

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

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

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

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Interim Consolidated Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C. (the Parent Company) and its subsidiaries (together called "the Group") as at 30 September 2009 and the related condensed consolidated statements of income and comprehensive income for three months and nine months period then ended, and the related condensed consolidated statements of changes in equity and cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

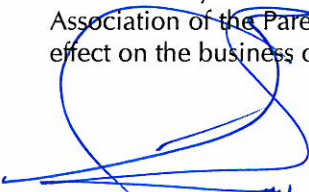
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

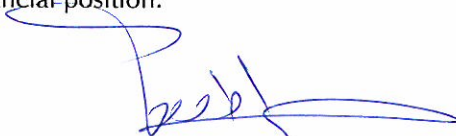
Conclusion

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

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim consolidated financial information is in agreement with the books of account of the Parent Company and nothing has come to our attention that causes us to believe that there are any contraventions of Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company during the period ended 30 September 2009 that might have had a material effect on the business of the Group or on its consolidated financial position.


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Nasser Abdullah Al Muqait
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Kuwait
15 November 2009

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

		Unaudited 30 September 2009	Audited 31 December 2008	Unaudited 30 September 2008
	Note			KD '000
Assets				
Current assets				
Cash and bank balances	3	329,859	367,871	1,041,460
Trade and other receivables		517,990	293,903	296,856
Loan to an associate	4	57,280	79,673	25,052
Inventories		33,662	30,427	76,860
Investments - at fair value through profit or loss		15,368	16,676	21,570
		<u>954,159</u>	<u>788,550</u>	<u>1,461,798</u>
Non current assets				
Deferred tax assets		112,405	88,805	80,680
Investments – available-for-sale		110,667	96,904	149,528
Investment in associates		251,412	216,389	242,742
Loan to associates	4	82,665	-	166,688
Property and equipment		2,213,111	2,026,790	1,695,658
Intangible assets		2,609,691	2,234,423	1,562,753
Other financial assets		2,591	2,378	61
		<u>5,382,542</u>	<u>4,665,689</u>	<u>3,898,110</u>
Total Assets		<u>6,336,701</u>	<u>5,454,239</u>	<u>5,359,908</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables	5	1,164,292	908,773	484,341
Due to banks	6	453,743	231,138	561,115
		<u>1,618,035</u>	<u>1,139,911</u>	<u>1,045,456</u>
Non current liabilities				
Due to banks	6	1,667,608	1,670,788	1,632,814
Deferred tax liabilities		33,455	30,283	36,282
Other non current liabilities		97,642	212,128	31,015
		<u>1,798,705</u>	<u>1,913,199</u>	<u>1,700,111</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	7	428,059	427,240	426,824
Share premium		1,690,772	1,690,772	1,690,772
Treasury shares	8	(567,834)	(567,834)	(362,208)
Legal reserve		127,788	127,788	94,699
Voluntary reserve		63,091	63,091	63,091
Foreign currency translation reserve		(53,283)	(97,692)	(67,906)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of associate		(1,812)	(1,746)	(1,643)
Investment fair valuation reserve		5,949	(9,201)	33,251
Share based compensation reserve		23,949	20,395	17,305
Hedge reserve		(53,645)	(60,382)	(3,718)
Retained earnings		762,128	625,014	544,726
		<u>2,427,129</u>	<u>2,219,412</u>	<u>2,437,160</u>
Non- controlling interests		492,832	181,717	177,181
Total equity		<u>2,919,961</u>	<u>2,401,129</u>	<u>2,614,341</u>
Total Liabilities and Equity		<u>6,336,701</u>	<u>5,454,239</u>	<u>5,359,908</u>

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

This interim consolidated financial information was approved and authorized for issue by the Board of Directors on 15 November 2009.

Asaad Ahmed Al Banwan
Chairman

Dr. Saad Hamad Al Barrak
Managing Director - Deputy Chairman

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

Condensed Consolidated Statement of Income – nine months ended 30 September 2009 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2009	2008	2009	2008
		KD'000		KD'000	
Revenue		618,184	503,547	1,779,607	1,439,349
Cost of sales		(166,281)	(142,452)	(478,487)	(409,469)
Gross profit		<u>451,903</u>	<u>361,095</u>	<u>1,301,120</u>	<u>1,029,880</u>
Distribution, marketing & operating expenses		(140,591)	(120,383)	(375,918)	(342,376)
General and administrative expenses		(61,144)	(34,932)	(158,922)	(130,564)
Depreciation and amortization		(112,331)	(72,210)	(302,421)	(212,304)
Provision for doubtful debts		(5,033)	(1,945)	(8,956)	(2,873)
Operating profit		<u>132,804</u>	<u>131,625</u>	<u>454,903</u>	<u>341,763</u>
Interest income		2,964	6,499	8,586	19,623
Investment income	9	1,388	(1,506)	(3,140)	7,222
Income from sale of shares in a subsidiary		-	(50)	-	26,543
Share of loss of associates		(16,323)	(4,431)	(50,133)	(5,187)
Other income		2,339	13,489	9,546	21,872
Finance cost		(41,114)	(32,847)	(118,596)	(93,798)
Loss on currency revaluation		(6,037)	(6,293)	(37,334)	(16,573)
Board of Directors' remuneration		(8)	(7)	(24)	(21)
Contribution to Kuwait Foundation for Advancement of Sciences		(429)	(905)	(2,029)	(2,430)
National Labour Support Tax and Zakat		(1,324)	(2,369)	(5,194)	(5,434)
Profit for the period before income tax		<u>74,260</u>	<u>103,205</u>	<u>256,585</u>	<u>293,580</u>
Income tax expense		(19,553)	(10,761)	(33,282)	(45,974)
Profit for the period		<u><u>54,707</u></u>	<u><u>92,444</u></u>	<u><u>223,303</u></u>	<u><u>247,606</u></u>
Attributable to:					
Shareholders of the Parent Company		41,192	87,194	195,691	235,164
Non- controlling interests		<u>13,515</u>	<u>5,250</u>	<u>27,612</u>	<u>12,442</u>
		<u><u>54,707</u></u>	<u><u>92,444</u></u>	<u><u>223,303</u></u>	<u><u>247,606</u></u>
Earnings per share	10				
Basic – Fils		11	24	51	65
Diluted – Fils		11	24	51	65

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

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

**Condensed Consolidated Statement of Comprehensive Income – nine months ended 30 September 2009
(Unaudited)**

	Note	Three months ended 30 September		Nine months ended 30 September	
		2009	2008	2009	2008
		KD'000		KD'000	
Profit for the period		54,707	92,444	223,303	247,606
Other comprehensive income					
Exchange differences on translating foreign operations		8,993	(18,015)	29,975	(47,927)
Net unrealised gains/ (loss) on available-for-sale investments		8,746	(24,804)	7,910	(30,717)
Net realised loss/ (gains) transferred to statement of income on available-for-sale investments (net of impairment losses)		(409)	655	7,240	(3,736)
Cash flow hedges		428	(3,718)	6,737	(3,718)
Gain on the non-controlling interest portion of Pella	15	-	-	156,768	-
Share based compensation		1,184	1,694	3,554	5,083
Share of other comprehensive income of an associate		5	(7)	(66)	(1,643)
Total comprehensive income for the period		73,654	48,249	435,421	164,948
Total comprehensive income attributable to:					
Shareholders of the Parent Company		64,894	41,067	422,243	158,541
Non controlling interests		8,760	7,182	13,178	6,407
		73,654	48,249	435,421	164,948

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

Mobile Telecommunications Company K.S.C.
Kuwait

Condensed Consolidated Statement of Changes in Equity – nine months ended 30 September 2009 (Unaudited)

	Equity attributable to Parent Company's Shareholders												Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Treasury shares reserve	Equity issue transaction cost of associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve	Retained earnings		
													KD '000	
Balance at 1 January 2009	427,240	1,690,772	(567,834)	127,788	63,091	(97,692)	1,967	(1,746)	(9,201)	20,395	(60,382)	625,014	181,717	2,401,129
Exercise of share options	819	-	-	-	-	-	-	-	-	-	-	(393)	-	426
Cash dividends (2008)	-	-	-	-	-	-	-	-	-	-	-	(192,474)	(9,397)	(201,871)
Purchase)/ sale of shares from Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(22,478)	9,597	(12,881)
On business combination (Note 15)	-	-	-	-	-	-	-	-	-	-	-	-	297,737	297,737
Total consolidated comprehensive income for the period	-	-	-	-	-	44,409	-	(66)	15,150	3,554	6,737	352,459	13,178	435,421
Balance at 30 September 2009	<u>428,059</u>	<u>1,690,772</u>	<u>(567,834)</u>	<u>127,788</u>	<u>63,091</u>	<u>(53,283)</u>	<u>1,967</u>	<u>(1,812)</u>	<u>5,949</u>	<u>23,949</u>	<u>(53,645)</u>	<u>762,128</u>	<u>492,832</u>	<u>2,919,961</u>
Balance at 1 January 2008	189,398	624,465	(15,576)	94,699	63,091	(26,014)	-	-	67,704	12,222	-	571,938	166,379	1,748,306
Exercise of share options	311	-	-	-	-	-	-	-	-	-	-	-	-	311
Cash dividends (2007)	-	-	-	-	-	-	-	-	-	-	-	(167,435)	(2,626)	(170,061)
Issue of bonus shares (2007)	94,941	-	-	-	-	-	-	-	-	-	-	(94,941)	-	-
Sale to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	9,019	9,019
Purchase of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,998)	(1,998)
Issue of share capital	142,174	1,066,307	-	-	-	-	-	-	-	-	-	-	-	1,208,481
Purchase of treasury shares	-	-	(346,632)	-	-	-	-	-	-	-	-	-	-	(346,632)
Profit on sale of treasury shares	-	-	-	-	-	-	1,967	-	-	-	-	-	-	1,967
Total consolidated comprehensive income for the period	-	-	-	-	-	(41,892)	-	(1,643)	(34,453)	5,083	(3,718)	235,164	6,407	164,948
Balance at 30 September 2008	<u>426,824</u>	<u>1,690,772</u>	<u>(362,208)</u>	<u>94,699</u>	<u>63,091</u>	<u>(67,906)</u>	<u>1,967</u>	<u>(1,643)</u>	<u>33,251</u>	<u>17,305</u>	<u>(3,718)</u>	<u>544,726</u>	<u>177,181</u>	<u>2,614,341</u>

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

Condensed Consolidated Statement of Cash Flows – nine months ended 30 September 2009 (Unaudited)

	Nine months ended 30 September	
	2009	2008
	<u>KD'000</u>	
Cash flows from operating activities		
Profit for the period before income tax	256,585	293,580
Adjustments for:		
Depreciation and amortization	302,421	212,304
Interest income	(8,586)	(19,623)
Investment income	3,140	(7,222)
Income from sale of shares in a subsidiary	-	(26,543)
Share of loss of associates	50,133	5,187
(Gain)/ loss on disposal of property and equipment	(31)	8
Finance cost	118,596	93,798
Loss from currency revaluation	37,334	16,573
Operating profit before working capital changes	759,592	568,062
Increase in trade and other receivables	(40,582)	(66,513)
Increase in inventories	(5,205)	(4,199)
Decrease in trade and other payables	(127,462)	(31,283)
Cash generated from operations	586,343	466,067
Paid to Kuwait Foundation for Advancement of Sciences	(2,841)	(3,004)
National Labour Support Tax and Zakat	(6,247)	(5,414)
Board of Directors' remuneration	-	(28)
Income tax paid	(11,975)	(38,175)
<i>Net cash from operating activities</i>	<u>565,280</u>	<u>419,446</u>
Cash flows from investing activities		
Purchase of investments	(1,398)	(1,779)
Investment in a subsidiary (net of cash held by the acquired subsidiary)	6,285	-
Sale of shares in subsidiary	-	49,904
Investment in an associate	(28,084)	-
Proceeds from sale of investments	7,726	13,644
Acquisition of minority interest	-	(4,338)
Acquisition of property and equipment (net)	(360,183)	(439,238)
Acquisition of intangible assets	(1,021)	(4,237)
Interest received	8,586	23,184
<i>Net cash used in investing activities</i>	<u>(368,089)</u>	<u>(362,860)</u>
Cash flows from financing activities		
Capital contribution – issue of share capital	-	1,194,225
Capital contribution – employees stock option	426	311
Borrowings from banks (net)	163,233	208,669
Loan to an associate	(57,412)	(76,980)
Purchase of treasury shares	-	(334,951)
Sale of treasury shares	-	4,539
Dividend paid to Parent Company's shareholders	(190,878)	(168,304)
Dividend paid to non-controlling interest holders of subsidiaries	(26,414)	(983)
Finance cost	(124,235)	(97,830)
<i>Net cash (used in)/ from financing activities</i>	<u>(235,280)</u>	<u>728,696</u>
Net (decrease) / increase in cash and cash equivalents	(38,089)	785,282
Effect of foreign currency translation	77	(5,085)
Cash and cash equivalents at beginning of period	367,871	261,263
Cash and cash equivalents at end of period (Note 3)	<u>329,859</u>	<u>1,041,460</u>

The accompanying notes are an integral part of this interim consolidated 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 23 other countries (31 December 2008 - Kuwait and 21 other countries; 30 September 2008 - Kuwait and 21 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

During the period, the Group incorporated a jointly controlled entity in Morocco - Zain Al Ajial, with 50% interest, which then acquired 31% of the equity shares and voting rights of Wana Corporate, a Moroccan joint stock company which is specialized in the telecom sector in that country, (Note 2).

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

2. Basis of preparation

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

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

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

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

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

IFRS 8 'Operating segments':

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

Saudi Arabia Mobile Telecommunications Company (SMTC)

During the quarter, SMTC obtained a new murabaha facility of US\$ 2.5 billion (net of financing cost calculated at 4.25% plus 3 or 6 months Saudi Inter Bank offer rate (SIBOR) for the SAR originated debt and London Inter Bank Offer Rate (LIBOR) for the US\$ originated debt) to refinance a loan facility of the same amount that matured in July 2009. The new facility consists of a Saudi Riyal (SAR) portion of SAR 7 billion (equivalent KD 535 million) and a US\$ portion of US\$ 610 million (equivalent KD 175 million) and is repayable in full in August 2011.

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

The principal financial and other covenants include:

- Negative pledge on all revenues and assets;
- Restrictions on providing loans and guarantees to customers, distributors, dealers, retailers, wholesalers and employees;
- No further indebtedness;
- Insurance on all assets; and
- Compliance with various financial and network milestones across time.

Chad license

During the period, the telecom license in Chad which was initially valid upto October 2009 and which was cancelled in August 2008 was extended for ten years from October 2009.

Investment in Zain Al Ajial / Wana Corporate, Morocco (Wana)

The Group's investment in Zain Al Ajial, is accounted for under the proportionate consolidation method as it is a jointly controlled entity. The goodwill and fair value adjustments, if any, on its acquisition of Wana will be finalized on completion of Purchase Price Allocation (PPA) within one year from the acquisition date.

Financial support to Group companies

The Group has committed to provide working capital and other financial support to Atheer Iraq, Zain Sudan, Zain Nigeria, Zain Kenya, Zain Gabon and SMTC whose working capitals were in deficit.

During the period, Zain Nigeria breached its loan covenants on bank borrowings of maintaining a ratio of interest bearing debt to EBITDA of 2.25 times and EBITDA to net interest payable of 4.5 times for which the banks have provided waiver upto 31 December 2009 pending restructuring of these borrowings. The actual ratio as of 30 September 2009 was 2.74 times and 2.24 times respectively.

Based on business plans the Group does not consider that these conditions will have a material impact on the businesses 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 2009. For further information, refer to the consolidated financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2008.

3. Cash and bank balances

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

	<u>Unaudited</u> <u>30 September</u> <u>2009</u>	<u>Audited</u> <u>31 December</u> <u>2008</u>	<u>Unaudited</u> <u>30 September</u> <u>2008</u> <u>KD '000</u>
Cash on hand and at banks	271,040	171,140	170,799
Short-term deposits maturing within three months	58,819	196,731	870,661
	<u>329,859</u>	<u>367,871</u>	<u>1,041,460</u>

4. Loan to an associate

During the period, the Group provided SMTC a short term loan of US\$ 200 million at an interest rate of 6.75% over six months Saudi Inter Bank Offer Rate (SIBOR).

The shareholder loan of SAR 1.1 billion provided to SMTC in 2008 has been reclassified as a long term loan repayable by July 2011. This loan is subordinate to the associate's borrowings from banks.

5. Trade and other payables

This includes dividend of KD 7,785,000 (31 December 2008 - KD 6,192,000; 30 September 2008 - KD 6,304,664) payable to the shareholders of the Parent Company.

6. Due to banks

In April 2009, the Group had obtained a long term loan of US\$ 200 million and a short term loan of Euro 200 million from foreign banks. The US dollar loan is repayable in eight quarterly installments starting from July 2010 and carries a floating interest rate of 5% over one month LIBOR plus mandatory cost to compensate lenders for their cost of regulatory compliance. Under this loan agreement the Group is obliged to hedge its interest rate exposure on this loan during its tenure. The Group has hedged this exposure through Interest Rate Swaps (IRS).

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

Principal financial covenants include:

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

Two installments of Euro 50 million each were repaid during the period.

7. Share capital

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

The issued and fully paid up share capital as of 30 September 2009 is 4,280,590,581 shares (31 December 2008 - 4,272,405,303; 30 September 2008 - 4,268,235,804) 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.

Dividend - 2008

The annual general meeting of shareholders held on 30 March 2009 approved distribution of cash dividends of 50 fils per share (30 September 2008 - cash dividend of 90 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 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> <u>30 September</u> <u>2009</u>	<u>Audited</u> <u>31 December</u> <u>2008</u>	<u>Unaudited</u> <u>30 September</u> <u>2008</u>
Number of shares	425,711,648	425,711,648	278,294,149
Percentage of issued shares	9.96%	9.96%	6.52%
Market value (KD '000)	553,425	378,883	406,309
Cost (KD '000)	567,834	567,834	362,208

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9. Investment income

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2009	2008	2009	2008
	KD '000		KD '000	
Gain/ (loss) from investments "at fair value through profit or loss"	884	(1,542)	612	(1,721)
Realised gain/ (loss) from investments 'available –for-sale'	229	(427)	(4,834)	3,054
Impairment loss	-	-	(1,132)	-
Dividend income	275	463	2,214	5,889
	<u>1,388</u>	<u>(1,506)</u>	<u>(3,140)</u>	<u>7,222</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 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2009	2008	2009	2008
	KD '000		KD '000	
Net profit for the period attributable to shareholders	<u>41,192</u>	<u>87,194</u>	<u>195,691</u>	<u>235,164</u>
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue	<u>3,854,878,933</u>	<u>3,606,695,914</u>	<u>3,854,878,933</u>	<u>3,604,821,981</u>
Effect of dilution	<u>9,995,202</u>	<u>14,101,730</u>	<u>7,582,788</u>	<u>15,048,437</u>
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,864,874,135</u>	<u>3,620,797,644</u>	<u>3,862,461,721</u>	<u>3,619,870,418</u>
	Fils	Fils	Fils	Fils
Earnings per share – Basic	<u>11</u>	<u>24</u>	<u>51</u>	<u>65</u>
Earnings per share – Diluted	<u>11</u>	<u>24</u>	<u>51</u>	<u>65</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 and Palestine (Levant), Bahrain, Lebanon, Sudan, Iraq and Sub-Saharan Africa. This forms the basis of the geographical segments.

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	30 September 2009							Total KD '000
	Kuwait	Levant**	Bahrain	Lebanon	Sudan	Iraq	Sub-Saharan Africa	
Segment revenues	264,574	158,726	55,313	18,628	207,323	286,800	788,243	1,779,607
Net profit	112,321	57,693	15,949	4,264	84,062	90,927	42,330	407,546
<i>Unallocated items:</i>								
Interest income								8,586
Investment income								(3,140)
Share of loss of associates								(50,133)
Finance cost								(118,596)
Income tax expense								(33,282)
Others								12,322
Profit for the year								223,303
Segment assets	236,114	735,494	63,283	10,428	959,960	1,035,044	2,522,608	5,562,931
<i>Unallocated items:</i>								
Investments – at fair value through profit or loss								15,368
Deferred tax assets								112,405
Investment securities available for sale								110,667
Investment in associates								251,412
Loan to an associate								139,945
Others								143,973
Consolidated assets								6,336,701
Segment liabilities	67,958	76,563	17,982	5,563	56,814	477,335	495,150	1,197,365
<i>Unallocated items:</i>								
Due to banks								2,121,351
Deferred tax liabilities								33,455
Others								64,569
Consolidated liabilities								3,416,740
Net consolidated assets								2,919,961
Capital expenditure incurred during the year	24,544	16,904	5,259	11	42,424	25,796	232,398	347,336
Unallocated								13,868
Total capital expenditure								361,204
Depreciation and amortization	19,464	18,999	4,574	10	20,437	47,425	183,418	294,327
Unallocated								8,094
Total depreciation and amortization								302,421

Mobile Telecommunications Company K.S.C.
Kuwait

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

	30 September 2008							Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq*	Sub-Saharan Africa	
Segment revenues	288,194	97,165	44,459	13,449	172,147	-	823,935	1,439,349
Net profit	131,451	34,163	10,980	2,820	56,749	-	137,724	373,887
<i>Unallocated items:</i>								
Interest income								19,623
Investment income								7,222
Share of profit of associates								(5,187)
Finance cost								(93,798)
Income tax expense								(45,974)
Others								(8,167)
Profit for the year								247,606
Segment assets	237,969	249,174	62,817	6,781	826,863	-	2,398,396	3,782,000
<i>Unallocated items:</i>								
Investments- at fair value through profit or loss								21,570
Deferred tax assets								80,680
Investment securities available for sale								149,528
Investment in associates								242,742
Loan to an associate								166,688
Others								916,700
Consolidated assets								5,359,908
Segment liabilities	71,043	35,896	18,261	3,473	55,032	-	297,078	480,783
<i>Unallocated items:</i>								
Due to banks								2,193,929
Deferred tax liabilities								36,282
Others								34,573
Consolidated liabilities								2,745,567
Net consolidated assets								2,614,341
Capital expenditure incurred during the year	15,391	6,058	6,213	14	89,674	-	316,161	433,511
Unallocated								9,964
Total capital expenditure								443,475
Depreciation and amortization	18,338	12,279	3,672	8	10,478	-	160,077	204,852
Unallocated								7,452
Total depreciation and amortization								212,304

*Zain Iraq became a subsidiary of the Group in October 2008. ** Revenue includes five months of Palestine operations.

Notes to the Interim Consolidated Financial Information - 30 September 2009 (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		Nine months ended 30 September	
	2009	2008	2009	2008
	KD '000		KD '000	
Management fee (included in other income)	2,652	3,018	6,812	8,000
	Unaudited 30 September 2009	Audited 31 December 2008	Unaudited 30 September 2008	
	KD '000			
Trade and other receivables	7,761	4,015	38,023	
Trade and other payables	873	3,000	3,986	
Due to banks	43,018	42,577	-	

Key management compensation

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	KD '000		KD '000	
Salaries and other short term employee benefits	4,322	1,606	7,133	3,951
Post employment benefits	605	207	998	498
Share based payments	1,182	847	2,367	2,542

13. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 September 2009	31 December 2008	30 September 2008
	KD '000		
Capital expenditure	285,222	355,999	308,049
Capital expenditure- share of associates	182,442	37,921	147,872
Uncalled share capital of investee companies	415	396	395
Letters of credit	47,972	61,142	53,913
Letters of guarantee	178,602	233,900	533,041

Jordan Mobile Telecommunications Services Co. JSC is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 429,000 (31 December 2008 - KD 114,000; 30 September 2008 - KD 422,000). 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 advisors, 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 or the consolidated operations of the Group.

The telecom regulatory authority in Iraq has imposed a US\$ 18.6 million (equivalent KD 5.30 million) penalty on the Iraqi subsidiary citing poor network quality. The Group believes that it has complied with the network quality covenants and that it has meritorious defences against this claim.

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

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

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

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

14. Derivative financial instruments

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

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

At 30 September 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	39,728	19,807	19,921	-
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Interest rate swaps	1,202,880	-	-	1,202,880

At 31 December 2008:

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 -12 months	Over 1 year
	KD '000			
Derivatives held for trading:				
Foreign currency swaps	34,518	34,518	-	-
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Interest rate swaps	1,105,400	-	-	1,105,400

At 30 September 2008:

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 -12 months	Over 1 year
	KD '000			
Derivatives held for trading:				
Foreign currency swaps	-	-	-	-
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Interest rate swaps	1,066,800	-	-	1,066,800

15. Business combination (exchange of shares)

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

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

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

The aggregate goodwill arising on this transaction is as follows:

Goodwill arising on Group's acquisition of Paltel

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

Goodwill arising on Paltel's acquisition of Pella

(attributable to the equity interest in Pella effectively transferred)

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

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

16. Comparative figures

Certain comparative amounts have been reclassified to conform to the current period presentation, but with no effect on net profit or equity.