

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 September 2012**

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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 2012 and the related condensed consolidated statements of income and comprehensive income for three-month and nine-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the nine-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 nine-month period ended 30 September 2012 that might have had a material effect on the business of the Group or on its financial position.



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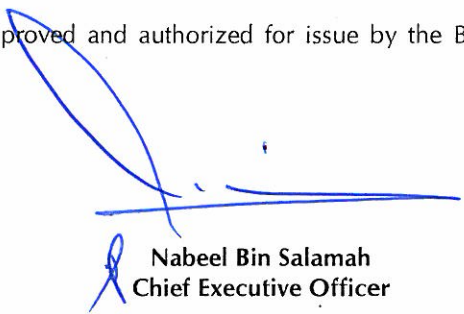
Condensed Consolidated Statement of Financial Position as at 30 September 2012 (Unaudited)

	Note	Unaudited 30 September 2012	Audited 31 December 2011	Unaudited 30 September 2011
				KD '000
Assets				
Current assets				
Cash and bank balances	3	347,792	404,764	388,037
Trade and other receivables		324,024	332,843	352,917
Inventories		10,571	21,182	21,878
Investment securities – at fair value through profit or loss		3,252	5,879	6,005
		<u>685,639</u>	<u>764,668</u>	<u>768,837</u>
Non-current assets				
Investment securities – available for sale		52,847	62,470	69,260
Investment in associates	4	258,108	81,131	88,839
Interest in a jointly controlled entity		52,587	44,871	39,900
Loans to associates	4	77,431	190,166	186,682
Property and equipment		705,316	795,644	779,494
Intangible assets		1,075,237	1,256,094	1,253,535
Other assets		93,940	92,190	69,085
		<u>2,315,466</u>	<u>2,522,566</u>	<u>2,486,795</u>
Total Assets		<u>3,001,105</u>	<u>3,287,234</u>	<u>3,255,632</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		515,140	506,541	570,730
Due to banks	5	267,036	313,823	268,434
		<u>782,176</u>	<u>820,364</u>	<u>839,164</u>
Non-current liabilities				
Due to banks	5	382,521	226,159	265,590
Other non-current liabilities		35,337	35,173	37,351
		<u>417,858</u>	<u>261,332</u>	<u>302,941</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	6	431,356	430,754	430,754
Share premium		1,705,158	1,703,351	1,703,351
Treasury shares	8	(567,834)	(567,834)	(567,834)
Legal reserve		215,377	215,377	214,871
Foreign currency translation reserve		(547,392)	(214,064)	(223,625)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of an associate		(5,442)	(1,760)	(1,750)
Investment fair valuation reserve		(10,013)	(10,046)	(7,300)
Share based compensation reserve		4,335	7,141	6,740
Hedge reserve		-	(849)	(845)
Retained earnings		445,655	516,453	442,334
		<u>1,673,167</u>	<u>2,080,490</u>	<u>1,998,663</u>
Non-controlling interests		127,904	125,048	114,864
Total Equity		<u>1,801,071</u>	<u>2,205,538</u>	<u>2,113,527</u>
Total Liabilities and Equity		<u>3,001,105</u>	<u>3,287,234</u>	<u>3,255,632</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 21 October 2012.


Asaad Ahmed Al Banwan
Chairman


Nabeel Bin Salamah
Chief Executive Officer

Condensed Consolidated Statement of Income – nine months ended 30 September 2012 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2012	2011	2012	2011
		KD'000		KD'000	
Continuing operations					
Revenue		311,088	328,669	974,623	988,109
Cost of sales		(90,520)	(89,264)	(274,149)	(266,363)
Gross profit		220,568	239,405	700,474	721,746
Distribution, marketing and operating expenses		(64,582)	(70,919)	(194,889)	(209,161)
General and administrative expenses		(15,683)	(15,464)	(61,922)	(61,796)
Depreciation and amortization		(46,930)	(41,377)	(144,688)	(124,505)
Provision for doubtful debts		(1,993)	(1,747)	(6,390)	(6,402)
Operating profit		91,380	109,898	292,585	319,882
Interest income		3,099	5,205	13,635	14,988
Investment income	9	668	(886)	(378)	(181)
Share of loss of associates		(13,370)	(8,837)	(28,772)	(26,981)
Share of profit/(loss) of a jointly controlled entity		1,348	(684)	7,855	(370)
Other income		3,542	4,349	10,239	1,892
Finance costs		(6,309)	(7,587)	(19,112)	(21,595)
Gain/(loss) from currency revaluation		491	(6,732)	739	(27,644)
Board of Directors' remuneration		(108)	(8)	(323)	(24)
Contribution to Kuwait Foundation for Advancement of Sciences		(618)	(721)	(2,077)	(2,163)
National Labour Support Tax and Zakat		(2,154)	(2,225)	(6,900)	(6,214)
Profit for the period before income tax		77,969	91,772	267,491	251,590
Income tax expenses		(11,520)	(13,281)	(45,756)	(34,421)
Profit for the period from continuing operations		66,449	78,491	221,735	217,169
Discontinued operations:					
Release of provisions	12	-	-	-	16,320
Profit for the period		66,449	78,491	221,735	233,489
Attributable to:					
Shareholders of the Parent Company		59,735	70,063	201,630	210,241
Non-controlling interests		6,714	8,428	20,105	23,248
		<u>66,449</u>	<u>78,491</u>	<u>221,735</u>	<u>233,489</u>
Earnings per share					
Basic – Fils					
From continuing operations	10	16	18	52	50
From discontinued operations		-	-	-	4
		<u>16</u>	<u>18</u>	<u>52</u>	<u>54</u>
Diluted – Fils					
From continuing operations		16	18	52	50
From discontinued operations		-	-	-	4
		<u>16</u>	<u>18</u>	<u>52</u>	<u>54</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 – nine months ended 30 September 2012
(Unaudited)**

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	KD'000		KD'000	
Profit for the period	66,449	78,491	221,735	233,489
Other comprehensive income				
<i>On continuing operations:</i>				
Exchange differences on translating foreign operations	3,729	19,239	(332,393)	(81,461)
Net unrealised gain/(loss) on available-for-sale investments	1,729	(3,103)	(1,781)	(12,697)
Net realised (gain)/loss transferred to statement of income on available-for-sale investments (net of impairment losses)	(123)	1,242	1,814	865
Cash flow hedges	-	-	849	-
Share based compensation	126	401	379	1,205
Share of other comprehensive income of an associate	(3,675)	630	(3,682)	1,708
	<u>1,786</u>	<u>18,409</u>	<u>(334,814)</u>	<u>(90,380)</u>
Total comprehensive income for the period	<u>68,235</u>	<u>96,900</u>	<u>(113,079)</u>	<u>143,109</u>
Total comprehensive income attributable to:				
Shareholders of the Parent Company				
From continuing operations	61,090	87,408	(134,119)	105,144
From discontinued operations	-	-	-	16,320
	<u>61,090</u>	<u>87,408</u>	<u>(134,119)</u>	<u>121,464</u>
Non-controlling interests				
From continuing operations	7,145	9,492	21,040	21,645
From discontinued operations	-	-	-	-
	<u>7,145</u>	<u>9,492</u>	<u>21,040</u>	<u>21,645</u>

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

Condensed Consolidated Statement of Changes in Equity – nine months ended 30 September 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 an associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve			Retained earnings
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 non-controlling interest (note 2)	-	-	-	-	-	-	-	-	-	-	(22,903)	(13,275)	(36,178)
Cash dividends (2011)	-	-	-	-	-	-	-	-	-	-	(252,710)	(4,909)	(257,619)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(3,185)	-	3,185	-	-
Total comprehensive income for the period	-	-	-	-	(333,328)	-	(3,682)	33	379	849	201,630	21,040	(113,079)
Balance at 30 September 2012	431,356	1,705,158	(567,834)	215,377	(547,392)	1,967	(5,442)	(10,013)	4,335	-	445,655	127,904	1,801,071
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

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 2012 (Unaudited)

	Nine months ended 30 September	
	2012	2011
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax from continuing and discontinued operations	267,491	267,910
Adjustments for:		
Depreciation and amortization	144,688	124,505
Interest income	(13,635)	(14,988)
Investment income	378	181
Share of loss of associates	28,772	26,981
Share of (profit)/loss of a jointly controlled entity	(7,855)	370
Finance costs	19,112	21,595
(Gains)/loss from currency revaluation	(739)	27,644
Operating profit before working capital changes	438,212	454,198
Increase in trade and other receivables	(35,134)	(174,959)
Decrease/(increase) in inventories	7,560	(8,982)
Decrease in trade and other payables	(10,865)	(36,960)
Cash generated from operations	399,773	233,297
Board of Directors' remuneration paid	(430)	(32)
Paid to Kuwait Foundation for Advancement of Sciences	(5,058)	(1,818)
National Labour Support Tax and Zakat paid	(4,983)	(6,814)
Income tax	(35,071)	(36,801)
<i>Net cash from operating activities</i>	<u>354,231</u>	<u>187,832</u>
Cash flows from investing activities		
Deposits maturing after three months and bank balances blocked	(75,490)	169,749
Investments in subsidiaries	(28,531)	-
Proceeds from disposal of a subsidiary	-	209,839
Investments in securities	(3,253)	(1,151)
Investment in associate	(97,696)	-
Proceeds from sale of investments	14,247	14,299
Acquisition of property and equipment (net)	(87,229)	(113,001)
Acquisition of intangible assets	(21,081)	(73,660)
Interest received	12,826	14,994
Dividends received	1,288	1,731
<i>Net cash (used in)/from investing activities</i>	<u>(284,919)</u>	<u>222,800</u>
Cash flows from financing activities		
Capital contribution including share premium – employees stock option	2,409	6,574
Proceeds from bank borrowings	427,045	693,210
Repayment of bank borrowings	(325,289)	(378,885)
Loan to an associate	(2,522)	(1,853)
Dividends paid to Parent Company's shareholders	(252,225)	(773,400)
Dividends paid to non-controlling interests	(4,846)	(7,643)
Finance costs	(15,325)	(23,908)
<i>Net cash used in financing activities</i>	<u>(170,753)</u>	<u>(485,905)</u>
Net decrease in cash and cash equivalents	(101,441)	(75,273)
Effects of foreign currency translation	(31,021)	(10,269)
Cash and cash equivalents at beginning of period	386,147	463,349
Cash and cash equivalents at end of period (note 3)	<u><u>253,685</u></u>	<u><u>377,807</u></u>

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

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; 30 September 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.

This condensed consolidated interim financial information does not contain all of the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Atheer, Iraq

Under the terms of the 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 process for complying with the listing conditions is now ongoing.

During the period, the Group acquired an additional 4.33% equity interest in Atheer from a non-controlling interest holder 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.

Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat, Jordan

During the period, the Group increased its shareholding to 99.1% from 26% for a consideration of US\$ 32.25 million (KD 9 million). The goodwill arising from this transaction is KD 6.4 million.

Mobile Telecommunications Company Lebanon SARL (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.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2012 (Unaudited)

Mobile Telecommunications Company, Saudi Arabia (SMTC)

SMTC completed capital restructuring and rights issue during the current quarter (refer note 4).

Sudanese Mobile Telephone (Zain) Company Limited (Zain South Sudan)

Zain South Sudan is consolidated based on management accounts for the period.

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, SMTC and Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat, Jordan whose working capitals are in deficit and to the operations in South Sudan. Based on business plans, the Group does not expect these conditions to 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>30 September</u> <u>2012</u>	<u>Audited</u> <u>31 December</u> <u>2011</u>	<u>Unaudited</u> <u>30 September</u> <u>2011</u>
	<u>KD '000</u>		
Cash on hand and at banks	210,482	196,846	146,583
Short-term deposits with banks	131,903	197,626	231,224
Government certificates of deposit held by subsidiaries	5,407	10,292	10,230
	<u>347,792</u>	<u>404,764</u>	<u>388,037</u>
Less:			
Deposits with maturities exceeding three months	(4,708)	(8,325)	-
Government certificates of deposit held by subsidiaries	(5,407)	(10,292)	(10,230)
Bank balances blocked (note 13)	(83,992)	-	-
	<u>253,685</u>	<u>386,147</u>	<u>377,807</u>

4. Investment in associates

	<u>Unaudited</u> <u>30 September</u> <u>2012</u>	<u>Audited</u> <u>31 December</u> <u>2011</u>	<u>Unaudited</u> <u>30 September</u> <u>2011</u>
	<u>KD '000</u>		
Opening balance	81,131	116,096	116,088
Capital contribution during the period/year	97,696	397	-
Conversion of shareholder loans to equity	112,640	-	-
Share of loss for the period/year	(28,772)	(35,507)	(26,981)
Foreign currency translation adjustment	(268)	(1,530)	(1,908)
Share of comprehensive income	(2,812)	1,675	1,640
Adjustments - transfer to subsidiary	(1,507)	-	-
	<u>258,108</u>	<u>81,131</u>	<u>88,839</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2012 (Unaudited)

SMTC completed capital restructuring and rights issue during the current quarter.

The Extraordinary General Assembly meeting of the shareholders of SMTC held on 4 July 2012 approved the Board of Director's plan to restructure the share capital of SMTC, as follows:

- Reduce share capital from SAR 14 billion (KD 1.04 billion) to SAR 4.8 billion (KD 358 million) by cancellation of 919.9 million shares in order to absorb the accumulated losses as of 30 September 2011;
- Subsequently, to increase the share capital by SAR 6 billion (KD 447 million) through conversion of shareholders' loans (SAR 2.5 billion) and a rights issue (SAR 3.5 billion).

The Group's shareholding in SMTC increased to 37.045% from 25%, after cash subscription of SAR 1.3 billion (KD 97.696 million) and conversion of shareholder loan of SAR 1.5 billion (KD 112.64 million) during the quarter.

The cash portion of the share issue proceeds was partially used for settlement of rights issue costs, network expansion and repayment of a part of the syndicated murabaha facility amounting to SAR 750 million.

SMTC incurred a net loss of Saudi Riyals (SAR) 1.307 billion (KD 97 million) for the nine months period ended 30 September 2012 (30 September 2011 - KD 107 million) and has accumulated losses of SAR 1.901 billion (KD 142 million) as of that date (31 December 2011 - KD 710 million; 30 September 2011 - KD 679 million). SMTC's current liabilities also exceed its current assets by SAR 11.996 billion (KD 897 million) as of 30 September 2012 (31 December 2011 - KD 970 million; 30 September 2011 - KD 909 million).

SMTC with the consent of the murabaha facility investors extended the maturity of the syndicated murabaha facility to November 2012 from July 2012, while finalising a revised five year US\$ 2.4 billion murabaha facility (for which there are firm commitments from banks) at a lower financing cost.

The Group's investment in SMTC with a carrying value of KD 258 million (31 December 2011 - KD 80 million; 30 September 2011 - KD 88 million) has a fair value of KD 307 million (31 December 2011 - KD 144 million; 30 September 2011 - KD 161 million). The Group's net investment in SMTC including loans and receivable is KD 416 million (31 December 2011 - KD 329 million; 30 September 2011 - KD 328 million).

SMTC's independent auditor's modified review report for the period ended 30 September 2012 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its interim financial information for the period ended 30 September 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.

5. Due to banks

During the period, the Parent Company:

- obtained a short term loan of US\$ 400 million (KD 113 million) and a term loan of US\$ 175 million (KD 49 million) repayable within three years from the date of the facility;
- 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.

In March 2011, the Parent Company secured a revolving credit facility of US\$ 866.67 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 30 September 2012, US\$ 846.67 million (KD 238 million) (31 December 2011 - KD 63 million; 30 September 2011 - KD 79 million) were outstanding on this revolving credit facility.

The Group is compliant with all the principal covenant ratios.

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

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2012 (Unaudited)

6. Share capital

The authorized share capital as of 30 September 2012 is 4,331,982,637 shares (31 December 2011 – 4,331,982,637; 30 September 2011 - 4,331,982,637) of 100 fils each.

At the extraordinary general meeting held on 12 April 2012, the Parent Company's shareholders approved the decrease in authorized share capital by 18,422,725 shares and then to increase it by 9,014,983 shares to 4,332,574,895 shares, subject to regulatory approval.

The issued and fully paid up share capital as of 30 September 2012 consists of 4,313,559,912 shares of 100 fils each (31 December 2011 – 4,307,534,661 shares of 100 fils each; 30 September 2011 - 4,307,534,661 shares of 100 fils each).

7. Dividend

The annual general meeting of shareholders for the year ended 31 December 2011 held on 29 March 2012 (2010 - 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).

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 September 2012	Audited 31 December 2011	Unaudited 30 September 2011
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)	315,027	383,140	400,169
Cost (KD '000)	567,834	567,834	567,834

9. Investment income

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2012	2011	2012	2011
	KD'000		KD'000	
Gain/(loss) from investments "at fair value through profit or loss"	132	(396)	149	(1,573)
Realised gain/(loss) from investments 'available –for-sale'	152	(911)	(1,815)	(339)
Dividend income	384	421	1,288	1,731
	<u>668</u>	<u>(886)</u>	<u>(378)</u>	<u>(181)</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2012 (Unaudited)

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 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2012	2011	2012	2011
	KD '000		KD '000	
Profit for the period attributable to shareholders				
From continuing operations	59,735	70,063	201,630	193,921
From discontinued operations	-	-	-	16,320
	<u>59,735</u>	<u>70,063</u>	<u>201,630</u>	<u>210,241</u>
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue	3,887,848,264	3,881,823,013	3,887,848,264	3,881,823,013
Effect of dilution	1,147,922	4,801,435	1,348,078	6,082,627
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,888,996,186</u>	<u>3,886,624,448</u>	<u>3,889,196,342</u>	<u>3,887,905,640</u>
	Fils	Fils	Fils	Fils
Earnings per share – Basic				
From continuing operations	16	18	52	50
From discontinued operations	-	-	-	4
	<u>16</u>	<u>18</u>	<u>52</u>	<u>54</u>
Earnings per share – Diluted				
From continuing operations	16	18	52	50
From discontinued operations	-	-	-	4
	<u>16</u>	<u>18</u>	<u>52</u>	<u>54</u>

11. Segmental information

The Parent Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its main operations in Kuwait, the Parent Company also operates through its foreign subsidiaries in Jordan, Bahrain, Lebanon, Sudan (North and South) 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.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2012 (Unaudited)

	30 September 2012					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	251,054	107,182	204,341	358,059	53,987	974,623
Net profit before interest and tax	86,126	33,691	59,053	99,483	7,085	285,438
Interest income	3	673	3,760	683	52	5,171
Finance costs	-	(901)	(1,306)	(11,957)	(310)	(14,474)
Income tax expense	-	(7,331)	(22,872)	(14,780)	(570)	(45,553)
Net profit after interest and tax	86,129	26,132	38,635	73,429	6,257	230,582
<i>Unallocated items:</i>						
Investment income						(378)
Share of loss of associates						(28,772)
Share of profit of a jointly controlled entity						7,855
Others						12,448
Profit for the period from continuing operations						221,735
Profit for the period from discontinued operations						-
Profit for the period						221,735
Segment assets	214,505	226,268	704,850	1,025,412	96,932	2,267,967
<i>Unallocated items:</i>						
Investment securities at fair value through profit or loss						3,252
Investment securities available for sale						52,847
Investment in associates						258,108
Interest in a jointly controlled entity						52,587
Loans to associates						77,431
Others						288,913
Consolidated assets						3,001,105
Segment liabilities	64,403	47,821	329,507	168,916	45,753	656,400
<i>Unallocated items:</i>						
Due to banks						-
Others						649,557
Consolidated liabilities						(105,923)
Net consolidated assets						1,200,034
Capital expenditure	31,518	8,847	25,596	26,806	15,505	108,272
Unallocated						38
Total capital expenditure of the continuing operations						108,310
Depreciation and amortization	33,761	14,983	29,549	51,913	11,856	142,062
Unallocated						2,626
Total depreciation and amortization of the continuing operations						144,688

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2012 (Unaudited)

	30 September 2011					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	259,865	104,089	226,128	330,703	67,324	988,109
Net profit before interest and tax	97,741	35,326	70,569	96,713	15,232	315,581
Interest income	4	838	2,644	1,000	110	4,596
Finance costs	-	(732)	(4,158)	(17,898)	-	(22,788)
Income tax expense	-	(8,019)	(11,942)	(12,969)	(1,193)	(34,123)
Net profit after interest and tax	97,745	27,413	57,113	66,846	14,149	263,266
<i>Unallocated items:</i>						
Investment income						(181)
Share of loss of associates						(26,981)
Share of loss 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	962,161	959,042	76,390	2,437,348
<i>Unallocated items:</i>						
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	323,606	194,176	30,160	656,424
<i>Unallocated items:</i>						
Due to banks						534,024
Others						(48,343)
Consolidated liabilities						1,142,105
Net consolidated assets						2,113,527
Capital expenditure	25,377	5,643	57,838	91,019	6,668	186,545
Unallocated						116
Total capital expenditure of the continuing operations						186,661
Depreciation and amortization	25,852	11,884	27,921	49,395	6,137	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 2012 (Unaudited)

12. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

Transactions

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2012	2011	2012	2011
	KD'000		KD'000	
Management fee (included in other income)	3,097	3,535	9,413	9,895
Interest income on loans to associates	1,395	2,842	7,216	8,425
Purchase from non-controlling interests	-	-	36,178	-
	Unaudited 30 September 2012	Audited 31 December 2011	Unaudited 30 September 2011	
	KD '000			
Trade and other receivables	3,770	3,932	4,080	
Trade and other payables	3,347	2,627	5,591	

Key management compensation

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2012	2011	2012	2011
	KD'000		KD'000	
Salaries and other short term employee benefits	2,022	2,190	6,435	6,287
Post employment benefits	532	1,034	1,742	2,002
Share based compensation	35	123	103	368

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 key management compensation. Of this amount, KD 16.320 million was released in discontinued operations and the balance in continuing operations.

13. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 September 2012	31 December 2011	30 September 2011
	KD '000		
Capital expenditure	98,527	109,049	60,488
Capital expenditure - share of associate	19,000	7,712	18,126
Uncalled share capital of investee companies	156	276	283
Letters of credit	33,698	66,558	55,400
Letters of guarantee	376,747	317,889	315,601

The above include guarantees/letters of credit amounting to US\$ 1.24 billion (KD 348 million) relating to a loan and other vendor financing availed by SMTC (31 December 2011 - KD 325 million, 30 September 2011- KD 322 million).

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2012 (Unaudited)

The Parent Company is a guarantor for credit facilities of US\$ 35 million (KD 10 million) (31 December 2011 – KD 10 million; 30 September 2011 – KD 10 million) granted to a founding shareholder in SMTC. The Parent Company considers the collaterals provided by the founding shareholder to the bank will adequately cover the credit facilities.

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

The Iraq income tax authority, the General Commission for Taxes (the "Tax Authority"), has raised claims for additional income taxes of US\$ 65 million (KD 18 million) for Atheer's operations upto fiscal year 2007. The Group has reviewed these claims and has filed an appeal denying liability for these additional tax claims on the basis that they are arbitrary, and contrary to the applicable Iraqi tax law.

On 6 March 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 73 million) (US\$ 100 million as a fine, and US\$ 162 million as the CMC's portion of the revenue share) (31 December 2011- KD 73 million; 30 September 2011- KD 73 million) from Atheer citing non-compliance with certain license terms. In response to the appeal made by Atheer, the Board of Appeals of the CMC issued an order dated 30 January 2012, which annulled the above claim and asked the CMC to review it again and determine the amounts that should be paid by Atheer. In March 2012, the CMC again demanded payment of US\$ 262 million. Atheer has appealed against this demand by citing the CMC's Board of Appeals order dated 30 January 2012 for cancellation of the penalty charged and its re-assessment. Furthermore, CMC has also levied a penalty of US\$ 18 Million (KD 5 million) (31 December 2011- KD 5 million; 30 September 2011- KD 5 million) citing breach of network quality covenants. The Group believes that it has complied with the license terms and the network quality covenants and that it has strong meritorious defenses against these claims.

In 2007, Atheer acquired Iraqna Company for Mobile Phone Services Limited (Iraqna) from Orascom Telecom Iraq Corp. Limited (the Seller). Under the terms of the Share Purchase Agreement (SPA), the Seller is responsible for all income tax payable by Iraqna upto the Closing Date of the SPA. The Tax Authority has raised claims for additional corporate income taxes of US\$ 89 million (KD 25 million) for Iraqna upto 2007. Atheer has reviewed these claims and has filed appeals denying liability for these claims on the basis that they are arbitrary and contrary to the applicable Iraqi tax law. Atheer also has a contingent asset in the form of a right, under the SPA to make claims against the Seller for Iraqna tax claims upto US\$ 60 million (KD 17 million). The Tax Authority has also claimed from Atheer the capital gains taxes payable by the Seller amounting to US\$ 187 million (KD 52 million) arising on sale of Iraqna to Atheer. Subsequently, the Tax Authority issued a letter on 20 March 2012, indicating that the assessment was indeed based upon the capital gains of the Seller from the sale of Iraqna to Atheer and that the Seller is therefore liable for the claim. Accordingly, it is clear that it is the Seller and not Atheer who is liable for the capital gains tax. Despite the letter dated 20 March 2012, the Tax Authority subsequently instructed the various banks in Iraq to block Atheer's bank balances with them to the extent of an equivalent amount. Atheer has filed legal action in Iraqi courts requesting an order preventing the Tax Authority from continuing to block Atheer's bank accounts. The Group expects a favorable outcome to this request and does not consider that these matters could have an adverse impact on the Group's business or its operations in Iraq.

The Group has a contingent liability 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 a tentative license fee for GSM services. The Group has not accepted the claim, as it is without any basis.

Under the Share Sale Agreement (SSA) of Zain Africa BV, the Group is contingently liable for taxation claims and amounts that may become due for certain unprovided litigation claims after the first closing date.

Legal proceedings have been initiated, by and against the Group, in a number of jurisdictions.

On the basis of information currently available and the advice of the 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.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2012 (Unaudited)

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 September 2012:

Notional amounts by term to maturity
(Unaudited)

Notional amount	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

- - - -

At 31 December 2011:

Notional amounts by term to maturity
(Audited)

Notional amount	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

153,733 153,733 - -

At 30 September 2011:

Notional amounts by term to maturity
(Unaudited)

Notional amount	Within 3 months	3 - 12 months	Over 1 year
KD'000			

Derivatives held for hedging:

Cash flow hedges

Commission rate swaps- share of an associate

152,904 - 152,904 -