Mobile Telecommunications Company K.S.C.
Kuwait

Condensed Consolidated Interim Financial Information (Unaudited)
30 September 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 September 2011 and the related condensed consolidated statements of income and comprehensive income for three months and nine months period then ended and the related condensed consolidated statements of changes in equity and cash flows for the nine 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 September 2011 that might have had a material effect on the business of the Group or on its financial position.

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Kuwait
1 November 2011

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

	Note	Unaudited 30 September 2011	Audited 31 December 2010	Unaudited 30 September 2010
				KD '000
Assets				
Current assets				
Cash and bank balances	3	388,037	644,215	635,136
Trade and other receivables	5	352,917	472,570	521,393
Inventories		21,878	13,258	13,369
Investment securities – at fair value through profit or loss		6,005	7,465	7,685
		768,837	1,137,508	1,177,583
Non-current assets				
Investment securities – available for sale		69,260	98,641	97,805
Investment in associates		88,839	116,096	126,054
Interest in a jointly controlled entity		39,900	40,270	39,156
Loans to associates		186,682	187,263	183,774
Property and equipment		779,494	793,686	776,416
Intangible assets		1,253,535	1,304,449	1,352,138
Other assets		69,085	32,024	303
		2,486,795	2,572,429	2,575,646
Total Assets		3,255,632	3,709,937	3,753,229
Liabilities and Equity				
Current liabilities				
Trade and other payables		570,730	593,221	587,900
Due to banks	6	268,434	124,933	182,326
		839,164	718,154	770,226
Non-current liabilities				
Due to banks	6	265,590	94,734	107,525
Other non-current liabilities		37,351	149,132	150,309
		302,941	243,866	257,834
Equity				
Attributable to the Parent Company's shareholders				
Share capital	7	430,754	429,743	429,246
Share premium		1,703,351	1,697,788	1,697,785
Treasury shares	9	(567,834)	(567,834)	(567,834)
Legal reserve		214,871	214,871	147,989
Foreign currency translation reserve		(223,625)	(143,767)	(69,077)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of an associate		(1,750)	(1,779)	(1,798)
Investment fair valuation reserve		(7,300)	4,532	2,660
Share based compensation reserve		6,740	7,386	6,735
Hedge reserve		(845)	(2,524)	(3,758)
Retained earnings		442,334	1,006,607	989,221
		1,998,663	2,646,990	2,633,136
Non-controlling interests		114,864	100,927	92,033
Total Equity		2,113,527	2,747,917	2,725,169
Total Liabilities and Equity		3,255,632	3,709,937	3,753,229

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 1 November 2011.

Asaad Ahmed Al Banwan
Chairman

Nabeel Bin Salamah
Chief Executive Officer

Mobile Telecommunications Company K.S.C.
Kuwait

Condensed Consolidated Statement of Income – nine months ended 30 September 2011 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2011	2010 (Restated)	2011	2010 (Restated)
			KD'000		KD'000
Continuing operations					
Revenue		328,669	337,243	988,109	1,009,816
Cost of sales		(89,264)	(89,092)	(266,363)	(267,434)
Gross profit		239,405	248,151	721,746	742,382
Distribution, marketing & operating expenses		(70,919)	(62,220)	(209,161)	(198,938)
General and administrative expenses		(15,464)	(23,398)	(61,796)	(91,486)
Depreciation and amortization		(41,377)	(43,577)	(124,505)	(123,987)
Provision for doubtful debts		(1,747)	(2,103)	(6,402)	(4,367)
Operating profit		109,898	116,853	319,882	323,604
Interest income		5,205	5,886	14,988	13,105
Investment income	10	(886)	1,365	(181)	(619)
Share of loss of associates		(8,837)	(9,845)	(26,981)	(35,199)
Share of loss of a jointly controlled entity		(684)	(2,731)	(370)	(5,950)
Other income		4,349	7,137	1,892	14,072
Finance costs		(7,587)	(6,165)	(21,595)	(49,083)
Loss from currency revaluation		(6,732)	(9,508)	(27,644)	24,020
Board of Directors' remuneration		(8)	(8)	(24)	(24)
Contribution to Kuwait Foundation for Advancement of Sciences		(721)	(827)	(2,163)	(2,109)
National Labour Support Tax and Zakat		(2,225)	(2,349)	(6,214)	(5,759)
Profit for the period before income tax		91,772	99,808	251,590	276,058
Income tax expense of subsidiares		(13,281)	(10,299)	(34,421)	(27,115)
Profit for the period from continuing operations		78,491	89,509	217,169	248,943
Discontinued operations	4				
Profit from discontinued operations		-	-	-	741,809
Release of provisions		-	-	16,320	-
Profit for the period		78,491	89,509	233,489	990,752
Attributable to:					
Shareholders of the Parent Company		70,063	80,312	210,241	975,637
Non-controlling interests		8,428	9,197	23,248	15,115
		78,491	89,509	233,489	990,752
Earnings per share	11				
Basic – Fils					
From continuing operations		18	20	50	57
From discontinued operations		-	-	4	195
		18	20	54	252
Diluted – Fils					
From continuing operations		18	20	50	57
From discontinued operations		-	-	4	195
		18	20	54	252

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

Condensed Consolidated Statement of Comprehensive Income – nine months ended 30 September 2011 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
		KD'000		KD'000
Profit for the period	78,491	89,509	233,489	990,752
Other comprehensive income				
On continuing operations:				
Exchange differences on translating foreign operations	19,239	(48,001)	(81,461)	(99,843)
Net unrealised gains/ (loss) on available-for-sale investments	(3,103)	8,626	(12,697)	8,053
Net realised (gains)/ loss transferred to statement of income on available-for-sale investments (net of impairment losses)	1,242	(1,133)	865	1,179
Cash flow hedges	-	1,309	-	1,298
Share based compensation	401	648	1,205	2,574
Share of other comprehensive income of an associate	630	(3,725)	1,708	(3,742)
	18,409	(42,276)	(90,380)	(90,481)
On discontinued operations- transfers to condensed consolidated statement of income:				
Cumulative exchange differences	-	-	-	50,607
Net realised loss on available for sale investments	-	-	-	1,147
Cash flow hedges	-	-	-	48,000
	-	-	-	99,754
Total comprehensive income for the period	96,900	47,233	143,109	1,000,025
Total comprehensive income attributable to:				
Shareholders of the Parent Company				
From continuing operations	87,408	39,693	105,144	134,625
From discontinued operations	-	-	16,320	851,618
	87,408	39,693	121,464	986,243
Non-controlling interests				
From continuing operations	9,492	7,540	21,645	23,836
From discontinued operations	-	-	-	(10,054)
	9,492	7,540	21,645	13,782

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 – nine months ended 30 September 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		
														KD '000
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)	(7,708)	(784,073)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	(1,851)	-	1,851	-	-
Total comprehensive income for the period	-	-	-	-	-	(79,858)	-	29	(11,832)	1,205	1,679	210,241	21,645	143,109
Balance at 30 September 2011	430,754	1,703,351	(567,834)	214,871	-	(223,625)	1,967	(1,750)	(7,300)	6,740	(845)	442,334	114,864	2,113,527
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)	(10,545)	(667,893)
Sale of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(93,080)	(93,080)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	(14,200)	-	14,200	-	-
Total comprehensive income for the period	-	-	-	-	-	(47,903)	-	16	10,379	2,574	45,540	975,637	13,782	1,000,025
Balance at 30 September 2010	429,246	1,697,785	(567,834)	147,989	-	(69,077)	1,967	(1,798)	2,660	6,735	(3,758)	989,221	92,033	2,725,169

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

Condensed Consolidated Statement of Cash Flows – nine months ended 30 September 2011 (Unaudited)

	Nine months ended 30 September	
	2011	2010
		KD'000
Cash flows from operating activities		
Profit for the period before income tax from continuing and discontinued operations	267,910	1,015,938
Adjustments for:		
Depreciation and amortization	124,505	238,050
Interest income	(14,988)	(15,235)
Investment income	181	619
Gain from disposal of a subsidiary	-	(778,134)
Share of loss of associates	26,981	35,199
Share of loss of a jointly controlled entity	370	5,950
Finance costs	21,595	72,438
Loss/ (gain) from currency revaluation	27,644	(14,789)
Operating profit before working capital changes	454,198	560,036
Increase in trade and other receivables	(174,959)	(287,359)
(Increase)/ decrease in inventories	(8,982)	3,035
(Decrease)/ increase in trade and other payables	(36,960)	140,443
Cash generated from operations	233,297	416,155
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	(36,801)	(39,222)
Net cash from operating activities	187,832	367,246
Cash flows from investing activities		
Deposits with a foreign bank under lien	169,749	(171,498)
Purchase of investments	(1,151)	(2)
Proceeds from disposal of a subsidiary (note 4)	209,839	2,255,066
Investments in a jointly controlled entity	-	(1,313)
Proceeds from sale of investments	14,299	237
Acquisition of property and equipment (net)	(113,001)	(201,192)
Acquisition of intangible assets	(73,660)	(36,416)
Interest received	14,994	14,529
Dividends received	1,731	1,640
Net cash from investing activities	222,800	1,861,051
Cash flows from financing activities		
Capital contribution including share premium– employees stock option	6,574	7,639
Borrowings from/ (repayments to) banks (net)	314,325	(1,287,201)
Loan to an associate	(1,853)	(4,721)
Dividends paid to Parent Company's shareholders	(773,400)	(651,872)
Dividends paid to non-controlling interest holders of subsidiaries	(7,643)	(10,478)
Finance costs	(23,908)	(81,813)
Net cash used in financing activities	(485,905)	(2,028,446)
Net (decrease)/ increase in cash and cash equivalents	(75,273)	199,851
Effects of foreign currency translation	(10,269)	(3,388)
Cash and cash equivalents at beginning of period	463,349	267,175
Cash and cash equivalents at end of period (note 3)	377,807	463,638

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 September 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.

New standards and interpretations issued but not yet effective

The following International Accounting Standards Board (IASB) Standards have been issued but are not yet effective:

IFRS 10: Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27: Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11: Joint Arrangements

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31: Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures.

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IFRS 13: Fair Value Measurement

IFRS 13 Fair Value Measurement replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

These new standards were issued in May 2011 and are effective for annual periods beginning on or after 1 January 2013. The application of these standards will be made in the interim condensed consolidated financial information when these standards become effective or are early adopted.

Atheer, Iraq

Under the terms of the telecom license agreement with the Iraqi telecom regulatory authority, telecom operators in Iraq were required to make an initial public offer (IPO) of at least 25% of the aggregate number of its qualifying shares in their Iraqi operations and list on the Iraqi Stock Exchange before 31 August 2011. The telecom operators in Iraq, including Atheer, expect to receive an extension until the first or second half of 2012 to comply with this obligation.

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)

Saudi Mobile Telecommunications Company (SMTC)

SMTC incurred a net loss of Saudi Riyals (SAR) 1.463 billion (KD 107 million) for the nine months period ended 30 September 2011 (30 September 2010 - KD 140 million) and has accumulated losses of SAR 9.199 billion (KD 679 million) as of that date (31 December 2010 - KD 580 million; 30 September 2010 - KD 547 million). SMTC's current liabilities also exceed current assets by SAR 12.315 billion (KD 909 million) as of 30 September 2011 (31 December 2010 – KD 409 million; 30 September 2010 – KD 434 million).

The Group is also contingently liable for guarantees amounting to US$ 1.16 billion (KD 322 million) as of 30 September 2011 (31 December 2010 - KD 270 million; 30 September 2010 – KD 248 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 September 2010 - KD 171 million) against these guarantees (See note 3). The Group is also contingently liable for guarantees amounting to US$ 35 million (KD 9.7 million) as of 30 September 2011 (31 December 2010 - KD 145 million; 30 September 2010 - KD 146 million) relating to loans granted to fellow members of SMTC.

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 1.03 billion) to SAR 4.8 billion (KD 354 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 443 million) through conversion of shareholders' loans and a rights issue.

The Group's investment in SMTC with a carrying value of KD 88 million (31 December 2010 - KD 115 million; 30 September 2010 - KD 125 million) has a fair value of KD 161 million (31 December 2010 - KD 203 million; 30 September 2010 - KD 210 million). The Group's net investment in SMTC including loans and receivable is KD 328 million (31 December 2010 - KD 338 million; 30 September 2010 - KD 338 million).

SMTC's independent auditor's modified review report for the period ended 30 September 2011 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its interim financial information for the period ended 30 September 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.

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.

Zain Sudan

On 9 July 2011, South Sudan became a newly independent country. The Group operates in South Sudan under its existing license for Sudan, pending issuance of a separate licence. The Group has assessed that this event does not materially affect the carrying value of the goodwill and license of Sudan operations.

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.

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.

In September 2011 a Kuwaiti lower court set aside the election of the Parent Company's Board of Directors at the annual general meeting, held in April 2011. The Parent Company has obtained legal opinion that this does not effect the Group's operations as the matter will be finally resolved through judicial proceedings.

3. Cash and bank balances

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

	Unaudited 30 September 2011	Audited 31 December 2010	Unaudited 30 September 2010
			KD '000
Cash on hand and at banks	146,583	255,965	275,482
Short-term deposits with banks	231,224	377,133	359,654
Government certificates of deposits held by Zain Sudan	10,230	11,117	-
	388,037	644,215	635,136
Deposits with a foreign bank under lien (note 2)	-	(169,749)	(171,498)
Government certificates of deposits held by Zain Sudan with maturities exceeding three months	(10,230)	(11,117)	-
	377,807	463,349	463,638

4. Disposal of Zain Africa BV

On 8 June 2010, (First Closing Date), 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. 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 period after deduction of US$ 18 million in accordance with SSA.

On the first closing date, the Group recognized a capital gain of US$ 2.7 billion (KD 778 million) as follows:

	KD'000
Equity and shareholder loan value of ZABV (US$ 9 billion)	2,613,600
Less: Inter-company shareholder loans	(720,960)
Equity value	1,892,640
Less:	
Carrying value of investment in ZABV	(877,454)
Provisions for transaction costs and others	(237,052)
Gain from disposal of ZABV	778,134

During the period, the Group reversed KD 16.320 million from the transaction and other costs related to sale of ZABV (refer note 13).

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2011	2010	2011	2010
		KD'000		KD'000
Attributable to:				
Shareholders of the Parent Company	-	-	16,320	751,441
Non-controlling interests	-	-	-	(9,632)
	-	-	16,320	741,809

5. Trade and other receivables

During the period, the Group paid US$ 473 million (KD 131 million) on the guarantees provided by the Parent Company to lending banks for loans to a fellow member of SMTC, as it was invoked by the lenders. This amount is recoverable from the fellow member of SMTC in accordance with an agreement as part of the Group's investment strategy in its associate SMTC. The Group has determined that this is not expected to have a materially adverse financial effect on the Group.

6. 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 September 2011, US$ 286.6 million (KD 79 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 August 2011, the Parent Company availed an unsecured term loan of US$ 120 million (KD 33 million) repayable within one year from the date of the facility.

In April 2011, Atheer availed a syndicated long term loan amounting to US$ 400 million (KD 111 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 EBITDA 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).

7. Share capital

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

The issued and fully paid up share capital as of 30 September 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 September 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.

8. 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).

9. Treasury shares

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

	Unaudited 30 September 2011	Audited 31 December 2010	Unaudited 30 September 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)	400,169	647,082	578,968
Cost (KD '000)	567,834	567,834	567,834

10. Investment income

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2011	2010	2011	2010
		KD'000		KD'000
(Loss)/ gain from investments "at fair value through profit or loss"	(396)	685	(1,573)	38
Realised (loss)/ gain from investments 'available –for-sale'	(911)	43	(339)	(2,297)
Dividend income	421	637	1,731	1,640
	(886)	1,365	(181)	(619)

11. Earnings per share

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

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2011	2010 (Restated)	2011	2010 (Restated)
		KD '000		KD '000
Profit for the period attributable to shareholders				
From continuing operations	70,063	80,312	193,921	224,196
From discontinued operations	-	-	16,320	751,441
	70,063	80,312	210,241	975,637
	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	4,801,435	10,573,477	6,082,627	10,568,716
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	3,886,624,448	3,877,325,934	3,887,905,640	3,877,321,173
	Fils	Fils	Fils	Fils
Earnings per share – Basic				
From continuing operations	18	20	50	57
From discontinued operations	-	-	4	195
	18	20	54	252
Earnings per share – Diluted				
From continuing operations	18	20	50	57
From discontinued operations	-	-	4	195
	18	20	54	252

12. 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.

	30 September 2011						
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq	Total
							KD '000
Segment revenues	259,865	104,089	43,731	23,593	226,128	330,703	988,109
Net profit before interest and tax	97,741	35,326	7,581	7,651	70,569	96,713	315,581
Interest income	4	838	85	25	2,644	1,000	4,596
Finance costs	-	(732)	-	-	(4,158)	(17,898)	(22,788)
Income tax expense		(8,019)	-	(1,193)	(11,942)	(12,969)	(34,123)
Net profit after interest and tax	97,745	27,413	7,666	6,483	57,113	66,846	263,266
Unallocated items:							
Investment income							(181)
Share of loss of associates							(26,981)
Share of profit of a jointly controlled entity							(370)
Others							(18,565)
Profit for the period from continuing operations							**217,169**
Profit for the period from discontinued operations							16,320
Profit for the period							233,489
Segment assets	210,858	228,897	64,647	11,743	962,161	959,042	2,437,348
Unallocated items:							
Investment securities at fair value through profit or loss							6,005
Investment securities available for sale							69,260
Investment in associates							88,839
Interest in a jointly controlled entity							39,900
Loans to associates							186,682
Others							427,598
Consolidated assets							**3,255,632**
Segment liabilities	72,422	36,060	23,376	6,784	323,606	194,176	656,424
Unallocated items:							534,024
Due to banks							(48,343)
Others							**1,142,105**
Consolidated liabilities							**2,113,527**
Net consolidated assets							
Capital expenditure	25,377	5,643	6,664	4	57,838	91,019	186,545
Unallocated							116
Total capital expenditure of the continuing operations							186,661
Depreciation and amortization	25,852	11,884	6,125	12	27,921	49,395	121,189
Unallocated							3,316
Total depreciation and amortization of the continuing operations							**124,505**

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

	30 September 2010						
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq	Total
							KD '000
Segment revenues	259,427	110,927	54,800	23,007	244,118	317,537	1,009,816
Net profit before interest and tax	96,620	39,436	12,680	7,519	101,226	94,212	351,693
Interest income	18	1,045	168	35	2,412	-	3,678
Finance cost	-	(336)	(43)	-	(4,536)	(18,347)	(23,262)
Income tax expense	-	(8,697)	-	(1,189)	(7,006)	(12,175)	(29,067)
Net profit after interest and tax	96,638	31,448	12,805	6,365	92,096	63,690	303,042
Unallocated items:							
Investment income							(619)
Share of loss of associates							(35,199)
Share of loss of jointly controlled entity							(5,950)
Others							(12,331)
Profit for the period from continuing operations							**248,943**
Profit for the period from discontinued operations							741,809
Profit for the period							990,752
Segment assets	212,827	260,741	69,227	14,505	1,018,977	1,028,743	2,605,020
Unallocated items:							
Investment - at fair value through profit or loss							7,685
Investments - available for sale							97,805
Investment in associates							126,054
Interest in a jointly controlled entity							39,156
Loans to associates							183,774
Others							693,735
Consolidated assets							**3,753,229**
Segment liabilities	72,504	35,689	25,040	5,817	248,659	296,297	684,006
Unallocated items:							
Due to banks							289,851
Others							54,203
Consolidated liabilities							**1,028,060**
Net consolidated assets							**2,725,169**
Capital expenditure of the continuing operations incurred during the period	10,860	4,598	8,780	9	67,772	64,463	156,482
Unallocated							1,705
Capital expenditure of the discontinued operations							158,187
Total capital expenditure incurred during the period							79,421
							237,608
Depreciation and amortization	22,212	11,672	5,714	12	26,135	53,114	118,859
Unallocated							5,128
Total depreciation and amortization of continuing operations							**123,987**

13. 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 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2011	2010	2011	2010
		KD'000		KD'000
Management fee (included in other income)	3,535	4,073	9,895	10,344
Interest income on loans to associates	2,842	4,117	8,425	8,452

	Unaudited 30 September 2011	Audited 31 December 2010	Unaudited 30 September 2010
			KD '000
Trade and other receivables	4,080	4,430	3,182
Trade and other payables	5,591	3,861	1,961

Key management compensation

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2011	2010	2011	2010
		KD'000		KD'000
Salaries and other short term employee benefits	2,190	26,205	6,287	28,254
Post employment benefits	1,034	121	2,002	411
Share based compensation	123	324	368	1,287

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.

14. Commitments and contingencies

	Unaudited 30 September 2011	Audited 31 December 2010	Unaudited 30 September 2010
			KD '000
Capital expenditure	60,488	86,657	85,679
Contingent capital commitment under SSA	-	-	239,000
Capital expenditure - share of associate	18,126	26,116	29,733
Uncalled share capital of investee companies	283	289	290
Letters of credit	55,400	13,531	21,197
Letters of guarantee	315,601	436,592	424,682

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

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 September 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.

Taxes and levies related to the Group's operations in South Sudan are accounted based on statutes of Sudan as laws applicable to South Sudan are in the process of being formulated.

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.

15. 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 September 2011:

	Notional amount	Notional amounts by term to maturity (Unaudited) Within 3 months	3 - 12 months	Over 1 year
				KD'000
Derivatives held for hedging:				
Cash flow hedges				
Commission rate swaps - Share of an associate	152,904	-	152,904	-

At 31 December 2010:

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

At 30 September 2010:

	Notional amount	Notional amounts by term to maturity (Unaudited) Within 3 months	3 -12 months	Over 1 year
				KD'000
Derivatives held for hedging:				
Cash flow hedges				
Commission rate swaps- share of an associate	157,048	-	-	157,048

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.