

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

**Condensed Consolidated Interim Financial Information (Unaudited)
31 March 2012**

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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 31 March 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

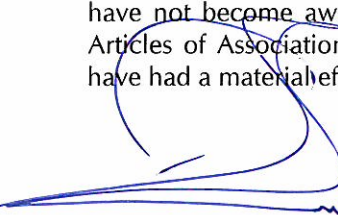
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

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 three month period ended 31 March 2012 that might have had a material effect on the business of the Group or on its financial position.



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



Dr. Saud Al-humaidi
License No. 51A
Dr. Saud Al-humaidi & Partners
Member of Baker Tilly International

Condensed Consolidated Statement of Financial Position as at 31 March 2012 (Unaudited)

	Note	Unaudited 31 March 2012	Audited 31 December 2011	Unaudited 31 March 2011
KD '000				
Assets				
Current assets				
Cash and bank balances	3	424,004	404,764	1,048,111
Trade and other receivables		334,368	332,843	461,076
Inventories		24,952	21,182	13,232
Investment securities- at fair value through profit or loss		6,587	5,879	6,358
		<u>789,911</u>	<u>764,668</u>	<u>1,528,777</u>
Non-current assets				
Investment securities – available for sale		64,742	62,470	88,754
Investment in associates		73,877	81,131	104,869
Interest in a jointly controlled entity		46,185	44,871	39,368
Loans to associates		189,737	190,166	184,691
Property and equipment		794,911	795,644	757,262
Intangible assets		1,250,637	1,256,094	1,244,717
Other assets		81,220	92,190	28,314
		<u>2,501,309</u>	<u>2,522,566</u>	<u>2,447,975</u>
Total Assets		<u><u>3,291,220</u></u>	<u><u>3,287,234</u></u>	<u><u>3,976,752</u></u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		783,375	506,541	577,733
Due to banks	4	149,121	313,823	230,454
		<u>932,496</u>	<u>820,364</u>	<u>808,187</u>
Non-current liabilities				
Due to banks	4	332,276	226,159	330,632
Other non- current liabilities		36,541	35,173	142,582
		<u>368,817</u>	<u>261,332</u>	<u>473,214</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	5	431,356	430,754	430,754
Share premium		1,705,158	1,703,351	1,703,351
Treasury shares	7	(567,834)	(567,834)	(567,834)
Legal reserve		215,377	215,377	214,871
Foreign currency translation reserve		(218,821)	(214,064)	(262,844)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of associate		(1,755)	(1,760)	(1,748)
Investment fair valuation reserve		(7,895)	(10,046)	(5,602)
Share based compensation reserve		4,082	7,141	5,991
Hedge reserve		-	(849)	(1,796)
Retained earnings		314,944	516,453	302,008
Proposed dividend		-	-	776,365
		<u>1,876,579</u>	<u>2,080,490</u>	<u>2,595,483</u>
Non- controlling interests		113,328	125,048	99,868
Total equity		<u><u>1,989,907</u></u>	<u><u>2,205,538</u></u>	<u><u>2,695,351</u></u>
Total Liabilities and Equity		<u><u>3,291,220</u></u>	<u><u>3,287,234</u></u>	<u><u>3,976,752</u></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 7 May 2012.


Asaad Ahmed Al Banwan
Chairman


Nabeel Bin Salamah
Chief Executive Officer

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

Condensed Consolidated Statement of Income – three months ended 31 March 2012 (Unaudited)

	Note	Three months ended 31 March	
		2012	2011
		KD'000	
Continuing operations			
Revenue		325,729	324,378
Cost of sales		<u>(87,891)</u>	<u>(86,534)</u>
Gross profit		237,838	237,844
Distribution, marketing & operating expenses		(62,687)	(67,587)
General and administrative expenses		(21,969)	(19,382)
Depreciation and amortization		(47,382)	(41,810)
Provision for doubtful debts		<u>(2,379)</u>	<u>(3,152)</u>
Operating profit		103,421	105,913
Interest income		4,487	4,345
Investment income	8	773	(393)
Share of loss of associates		(7,896)	(10,001)
Share of profit/(loss) of jointly controlled entity		1,452	(902)
Other income		3,130	2,578
Finance costs		(5,116)	(5,523)
Loss on currency revaluation		(4,406)	(23,515)
Board of Directors' remuneration		(108)	(8)
Contribution to Kuwait Foundation for Advancement of Sciences		(731)	(720)
National Labour Support Tax and Zakat		<u>(2,619)</u>	<u>(2,025)</u>
Profit for the period before income tax		92,387	69,749
Income tax expense		<u>(14,707)</u>	<u>(8,611)</u>
Profit for the period from continuing operations		77,680	61,138
Discontinued operations	11		
Release of provisions		-	16,320
Profit for the period		<u>77,680</u>	<u>77,458</u>
Attributable to:			
Shareholders of the Parent Company		70,919	69,915
Non-controlling interests		<u>6,761</u>	<u>7,543</u>
		<u>77,680</u>	<u>77,458</u>
Earnings per share			
	9		
Basic – Fils			
From continuing operations		18	14
From discontinued operations		-	4
		<u>18</u>	<u>18</u>
Diluted – Fils			
From continuing operations		18	14
From discontinued operations		-	4
		<u>18</u>	<u>18</u>

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

Mobile Telecommunications Company K.S.C.
Kuwait

Condensed Consolidated Statement of Comprehensive Income – three months ended 31 March 2012
(Unaudited)

	Three months ended	
	31 March	
	2012	2011
	KD'000	
Profit for the period	77,680	77,458
Other comprehensive income		
<i>On continuing operations:</i>		
Exchange differences on translating foreign operations	(5,079)	(120,773)
Net unrealised gains/(loss) on available for sale investments	2,198	(10,121)
Net realised loss transferred to consolidated statement of income on available for sale investments (net of impairment losses)	(47)	(13)
Cash flow hedges	849	728
Share based compensation	126	456
Share of other comprehensive income of an associate	5	31
	<u>(1,948)</u>	<u>(129,692)</u>
Total comprehensive income for the period	<u>75,732</u>	<u>(52,234)</u>
Total comprehensive income attributable to:		
Shareholders of the Parent Company		
From continuing operations	69,293	(74,401)
From discontinued operations	-	16,320
	<u>69,293</u>	<u>(58,081)</u>
Non-controlling interests		
From continuing operations	6,439	5,847
From discontinued operations	-	-
	<u>6,439</u>	<u>5,847</u>

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

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

Condensed Consolidated Statement of Changes in Equity – three months ended 31 March 2012 (Unaudited)

	Equity attributable to Parent Company's shareholders												Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Foreign currency translation reserve	Treasury shares reserve	Equity issue transaction cost of associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve	Retained earnings	Proposed dividend		
													KD '000	
Balance at 1 January 2012	430,754	1,703,351	(567,834)	215,377	(214,064)	1,967	(1,760)	(10,046)	7,141	(849)	516,453	-	125,048	2,205,538
Exercise of share options	602	1,807	-	-	-	-	-	-	-	-	-	-	-	2,409
Purchase from a non controlling interest (note 2)	-	-	-	-	-	-	-	-	-	-	(22,903)	-	(13,275)	(36,178)
Cash dividends (2011)	-	-	-	-	-	-	-	-	-	-	(252,710)	-	(4,884)	(257,594)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(3,185)	-	3,185	-	-	-
Total comprehensive income for the period	-	-	-	-	(4,757)	-	5	2,151	126	849	70,919	-	6,439	75,732
Balance at 31 March 2012	<u>431,356</u>	<u>1,705,158</u>	<u>(567,834)</u>	<u>215,377</u>	<u>(218,821)</u>	<u>1,967</u>	<u>(1,755)</u>	<u>(7,895)</u>	<u>4,082</u>	<u>-</u>	<u>314,944</u>	<u>-</u>	<u>113,328</u>	<u>1,989,907</u>
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)	776,365	(6,906)	(6,906)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(1,851)	-	1,851	-	-	-
Total comprehensive income for the period	-	-	-	-	(119,077)	-	31	(10,134)	456	728	69,915	-	5,847	(52,234)
Balance at 31 March 2011	<u>430,754</u>	<u>1,703,351</u>	<u>(567,834)</u>	<u>214,871</u>	<u>(262,844)</u>	<u>1,967</u>	<u>(1,748)</u>	<u>(5,602)</u>	<u>5,991</u>	<u>(1,796)</u>	<u>302,008</u>	<u>776,365</u>	<u>99,868</u>	<u>2,695,351</u>

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

Condensed Consolidated Statement of Cash Flows – three months ended 31 March 2012 (Unaudited)

	Three months ended 31 March	
	2012	2011
	<u>KD'000</u>	
Cash flows from operating activities		
Profit for the period before income tax of continuing and discontinued operations	92,387	86,069
Adjustments for:		
Depreciation and amortization	47,382	41,810
Interest income	(4,487)	(4,345)
Investment income	(773)	393
Share of loss of associates	7,896	10,001
Share of (profit)/loss of jointly controlled entity	(1,452)	902
Finance costs	5,116	5,523
Loss from currency revaluation	4,406	23,515
Operating profit before working capital changes	150,475	163,868
Increase in trade and other receivables	(10,393)	(33,311)
Increase in inventories	(3,932)	(878)
(Decrease)/increase in trade and other payables	(10,416)	5,024
Cash generated from operations	125,734	134,703
Paid to Kuwait Foundation for Advancement of Sciences	(5,058)	(1,818)
Income tax paid	(8,823)	(1,021)
<i>Net cash from operating activities</i>	<u>111,853</u>	<u>131,864</u>
Cash flows from investing activities		
Deposits maturing after three months	(15,065)	-
Purchase of investments	(276)	(712)
Proceeds from sale of investments	73	226
Acquisition of property and equipment (net)	(25,328)	(40,897)
Acquisition of intangible assets	(8,368)	(40)
Interest received	4,488	4,006
Dividend received	100	701
<i>Net cash used in investing activities</i>	<u>(44,376)</u>	<u>(36,716)</u>
Cash flows from financing activities		
Capital contribution including share premium – employees stock option	2,409	6,574
(Repayments to)/borrowings from banks (net)	(57,344)	338,657
Dividends paid to Parent Company's shareholders	(555)	(789)
Dividends paid to minority shareholders of subsidiaries	(1,271)	(4,341)
Finance costs	(2,013)	(14,187)
<i>Net cash (used in)/from financing activities</i>	<u>(58,774)</u>	<u>325,914</u>
Net increase in cash and cash equivalents	8,703	421,062
Effect of foreign currency translation	(4,528)	(12,970)
Cash and cash equivalents at beginning of period	386,147	463,349
Cash and cash equivalents at end of period (Note 3)	<u><u>390,322</u></u>	<u><u>871,441</u></u>

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2012 (Unaudited)

1. Incorporation and activities

Mobile Telecommunications Company K.S.C. (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 8 other countries (31 December 2011 - Kuwait and 8 other countries; 31 March 2011 - 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 2011.

Amendments to IFRS, which are effective for the annual accounting period starting from 1 January 2012 did not have any material impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but not effective.

Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2012. For further information, refer to the consolidated annual financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2011.

Saudi Mobile Telecommunications Company (SMTC)

SMTC incurred a net loss of Saudi Riyals (SAR) 419.988 million (KD 31 million) for the three month period ended 31 March 2012 (31 March 2011 – KD 40 million) and has accumulated losses of SAR 10.081 billion (KD 748 million) as of that date (31 December 2011- KD 710 million; 31 March 2011 - KD 609 million). SMTC's current liabilities also exceed current assets by SAR 13.234 billion (KD 979 million) as of 31 March 2012 (31 December 2011 - KD 970 million; 31 March 2011 - KD 358 million).

In October 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 1.04 billion) to SAR 4.8 billion (KD 355 million) by cancellation of 919.9 million shares in order to absorb the accumulated losses of the Company as of 30 September 2011;
- Subsequently, to increase the share capital by SAR 6 billion (KD 444 million) through conversion of shareholders' loans and a rights issue.

The Group's investment in SMTC with a carrying value of KD 72 million (31 December 2011 - KD 80 million; 31 March 2011 - KD 104 million) has a fair value of KD 281 million (31 December 2011 - KD 144 million; 31 March 2011 - KD 178 million). The Group's net investment in SMTC including loans and receivable is KD 328 million (31 December 2011 - KD 329 million; 31 March 2011 - KD 329 million).

In December 2011, SMTC formally submitted a request to exercise the option to extend the maturity date of its syndicated murabaha loan to July 2012 and in January 2012, received unanimous consent from the lenders to extend the maturity date.

SMTC has also, further to its Board's approval, commenced negotiations with the current lenders and to seek new potential lenders to refinance the existing facility. SMTC is currently evaluating the terms and conditions and it is expected that the refinancing agreement will be most likely signed during first half of 2012.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2012 (Unaudited)

SMTC's independent auditor's modified review report for the three month period ended 31 March 2012 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its interim financial information for the period ended 31 March 2012 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.

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

The Group's Network Management Agreement (NMA) with the Republic of Lebanon has been extended up to 31 January 2013. 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.

Atheer, Iraq

During the period, the Group acquired an additional 4.333% equity interest in Atheer, Iraq from a non-controlling interest for a consideration of US\$ 130 million (KD 36 million). The difference between the consideration paid and the carrying value of the shares acquired is recorded in equity.

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

The carrying value of this jointly controlled entity and its results for the period are determined by Group management using the equity method based on estimated results.

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.

3. Cash and bank balances

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

	<u>Unaudited</u> <u>31 March</u> <u>2012</u>	<u>Audited</u> <u>31 December</u> <u>2011</u>	<u>Unaudited</u> <u>31 March</u> <u>2011</u>
	<u>KD '000</u>		
Cash on hand and at banks	219,320	196,846	637,144
Short-term deposits with banks	192,348	197,626	401,188
Government certificates of deposits held by a subsidiary	12,336	10,292	9,779
	<u>424,004</u>	<u>404,764</u>	<u>1,048,111</u>
Deposits with a foreign bank under lien (Note 12)	-	-	(166,891)
Government certificates of deposits held by a subsidiary	(12,336)	(10,292)	(9,779)
Deposits with maturities exceeding three months	(21,346)	(8,325)	-
	<u><u>390,322</u></u>	<u><u>386,147</u></u>	<u><u>871,441</u></u>

4. Due to banks

In March 2012, the Parent Company obtained a term loan of US\$ 160 million (KD 44 million) repayable within three years from the date of the facility.

In March 2012, the Parent Company repaid the term loan of US\$ 433.33 million (KD 120 million) availed in March 2011.

In February 2012, Zain Sudan repaid all its Euro denominated loans equivalent to KD 82 million.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2012 (Unaudited)

In March 2011, the Parent Company secured a revolving credit facility of US\$ 866.67 million (KD 240 million) from a consortium of foreign banks. The revolving credit facility has been classified as non-current since the repayment date can be extended till March 2014, at the option of the borrower. As of 31 March 2012, US\$ 660 million (KD 183 million) (31 December 2011 - KD 63 million; 31 March 2011- KD 240 million) was outstanding on this revolving credit facility.

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

5. Share capital

The authorized share capital as of 31 March 2012 is 4,331,982,637 shares (31 December 2011 – 4,331,982,637; 31 March 2011 - 4,315,097,117) of 100 fils each.

At the extraordinary general meeting held on 12 April 2012, the Parent Company's shareholders approved decrease in authorized share capital by 18,422,725 shares and then to increase it by 9,014,983 shares to 4,322,574,895, subject to regulatory approval.

The issued and fully paid up share capital as of 31 March 2012 consists of 4,313,559,912 shares of 100 fils each (31 December 2011 – 4,307,534,661 shares of 100 fils each; 31 March 2011 - 4,307,534,661 shares of 100 fils each).

6. Dividend

The annual general meeting of shareholders for the year ended 31 December 2011 held on 29 March 2012 (2011 - 12 April 2011) approved distribution of cash dividends of 65 fils (2010 - 200 fils) per share amounting to KD 252,710,000 (2010- KD 776,365,000). Dividend for 2010 was presented under equity as the annual general meeting of the shareholders approved it after 31 March 2011.

7. 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.

	<u>Unaudited</u> <u>31 March</u> <u>2012</u>	<u>Audited</u> <u>31 December</u> <u>2011</u>	<u>Unaudited</u> <u>31 March</u> <u>2011</u>
Number of shares	425,711,648	425,711,648	425,711,648
Percentage of issued shares	9.87%	9.88%	9.88%
Market value (KD '000)	370,369	383,140	561,939
Cost (KD '000)	567,834	567,834	567,834

8. Investment income

	<u>Three months ended</u> <u>31 March</u> <u>(Unaudited)</u>	
	<u>2012</u>	<u>2011</u>
	<u>KD'000</u>	
Gain/ (loss) from investment securities "at fair value through profit or loss"	729	(1,133)
Realised (loss)/ gain from investment securities 'available for sale'	(56)	39
Dividend income	100	701
	<u>773</u>	<u>(393)</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2012 (Unaudited)

9. 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 31 March (Unaudited)	
	2012	2011
	KD'000	
Profit for the period attributable to shareholders		
From continuing operations	70,919	53,595
From discontinued operations	-	16,320
	<u>70,919</u>	<u>69,915</u>
	Shares	Shares
Weighted average number of shares in issue	3,887,848,264	3,881,823,013
Effect of dilution	<u>1,803,317</u>	<u>7,137,397</u>
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,889,651,581</u>	<u>3,888,960,410</u>
	Fils	Fils
Earnings per share – Basic		
From continuing operations	18	14
From discontinued operations	-	4
	<u>18</u>	<u>18</u>
	Fils	Fils
Earnings per share – Diluted		
From continuing operations	18	14
From discontinued operations	-	4
	<u>18</u>	<u>18</u>

10. 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 (North and South Sudan) and Iraq. This forms the basis of the geographical segments.

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

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2012 (Unaudited)

	31 March 2012					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	84,306	33,234	76,576	114,919	16,694	325,729
Net profit before interest and tax	29,044	9,697	19,554	33,439	2,565	94,299
Interest income	1	205	1,312	119	23	1,660
Finance cost	-	(347)	(701)	(4,033)	-	(5,081)
Income tax expense	-	(2,140)	(7,403)	(4,891)	(187)	(14,621)
Net profit after interest and tax	<u>29,045</u>	<u>7,415</u>	<u>12,762</u>	<u>24,634</u>	<u>2,401</u>	<u>76,257</u>
<i>Unallocated items:</i>						
Investment income						773
Share of loss of an associate						(7,896)
Share of profit of jointly controlled entity						1,452
Others						7,094
Profit for the period from continuing operations						<u>77,680</u>
Profit for the period from discontinued operations						-
Profit for the period						<u><u>77,680</u></u>
Segment assets	227,755	210,962	1,003,420	941,714	77,765	2,461,616
<i>Unallocated items:</i>						
Investment securities at fair value through profit or loss						6,587
Investment securities available for sale						64,742
Investment in associates						73,877
Interest in a jointly controlled entity						46,185
Loans to associates						189,737
Others						448,476
Consolidated assets						<u><u>3,291,220</u></u>
Segment liabilities	79,656	49,895	424,111	133,487	39,059	726,208
<i>Unallocated items:</i>						
Due to banks						481,397
Others						93,708
Consolidated liabilities						<u><u>1,301,313</u></u>
Net consolidated assets						<u><u>1,989,907</u></u>
Capital expenditure during the period	11,125	2,828	5,651	9,246	4,816	33,666
Unallocated						30
Total capital expenditure incurred during the period						<u><u>33,696</u></u>
Depreciation and amortization	10,531	4,982	9,244	17,470	3,272	45,499
Unallocated						1,883
Total depreciation and amortization						<u><u>47,382</u></u>

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2012 (Unaudited)

	31 March 2011					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	85,480	32,647	76,158	108,190	21,903	324,378
Net profit before interest and tax	32,327	10,332	13,747	31,395	5,568	93,369
Interest income	1	460	-	339	70	870
Finance cost	-	(244)	(1,298)	(7,084)	-	(8,626)
Income tax expense	-	(2,562)	(1,405)	(4,208)	(344)	(8,519)
Net profit after interest and tax	<u>32,328</u>	<u>7,986</u>	<u>11,044</u>	<u>20,442</u>	<u>5,294</u>	77,094
<i>Unallocated items:</i>						
Investment income						(393)
Share of loss of associates						(10,001)
Share of loss of jointly controlled entity						(902)
Others						(4,660)
Profit for the period from continuing operations						61,138
Loss for the period from discontinued operations						16,320
Profit for the period						77,458
Segment assets	194,858	237,844	870,686	1,037,414	76,562	2,417,364
<i>Unallocated items:</i>						
Investment securities at fair value through profit or loss						6,358
Investment securities available for sale						88,754
Investment in associates						104,869
Interest in a jointly controlled entity						39,368
Loans to an associate						184,691
Others						1,135,348
Consolidated assets						3,976,752
Segment liabilities	65,734	33,232	289,438	260,318	33,263	681,985
<i>Unallocated items:</i>						
Due to banks						561,086
Others						38,330
Consolidated liabilities						1,281,401
Net consolidated assets						2,695,351
Capital expenditure incurred during the period	4,515	2,018	22,218	10,922	1,130	40,803
Unallocated						134
Total capital expenditure incurred during the period						40,937
Depreciation and amortization	7,634	3,816	9,854	16,631	2,016	39,951
Unallocated						1,859
Total depreciation and amortization						41,810

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2012 (Unaudited)

11. 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 31 March (Unaudited)	
	2012	2011
	KD'000	
Management fee (included in other income)	3,046	2,980
Interest income on loans to an associate	2,860	2,770

	Unaudited 31 March 2012	Audited 31 December 2011	Unaudited 31 March 2011
	KD '000		
Trade and other receivables	1,463	3,932	4,354
Trade and other payables	1,946	2,627	3,029

Key management compensation

	Three months ended 31 March (Unaudited)	
	2012	2011
	KD'000	
Salaries and other short term employee benefits	2,316	1,370
Post employment benefits	768	180
Share based compensations	34	123

In 2011, the Group reversed KD 20.057 million from the opening balance provision (net of KD 1.1 million foreign currency translation adjustments). Of this amount KD 16.320 million was released in discontinued operations and the balance in continuing operations.

12. Commitments and contingencies

	Unaudited 31 March 2012	Audited 31 December 2011	Unaudited 31 March 2011
	KD '000		
Capital expenditure	103,243	109,049	66,408
Capital expenditure - share of an associate	6,678	7,712	20,328
Uncalled share capital of investee companies	281	276	284
Letters of credit	63,020	66,558	30,987
Letters of guarantee	320,383	317,889	439,562

The above include guarantees/ letters of credit amounting to US\$ 1.163 billion (KD 323 million) relating to a loan and other vendor financing availed by SMTC (31 December 2011 - KD 325 million, 31 March 2011 - KD 276 million). The Group has provided cash collaterals of US\$ Nil (31 December 2011 - KD Nil, 31 March 2011 - US\$ 483 million and SAR 452 million amounting to KD 167 million) against these guarantees.

The Parent Company is a guarantor for credit facilities of US\$ 35 million (KD 10 million) (31 December 2011 - KD 10 million; 31 March 2011 - KD 10 million) granted to a founding shareholder in SMTC. The Parent Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2012 (Unaudited)

In March 2011, the Iraqi telecom regulatory authority imposed a US\$ 280.61 million (KD 78 million) (31 December 2011: KD 78 million; 31 March 2011: KD 78 million) penalty on Atheer citing breach of certain network quality covenants and non-compliance with certain licence terms. In response to the appeal made by Atheer, the Board of Appeals of the telecom regulatory authority has issued an order during the quarter to cancel the above decision and reconsider the case again. The Group believes that it has complied with the network quality covenants and license terms.

The Group has a contingent liability of US\$ 70 million (KD 19 million) in the form of a general claim on mobile telecom companies operating in South Sudan from the Ministry of Telecommunications & Postal Services, South Sudan ("the Ministry") in February 2012, as tentative license fee for GSM services. The Group has not accepted the claim, as it is without any basis and accordingly this has not been recognized as a liability.

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

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 a number of jurisdictions on various matters.

On the basis of information currently available, and having taken counsel with legal advisors, Group management is of the opinion that the outcome of the above matters is unlikely to have a material adverse effect on the consolidated financial position and the consolidated performance of the Group.

13. 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 31 March 2012:

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

At 31 December 2011:

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 - 12 months	Over 1 year
Derivatives held for hedging:				KD'000
<i>Cash flow hedges</i>				
Commission rate swaps - Share of an associate	153,733	153,733	-	-

At 31 March 2011:

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 - 12 months	Over 1 year
Derivatives held for hedging:				KD'000
<i>Cash flow hedges</i>				
Interest rate swaps	152,697	-	152,697	-

14. Comparative figures

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