint ventures income	**229,320**	12,779
Finance charges	**-**	136,746

10- Advance payments for purchasing investments

This item represents the amounts paid for acquiring out side Kuwait investments in previous years. As the ownership of these investments have not been transferred by the seller, the company proceeded to arbitration against this party and based on the arbitration decision, the company has the rights in all the amount paid plus the interests. Based on the external lawyer's opinion, the amount could be collectable in accordance with the final arbitration decision.

11- Finance, joint ventures and mudaraba

This item represents short-term financing contracts joint ventures and mudaraba with related parties. The average effective rate of return was 4% to 7% as of March 31, 2012. Matured within one year from the consolidated financial position date.

12- Cash and cash equivalents

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Cash and banks balances	**701,785**	357,341	1,033,102
Cash at portfolios	**-**	-	911,209
	701,785	357,341	1,944,311

13- Treasury shares

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Number of shares	**41,325,981**	41,325,981	41,325,981
Ownership percentage (%)	**%5.73**	%5.73	%5.73
Market value (KD)	**4,463,206**	2,231,603	1,983,647

14- Islamic debt instruments

- This item represents Mudaraba and financing Murabaha contracts each contracts with related parties (Note– 9) due within one year and Islamic banks. The average cost is 4%: 7%. The fair value of Mudaraba and financing Murabaha contracts approximate their carrying value as of March 31, 2012 as they are bearing cost rates equal to the markets' prevailing rates. Part of Islamic debt instruments amounting KD 546,792 are secured by pledging of treasury shares Note (13).
- At the date of the interim condensed consolidated financial information, the Islamic debts instruments represented in Mudaraba and financing Murabaha and amounting to KD 4,029,990 are matured but have not been paid or renewed. Some of these instruments are contracted with related parties with amount of KD 3,483,198.

15- Earning per share/(Fils)

Earning per share is computed by dividing the net profit for the period by the weighted average number of shares outstanding during the period as follow:

	Three months ended March 31	
	2012	2011
Net profit for the period	**54,796**	147,548
Weighted average number of shares outstanding during the period	**720,916,860**	720,916,860
Weighted average of the treasury shares	**(41,325,981)**	(41,325,981)
Weighted average number of shares, less treasury shares	**679,590,879**	679,590,879
Earning per share/Fils	**0.081**	0.217

16- Shareholders' General Assembly

The annual General Assembly for the year ended December 31, 2011 has not been held until the date of the approved interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended December 31, 2011 have not yet been approved by the General Assembly.

17- Segment information

The Group monitors the operating results of its segments separately for the purpose of making decisions about resource allocations 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 region:

Notes to the interim condensed consolidated financial information for the three months ended March 31, 2012
(Unaudited)
"All amounts are in Kuwaiti Dinar unless stated otherwise"

Region	Three months ended March 31, 2012		Three months ended March 31, 2011	
	Income	**Non-current assets**	Income	Non-current assets
State of Kuwait	**244,875**	**60,079,860**	12,779	48,455,553
Outside Kuwait				
Kingdom of Saudi Arabia	**21,506,319**	**895,877**	15,053,306	874,366
Spain	**885,758**	**646,259**	986,943	1,046,725
Africa	**1,318,480**	**63,755,254**	1,451,298	61,717,223
	23,955,432	**125,377,250**	17,504,326	112,093,867

18- Comparative figures

Certain comparative figures for the financial previous period have been reclassified to conform with the financial current period presentation.