

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

**Interim Condensed Consolidated Financial Information (Unaudited)
31 March 2007**

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INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

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

Report on Review of Interim Condensed Financial Information

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Mobile Telecommunications Company K.S.C. ("the Parent Company") and its subsidiaries (together called "the Group") as at 31 March 2007 and the interim consolidated statement of income, statement of changes in equity and statement of cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed 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 condensed 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 condensed 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 period ended 31 March 2007 that might have had a material effect on the business of the Group or on its financial position.



Bader A. Al Wazzan
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Interim Consolidated Balance Sheet as at 31 March 2007 (Unaudited)

	Note	Unaudited 31 March 2007	Audited 31 December 2006 (Restated)	Unaudited 31 March 2006 (Restated)
KD '000				
Assets				
Current assets				
Cash and bank balances	4	470,009	474,322	141,412
Trade and other receivables		208,830	184,485	103,201
Inventories		14,841	14,791	8,224
Investments – at fair value through profit or loss		18,937	18,455	17,586
		<u>712,617</u>	<u>692,053</u>	<u>270,423</u>
Non current assets				
Deferred tax assets		46,700	40,618	6,519
Other financial assets		6,688	6,648	14,216
Investments – available-for-sale		138,942	134,842	135,931
Investment in associates		7,785	8,026	6,760
Property and equipment		1,131,759	1,090,029	578,728
Intangible assets		1,541,088	1,496,764	1,300,960
		<u>2,872,962</u>	<u>2,776,927</u>	<u>2,043,114</u>
Total Assets		<u>3,585,579</u>	<u>3,468,980</u>	<u>2,313,537</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables	5	611,407	426,718	373,491
Due to banks		414,210	460,721	434,839
Due to minority interest holders		156,729	155,262	-
		<u>1,182,346</u>	<u>1,042,701</u>	<u>808,330</u>
Non current liabilities				
Due to banks		947,637	921,117	170,146
Deferred tax liabilities		10,288	9,980	7,454
Other non current liabilities		16,868	16,023	21,627
Due to minority interest holders		-	-	132,619
		<u>974,793</u>	<u>947,120</u>	<u>331,846</u>
Equity				
Attributable to Parent Company's shareholders				
Share capital	6	189,273	126,182	126,182
Treasury shares	7	(15,576)	(15,576)	(15,576)
Share premium		624,465	624,465	624,465
Legal reserve		63,091	63,091	54,862
Voluntary reserve		63,091	63,091	54,862
Foreign currency translation reserve		(27,816)	(24,326)	3,391
Investment fair valuation reserve		38,109	41,778	43,160
Share based compensation reserve		6,528	5,736	-
Retained earnings		356,655	472,218	245,627
		<u>1,297,820</u>	<u>1,356,659</u>	<u>1,136,973</u>
Minority interest		<u>130,620</u>	<u>122,500</u>	<u>36,388</u>
Total equity		<u>1,428,440</u>	<u>1,479,159</u>	<u>1,173,361</u>
Total Liabilities and Equity		<u>3,585,579</u>	<u>3,468,980</u>	<u>2,313,537</u>

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

This interim condensed consolidated financial information was approved for issue by the Board of Directors on 1 May 2007.

Asa'ad Ahmed Al-Banwan
Chairman

Dr. Saad Hamad Al-Barrak
Managing Director and Deputy Chairman

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Interim Consolidated Statement of Income – three months ended 31 March 2007 (Unaudited)

	Three months ended 31 March	
	Note	2006 (Restated)
	2007	KD'000
Revenue		239,274
Cost of sales		(52,778)
Gross profit		186,496
Distribution, marketing & operating expenses		(58,842)
General and administrative expenses		(25,621)
Depreciation and amortization		(28,318)
Provision for doubtful debts		(975)
Operating profit		72,740
Interest income		2,832
Investment income		(309)
Share of (loss)/profit of an associate		4,717
Loss on sale of shares in subsidiaries		(288)
Other income		275
Finance cost		(10,710)
Gain/(loss) on currency revaluation		(446)
Board of Directors' remuneration		(7)
Contribution to Kuwait Foundation for Advancement of Sciences		(554)
National Labour Support Tax		(726)
Profit for the period before income tax		67,524
Income tax expense		(10,796)
Profit for the period		56,728
Attributable to:		
Shareholders of the Parent Company		54,100
Minority interest		2,628
		56,728
Basic earnings per share – Fils		29
Diluted earnings per share – Fils		38

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

Mobile Telecommunications Company KSC and subsidiaries
Kuwait

Interim Consolidated Statement of Changes in Equity – three months ended 31 March 2007 (Unaudited)

	Equity attributable to Parent Company's Shareholders									Minority interest	Total equity
	Share capital	Share Premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Investment fair valuation reserve	Share based compensation reserve	Retained earnings		
	KD '000										
Balance at 1 January 2007 – as previously reported	126,182	624,465	(15,576)	63,091	63,091	(24,352)	41,778	5,736	480,367	122,500	1,487,282
Amortisation pertaining to previous year (Note 15)	-	-	-	-	-	-	-	-	(8,033)	-	(8,033)
Exchange differences	-	-	-	-	-	26	-	-	(116)	-	(90)
Balance at 1 January 2007 – as restated	126,182	624,465	(15,576)	63,091	63,091	(24,326)	41,778	5,736	472,218	122,500	1,479,159
Net exchange differences	-	-	-	-	-	(3,490)	-	-	-	1,956	(1,534)
Realised gain on available-for-sale investments (net)	-	-	-	-	-	-	(2,016)	-	-	-	(2,016)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(1,653)	-	-	-	(1,653)
Share based compensation	-	-	-	-	-	-	-	792	-	-	792
Net income / (expense) recognised directly in equity	-	-	-	-	-	(3,490)	(3,669)	792	-	1,956	(4,411)
Profit for the period	-	-	-	-	-	-	-	-	71,359	7,880	79,239
Total recognised income/(loss) for the period	-	-	-	-	-	(3,490)	(3,669)	792	71,359	9,836	74,828
Share of put option liability - Zambia	-	-	-	-	-	-	-	-	-	(517)	(517)
Issue of bonus shares (2006)	63,091	-	-	-	-	-	-	-	(63,091)	-	-
Cash dividends (2006)	-	-	-	-	-	-	-	-	(123,831)	(1,199)	(125,030)
Balance at 31 March 2007	189,273	624,465	(15,576)	63,091	63,091	(27,816)	38,109	6,528	356,655	130,620	1,428,440
Balance at 1 January 2006 – as previously reported	109,723	624,465	(15,576)	54,862	54,862	2,352	55,540	-	303,521	23,783	1,213,532
Adjustments to provisional values (net of amortisation) (Note 15)	-	-	-	-	-	-	-	-	(4,009)	9,061	5,052
Balance at 1 January 2006 – as restated	109,723	624,465	(15,576)	54,862	54,862	2,352	55,540	-	299,512	32,844	1,218,584
Net exchange differences	-	-	-	-	-	1,039	-	-	-	140	1,179
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(12,380)	-	-	-	(12,380)
Net income / (expense) recognised directly in equity	-	-	-	-	-	1,039	(12,380)	-	-	140	(11,201)
Profit for the period	-	-	-	-	-	-	-	-	54,100	2,628	56,728
Total recognised income for the period	-	-	-	-	-	1,039	(12,380)	-	54,100	2,768	45,527
Issue of share capital	-	-	-	-	-	-	-	-	-	-	-
Sale of shares to minority interest	-	-	-	-	-	-	-	-	-	1,234	1,234
Issue of bonus shares (2005)	16,459	-	-	-	-	-	-	-	(16,459)	-	-
Cash dividends (2005)	-	-	-	-	-	-	-	-	(91,526)	(458)	(91,984)
Balance at 31 March 2006	126,182	624,465	(15,576)	54,862	54,862	3,391	43,160	-	245,627	36,388	1,173,361

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

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Interim Consolidated Statement of Cash Flows – three months ended 31 March 2007 (Unaudited)

	Three months ended 31 March	
	2007	2006 (Restated)
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	85,382	67,524
Adjustments for:		
Depreciation and amortization	54,096	28,318
Interest income	(6,653)	(2,832)
Investment income	(8,946)	309
Share of loss/(profit) of an associate	241	(4,717)
Loss from sale of shares in subsidiaries	-	288
Profit on disposal of property and equipment	-	947
Finance cost	27,980	10,710
(Gain)/loss from currency revaluation	(2,602)	446
Operating profit before working capital changes	149,498	100,993
Decrease/(increase) in trade and other receivables	67,502	(8,234)
(Increase)/decrease in inventories	(32)	240
Increase/(decrease) in trade and other payables	34,901	(394)
Cash generated from operations	251,869	92,605
Paid to Kuwait Foundation for Advancement of Sciences	-	(1,851)
National Labour Support Tax paid	-	(2,877)
Income tax expense paid	(12,068)	(7,607)
<i>Net cash from operating activities</i>	<u>239,801</u>	<u>80,270</u>
Cash flows from investing activities		
Purchase of investments	(68)	(6,929)
Acquisition of subsidiaries	-	(311,960)
Proceeds from sale of investments	198	1,403
Acquisition of property and equipment (net)	(94,164)	(42,565)
Acquisition of intangible assets	(45,286)	(34,347)
Interest received	6,636	2,719
<i>Net cash used in investing activities</i>	<u>(132,684)</u>	<u>(391,679)</u>
Cash flows from financing activities		
(Repayments of)/Proceeds from bank borrowings	(74,828)	165,509
Dividends paid	(1,287)	(68)
Finance cost paid	(35,475)	(5,447)
<i>Net cash (used in)/from financing activities</i>	<u>(111,590)</u>	<u>159,994</u>
Net decrease in cash and cash equivalents	(4,473)	(151,415)
Effect of foreign currency translation	160	(52)
Cash and cash equivalents at beginning of period	474,322	292,879
Cash and cash equivalents at end of period	<u><u>470,009</u></u>	<u><u>141,412</u></u>

The accompanying notes are an integral part of these interim condensed 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 19 other countries (31 December 2006 – Kuwait and 19 other countries; 31 March 2006 – Kuwait and 18 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.

In March 2007, a consortium comprising of the Parent Company and Saudi partners won the bid for the third mobile telecommunications licence in the Kingdom of Saudi Arabia (KSA) for an amount of Saudi Riyals 22.91 billion (equivalent KD 1.77 billion). The award of the licence is subject to the approval of KSA's Council of Ministers. The Parent Company currently holds a 50% interest in the consortium which will be reduced to 25% following a mandatory initial public offering ("IPO") of the new mobile operator in the KSA and allocations to two government entities. The consortium expects to launch the telecommunication services in the KSA in early 2008.

2. Basis of preparation

This interim condensed consolidated financial information is prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2006.

These interim condensed 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. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2007. 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 2006.

3. Subsidiaries and associates

The initial accounting of the business acquisitions of Mobitel, Sudan and Vee Networks Limited, Nigeria in 2006 were carried out the provisional values of identifiable assets, liabilities and contingent liabilities. Provisional values on the date of acquisition were initially assigned due to the time and effort required to gather information on fair values which are then determined during the first anniversary of the acquisition. The Group completed the purchase price allocation (PPA) of Mobitel, Sudan during this quarter and have restated comparative figures as disclosed in Note 14 to give effect to adjustments arising from the PPA.

Atheer's telecom license expired on 31 March 2007, but the business in Iraq continues to operate. Furthermore, Atheer's working capital is in deficit. The financial statements of Atheer included in these financial statements have been prepared on a going concern basis as it expects to retain the licence due to its service capabilities and the commitment of its shareholders to provide financial support.

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2007 (Unaudited)

4. Cash and bank balances

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

	<u>Unaudited</u> <u>31 March</u> <u>2007</u>	<u>Audited</u> <u>31 December</u> <u>2006</u>	<u>Unaudited</u> <u>31 March</u> <u>2006</u> <u>KD '000</u>
Cash on hand and at banks	205,412	371,731	57,513
Short-term deposits maturing within three months	264,597	102,591	83,899
Cash and cash equivalents	<u>470,009</u>	<u>474,322</u>	<u>141,412</u>

5. Trade and other payables

This includes dividend of KD 129,107,000 (31 December 2006 – KD 5,364,000; 31 March 2006 – KD 95,746,000) payable to the shareholders of the Parent Company.

6. Share Capital

The authorized share capital as of 31 March 2007 is 1,895,655,826 shares of 100 fils each and the issued and fully paid up share capital as of 31 March 2007 consists of 1,892,729,386 shares of 100 fils each after the bonus share issue during the period. (31 December 2006 – 1,261,819,591 shares of 100 fils each; 31 March 2006 - 1,261,819,591 shares of 100 fils each).

7. Dividend - 2006

The Annual General Meeting held on 25 March 2007 approved distribution of cash dividends of 100 fils per share and bonus shares in the ratio of 50 shares for every 100 shares.

8. Treasury shares

These shares were acquired based on the 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. These shares are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	<u>Unaudited</u> <u>31 March</u> <u>2007</u>	<u>Audited</u> <u>31 December</u> <u>2006</u>	<u>Unaudited</u> <u>31 March</u> <u>2006</u>
Number of shares	35,269,169	23,512,779	23,512,779
Percentage of issued shares	1.86%	1.86%	1.86%
Market value (KD '000)	112,861	78,062	75,711
Cost (KD '000)	15,576	15,576	15,576

9. Investment income

	<u>Three months ended</u> <u>31 March</u>	
	<u>2007</u>	<u>2006</u>
	<u>KD'000</u>	
Gain/ (loss) from investments 'at fair value through profit or loss'	472	(2,166)
Realised gains from investments 'available-for-sale'	7,942	165
Dividend income	532	1,692
	<u>8,946</u>	<u>(309)</u>

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2007 (Unaudited)

10. Earnings per share

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

	Three months ended 31 March	
	2007	2006 (Restated)
	KD'000	
Net profit for the period attributable to shareholders	71,359	54,100
	Shares	Shares
Parent Company's issued and paid-up shares	1,892,729,386	1,892,729,386
Less : Weighted average number of treasury shares	(35,269,169)	(35,269,169)
	1,857,460,217	1,857,460,217
Effect of dilution	2,836,396	-
Weighted average number of shares less treasury outstanding during the year adjusted for the effect of dilution	1,860,296,613	1,857,460,217
	Fils	Fils
Basic earnings per share	38	29
Diluted earnings per share	38	29

Earnings per share from operations reported for the three months ended 31 March 2006 was 47 Fils, before retroactive adjustment relating to bonus shares and the effect of the restatement carried out during the period for business combination accounting.

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 Sub-Saharan Africa. This forms the basis of the geographical segments.

	31 March 2007						Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	
Segment revenues	88,304	32,283	9,263	4,168	190,835	67,608	392,461
Net profit	49,538	8,457	1,036	668	19,309	(7,649)	71,359
Segment assets	1,601,911	151,250	47,301	6,292	150,553	2,566,734	4,524,041
Consolidation adjustment							(938,462)
Consolidated assets							3,585,579
Segment liabilities	304,089	71,066	32,211	3,469	84,980	2,028,734	2,524,549
Consolidation adjustment							(367,410)
Consolidated liabilities							2,157,139
Net assets							1,428,440
Capital expenditure incurred during the period	8,460	1,285	1,078	2	6,714	121,911	139,450
Depreciation and amortisation	5,718	4,952	1,183	2	7,149	35,092	54,096

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2007 (Unaudited)

	31 March 2006 (Restated)						Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	
Segment revenues	74,583	32,723	7,175	3,956	29,328	91,509	239,274
Net profit	29,365	7,619	671	583	13,146	2,716	54,100
Segment assets	1,575,572	155,868	36,023	4,841	163,500	1,564,609	3,500,412
Consolidation adjustment							(1,186,875)
Consolidated assets							2,313,537
Segment liabilities	438,601	80,635	27,044	2,527	34,963	1,629,174	2,212,944
Consolidation adjustment							(1,072,768)
Consolidated liabilities							1,140,176
Net assets							1,173,361
Capital expenditure incurred during the period	6,757	37,581	218	25	1,600	342,691	388,872
Depreciation and amortisation	5,202	4,232	947	1	5,805	12,131	28,318

12. Related party transactions

The Group has entered into transactions with related parties on terms approved by management.

Transactions

	Unaudited 31 March 2007	Unaudited 31 March 2006
	KD '000	
Management fee (included in other income)	1,098	1,009

Balances

	Unaudited 31 March 2007	Audited 31 December 2006	Unaudited 31 March 2006
	KD '000		
Trade and other receivables	244	490	4,190
Trade and other payables	34,326	27,203	824

Key management compensation

	Unaudited 31 March 2007	Audited 31 December 2006	Unaudited 31 March 2006
	KD '000		
Salaries and other short term employee benefits	1,120	5,002	1,250
Post employment benefits	176	675	169
Share based payments	445	3,066	767

Notes to the Interim Condensed Consolidated Financial Information - 31 March 2007 (Unaudited)

13. Commitments and contingencies

	Unaudited 31 March 2007	Audited 31 December 2006	Unaudited 31 March 2006 KD '000
Capital expenditure	286,264	244,469	77,118
Uncalled share capital of investee companies	923	1,003	2,057
Letters of credit	29,776	4,318	6,121
Letters of guarantee	38,176	15,056	273,644

The Jordan operating subsidiary - Jordan Mobile Telecommunications Services Company JSC, is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 939,000 (31 December 2006 – KD 3,267,000; 31 March 2006 – KD 12,794,000). Legal proceedings have been initiated by and against some of the other subsidiaries in a number of jurisdictions. On the basis of information currently available, and having taken counsel with legal advisers, Group 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 the Group.

The Parent Company is contingently liable for a claim filed by the Ministry of Communication (MoC) seeking a fixed payment of KD 1 per month for each prepaid line. In April 2006, the Commercial Civil court issued a verdict in favor of MoC, but the Parent Company has filed an appeal against the verdict. The Parent Company believes that the verdict is currently unenforceable as it has not stipulated either the number of subscribers or the applicable period. The management has considered the above court verdict and has taken all steps necessary to ensure that it will not materially affect the financial statements.

The regulator of a subsidiary has demanded US\$ 36 million (KD 10.4 million) (31 December 2006- KD 10.4 million; 31 March 2006 - Nil) based on a revenue sharing agreement, whose validity has been disputed by the Group's management. Discussions are ongoing with the regulator and the Group's management believes that the outcome will be in its favour.

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

14. Comparative figures

Certain prior year amounts have been reclassified to conform to current period presentation and to give effect to the adjustments recognised during the current period arising from completion of the purchase price allocation of the business combinations that were effected in 2005 and 2006 as follows:

Statement of Income	KD'000
Profit for the period ended 31 March 2006 - as previously reported	61,037
Adjustments for accounting of business combinations of 2005 & 2006 based on Purchase Price Allocation (PPA) – amortisation of intangible assets	(4,351)
KFAS adjustments	42
Profit for the period ended 31 March 2006 – restated	<u>56,728</u>

	Audited	Unaudited
	31 December	31 March
	2006	2006
	KD '000	
Balance Sheet		
Intangible assets - as previously stated	1,504,773	1,300,033
Adjustments to provisional values	-	5,278
Amortisation pertaining to the year/period	(8,033)	(4,351)
Exchange difference	24	-
Intangible assets – restated	<u>1,496,764</u>	<u>1,300,960</u>