

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

**Interim Consolidated Financial Information (Unaudited)
30 June 2009**

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Bader & Co. PricewaterhouseCoopers
P.O. Box 20174, Safat 13062
7th Floor, Dar Al-Awadi Complex
Ahmed Al-Jaber Street, Sharq - Kuwait
Telephone (965) 22408844
Facsimile (965) 22408855
E-mail: pwc.kwt@kw.pwc.com

Certified Accountants

P.O. Box 5689 Safat
13057 Kuwait
Tel (965) 22461218
22432263
Fax (965) 22465878

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

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Interim Consolidated 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 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

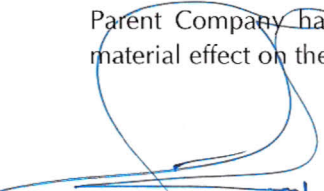
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 interim consolidated 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 interim consolidated 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, no violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company have occurred during the six month period ended 30 June 2009 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
PricewaterhouseCoopers


Nasser Abdullah Al Muqait
Licence No.9A
Al-Ahli Bureau

Kuwait
21 July 2009

Mobile Telecommunications Company K.S.C.
Kuwait

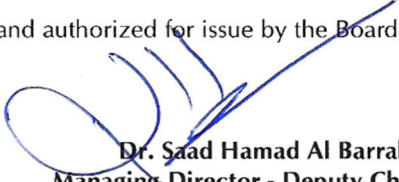
Condensed Consolidated Statement of Financial Position as at 30 June 2009 (Unaudited)

	Note	Unaudited 30 June 2009	Audited 31 December 2008	Unaudited 30 June 2008
				KD ' 000
Assets				
Current assets				
Cash and bank balances	3	361,509	367,871	255,128
Trade and other receivables		427,209	293,903	316,436
Loan to an associate	4	-	79,673	76,524
Inventories		37,875	30,427	25,934
Investments – at fair value through profit or loss		13,665	16,676	23,415
		<u>840,258</u>	<u>788,550</u>	<u>697,437</u>
Non current assets				
Deferred tax assets		107,334	88,805	70,901
Investments – available-for-sale		102,462	96,904	173,769
Investment in associates		263,063	216,389	249,353
Loan to associates	4	82,881	-	165,750
Property and equipment		2,187,418	2,026,790	1,647,608
Intangible assets		2,619,216	2,234,423	1,566,005
Other financial assets		2,528	2,378	417
		<u>5,364,902</u>	<u>4,665,689</u>	<u>3,873,803</u>
Total Assets		<u>6,205,160</u>	<u>5,454,239</u>	<u>4,571,240</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables	5	1,065,054	908,773	573,465
Due to banks	6	448,091	231,138	580,039
		<u>1,513,145</u>	<u>1,139,911</u>	<u>1,153,504</u>
Non current liabilities				
Due to banks	6	1,715,437	1,670,788	1,649,159
Deferred tax liabilities		30,483	30,283	37,308
Other non current liabilities		99,902	212,128	27,515
		<u>1,845,822</u>	<u>1,913,199</u>	<u>1,713,982</u>
Equity				
Attributable to the Parent Company' s shareholders				
Share capital	7	427,518	427,240	284,348
Share premium		1,690,772	1,690,772	624,465
Treasury shares	8	(567,834)	(567,834)	(15,576)
Legal reserve		127,788	127,788	94,699
Voluntary reserve		63,091	63,091	63,091
Foreign currency translation reserve		(67,031)	(97,692)	(47,959)
Treasury shares reserve		1,967	1,967	-
Equity issue transaction cost of associate		(1,817)	(1,746)	(1,636)
Investment fair valuation reserve		(2,388)	(9,201)	57,400
Share based compensation reserve		22,765	20,395	15,611
Hedge reserve		(54,073)	(60,382)	-
Retained earnings		721,145	625,014	457,637
		<u>2,361,903</u>	<u>2,219,412</u>	<u>1,532,080</u>
Non- controlling interests		484,290	181,717	171,674
Total equity		<u>2,846,193</u>	<u>2,401,129</u>	<u>1,703,754</u>
Total Liabilities and Equity		<u>6,205,160</u>	<u>5,454,239</u>	<u>4,571,240</u>

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

This interim consolidated financial information was approved and authorized for issue by the Board of Directors on 21 July 2009.

Asaad Ahmed Al Banwan
Chairman


Dr. Saad Hamad Al Barrak
Managing Director - Deputy Chairman

Condensed Consolidated Statement of Income – six months ended 30 June 2009 (Unaudited)

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
Note	KD'000		KD'000	
Revenue	595,697	482,624	1,161,423	935,802
Cost of sales	(154,999)	(137,046)	(313,625)	(267,018)
Gross profit	440,698	345,578	847,798	668,784
Distribution, marketing & operating expenses	(121,941)	(117,263)	(234,169)	(221,992)
General and administrative expenses	(50,347)	(53,538)	(97,517)	(95,631)
Depreciation and amortization	(92,014)	(71,822)	(190,090)	(140,095)
Provision for doubtful debts	(1,613)	(207)	(3,923)	(929)
Operating profit	174,783	102,748	322,099	210,137
Interest income	3,082	4,494	5,622	13,124
Investment income	9	1,122	4,028	(4,528)
Income from sale of shares in a subsidiary	-	26,594	-	26,594
Share of loss of associates	(16,695)	(2,682)	(33,810)	(756)
Other income	(3,238)	2,233	8,438	8,383
Finance cost	(42,438)	(29,242)	(78,713)	(60,951)
Loss on currency revaluation	(12,856)	(1,039)	(31,297)	(10,280)
Board of Directors' remuneration	(8)	(7)	(16)	(14)
Contribution to Kuwait Foundation for Advancement of Sciences	(813)	(768)	(1,600)	(1,526)
National Labour Support Tax and Zakat	(1,730)	(1,298)	(3,870)	(3,064)
Profit for the period before income tax	101,209	105,061	182,325	190,375
Income tax expense	(7,161)	(24,133)	(13,729)	(35,213)
Profit for the period	94,048	80,928	168,596	155,162
Attributable to:				
Shareholders of the Parent Company	78,771	74,711	154,499	147,970
Non- controlling interests	15,277	6,217	14,097	7,192
	94,048	80,928	168,596	155,162
Earnings per share	10			
Basic – Fils		20	21	40
Diluted – Fils		20	21	40

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

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

**Condensed Consolidated Statement of Comprehensive Income – six months ended 30 June 2009
(Unaudited)**

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2009	2008	2009	2008
		KD'000		KD'000	
Profit for the period		94,048	80,927	168,596	155,162
Other comprehensive income					
Exchange differences on translating foreign operations		(38,274)	13,805	20,982	(29,912)
Net unrealised loss on available-for-sale investments		(4,271)	(7,524)	(836)	(5,913)
Net realised loss/ (gains) transferred to statement of income on available-for-sale investments (net of impairment losses)		15,507	(3,699)	7,649	(4,391)
Cash flow hedges		11,299	-	6,309	-
Gain on the non-controlling interest portion of Pella	15	156,768	-	156,768	-
Share based compensation		1,185	2,358	2,370	3,389
Share of other comprehensive income of an associate		24	4	(71)	(1,636)
Total comprehensive income for the period		<u>236,286</u>	<u>85,871</u>	<u>361,767</u>	<u>116,699</u>
Total comprehensive income attributable to:					
Shareholders of the Parent Company		230,214	82,441	357,349	117,474
Non controlling interests		<u>6,072</u>	<u>3,430</u>	<u>4,418</u>	<u>(775)</u>
		<u>236,286</u>	<u>85,871</u>	<u>361,767</u>	<u>116,699</u>

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

Mobile Telecommunications Company K.S.C.
Kuwait

Condensed Consolidated Statement of Changes in Equity – six months ended 30 June 2009 (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 associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve	Retained earnings		
													KD '000	
Balance at 1 January 2009	427,240	1,690,772	(567,834)	127,788	63,091	(97,692)	1,967	(1,746)	(9,201)	20,395	(60,382)	625,014	181,717	2,401,129
Exercise of share options	278	-	-	-	-	-	-	-	-	-	-	(184)	-	94
Cash dividends (2008)	-	-	-	-	-	-	-	-	-	-	-	(192,474)	(7,639)	(200,113)
(Purchase)/ sale of shares from non controlling interests	-	-	-	-	-	-	-	-	-	-	-	(22,478)	9,625	(12,853)
On business combination (Note 15)	-	-	-	-	-	-	-	-	-	-	-	-	296,169	296,169
Total consolidated comprehensive income for the period	-	-	-	-	-	30,661	-	(71)	6,813	2,370	6,309	311,267	4,418	361,767
Balance at 30 June 2009	<u>427,518</u>	<u>1,690,772</u>	<u>(567,834)</u>	<u>127,788</u>	<u>63,091</u>	<u>(67,031)</u>	<u>1,967</u>	<u>(1,817)</u>	<u>(2,388)</u>	<u>22,765</u>	<u>(54,073)</u>	<u>721,145</u>	<u>484,290</u>	<u>2,846,193</u>
Balance at 1 January 2008	189,398	624,465	(15,576)	94,699	63,091	(26,014)	-	-	67,704	12,222	-	571,938	166,379	1,748,306
Sale of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	9,036	9,036
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(2,001)	(2,001)
Exercise of share options	114	-	-	-	-	-	-	-	-	-	-	-	-	114
Issue of bonus shares (2007)	94,836	-	-	-	-	-	-	-	-	-	-	(94,836)	-	-
Cash dividends (2007)	-	-	-	-	-	-	-	-	-	-	-	(167,435)	(965)	(168,400)
Total consolidated comprehensive income for the period	-	-	-	-	-	(21,945)	-	(1,636)	(10,304)	3,389	-	147,970	(775)	116,699
Balance at 30 June 2008	<u>284,348</u>	<u>624,465</u>	<u>(15,576)</u>	<u>94,699</u>	<u>63,091</u>	<u>(47,959)</u>	<u>-</u>	<u>(1,636)</u>	<u>57,400</u>	<u>15,611</u>	<u>-</u>	<u>457,637</u>	<u>171,674</u>	<u>1,703,754</u>

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

Condensed Consolidated Statement of Cash Flows – six months ended 30 June 2009 (Unaudited)

	Six months ended 30 June	
	2009	2008
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	182,325	190,375
Adjustments for:		
Depreciation and amortization	190,090	140,095
Interest income	(5,622)	(13,124)
Loss/ (income) from investment securities	4,528	(8,728)
Income from sale of a shares in a subsidiary	-	(26,594)
Share of loss of associates	33,810	756
Finance cost	78,713	60,951
Loss from currency revaluation	31,297	10,280
Operating profit before working capital changes	515,141	354,011
Increase in trade and other receivables	(104,506)	(70,159)
Increase in inventories	(7,102)	(4,795)
(Decrease)/ increase in trade and other payables	(52,241)	44,602
Cash generated from operations	351,292	323,659
Paid to Kuwait Foundation for Advancement of Sciences	(2,841)	(3,004)
National Labour Support Tax and Zakat	(6,247)	(5,414)
Board of Directors' remuneration	-	(28)
Income tax paid	(11,948)	(33,411)
<i>Net cash from operating activities</i>	<u>330,256</u>	<u>281,802</u>
Cash flows from investing activities		
Purchase of investments	(1,387)	(2,510)
Investment in a subsidiary (net of cash held by an acquired subsidiary)	6,285	(4,346)
Sale of shares in subsidiary	-	49,997
Investment in an associate	(26,298)	-
Proceeds from sale of investments	7,646	27,161
Acquisition of property and equipment (net)	(239,752)	(303,283)
Acquisition of intangible assets	(895)	(3,383)
Interest received	5,622	15,792
<i>Net cash used in investing activities</i>	<u>(248,779)</u>	<u>(220,572)</u>
Cash flows from financing activities		
Capital contribution – employees stock option	94	114
Borrowings from banks (net)	214,408	243,939
Loan to an associate	-	(76,978)
Dividends paid to Parent Company's shareholders	(190,212)	(167,084)
Dividends paid to non-controlling interest holders of subsidiaries	(23,254)	(983)
Finance cost	(86,242)	(63,491)
<i>Net cash used in financing activities</i>	<u>(85,206)</u>	<u>(64,483)</u>
Net decrease in cash and cash equivalents	(3,729)	(3,253)
Effect of foreign currency translation	(2,633)	(2,882)
Cash and cash equivalents at beginning of period	367,871	261,263
Cash and cash equivalents at end of period (Note 3)	<u>361,509</u>	<u>255,128</u>

The accompanying notes are an integral part of this interim consolidated 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 23 other countries (31 December 2008 - Kuwait and 21 other countries; 30 June 2008 - Kuwait and 20 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.

During the period, the Group acquired 15.5% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company which is specialized in the telecom sector in that country) for US\$162 million (approximately KD 47 million).

In May 2009, the Group acquired 56.53% of the equity shares and voting rights of Palestinian Telecommunications Company PLC, Palestine (Paltel) in exchange for its 96.516% equity shares and voting rights in Pella Investment Company LLC, Jordan (Pella). Paltel is a Palestinian public shareholding company, listed on the Palestinian Stock Exchange and Abu Dhabi Securities Exchange. Pella continues to be a subsidiary, as the Group retains 56.53% equity ownership in Pella through Paltel. Details of this business combination, which is subject to regulatory approvals of the Jordanian and Palestinian telecom regulators, are in note 15.

2. Basis of preparation

This interim consolidated financial information is prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2008 except as noted below.

This interim consolidated 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.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (ie. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 'Operating segments':

The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision - maker.

Saudi Arabia Saudi Mobile Telecommunications Company (SMTC)

The Group's associate in the Kingdom of Saudi Arabia Saudi Mobile Telecommunications Company (SMTC) obtained a waiver related to the breach of some of the covenants attached to certain loan facilities but has so far not been able to re-negotiate or obtain replacement financing arrangements. SMTC's current liabilities, which includes due to banks and a portion of shareholder loans amounting to KD 742 million (31 December 2008 - KD 834 million), also exceed its current assets by KD 1 billion (31 December 2008 - KD 1 billion). The financial statements of the associate has been prepared on a going concern basis as Group and SMTC management are continuing to negotiate the borrowing terms and are of the opinion that the existing facilities will be refinanced on commercially viable terms. The carrying amount of the Group's investment in SMTC including loans and receivables is KD 321 million (31 December 2008 - KD 334.6 million). The Group is also contingently liable for a guarantee of KD 127 million (31 December 2008 - KD 110 million) relating to a loan granted to a fellow member of the Saudi consortium that won the telecom license.

Chad license

The license in Chad expires in October 2009 and was extended for a further period of 10 years from that date in 2006 on payment of an additional license fee US\$ 3.2 million at that time and a decree to that effect was issued. In August 2008 a decree was issued canceling the post October 2009 license and refund of US\$ 3.2 million. The Group is currently seeking its reinstatement through legal and other measures. The recoverability of the carrying amount of the Chad operation of KD 44,532,000 (31 December 2008 - KD 46,546,000) is contingent on its renewal beyond October 2009. The Group has determined that it is highly probable that the October 2009 to October 2019 license extension will be reinstated and it is appropriate to report the operations in Chad as a going concern; and no impairment loss provision is required.

Investment in Wana Corporate, Morocco (Wana)

The Group's investment in Wana, is accounted for as an investment in an associate since the Group is able to exercise significant influence through a joint venture agreement with parties that collectively own 31% of Wana's equity shares and voting rights. The investment in Wana is currently carried at cost net of the Group's share of post acquisition results of operations. The goodwill and fair value adjustments, if any, on acquisition will be finalized on completion of Purchase Price Allocation (PPA) within one year from the acquisition date.

Financial support to group companies

The Group has committed to provide working capital and other financial support to Atheer Iraq, Zain Sudan and Celtel Kenya whose working capitals are in deficit.

Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2009. For further information, refer to the consolidated financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2008.

3. Cash and bank balances

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

	<u>Unaudited</u> 30 June 2009	<u>Audited</u> 31 December 2008	<u>Unaudited</u> 30 June 2008
	<u>KD '000</u>		
Cash on hand and at banks	265,566	171,140	158,640
Short-term deposits maturing within three months	95,943	196,731	96,488
Cash and bank balances	<u>361,509</u>	<u>367,871</u>	<u>255,128</u>

Notes to the Interim Consolidated Financial Information - 30 June 2009 (Unaudited)

4. Loan to an associate

During the period, the shareholder loan of SAR 1.1 billion to SMTC has been reclassified as a long term loan repayable by July 2011. This loan is subordinate to the associate's borrowings from banks.

5. Trade and other payables

This includes dividend of KD 8,453,000 (31 December 2008 - KD 6,192,000; 30 June 2008 - KD 6,822,000) payable to the shareholders of the Parent Company.

6. Due to banks

During the period, the Group obtained a long-term loan of US\$ 200 million and a short-term loan of Euro 200 million from foreign banks. The US dollar loan is repayable in eight quarterly installments starting from July 2010 and carries a floating interest rate of 5% over one month London Inter Bank Offer Rate (LIBOR) plus mandatory cost to compensate lenders for their cost of regulatory compliance. Under this loan agreement the Group is obliged to hedge its interest rate exposure on this loan during its tenure. As of 30 June 2009, the Group has executed this hedging transaction.

The Euro loan is repayable in full on 31 March 2010 and carries a floating interest rate of 2.5% over the Euro Inter Bank Offer Rate (EURIBOR) plus mandatory cost to compensate lenders for their cost of regulatory compliance.

Principal financial covenants include:

- consolidated total net borrowings not to exceed four times annualized consolidated EBITDA for the period;
- the ratio of annualized consolidated EBITDA to annualized consolidated net finance charge payable to be not less than 3:1

7. Share capital

The authorized share capital as of 30 June 2009 is 4,297,371,670 shares (31 December 2008 and 30 June 2008 - 4,280,306,722) of 100 fils each.

The issued and fully paid up share capital as of 30 June 2009 is 4,275,183,146 shares (31 December 2008 - 4,272,405,303; 30 June 2008 - 2,843,483,739) of 100 fils each.

At the extraordinary general meeting held on 30 March 2009, the Parent Company's shareholders approved decrease in authorized share capital by 5,123,576 shares and then to increase it by 22,188,524 shares to 4,297,371,670 shares, subject to regulatory approval which is pending.

Dividend - 2008

The annual general meeting of shareholders held on 30 March 2009 approved distribution of cash dividends of 50 fils per share. (30 June 2008 - cash dividend of 90 fils per share and bonus shares in the ratio of 50 shares for every 100 shares).

Notes to the Interim Consolidated Financial Information - 30 June 2009 (Unaudited)

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 30 June 2009	Audited 31 December 2008	Unaudited 30 June 2008
Number of shares	425,711,648	425,711,648	52,903,752
Percentage of issued shares	9.96%	9.96%	1.86%
Market value (KD '000)	502,340	378,883	84,646
Cost (KD '000)	567,834	567,834	15,576

9. Investment income

	Three months ended 30 June (Unaudited) 2009		Six months ended 30 June (Unaudited) 2009	
	2009	2008	2009	2008
	KD'000		KD'000	
Gain/(loss) from investments "at fair value through profit or loss"	1,044	(1,414)	(272)	(179)
Realised (loss)/ gains from investments 'available -for-sale'	(1,211)	640	(5,063)	3,481
Impairment loss	-	-	(1,133)	-
Dividend income	1,289	4,802	1,940	5,426
	<u>1,122</u>	<u>4,028</u>	<u>(4,528)</u>	<u>8,728</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) 2009		Six months ended 30 June (Unaudited) 2009	
	2009	2008	2009	2008
	KD'000		KD'000	
Net profit for the period attributable to shareholders	<u>78,771</u>	<u>74,711</u>	<u>154,499</u>	<u>147,970</u>
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue	3,849,471,498	3,600,709,822	3,849,471,498	3,600,709,822
Effect of dilution	<u>11,075,503</u>	<u>1,482,670</u>	<u>9,489,650</u>	<u>1,482,670</u>
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,860,547,001</u>	<u>3,602,192,492</u>	<u>3,858,961,148</u>	<u>3,602,192,492</u>
	Fils	Fils	Fils	Fils
Earnings per share – Basic	<u>20</u>	<u>21</u>	<u>40</u>	<u>41</u>
Earnings per share – Diluted	<u>20</u>	<u>21</u>	<u>40</u>	<u>41</u>

Basic and diluted earnings per share from operations reported for the six months ended 30 June 2008 were 53 fils and 44 fils respectively, before retroactive adjustment relating to issue of rights shares in September 2008.

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 and Palestine (Levant), Bahrain, Lebanon, Sudan, Iraq and Sub-Saharan Africa. This forms the basis of the geographical segments.

Mobile Telecommunications Company K.S.C.
Kuwait

Notes to the Interim Consolidated Financial Information - 30 June 2009 (Unaudited)

	30-June-09							Total KD '000
	Kuwait	Levant**	Bahrain	Lebanon	Sudan	Iraq	Sub-Saharan Africa	
Segment revenues	174,086	85,950	36,705	11,628	138,193	190,781	524,080	1,161,423
Net profit	76,231	30,456	10,616	2,214	55,885	61,431	34,783	271,616
<i>Unallocated items:</i>								
Interest income								5,622
Investment income								(4,528)
Share of loss of associates								(33,810)
Finance cost								(78,713)
Income tax expense								(13,729)
Others								22,138
Profit for the year								168,596
Segment assets	233,280	576,323	60,109	7,604	931,488	1,042,336	2,584,437	5,435,577
<i>Unallocated items:</i>								
Investment securities at fair value through profit or loss								13,665
Deferred tax assets								107,334
Investment securities available for sale								102,462
Investment in associates								82,881
Loan to an associate								263,063
Others								200,178
Consolidated assets								6,205,160
Segment liabilities	59,239	76,811	18,010	4,775	145,321	470,536	385,369	1,160,061
<i>Unallocated items:</i>								
Due to banks								2,163,528
Deferred tax liabilities								30,483
Others								4,895
Consolidated liabilities								3,358,967
Net consolidated assets								2,846,193
Capital expenditure incurred during the year	16,638	11,093	3,443	5	38,982	13,905	152,185	236,251
Unallocated								3,501
Total capital expenditure								239,752
Depreciation and amortization	12,643	11,720	2,875	7	13,703	31,505	112,880	185,333
Unallocated								4,757
Total depreciation and amortization								190,090

Mobile Telecommunications Company K.S.C.
Kuwait

Notes to the Interim Consolidated Financial Information - 30 June 2009 (Unaudited)

	30-June-08							Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq*	Sub-Saharan Africa	
Segment revenues	189,279	61,946	28,881	9,057	113,761	-	532,878	935,802
Net profit	82,650	19,620	6,778	2,351	35,003	-	97,972	244,374
<i>Unallocated items:</i>								
Interest income								13,123
Investment income								8,728
Share of profit of associates								(755)
Finance cost								(60,951)
Income tax expense								(35,213)
Others								(14,144)
Profit for the year								155,162
Segment assets	248,832	236,591	61,442	6,121	809,597	-	2,436,359	3,798,942
<i>Unallocated items:</i>								
Investment securities at fair value through profit or loss								23,415
Deferred tax assets								70,901
Investment securities available for sale								173,769
Investment in associates								165,750
Loan to an associate								249,353
Others								89,110
Consolidated assets								4,571,240
Segment liabilities	70,643	36,702	17,647	3,366	132,887	-	305,817	567,062
<i>Unallocated items:</i>								
Due to banks								2,229,198
Deferred tax liabilities								37,308
Others								33,918
Consolidated liabilities								2,867,486
Net consolidated assets								1,703,754
Capital expenditure incurred during the year	10,187	3,021	2,215	12	66,013	-	224,513	305,961
Unallocated								705
Total capital expenditure								306,666
Depreciation and amortization	12,173	8,141	2,355	5	6,709	-	103,994	133,377
Unallocated								6,718
Total depreciation and amortization								140,095

*Atheer became a subsidiary of the Group in October 2008. ** Revenue includes two months of Palestine operations.

Notes to the Interim Consolidated Financial Information - 30 June 2009 (Unaudited)

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

Zain Africa and its subsidiary Celtel Nigeria are jointly or separately the defendant in several lawsuits in which another shareholder is contesting its pre-emptive right status.

These cases are on going and are yet to proceed to trial. Zain Africa is of the view that the cases initiated are without merit. Given the remote probability of any adverse effect to the Group's consolidated financial position and the difficulties in estimating probable outcomes in a reliable manner, the Group determined that it was appropriate not to provide for this matter in the interim financial information.

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 2009:

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 -12 months	Over 1 year
				KD'000

Derivatives held for trading:

Foreign currency swaps	59,441	19,713	39,728	-
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Derivatives held for hedging:

Cash flow hedges

Interest rate swaps	1,206,660	-	-	1,206,660
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At 31 December 2008:

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 -12 months	Over 1 year
				KD'000

Derivatives held for trading:

Foreign currency swaps	34,518	34,518	-	-
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Derivatives held for hedging:

Cash flow hedges

Interest rate swaps	1,105,400	-	-	1,105,400
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As at 30 June 2008, the Group had no derivative financial instruments.

15. Business combination (exchange of shares)

In May 2009, the Group acquired 56.53% of the equity shares and voting rights of Palestinian Telecommunications Company PLC, Palestine (Paltel) in exchange for its 96.516% equity shares and voting rights in Pella Investment Company LLC, Jordan (Pella). Pella continues to be a subsidiary, as the Group retains 56.53% of the equity shares and voting rights in Pella through Paltel and has effectively disposed only 39.986% of the equity shares and voting rights in Pella. Accordingly, the gain on this transaction arises on the 39.986% sold, computed as follows:

	<u>KD'000</u>
Fair value of Pella on date of exchange	566,360
Fair value of Zain's proportionate interest in Pella	546,628
Less carrying value in Pella on date of exchange (including goodwill)	(168,231)
Total gain on 96.516% held on date of exchange	<u>378,397</u>
Gain on percentage disposed	<u><u>156,768</u></u>

The Group's change in ownership interest in Pella did not result in loss of control and is therefore accounted for as an equity transaction. The difference between the amount by which the non-controlling interest has been adjusted and the fair value of the consideration received, being the gain of KD 156,768,000 has been recognised directly in equity under other comprehensive income as it is attributable to the shareholders of the Parent Company.

The aggregate goodwill arising on this transaction is as follows:

Goodwill arising on Group's acquisition of Paltel

	<u>KD'000</u>
<i>Group's proportionate interest in provisional fair value of Paltel's net identifiable assets</i>	
Cash and bank	14,058
Trade and other receivables	20,901
Investment securities	4,825
Inventories	1,766
Property, plant and equipment	41,234
Intangible assets	6,996
Investments in associates	12,131
Trade and other payables	(27,757)
Due to banks	(2,918)
	<u>71,236</u>
Less: Fair value of consideration transferred (being fair value of the Group's equity interest in Pella effectively transferred)	(226,465)
	<u><u>155,229</u></u>

Goodwill arising on Paltel's acquisition of Pella (attributable to the equity interest in Pella effectively transferred)

Provisional fair value of Pella's proportionate net identifiable assets on date of exchange	39,957
Proportionate fair value of Pella on date of exchange	(246,197)
Proportionate goodwill	206,240
Goodwill attributable to retained interest at original cost	46,573
	<u><u>252,813</u></u>
Total goodwill in Paltel and Pella	<u><u>408,042</u></u>

Notes to the Interim Consolidated Financial Information - 30 June 2009 (Unaudited)

The fair values assigned to the identifiable assets and liabilities of Paltel and Pella as at the date of acquisition are provisional and will be reviewed within one year of acquisition on finalisation of the Purchase Price Allocation (PPA).

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.