

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 June 2011**

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Mobile Telecommunications Company K.S.C. Kuwait

INDEPENDENT AUDITORS' 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. (the Parent Company) and its subsidiaries (together called "the Group") as at 30 June 2011 and the related condensed consolidated statements of income and comprehensive income for three months and six months period then ended and the related condensed consolidated statements of changes in equity and cash flows for the six months 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

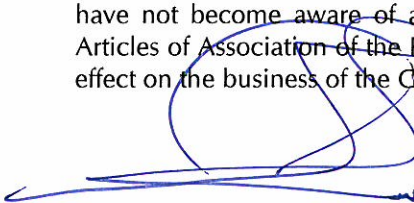
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

Conclusion

Based on our review, 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.

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 Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company during the period ended 30 June 2011 that might have had a material effect on the business of the Group or on its financial position.



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Mobile Telecommunications Company K.S.C.
Kuwait

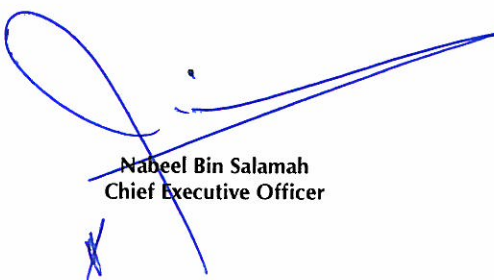
Condensed Consolidated Statement of Financial Position as at 30 June 2011 (Unaudited)

	Note	Unaudited 30 June 2011	Audited 31 December 2010	Unaudited 30 June 2010
KD '000				
Assets				
Current assets				
Cash and bank balances	3	535,518	644,215	612,844
Trade and other receivables		227,303	472,570	543,864
Inventories		15,265	13,258	14,995
Investment securities – at fair value through profit or loss		6,364	7,465	6,927
		<u>784,450</u>	<u>1,137,508</u>	<u>1,178,630</u>
Non-current assets				
Investment securities – available for sale		83,534	98,641	90,023
Investment in associates		96,196	116,096	142,128
Interest in a jointly controlled entity		40,584	40,270	40,844
Loans to associates		185,264	187,263	152,441
Property and equipment		764,412	793,686	811,492
Intangible assets		1,245,225	1,304,449	1,387,073
Other assets		62,188	32,024	258
		<u>2,477,403</u>	<u>2,572,429</u>	<u>2,624,259</u>
Total Assets		<u>3,261,853</u>	<u>3,709,937</u>	<u>3,802,889</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		506,938	593,221	575,566
Due to banks	5	<u>231,447</u>	<u>124,933</u>	<u>335,192</u>
		<u>738,385</u>	<u>718,154</u>	<u>910,758</u>
Non-current liabilities				
Due to banks	5	362,882	94,734	62,773
Other non-current liabilities		<u>143,990</u>	<u>149,132</u>	<u>151,438</u>
		<u>506,872</u>	<u>243,866</u>	<u>214,211</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	6	430,754	429,743	429,246
Share premium		1,703,351	1,697,788	1,697,785
Treasury shares	8	(567,834)	(567,834)	(567,834)
Legal reserve		214,871	214,871	147,989
Foreign currency translation reserve		(241,799)	(143,767)	(22,734)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of an associate		(1,734)	(1,779)	(1,831)
Investment fair valuation reserve		(5,439)	4,532	(4,833)
Share based compensation reserve		6,339	7,386	6,087
Hedge reserve		(1,491)	(2,524)	(1,309)
Retained earnings		<u>372,271</u>	<u>1,006,607</u>	<u>908,909</u>
		<u>1,911,256</u>	<u>2,646,990</u>	<u>2,593,442</u>
Non-controlling interests		<u>105,340</u>	<u>100,927</u>	<u>84,478</u>
Total equity		<u>2,016,596</u>	<u>2,747,917</u>	<u>2,677,920</u>
Total Liabilities and Equity		<u>3,261,853</u>	<u>3,709,937</u>	<u>3,802,889</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 31 July 2011.


Asaad Ahmed Al Banwan
Chairman


Nabeel Bin Salamah
Chief Executive Officer

Condensed Consolidated Statement of Income – six months ended 30 June 2011 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
		(Restated)		(Restated)	
		KD'000		KD'000	
Continuing operations					
Revenue		335,062	342,899	659,440	672,573
Cost of sales		(90,565)	(93,149)	(177,099)	(178,342)
Gross profit		<u>244,497</u>	<u>249,750</u>	<u>482,341</u>	<u>494,231</u>
Distribution, marketing & operating expenses		(70,655)	(70,972)	(138,242)	(136,718)
General and administrative expenses		(26,950)	(29,666)	(46,332)	(68,088)
Depreciation and amortization		(41,318)	(40,661)	(83,128)	(80,410)
Provision for doubtful debts		(1,503)	(1,143)	(4,655)	(2,264)
Operating profit		<u>104,071</u>	<u>107,308</u>	<u>209,984</u>	<u>206,751</u>
Interest income		5,438	3,549	9,783	7,219
Investment income	9	1,098	(2,409)	705	(1,984)
Share of loss of associates		(8,143)	(12,415)	(18,144)	(25,354)
Share of profit/ (loss) of a jointly controlled entity		1,216	(1,907)	314	(3,219)
Other (expense)/ income		(5,035)	3,965	(2,457)	6,935
Finance costs		(8,485)	(19,327)	(14,008)	(42,918)
Gains/ (loss) from currency revaluation		2,603	24,274	(20,912)	33,528
Board of Directors' remuneration		(8)	(8)	(16)	(16)
Contribution to Kuwait Foundation for Advancement of Sciences		(722)	(749)	(1,442)	(1,282)
National Labour Support Tax and Zakat		(1,964)	(1,461)	(3,989)	(3,411)
Profit for the period before income tax		<u>90,069</u>	<u>100,820</u>	<u>159,818</u>	<u>176,249</u>
Income tax expense of subsidiaries		(12,529)	(8,437)	(21,140)	(16,815)
Profit for the period from continuing operations		<u>77,540</u>	<u>92,383</u>	<u>138,678</u>	<u>159,434</u>
Discontinued operations					
Profit from discontinued operations	4	-	754,431	-	741,809
Release of provisions		-	-	16,320	-
Profit for the period		<u>77,540</u>	<u>846,814</u>	<u>154,998</u>	<u>901,243</u>
Attributable to:					
Shareholders of the Parent Company		70,263	843,783	140,178	895,325
Non-controlling interests		7,277	3,031	14,820	5,918
		<u>77,540</u>	<u>846,814</u>	<u>154,998</u>	<u>901,243</u>
Earnings per share					
Basic – Fils					
From continuing operations	10	18	22	32	37
From discontinued operations		-	197	4	195
		<u>18</u>	<u>219</u>	<u>36</u>	<u>232</u>
Diluted – Fils					
From continuing operations		18	22	32	37
From discontinued operations		-	197	4	195
		<u>18</u>	<u>219</u>	<u>36</u>	<u>232</u>

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

Condensed Consolidated Statement of Comprehensive Income – six months ended 30 June 2011
(Unaudited)

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	KD'000		KD'000	
Profit for the period	77,540	846,814	154,998	901,243
Other comprehensive income				
<i>On continuing operations:</i>				
Exchange differences on translating foreign operations	20,073	(59,322)	(100,700)	(51,843)
Net unrealised gains/ (loss) on available-for-sale investments	527	(11,954)	(9,594)	(573)
Net realised (gains)/ loss transferred to statement of income on available-for-sale investments (net of impairment losses)	(364)	3,449	(377)	2,312
Cash flow hedges	-	(44)	-	(11)
Share based compensation	348	1,164	804	1,926
Share of other comprehensive income of an associate	320	(7)	1,078	(17)
	<u>20,904</u>	<u>(66,714)</u>	<u>(108,789)</u>	<u>(48,206)</u>
<i>On discontinued operations- transfers to condensed consolidated statement of income:</i>				
Cumulative exchange differences	-	88,241	-	50,607
Net realised loss on available for sale investments	-	1,147	-	1,147
Cash flow hedges	-	44,545	-	48,000
	<u>-</u>	<u>133,933</u>	<u>-</u>	<u>99,754</u>
Total comprehensive income for the period	<u>98,444</u>	<u>914,033</u>	<u>46,209</u>	<u>952,791</u>
Total comprehensive income attributable to:				
Shareholders of the Parent Company				
From continuing operations	92,139	14,171	17,737	94,931
From discontinued operations	-	896,276	16,320	851,618
	<u>92,139</u>	<u>910,447</u>	<u>34,057</u>	<u>946,549</u>
Non-controlling interests				
From continuing operations	6,305	8,043	12,152	16,296
From discontinued operations	-	(4,457)	-	(10,054)
	<u>6,305</u>	<u>3,586</u>	<u>12,152</u>	<u>6,242</u>

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

Consolidated Statement of Changes in Equity – six months ended 30 June 2011 (Unaudited)

	Equity attributable to Parent Company's shareholders											Non-controlling interests	Total	
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Treasury shares reserve	Equity issue transaction cost of an associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve			Retained earnings
Balance at 1 January 2011	429,743	1,697,788	(567,834)	214,871	-	(143,767)	1,967	(1,779)	4,532	7,386	(2,524)	1,006,607	100,927	2,747,917
Exercise of share options	1,011	5,563	-	-	-	-	-	-	-	-	-	-	-	6,574
Cash dividends (2010)	-	-	-	-	-	-	-	-	-	-	-	(776,365)	(7,739)	(784,104)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	(1,851)	-	1,851	-	-
Total comprehensive income for the period	-	-	-	-	-	(98,032)	-	45	(9,971)	804	1,033	140,178	12,152	46,209
Balance at 30 June 2011	430,754	1,703,351	(567,834)	214,871	-	(241,799)	1,967	(1,734)	(5,439)	6,339	(1,491)	372,271	105,340	2,016,596
Balance at 1 January 2010	428,285	1,691,105	(567,834)	147,989	63,091	(21,174)	1,967	(1,814)	(7,719)	18,361	(49,298)	593,643	181,876	2,478,478
Exercise of share options	961	6,680	-	-	-	-	-	-	-	-	-	(2)	-	7,639
Cash dividends (2009)	-	-	-	-	(63,091)	-	-	-	-	-	-	(594,257)	(10,560)	(667,908)
Sale of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(93,080)	(93,080)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	(14,200)	-	14,200	-	-
Total comprehensive income for the period	-	-	-	-	-	(1,560)	-	(17)	2,886	1,926	47,989	895,325	6,242	952,791
Balance at 30 June 2010	429,246	1,697,785	(567,834)	147,989	-	(22,734)	1,967	(1,831)	(4,833)	6,087	(1,309)	908,909	84,478	2,677,920

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

Condensed Consolidated Statement of Cash Flows – six months ended 30 June 2011 (Unaudited)

	Six months ended 30 June	
	2011	2010
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax from continuing and discontinued operations	176,138	913,862
Adjustments for:		
Depreciation and amortization	83,128	194,473
Interest income	(9,783)	(9,349)
Investment income	(705)	1,984
Gain from disposal of a subsidiary	-	(778,134)
Share of loss of associates	18,144	25,354
Share of (profit)/ loss of a jointly controlled entity	(314)	3,219
Finance costs	14,008	66,273
Loss/ (gain) from currency revaluation	20,912	(24,297)
Operating profit before working capital changes	301,528	393,385
Increase in trade and other receivables	(65,774)	(284,117)
(Increase)/ decrease in inventories	(2,745)	1,663
(Decrease)/ increase in trade and other payables	(29,767)	164,766
Cash generated from operations	203,242	275,697
Board of Directors' remuneration paid	(32)	-
Paid to Kuwait Foundation for Advancement of Sciences	(1,818)	(4,159)
National Labour Support Tax and Zakat paid	(6,814)	(5,528)
Income tax	(14,451)	(18,932)
<i>Net cash from operating activities</i>	<u>180,127</u>	<u>247,078</u>
Cash flows from investing activities		
Deposits with a foreign bank under lien	169,749	(174,487)
Purchase of investments	(771)	(2)
Proceeds from disposal of a subsidiary (note 4)	209,839	2,191,637
Investments in a jointly controlled entity	-	(271)
Proceeds from sale of investments	5,235	227
Acquisition of property and equipment (net)	(72,655)	(174,020)
Acquisition of intangible assets	(602)	(36,298)
Interest received	9,791	9,359
Dividends received	1,310	1,003
<i>Net cash from investing activities</i>	<u>321,896</u>	<u>1,817,148</u>
Cash flows from financing activities		
Capital contribution including share premium– employees stock option	6,574	7,639
Borrowings from/ (repayments to) banks (net)	374,641	(1,180,380)
Loan to an associate	(1,853)	(4,706)
Dividends paid to Parent Company's shareholders	(775,585)	(645,995)
Dividends paid to non-controlling interest holders of subsidiaries	(6,866)	(10,478)
Finance costs	(19,938)	(54,402)
<i>Net cash used in financing activities</i>	<u>(423,027)</u>	<u>(1,888,322)</u>
Net increase in cash and cash equivalents	78,996	175,904
Effects of foreign currency translation	(16,960)	(4,722)
Cash and cash equivalents at beginning of period	463,349	267,175
Cash and cash equivalents at end of period (note 3)	<u><u>525,385</u></u>	<u><u>438,357</u></u>

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

1. Incorporation and activities

Mobile Telecommunications Company KSC (the Parent Company) is a Kuwaiti shareholding company incorporated in 1983 in accordance with the Law of Commercial Companies of 1960. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Parent Company is at P.O Box 22244, 13083 Safat, State of Kuwait.

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 7 other countries (31 December 2010 - Kuwait and 7 other countries; 30 June 2010 - Kuwait and 7 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

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 2010 except for the amendments to standards as noted below which are applicable for the Group from January 2011.

IAS 24: Related party disclosures (Revised)

The amended standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position, performance, or disclosures in the condensed consolidated interim financial information of the Group.

IAS 34: Interim Financial Reporting (Revised)

The amended standard provided clarification about significant events and transactions to be disclosed in the interim condensed financial information and clarifies how to apply this principle in respect of financial instruments and their fair values. The adoption of the amendment did not have any significant impact on the condensed consolidated interim financial information of the Group.

This condensed consolidated interim financial information does not contain all of the information and notes 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.

Atheer, Iraq

Under the terms of the Iraqi license agreement, the Group's subsidiary in Iraq (Atheer) is required to make an initial public offer of at least 25% of the aggregate number of its qualifying shares and list on the Iraqi Stock Exchange before 31 August 2011. The Group is taking necessary actions to achieve compliance with this deadline, while also discussing its extension with the Iraqi regulatory authority.

Zain Africa BV

During the year 2010, the Group disposed its entire shareholding in Zain Africa BV, Netherlands (ZABV) to a major mobile telecom operator based in India for an enterprise valuation of US\$ 10.7 billion (KD 3.1 billion), in accordance with the legally binding definitive Share Sale Agreement (SSA) dated 30 March 2010.

ZABV was consolidated up to 8 June 2010 on which date the Group transferred control of its operations to another telecom operator (See note 4).

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2011 (Unaudited)

Saudi Mobile Telecommunications Company (SMTC)

SMTC incurred a net loss of Saudi Riyals (SAR) 980 million (KD 71 million) for the six months period ended 30 June 2011 (30 June 2010 – KD 100 million) and has accumulated losses of SAR 8.7 billion (KD 637 million) as of that date (31 December 2010 - KD 580 million; 30 June 2010 - KD 515 million). SMTC's current liabilities also exceed current assets by SAR 2.3 billion (KD 167 million) as of 30 June 2011 (31 December 2010 – KD 409 million; 30 June 2010 – KD 426 million).

The Group is also contingently liable for guarantees amounting to US\$ 1 billion (KD 279 million) as of 30 June 2011 (31 December 2010 - KD 270 million; 30 June 2010 – KD 236 million) relating to loans and other vendor financing availed by SMTC. The Group has provided a cash collateral of US\$ Nil (31 December 2010 - KD 170 million; 30 June 2010 – KD 174 million) against these guarantees (See note 3). The Group is also contingently liable for guarantees amounting to US\$ 515 million (KD 141 million) as of 30 June 2011 (31 December 2010 - KD 145 million; 30 June 2010 - KD 142 million) relating to loans granted to fellow members of SMTC of which US\$ 360 million (KD 98.64 million) was invoked by one of the lenders after the statement of financial position date as disclosed in note 15.

In February 2011, the Board of Directors of SMTC amended the earlier plan to restructure the share capital of the Company, which is subject to regulatory and shareholders approval, as follows:

- Reduce share capital from SAR 14 billion (KD 1.02 billion) (31 December 2010 – KD 1.05 billion) to SAR 6.265 billion (KD 458 million) (31 December 2010- SAR 7.328 billion; KD 550 million) by cancellation of 773.5 million (31 December 2010- 667 million) shares in order to absorb the accumulated losses of the Company as of 31 December 2010;
- Subsequently, to increase the share capital by SAR 4.383 billion (KD 320 million) (31 December 2010- SAR 4.383 billion; KD 332 million) through conversion of shareholders' loans and a rights issue.

The Group's investment in SMTC with a carrying value of KD 95 million (31 December 2010 - KD 115 million; 30 June 2010 - KD 142 million) has a fair value of KD 176 million (31 December 2010 - KD 203 million; 30 June 2010 - KD 228 million). The Group's net investment in SMTC including loans and receivable is KD 327 million (31 December 2010 - KD 338 million; 30 June 2010 - KD 348 million).

SMTC's independent auditor's modified review report for the period ended 30 June 2011 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its interim financial information for the period ended 30 June 2011 has been prepared on a going concern basis as SMTC believes it will be successful in meeting its obligations in the normal course of operations.

In April 2011, the Group received a non binding offer for its 25% interest in SMTC. The transaction is subject to customary due diligence which is currently in progress and related processes and will also require regulatory and other approvals whose timing and outcome are presently not determinable. Accordingly, the Group continues to present this investment as part of continuing operations.

Mobile Telecommunications Company Lebanon S.A.R.L.(MTCL)

On 30 January 2009, the Parent Company signed a new Network Management Agreement (NMA) with the Republic of Lebanon. This agreement expired on 30 January 2010 and has since been extended up to 31 January 2012. The financial information of MTCL are prepared on a going concern basis as the management believes that any potential adjustments to the presentation and amounts in the statement of financial position arising from expiry of the NMA may not be significant.

Interest in a jointly controlled entity – Zain Al Ajial S.A.

The carrying value of this jointly controlled entity is determined by the Group management using the equity method based on estimated results.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2011 (Unaudited)

Financial support to associate and group companies

The Group has committed to provide working capital and other financial support to Atheer Telecom Iraq Limited and SMTC whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2011. For further information, refer to the annual consolidated financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2010.

3. Cash and bank balances

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

	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
	<u>2011</u>	<u>2010</u>	<u>2010</u>
	<u>KD '000</u>		
Cash on hand and at banks	320,737	255,965	198,896
Short-term deposits with banks	204,648	377,133	413,948
Government certificates of deposits held by Zain Sudan	10,133	11,117	-
	<u>535,518</u>	<u>644,215</u>	<u>612,844</u>
Deposits with a foreign bank under lien (note 2)	-	(169,749)	(174,487)
Government certificates of deposits held by Zain Sudan with maturities exceeding three months	(10,133)	(11,117)	-
	<u>525,385</u>	<u>463,349</u>	<u>438,357</u>

4. Disposal of Zain Africa BV

In 2010, the Group disposed its entire shareholding in Zain Africa BV, Netherlands (ZABV) to a major mobile telecom operator based in India for an enterprise valuation of US\$ 10.7 billion (KD 3.1 billion). The buyer assumed US\$ 1.7 billion (KD 494 million) of Zain Africa BV's consolidated net debt obligations valuing the equity and shareholder loans of ZABV at US\$ 9 billion.

Accordingly, ZABV was deconsolidated and its revenue and costs for the period 1 January 2010 to 8 June 2010 was presented as a 'Discontinued Operation' based on International Financial Reporting Standard - (IFRS) 5 "Non current Assets Held for Sale and Discontinued Operations".

Out of the total US\$ 9 billion due, the Group received US\$ 8.163 billion (KD 2.370 billion) in 2010 after deduction of US\$ 54 million in accordance with SSA and the balance was settled in 2011 upon receipt of US\$ 765 million (KD 210 million) during the six months period ended 30 June 2011 after deduction of US\$ 18 million in accordance with Share Sale Agreement (SSA).

During the period, the Group released provisions of KD 16.320 million from the transaction and other costs related to sale of ZABV (refer note 12).

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	<u>(Unaudited)</u>		<u>(Unaudited)</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>KD'000</u>			
Attributable to:				
Shareholders of the Parent Company	-	759,047	16,320	751,441
Non-controlling interests	-	(4,616)	-	(9,632)
	<u>-</u>	<u>754,431</u>	<u>16,320</u>	<u>741,809</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2011 (Unaudited)

5. Due to banks

In March 2011, the Parent Company availed a term loan of US\$ 433.33 million (KD 120 million) repayable within one year from the date of the facility and a revolving credit facility of US\$ 866.67 million (KD 240 million) from a consortium of banks. As of 30 June 2011, US\$ 616.67 million (KD 169 million) was outstanding from this revolving credit facility.

The Group has classified the revolving credit facility as non-current since it has an option to extend the maturity date by further two years provided no defaults are outstanding under the agreement.

In April 2011, Atheer availed a syndicated long term loan amounting to US\$ 400 million (KD 110 million) which was guaranteed by the Parent Company. This facility is repayable in twenty four equal installments by January 2018.

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

- consolidated net borrowings to adjusted consolidated EBITDA
- adjusted consolidated EBIDTA to consolidated net interest payable
- equity to total assets
- net debt to EBITDA

The above facilities carry a floating interest rate of a fixed margin over London Inter Bank Offer Rate (LIBOR).

6. Share capital

The authorized share capital as of 30 June 2011 is 4,331,982,637 shares (31 December 2010 – 4,315,097,117; 30 June 2010 - 4,315,097,117) of 100 fils each.

The issued and fully paid up share capital as of 30 June 2011 consists of 4,307,534,661 shares of 100 fils each (31 December 2010 – 4,297,426,891 shares of 100 fils each; 30 June 2010 - 4,292,464,105 shares of 100 fils each).

At the extraordinary general meeting held on 12 April 2011, the Parent Company's shareholders approved decrease in authorized share capital by 7,562,456 shares and then to increase it by 24,447,976 shares to 4,331,982,637 shares.

At the extraordinary general meeting held on 27 May 2010, the Parent Company's shareholders approved decrease in authorized share capital by 4,907,565 shares and then to increase it by 22,633,012 shares to 4,315,097,117 shares.

7. Dividend

The annual general meeting of shareholders for the year ended 31 December 2010 held on 12 April 2011 (2009 - 27 May 2010) approved distribution of cash dividends of 200 fils (2009 -170 fils) per share amounting to KD 776,365,000 (2009 - KD 657,348,000).

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	Audited	Unaudited
	30 June	31 December	30 June
	2011	2010	2010
Number of shares	425,711,648	425,711,648	425,711,648
Percentage of issued shares	9.88%	9.91%	9.92%
Market value (KD '000)	442,740	647,082	476,797
Cost (KD '000)	567,834	567,834	567,834

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2011 (Unaudited)

9. Investment income

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2011	2010	2011	2010
	KD'000		KD'000	
Loss from investments "at fair value through profit or loss"	(44)	(1,710)	(1,177)	(647)
Realised gain / (loss) from investments 'available –for-sale'	533	(1,194)	572	(2,340)
Dividend income	609	495	1,310	1,003
	<u>1,098</u>	<u>(2,409)</u>	<u>705</u>	<u>(1,984)</u>

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 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2011	2010	2011	2010
	KD'000		KD'000	
Profit for the period attributable to shareholders:				
From continuing operations	70,263	84,736	123,858	143,884
From discontinued operations	-	759,047	16,320	751,441
	<u>70,263</u>	<u>843,783</u>	<u>140,178</u>	<u>895,325</u>
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue	3,881,823,013	3,866,752,457	3,881,823,013	3,866,752,457
Effect of dilution	5,863,340	12,667,322	6,587,712	12,326,949
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,887,686,353</u>	<u>3,879,419,779</u>	<u>3,888,410,725</u>	<u>3,879,079,406</u>
	Fils	Fils	Fils	Fils
Earnings per share – Basic				
From continuing operations	18	22	32	37
From discontinued operations	-	197	4	195
	<u>18</u>	<u>219</u>	<u>36</u>	<u>232</u>
Earnings per share – Diluted				
From continuing operations	18	22	32	37
From discontinued operations	-	197	4	195
	<u>18</u>	<u>219</u>	<u>36</u>	<u>232</u>

11. Segmental information

The Parent Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its main operations in Kuwait, the Parent Company also operates through its foreign subsidiaries in Jordan, Bahrain, Lebanon, Sudan and Iraq. The Group's operations in Sub-Saharan Africa are classified as a disposal group in accordance with IFRS 5 (notes 2 and 4). This forms the basis of the geographical segments.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2011 (Unaudited)

	30 June 2011						Total
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq	
Segment revenues	174,597	66,898	29,119	14,881	154,348	219,597	KD '000 659,440
Net profit before interest and tax	66,429	21,617	5,370	4,719	45,054	62,537	205,726
Interest income	3	606	74	17	1,639	697	3,036
Finance costs	-	(487)	-	(4)	(2,824)	(12,989)	(16,304)
Income tax expense	-	(5,040)	-	(742)	(6,768)	(8,399)	(20,949)
Net profit after interest and tax	66,432	16,696	5,444	3,990	37,101	41,846	171,509
<i>Unallocated items:</i>							
Investment income							705
Share of loss of associates							(18,144)
Share of profit of a jointly controlled entity							314
Others							(15,706)
Profit for the period from continuing operations							<u>138,678</u>
Profit for the period from discontinued operations							<u>16,320</u>
Profit for the period							<u>154,998</u>
Segment assets							
<i>Unallocated items:</i>							
Investment securities at fair value through profit or loss	207,493	215,501	60,045	13,580	925,588	998,245	2,420,452
Investment securities available for sale							6,364
Investment in associates							83,534
Interest in a jointly controlled entity							96,196
Loans to associates							40,584
Others							185,264
Consolidated assets							<u>429,459</u>
							<u>3,261,853</u>
Segment liabilities							
<i>Unallocated items:</i>							
Due to banks	64,323	35,427	21,404	6,346	305,185	244,898	677,583
Others							594,329
Consolidated liabilities							<u>(26,655)</u>
Net consolidated assets							<u>1,245,257</u>
							<u>2,016,596</u>
Capital expenditure	11,149	4,121	3,761	2	34,423	19,537	72,993
Unallocated							264
Total capital expenditure of the continuing operations							<u>73,257</u>
Depreciation and amortization	15,248	7,849	4,050	9	19,005	33,277	79,438
Unallocated							3,690
Total depreciation and amortization of the continuing operations							<u>83,128</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2011 (Unaudited)

	30 June 2010						Total
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq	
Segment revenues	172,677	71,708	38,602	14,868	165,791	208,927	KD '000 672,573
Net profit before interest and tax	65,420	24,263	9,604	5,178	68,606	62,965	236,036
Interest income	5	652	111	24	1,780	-	2,572
Finance costs	-	-	(37)	-	(3,142)	(18,497)	(21,676)
Income tax expense	-	(5,623)	-	(789)	(3,355)	(6,846)	(16,613)
Net profit after interest and tax	65,425	19,292	9,678	4,413	63,889	37,622	200,319
<i>Unallocated items:</i>							
Investment income							(1,984)
Share of loss of associates							(25,354)
Share of loss of a jointly controlled entity							(3,219)
Others							(10,328)
Profit for the period from continuing operations							159,434
Loss for the period from discontinued operations							741,809
Profit for the period							901,243
Segment assets	213,811	246,269	65,515	12,110	1,040,022	1,041,635	2,619,362
<i>Unallocated items:</i>							
Investment securities at fair value through profit or loss							6,927
Investment securities available for sale							90,023
Investment in associates							142,128
Interest in a jointly controlled entity							40,844
Loans to an associate							152,441
Others							751,164
Consolidated assets							3,802,889
Segment liabilities	68,424	31,251	23,598	5,604	273,030	290,774	692,681
<i>Unallocated items:</i>							
Due to banks							397,965
Others							34,323
Consolidated liabilities							1,124,969
Net consolidated assets							2,677,920
Capital expenditure of the continuing operations incurred during the period	6,645	3,118	6,293	8	59,157	54,421	129,642
Unallocated							1,255
Capital expenditure of the discontinued operations							130,897
Total capital expenditure incurred during the period							79,421
Depreciation and amortization	14,852	7,914	3,748	8	17,396	33,120	77,038
Unallocated							3,372
Total depreciation and amortization of the continuing operations							80,410

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2011 (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:

Transactions

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2011	2010	2011	2010
	KD'000		KD'000	
Management fee (included in other income)	3,380	3,582	6,360	6,271
Interest income on loans to associates	2,812	2,211	5,582	4,335

	Unaudited	Audited	Unaudited
	30 June 2011	31 December 2010	30 June 2010
	KD '000		
Trade and other receivables	4,358	4,430	3,630
Trade and other payables	4,072	3,861	2,964

Key management compensation

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2011	2010	2011	2010
	KD'000		KD'000	
Salaries and other short term employee benefits	2,727	898	4,097	2,249
Post employment benefits	788	94	968	290
Share based compensation	122	582	245	963

Salaries and other short term employee benefits for the year ended 31 December 2010 included a provision of KD 27.5 million of which KD 23.8 million was on account of sale of ZABV. During the period, the Group reversed KD 20.057 million from this provision net of foreign currency translation adjustments in 2010 and 2011 aggregating KD 1.1 million. Of this amount KD 16.320 million is reversed in discontinued operations (note 4) and the balance is reversed in continuing operations.

13. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 June 2011	31 December 2010	30 June 2010
	KD '000		
Capital expenditure	64,436	86,657	75,074
Contingent capital commitment under SSA	-	-	243,000
Capital expenditure - share of associate	17,626	26,116	20,789
Uncalled share capital of investee companies	281	289	414
Letters of credit	18,109	13,531	21,209
Letters of guarantee	442,188	436,592	399,924

Under several local license agreements, certain subsidiaries are committed to build local GSM networks reaching specified local coverage at agreed rates.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2011 (Unaudited)

The Iraqi telecom regulatory authority has imposed a KD 77 million (US\$ 280.61 million) (31 December 2010: US\$ 280.61 million - KD 79 million; 30 June 2010: US\$ 18.61 million - KD 5.4 million) penalty on Atheer citing breach of certain network quality covenants and non-compliance with certain licence terms. The Group believes that it has complied with the network quality covenants and licence terms and that it has meritorious defences against these claims.

Under the 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.

Legal proceedings have been initiated by and against the Group in number of jurisdictions. On the basis of information currently available, and having taken counsel with legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the condensed consolidated financial position or the consolidated operations of the Group.

14. Derivative financial instruments

The table below shows notional amounts of derivative financial instruments 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 and are not indicative of either market or credit risk.

At 30 June 2011:

	Notional amounts by term to maturity (Unaudited)			
	Notional amount	Within 3 months	3 - 12 months	Over 1 year
	KD'000			
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Commission rate swaps - Share of an associate	151,454	-	151,454	-

At 31 December 2010:

	Notional amounts by term to maturity (Audited)			
	Notional amount	Within 3 months	3 - 12 months	Over 1 year
	KD'000			
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Commission rate swaps - Share of an associate	155,391	-	-	155,391

At 30 June 2010:

	Notional amounts by term to maturity (Unaudited)			
	Notional amount	Within 3 months	3 -12 months	Over 1 year
	KD'000			
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Interest rate swaps	57,920	57,920	-	-

15. Events after the reporting period

Sudan

On 9 July 2011, South Sudan became a newly independent country. Till such time the Group obtains a new license in South Sudan it will continue operations there under its existing license for Sudan. The Group has assessed that this event does not materially affect the carrying value of the goodwill and license of the Sudan operations.

Financial guarantees

On 25 July 2011, the Group paid US\$ 360 million (KD 98.64 million) out of the US\$ 480 million guarantee provided by the Parent Company to lending banks for loans to a fellow member of SMTC, as it was invoked by one of the lenders. This amount is recoverable from the fellow member of SMTC in accordance with an agreement. The Group has determined that this is not expected to have a materially adverse financial effect on the Group.

16. Comparative figures

Certain comparative amounts have been reclassified to conform to the current period presentation, but with no effect on net profit or equity.