

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

**Condensed Consolidated Interim Financial Information (Unaudited)  
30 June 2010**

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

#### INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

#### **Report on Review of Condensed Consolidated Interim Financial Information**

##### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C. (the Parent Company) and its subsidiaries (together called "the Group") as at 30 June 2010 and the related condensed consolidated statements of income and comprehensive income for three months and six months period then ended and the related condensed consolidated statements of changes in equity and cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

##### *Scope of Review*

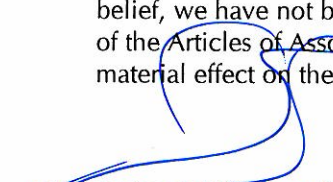
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

##### *Conclusion*

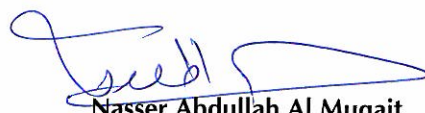
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

#### **Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company during the period ended 30 June 2010 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 June 2010 (Unaudited)

		Unaudited 30 June 2010	Audited 31 December 2009	Unaudited 30 June 2009 (Restated)
	Note			KD '000
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank balances	4	612,844	267,175	340,071
Trade and other receivables		543,864	405,434	388,272
Inventories		14,995	32,554	33,930
Investments – at fair value through profit or loss		6,927	7,464	9,021
		<u>1,178,630</u>	<u>712,627</u>	<u>771,294</u>
<b>Non current assets</b>				
Deferred tax assets		258	134,049	107,334
Investments – available-for-sale		90,023	98,492	98,709
Investment in associates		142,128	165,771	193,411
Interest in a jointly controlled entity		40,844	44,063	48,428
Loan to associates		152,441	141,996	82,881
Property and equipment		811,492	2,151,768	2,113,804
Intangible assets		1,387,073	2,245,453	2,284,021
Other financial assets		-	2,539	2,528
		<u>2,624,259</u>	<u>4,984,131</u>	<u>4,931,116</u>
<b>Total Assets</b>		<u>3,802,889</u>	<u>5,696,758</u>	<u>5,702,410</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Trade and other payables	5	575,566	939,944	1,032,568
Due to banks		335,192	536,472	445,234
		<u>910,758</u>	<u>1,476,416</u>	<u>1,477,802</u>
<b>Non current liabilities</b>				
Due to banks		62,773	1,615,994	1,713,999
Deferred tax liabilities		-	38,704	30,483
Other non current liabilities		151,438	87,166	90,265
		<u>214,211</u>	<u>1,741,864</u>	<u>1,834,747</u>
<b>Equity</b>				
<b>Attributable to the Parent Company's shareholders</b>				
Share capital	6	429,246	428,285	427,518
Share premium		1,697,785	1,691,105	1,690,772
Treasury shares	8	(567,834)	(567,834)	(567,834)
Legal reserve		147,989	147,989	127,788
Voluntary reserve		-	63,091	63,091
Foreign currency translation reserve		(22,734)	(21,174)	(63,679)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of associate		(1,831)	(1,814)	(1,817)
Investment fair valuation reserve		(4,833)	(7,719)	(2,388)
Share based compensation reserve		6,087	18,361	22,765
Hedge reserve		(1,309)	(49,298)	(54,073)
Retained earnings		908,909	593,643	561,962
		<u>2,593,442</u>	<u>2,296,602</u>	<u>2,206,072</u>
Non- controlling interests		84,478	181,876	183,789
<b>Total equity</b>		<u>2,677,920</u>	<u>2,478,478</u>	<u>2,389,861</u>
<b>Total Liabilities and Equity</b>		<u>3,802,889</u>	<u>5,696,758</u>	<u>5,702,410</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 09 August 2010.

  
Asaad Ahmed Al Banwan  
Chairman

  
Nabeel Bin Salamah  
Chief Executive Officer

Condensed Consolidated Statement of Income – periods ended 30 June 2010 (Unaudited)

	Note	Three month ended 30 June		Six month ended 30 June	
		2010	2009 (Restated)	2010	2009 (Restated)
		KD'000		KD'000	
<b>Continuing operations</b>					
Revenue		342,899	314,108	672,573	614,229
Cost of sales		(93,176)	(75,494)	(178,342)	(154,938)
<b>Gross profit</b>		<b>249,723</b>	<b>238,614</b>	<b>494,231</b>	<b>459,291</b>
Distribution, marketing & operating expenses		(70,945)	(56,199)	(136,718)	(98,052)
General and administrative expenses		(29,666)	(25,084)	(68,088)	(46,262)
Depreciation and amortization		(40,661)	(36,110)	(80,410)	(73,205)
Provision for doubtful debts		(1,143)	(349)	(2,264)	(1,098)
<b>Operating profit</b>		<b>107,308</b>	<b>120,872</b>	<b>206,751</b>	<b>240,674</b>
Interest income		3,549	2,182	7,219	4,306
Investment income	9	(2,409)	630	(1,984)	(5,020)
Share of loss of associates		(12,415)	(16,695)	(25,354)	(32,034)
Share of loss of jointly controlled entity		(1,907)	-	(3,219)	(1,776)
Other income		3,965	793	6,935	6,982
Finance cost		(19,327)	(24,689)	(42,918)	(46,010)
Gain/ (loss) on currency revaluation		24,274	(12,789)	33,528	(7,268)
Board of Directors' remuneration		(8)	(8)	(16)	(16)
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		(749)	(813)	(1,282)	(1,600)
National Labour Support Tax and Zakat		(693)	(1,730)	(1,870)	(3,870)
Profit before income tax		101,588	67,753	177,790	154,368
Income tax expense		(9,205)	(9,339)	(18,356)	(16,430)
<b>Profit from continuing operations</b>		<b>92,383</b>	<b>58,414</b>	<b>159,434</b>	<b>137,938</b>
<b>Discontinued operations</b>					
Profit from discontinued operations	3	754,431	26,974	741,809	21,998
<b>Profit for the period</b>		<b>846,814</b>	<b>85,388</b>	<b>901,243</b>	<b>159,936</b>
<b>Attributable to:</b>					
Shareholders of the Parent Company		843,783	76,356	895,325	152,084
Non- controlling interests		3,031	9,032	5,918	7,852
		<u>846,814</u>	<u>85,388</u>	<u>901,243</u>	<u>159,936</u>
<b>Earnings per share</b>					
<b>Basic – Fils</b>					
From continuing operations		22	13	37	32
From discontinued operations		197	7	195	8
		<u>219</u>	<u>20</u>	<u>232</u>	<u>40</u>
<b>Diluted – Fils</b>					
From continuing operations		22	13	37	32
From discontinued operations		197	7	195	8
		<u>219</u>	<u>20</u>	<u>232</u>	<u>40</u>

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

Condensed Consolidated Statement of Comprehensive Income – periods ended 30 June 2010 (Unaudited)

	Three month ended		Six month ended	
	30 June		30 June	
	2010	2009	2010	2009
	(Restated)		(Restated)	
	KD'000		KD'000	
<b>Profit for the period</b>	<b>846,814</b>	<b>85,388</b>	<b>901,243</b>	<b>159,936</b>
<b>Other comprehensive income</b>				
<i>On continuing operations:</i>				
Exchange differences on translating foreign operations	(59,322)	(33,008)	(51,843)	26,247
Net unrealised (loss)/ gain on available-for-sale investments	(11,954)	7,022	(573)	(836)
Net realised loss/ (gains) transferred to statement of income on available-for-sale investments (net of impairment losses)	3,449	4,214	2,312	7,649
Share based compensation	1,164	1,185	1,926	2,370
Cash flow hedges	(44)	11,299	(11)	6,309
Share of other comprehensive income of an associate	(7)	24	(17)	(71)
	<u>(66,714)</u>	<u>(9,264)</u>	<u>(48,206)</u>	<u>41,668</u>
<i>On discontinued operations - transfers to condensed consolidated statement of income:</i>				
Cumulative exchange differences	88,241	-	50,607	-
Net realised loss on available-for-sale investments	1,147	-	1,147	-
Cash flow hedges	44,545	-	48,000	-
	<u>133,933</u>	<u>-</u>	<u>99,754</u>	<u>-</u>
Total comprehensive income for the period	<b><u>914,033</u></b>	<b><u>76,124</u></b>	<b><u>952,791</u></b>	<b><u>201,604</u></b>
Total comprehensive income attributable to:				
<b>Shareholders of the Parent Company</b>				
From continuing operations	14,171	(121)	94,931	176,850
From discontinued operations	896,276	74,504	851,618	24,668
	<u>910,447</u>	<u>74,383</u>	<u>946,549</u>	<u>201,518</u>
<b>Non-controlling interests</b>				
From continuing operations	8,043	8,385	16,296	17,755
From discontinued operations	(4,457)	(6,644)	(10,054)	(17,669)
	<u>3,586</u>	<u>1,741</u>	<u>6,242</u>	<u>86</u>

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

Condensed Consolidated Statement of Changes in Equity – six month ended 30 June 2010 (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
Balance at 1 January 2010	428,285	1,691,105	(567,834)	147,989	63,091	(21,174)	1,967	(1,814)	(7,719)	18,361	(49,298)	593,643	181,876	2,478,478
Exercise of share options	961	6,680	-	-	-	-	-	-	-	-	-	(2)	-	7,639
Cash dividends (2009)	-	-	-	-	(63,091)	-	-	-	-	-	-	(594,257)	(10,560)	(667,908)
Sale of shares in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(93,080)	(93,080)
Transfer to Retained Earnings	-	-	-	-	-	-	-	-	-	(14,200)	-	14,200	-	-
Total consolidated comprehensive income for the period	-	-	-	-	-	(1,560)	-	(17)	2,886	1,926	47,989	895,325	6,242	952,791
Balance at 30 June 2010	429,246	1,697,785	(567,834)	147,989	-	(22,734)	1,967	(1,831)	(4,833)	6,087	(1,309)	908,909	84,478	2,677,920
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)
Total consolidated comprehensive income for the period	-	-	-	-	-	34,013	-	(71)	6,813	2,370	6,309	152,084	86	201,604
Balance at 30 June 2009 (Restated)	427,518	1,690,772	(567,834)	127,788	63,091	(63,679)	1,967	(1,817)	(2,388)	22,765	(54,073)	561,962	183,789	2,389,861

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

Condensed Consolidated Statement of Cash Flows – six month ended 30 June 2010 (Unaudited)

	<u>Six month ended 30 June</u>	
	<u>2010</u>	<u>2009</u> <u>(Restated)</u>
	<u>KD'000</u>	
<b>Cash flows from operating activities</b>		
Profit for the period before income tax of continuing and discontinued operations	915,403	170,727
Adjustments for:		
Depreciation and amortization	194,473	188,016
Interest income	(9,349)	(5,414)
Loss from investment securities	1,984	5,020
Gain from disposal of a subsidiary	(778,134)	-
Share of loss of associates and jointly controlled entity	28,573	33,810
Finance cost	66,273	77,505
(Gain)/ loss from currency revaluation	(24,297)	30,874
Operating profit before working capital changes	394,926	500,538
Increase in trade and other receivables	(284,117)	(73,232)
Decrease/ (increase) in inventories	1,663	(1,631)
Increase/ (decrease) in trade and other payables	163,225	(98,944)
Cash generated from operations	275,697	326,731
Paid to Kuwait Foundation for Advancement of Sciences (KFAS)	(4,159)	(2,841)
National Labour Support Tax and Zakat	(5,528)	(6,247)
Income tax paid	(18,932)	(11,948)
<i>Net cash from operating activities</i>	<u>247,078</u>	<u>305,695</u>
<b>Cash flows from investing activities</b>		
Deposits with a foreign bank under lien (Note 4)	(174,487)	-
Purchase of investments	(2)	(1,387)
Investment in a subsidiary	-	(18,583)
Proceeds from disposal of a subsidiary (Note 3)	2,191,637	-
Investment in an associate/ jointly controlled entity	(271)	(26,298)
Proceeds from sale of investments	227	7,646
Acquisition of property and equipment (net)	(174,020)	(234,437)
Acquisition of intangible assets	(36,298)	(895)
Interest received	9,359	5,414
Dividend received	1,003	-
<i>Net cash from/ ( used in) investing activities</i>	<u>1,817,148</u>	<u>(268,540)</u>
<b>Cash flows from financing activities</b>		
Capital contribution – employees stock option	7,639	94
(Repayments)/ borrowings from banks (net)	(1,180,380)	214,158
Loan to an associate	(4,706)	-
Dividends paid to Parent Company's shareholders	(645,995)	(190,212)
Dividends paid to non-controlling interest holders of subsidiaries	(10,478)	(7,601)
Finance cost	(54,402)	(86,198)
<i>Net cash used in financing activities</i>	<u>(1,888,322)</u>	<u>(69,759)</u>
Net increase/ (decrease) in cash and cash equivalents	175,904	(32,604)
Effect of foreign currency translation	(4,722)	4,804
Cash and cash equivalents at beginning of period	267,175	367,871
<b>Cash and cash equivalents at end of period (Note 4)</b>	<u><u>438,357</u></u>	<u><u>340,071</u></u>

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

**1. Incorporation and activities**

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

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 7 other countries (31 December 2009 - Kuwait and 22 other countries; 30 June 2009 - Kuwait and 23 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 2009.

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.

*Zain Africa BV*

Zain Africa was consolidated up to 8 June 2010 on which date the Group transferred control of its operations to another telecom operator (See Note 3).

*Saudi Mobile Telecommunications Company (SMTC)*

SMTC incurred a net loss of Saudi Riyals 1.294 billion (KD 100 million) for the six month period ended 30 June 2010 (30 June 2009 – KD 125 million) and has accumulated losses of Saudi Riyals 6.67 billion (KD 515 million) as of that date (30 June 2009 – KD 299 million). SMTC's current liabilities also exceed current assets by Saudi Riyals 5.5 billion (KD 426 million) as of 30 June 2010 (31 December 2009 – KD 375 million; 30 June 2009 – KD 1 billion).

SMTC's reviewed financial information for the period ended 30 June 2010 disclose that they have been prepared on a going concern basis as its management is of the opinion that its efforts to secure funding to meet its obligations in the normal course of operations will be successful.

The Group is also contingently liable for guarantees amounting to US\$ 815 million (KD 236 million) as of 30 June 2010 (31 December 2009 - KD 222 million; 30 June 2009 – Nil) relating to loan and other vendor financing availed by SMTC. In June 2010, the Group also provided a cash collateral of KD 174 million to a foreign bank against vendor financing availed by SMTC (See Note 4).

*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 was renewable for an additional year. On 1 February 2010, the NMA was extended for a period of six months up to 31 July 2010. The NMA may be further extended twice, for a period of three months each. On 31 May 2010, the NMA was extended for a period of three months from 31 July 2010 to 31 October 2010. The financial statements 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.

*Financial support to associate and group companies*

The Group has committed to provide working capital and other financial support to Atheer Telecom Iraq Limited, Sudanese Mobile Telephone (Zain) Company 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 2010. 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 2009.

**3. 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 has 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.

Out of this amount the Group received US\$ 7.8 billion (KD 2.41 billion) on the First Closing Date. This is after deduction of US\$ 700 million (KD 203 million) which is payable one year from the First Closing Date and US\$ 432 million (KD 125 million) in accordance with the terms and conditions in the SSA. The sale of some of the territories is contingent on receipt of regulatory approvals within twelve months of the First Closing Date.

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

**Gain on disposal**

	<u>KD'000</u>
<b>Cash flows upon disposal of subsidiary</b>	
Enterprise value (US\$ 10.7 billion)	3,107,280
Less: Consolidated net debt obligations assumed by the buyer (US\$ 1.7 billion)	<u>(493,680)</u>
Equity and shareholder loan value of ZABV (US\$ 9 billion)	2,613,600
<b>Less:</b>	
Amount receivable on expiry of twelve months from First Closing Date (US\$ 700 million)	<u>(203,280)</u>
First closing amount as per SSA (US\$ 8.3 billion)	2,410,320
<b>Less:</b>	
Amounts retained for pending regulatory approvals in certain territories and other deductions as per SSA (US\$ 432 million)	<u>(125,453)</u>
Net cash received	2,284,867
Less: Cash and cash equivalents of ZABV as on the first closing date	<u>(93,230)</u>
Net proceeds from disposal of subsidiary (as disclosed in the Cash Flow Statement)	<u>2,191,637</u>

In accordance with the terms of the SSA, the Group used the cash received to prepay its US\$ 4 billion (KD 1.16 billion) bank borrowing and to unwind the related cash flow hedge. The loss on unwinding the hedging instruments amounting to US\$ 127 million (equivalent KD 37 million) is included in the transaction costs (See table below).

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2010 (Unaudited)

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

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

Operating results of ZABV up to 8 June 2010

	Three month ended		Six month ended	
	30 June		30 June	
	(Unaudited)		(Unaudited)	
	2010	2009	2010	2009
	<u>KD'000</u>		<u>KD'000</u>	
<b>Result of discontinued operations</b>				
Revenue	163,915	258,475	406,903	524,080
Expenses	(121,677)	(164,841)	(295,124)	(338,917)
Depreciation and amortization	(46,148)	(53,830)	(114,063)	(114,811)
Interest income	1,051	693	2,130	1,108
Finance cost	(8,594)	(17,773)	(23,355)	(31,495)
(Loss)/ gain on currency revaluation	(5,806)	356	(9,231)	(23,606)
(Loss)/ profit for the period before tax	(17,259)	23,080	(32,740)	16,359
Income tax expense	1,337	3,894	4,196	5,639
(Loss)/ profit of discontinued operations	<u>(15,922)</u>	<u>26,974</u>	<u>(28,544)</u>	<u>21,998</u>
<b>Net gain on disposal of discontinued operations</b>				
Gain on disposal	930,770	-	930,770	-
<i>Transfers from other comprehensive income:</i>				
Cumulative exchange differences	(114,483)	-	(114,483)	-
Cash flow hedges	(37,006)	-	(37,006)	-
Investment fair valuation reserve	(1,147)	-	(1,147)	-
Gain on disposal before contribution to KFAS	778,134	-	778,134	-
Contribution to KFAS	(7,781)	-	(7,781)	-
Net gain on disposal of discontinued operations	<u>770,353</u>	<u>-</u>	<u>770,353</u>	<u>-</u>
Total profit from discontinued operations	<u><u>754,431</u></u>	<u><u>26,974</u></u>	<u><u>741,809</u></u>	<u><u>21,998</u></u>
Attributable to:				
Shareholders of the Parent Company	759,047	27,030	751,441	30,082
Non controlling interests	(4,616)	(56)	(9,632)	(8,084)
	<u><u>754,431</u></u>	<u><u>26,974</u></u>	<u><u>741,809</u></u>	<u><u>21,998</u></u>

Cash flows

The cash flows from Zain Africa operations from 1 January 2010 to 8 June 2010 are as follows:

	Six month ended	
	30 June	
	(Unaudited)	
	2010	2009
	<u>KD'000</u>	
Operating cash flows	57,645	95,585
Investing cash flows	2,114,359	(194,718)
Financing cash flows	20,444	68,136
Total cash flows	<u><u>2,192,448</u></u>	<u><u>(30,997)</u></u>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2010 (Unaudited)

4. Cash and bank balances

	<u>Unaudited</u> 30 June 2010	<u>Audited</u> 31 December 2009	<u>Unaudited</u> 30 June 2009 (Restated) KD '000
Cash on hand and at banks	198,896	169,277	244,128
Short-term deposits maturing within three months	239,461	97,898	95,943
Cash and cash equivalents	438,357	267,175	340,071
Deposits with a foreign bank under lien (Note 2)	174,487	-	-
	<u>612,844</u>	<u>267,175</u>	<u>340,071</u>

5. Trade and other payables

This includes dividend of KD 18,930,000 (31 December 2009 - KD 7,638,000; 30 June 2009 - KD 8,453,000) payable to the shareholders of the Parent Company.

6. Share capital

The authorized share capital as of 30 June 2010 is 4,315,097,117 shares (31 December 2009 - 4,297,371,670; 30 June 2009 - 4,297,371,670) of 100 fils each.

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, subject to regulatory approval which is pending.

The issued and fully paid up share capital as of 30 June 2010 consists of 4,292,464,105 shares of 100 fils each (31 December 2009 - 4,282,853,505 shares of 100 fils each; 30 June 2009 - 4,275,183,146 shares 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.

7. Dividend

Shareholders approved payment of cash dividend of 170 fils per share for the year ended 31 December 2009 (2008 - 50 fils per share) at the annual general meeting held on 27 May 2010 (2008 - 30 March 2009).

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.

	<u>Unaudited</u> 30 June 2010	<u>Audited</u> 31 December 2009	<u>Unaudited</u> 30 June 2009
Number of shares	425,711,648	425,711,648	425,711,648
Percentage of issued shares	9.92%	9.94%	9.96%
Market value (KD '000)	476,797	434,226	502,340
Cost (KD '000)	567,834	567,834	567,834

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2010 (Unaudited)

9. Investment income

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2010	2009 (Restated)	2010	2009 (Restated)
	KD '000		KD '000	
(Loss)/ gain from investments "at fair value through profit or loss"	(1,710)	552	(647)	(764)
Realised (loss)/gains from investments 'available –for-sale'	(1,194)	(1,211)	(2,340)	(5,063)
Impairment loss	-	-	-	(1,133)
Dividend income	495	1,289	1,003	1,940
	<u>(2,409)</u>	<u>630</u>	<u>(1,984)</u>	<u>(5,020)</u>

10. Earnings per share

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

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2010	2009 (Restated)	2010	2009 (Restated)
	KD '000		KD '000	
<b>Profit for the period attributable to shareholders</b>				
From continuing operations	84,736	49,326	143,884	122,002
From discontinued operations	759,047	27,030	751,441	30,082
	<u>843,783</u>	<u>76,356</u>	<u>895,325</u>	<u>152,084</u>
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue	3,866,752,457	3,849,471,498	3,866,752,457	3,849,471,498
Effect of dilution	12,667,322	11,075,503	12,326,949	9,489,650
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,879,419,779</u>	<u>3,860,547,001</u>	<u>3,879,079,406</u>	<u>3,858,961,148</u>
	Fils	Fils	Fils	Fils
<b>Earnings per share – Basic</b>				
From continuing operations	22	13	37	32
From discontinued operations	197	7	195	8
	<u>219</u>	<u>20</u>	<u>232</u>	<u>40</u>
<b>Earnings per share – Diluted</b>				
From continuing operations	22	13	37	32
From discontinued operations	197	7	195	8
	<u>219</u>	<u>20</u>	<u>232</u>	<u>40</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2010 (Unaudited)

11. Segmental information

The Parent Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its main operations in Kuwait, the Parent Company also operates through its foreign subsidiaries in Jordan, Bahrain, Lebanon, Sudan and Iraq. The Group's operations in Sub-Saharan Africa are classified as a disposal group, in accordance with IFRS 5 (Notes 2 and 3). This forms the basis of the geographical segments.

	30 June 2010						Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq	
<b>Segment revenues</b>	172,677	71,708	38,602	14,868	165,791	208,927	672,573
<b>Net profit before interest and tax</b>	65,420	24,263	9,604	5,178	73,156	62,965	240,586
Interest income	5	652	111	24	1,780	-	2,572
Finance cost	-	-	(37)	-	(3,142)	(18,497)	(21,676)
Income tax expense	-	(5,623)	-	(789)	(4,895)	(6,846)	(18,153)
<b>Net profit after interest and tax</b>	65,425	19,292	9,678	4,413	66,899	37,622	203,329
<i>Unallocated items:</i>							
Investment income							(1,984)
Share of loss of associates							(25,354)
Share of loss of jointly controlled entity							(3,219)
Others							(13,338)
<b>Profit for the period from continuing operations</b>							159,434
Profit for the period from discontinued operations							741,809
<b>Profit for the period</b>							901,243
<b>Segment assets</b>	213,811	246,269	65,515	12,110	1,040,022	1,041,635	2,619,362
<i>Unallocated items:</i>							
Investment - at fair value through profit or loss							6,927
Deferred tax assets							258
Investments - available for sale							90,023
Investment in associates							142,128
Interest in a jointly controlled entity							40,844
Loans to associates							152,441
Others							750,906
<b>Consolidated assets</b>							3,802,889
<b>Segment liabilities</b>	68,424	31,251	23,598	5,604	273,030	290,774	692,681
<i>Unallocated items:</i>							397,965
Due to banks							-
Others							34,323
<b>Consolidated liabilities</b>							1,124,969
<b>Net consolidated assets</b>							2,677,920
Capital expenditure of the continuing operations incurred during the period	6,645	3,118	6,293	8	59,157	54,421	129,642
Unallocated							1,255
							130,897
Capital expenditure of the discontinued operations							79,421
<b>Total capital expenditure incurred during the period</b>							210,318
Depreciation and amortization	14,852	7,914	3,748	8	17,396	33,120	77,038
Unallocated							3,372
<b>Total depreciation and mortization of the continuing operations</b>							80,410

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2010 (Unaudited)

	30 June 2009 (Restated)							Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq	Sub-Saharan Africa	
<b>Segment revenues</b>	174,086	62,835	36,705	11,628	138,193	190,782	-	614,229
<b>Net profit before interest and tax</b>	76,231	22,304	10,616	2,214	55,173	60,200	-	226,738
Interest income	361	1,392	134	36	1,617	-	-	3,540
Finance cost	-	(1,099)	(309)	(2)	(3,759)	(15,176)	-	(20,345)
Income tax expense	-	(5,912)	-	(343)	(2,998)	(6,934)	-	(16,187)
<b>Net profit after interest and tax</b>	<b>76,592</b>	<b>16,685</b>	<b>10,441</b>	<b>1,905</b>	<b>50,033</b>	<b>38,090</b>	-	<b>193,746</b>
<i>Unallocated items:</i>								
Investment income								(5,020)
Share of loss of associates								(32,034)
Share of loss of jointly controlled entity								(1,776)
Others								(16,978)
<b>Profit for the period from continuing operations</b>								<b>137,938</b>
Profit for the period from discontinued operations								21,998
<b>Profit for the period</b>								<b>159,936</b>
<b>Segment assets</b>	233,280	250,261	60,109	7,604	931,488	1,042,336	2,584,438	5,109,516
<i>Unallocated items:</i>								
Investment - at fair value through profit or loss								9,021
Deferred tax assets								107,334
Investment - available for sale								98,709
Investment in associates								193,411
Interest in a jointly controlled entity								48,428
Loan to an associate								82,881
Others								53,110
<b>Consolidated assets</b>								<b>5,702,410</b>
<b>Segment liabilities</b>	59,239	34,840	18,010	4,775	145,321	470,536	385,369	1,118,090
<i>Unallocated items:</i>								
Due to banks								2,159,233
Deferred tax liabilities								30,483
Others								4,743
<b>Consolidated liabilities</b>								<b>3,312,549</b>
<b>Net consolidated assets</b>								<b>2,389,861</b>
Capital expenditure incurred during the period	16,638	5,766	3,443	5	38,982	13,905	152,185	230,924
Unallocated								4,408
<b>Total capital expenditure</b>								<b>235,332</b>
Depreciation and amortization	12,643	9,646	2,875	7	13,703	31,505	-	70,379
Unallocated								2,826
<b>Total depreciation and amortization of continuing operations</b>								<b>73,205</b>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2010 (Unaudited)

12. Related party transactions

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

Transactions

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2010	2009	2010	2009
	KD '000		KD '000	
Management fee (included in other income)	3,582	2,274	6,271	4,160
Interest income on loans to an associate	2,211	-	4,335	-

	Unaudited	Audited	Unaudited
	30 June 2010	31 December 2009	30 June 2009
	KD '000		
Trade and other receivables	3,630	3,090	4,215
Trade and other payables	2,964	1,021	627
Due to banks	-	39,859	52,851

Key management compensation

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2010	2009	2010	2009
	KD'000		KD'000	
Salaries and other short term employee benefits	898	1,409	2,249	2,811
Post employment benefits	94	198	290	393
Share based payments	582	593	963	1,185

13. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 June 2010	31 December 2009	30 June 2009 (Restated)
	KD '000		
Capital expenditure	75,074	258,906	316,601
Contingent capital commitment under SSA	243,000	-	-
Capital expenditure – share of associates	20,789	38,033	72,742
Uncalled share capital of investee companies	414	411	460
Letters of credit	21,209	66,886	51,136
Letters of guarantee	399,924	394,903	182,711

Legal proceedings have been initiated by and against some of the subsidiaries in a number of jurisdictions.

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

The telecom regulatory authority has imposed a US\$ 18.61 million (KD 5.4 million) penalty on the Iraqi subsidiary citing breach of certain network quality covenants. The Group believes that it has complied with the network quality covenants and that it has meritorious defences against this claim.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2010 (Unaudited)

Under the SSA of Zain Africa BV, the Group is contingently liable for penalties, warranty claims, taxation claims and amounts that may be due for unprovided litigation claims after the first closing date. The transfer of control over telecom operations requires regulatory approval and the Group has a contingent capital commitment related to certain territories where such regulatory approval is pending.

On the basis of information currently available, and having taken counsel with legal advisors, Group management is of the opinion that none of the above matters is likely to have a material adverse effect on the consolidated financial position or the consolidated operations of the Group.

**14. Derivative financial instruments**

The table below shows notional amounts of derivative financial instruments analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding and are not indicative of either market or credit risk.

**At 30 June 2010:**

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

**At 31 December 2009:**

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 -12 months	Over 1 year
				KD'000
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Interest rate swaps	1,204,980	-	-	1,204,980

**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	-
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Interest rate swaps	1,206,660	-	-	1,206,660

**15. Comparative figures**

In May 2009, the Group acquired 56.53% of the equity shares and voting rights of Palestinian Telecommunications Company PLC, Palestine (Paltel) - a Palestinian public shareholding company, listed on the Palestinian Stock Exchange and Abu Dhabi Securities Exchange - in exchange for the Group's 96.516% equity shares and voting rights in Pella Investment Company LLC, Jordan (Pella). This deal did not take place as the Group did not receive the required Government approvals for the acquisition.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2010 (Unaudited)

Accordingly the comparative figures as of and for the period ended 30 June 2009 have been presented after de-consolidating Paltel as follows:

	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Total Equity</u>
			<u>Unaudited</u>
			<u>KD'000</u>
As previously reported	6,205,160	3,358,967	2,846,193
Relating to Paltel	<u>(502,750)</u>	<u>(46,418)</u>	<u>(456,332)</u>
As restated	<u>5,702,410</u>	<u>3,312,549</u>	<u>2,389,861</u>
		<b>Three months</b>	<b>Six months</b>
		<b>ended</b>	<b>ended</b>
		<b>30 June 2009</b>	<b>30 June 2009</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
			<b>KD'000</b>
<b>Profit for the period</b>			
As previously reported		94,048	168,596
Relating to Paltel		<u>(8,660)</u>	<u>(8,660)</u>
As restated		<u>85,388</u>	<u>159,936</u>
<b>Attributable to:</b>			
<b>Shareholders of the Parent Company</b>			
As previously reported		78,771	154,499
Relating to Paltel		<u>(2,415)</u>	<u>(2,415)</u>
As restated		<u>76,356</u>	<u>152,084</u>
<b>Non-controlling interests</b>			
As previously reported		15,277	14,097
Relating to Paltel		<u>(6,245)</u>	<u>(6,245)</u>
As restated		<u>9,032</u>	<u>7,852</u>