

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

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

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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 2012 and the related condensed consolidated statements of income and comprehensive income for three-month and six-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

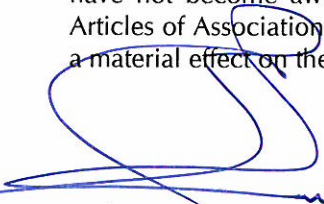
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

Conclusion

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company during the six-month period ended 30 June 2012 that might have had a material effect on the business of the Group or on its financial position.



Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche
Al-Fahad Al-Wazzan & Co.

Kuwait

5 August 2012



Dr. Saud Hamad Al Humaidi
Licence No. 51A

Dr. Saud Al-humaidi & Partners
Member of Baker Tilly International


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

	Note	Unaudited 30 June 2012	Audited 31 December 2011	Unaudited 30 June 2011
KD '000				
Assets				
Current assets				
Cash and bank balances	3	240,253	404,764	535,518
Trade and other receivables		309,989	332,843	227,303
Inventories		14,884	21,182	15,265
Investment securities – at fair value through profit or loss		3,200	5,879	6,364
		<u>568,326</u>	<u>764,668</u>	<u>784,450</u>
Non-current assets				
Investment securities – available for sale		54,711	62,470	83,534
Investment in associates		66,852	81,131	96,196
Interest in a jointly controlled entity		51,239	44,871	40,584
Loans to associates	4	193,350	190,166	185,264
Property and equipment		699,537	795,644	764,412
Intangible assets		1,070,750	1,256,094	1,245,225
Other assets		87,790	92,190	62,188
		<u>2,224,229</u>	<u>2,522,566</u>	<u>2,477,403</u>
Total Assets		<u>2,792,555</u>	<u>3,287,234</u>	<u>3,261,853</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		459,625	506,541	506,938
Due to banks	5	176,501	313,823	231,447
		<u>636,126</u>	<u>820,364</u>	<u>738,385</u>
Non-current liabilities				
Due to banks	5	389,518	226,159	362,882
Other non-current liabilities		34,058	35,173	143,990
		<u>423,576</u>	<u>261,332</u>	<u>506,872</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	6	431,356	430,754	430,754
Share premium		1,705,158	1,703,351	1,703,351
Treasury shares	8	(567,834)	(567,834)	(567,834)
Legal reserve		215,377	215,377	214,871
Foreign currency translation reserve		(550,690)	(214,064)	(241,799)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of an associate		(1,767)	(1,760)	(1,734)
Investment fair valuation reserve		(11,619)	(10,046)	(5,439)
Share based compensation reserve		4,209	7,141	6,339
Hedge reserve		-	(849)	(1,491)
Retained earnings		385,920	516,453	372,271
		<u>1,612,077</u>	<u>2,080,490</u>	<u>1,911,256</u>
Non-controlling interests		120,776	125,048	105,340
Total equity		<u>1,732,853</u>	<u>2,205,538</u>	<u>2,016,596</u>
Total Liabilities and Equity		<u>2,792,555</u>	<u>3,287,234</u>	<u>3,261,853</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 5 August 2012.


Asaad Ahmed Al Banwan
Chairman


Nabeel Bin Salamah
Chief Executive Officer

Condensed Consolidated Statement of Income – six months ended 30 June 2012 (Unaudited)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2012	2011	2012	2011
		KD'000		KD'000	
Continuing operations					
Revenue		337,806	335,062	663,535	659,440
Cost of sales		(95,738)	(90,565)	(183,629)	(177,099)
Gross profit		242,068	244,497	479,906	482,341
Distribution, marketing & operating expenses		(67,620)	(71,303)	(130,307)	(138,242)
General and administrative expenses		(24,270)	(26,302)	(46,239)	(46,332)
Depreciation and amortization		(50,376)	(41,318)	(97,758)	(83,128)
Provision for doubtful debts		(2,018)	(1,503)	(4,397)	(4,655)
Operating profit		97,784	104,071	201,205	209,984
Interest income		6,049	5,438	10,536	9,783
Investment income	9	(1,819)	1,098	(1,046)	705
Share of loss of associates		(7,506)	(8,143)	(15,402)	(18,144)
Share of profit of a jointly controlled entity		5,055	1,216	6,507	314
Other income/(expense)		3,567	(5,035)	6,697	(2,457)
Finance costs		(7,687)	(8,485)	(12,803)	(14,008)
Gains/(loss) from currency revaluation		4,654	2,603	248	(20,912)
Board of Directors' remuneration		(107)	(8)	(215)	(16)
Contribution to Kuwait Foundation for Advancement of Sciences		(728)	(722)	(1,459)	(1,442)
National Labour Support Tax and Zakat		(2,127)	(1,964)	(4,746)	(3,989)
Profit for the period before income tax		97,135	90,069	189,522	159,818
Income tax expenses		(19,529)	(12,529)	(34,236)	(21,140)
Profit for the period from continuing operations		77,606	77,540	155,286	138,678
Discontinued operations					
Release of provisions	12	-	-	-	16,320
Profit for the period		77,606	77,540	155,286	154,998
Attributable to:					
Shareholders of the Parent Company		70,976	70,263	141,895	140,178
Non-controlling interests		6,630	7,277	13,391	14,820
		77,606	77,540	155,286	154,998
Earnings per share					
Basic – Fils					
From continuing operations	10	18	18	36	32
From discontinued operations		-	-	-	4
		18	18	36	36
Diluted – Fils					
From continuing operations		18	18	36	32
From discontinued operations		-	-	-	4
		18	18	36	36

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

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

**Condensed Consolidated Statement of Comprehensive Income – six months ended 30 June 2012
(Unaudited)**

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	KD'000		KD'000	
Profit for the period	77,606	77,540	155,286	154,998
Other comprehensive income				
<i>On continuing operations:</i>				
Exchange differences on translating foreign operations	(331,043)	20,073	(336,122)	(100,700)
Net unrealised (loss)/gains on available-for-sale investments	(5,708)	527	(3,510)	(9,594)
Net realised loss/(gains) transferred to statement of income on available-for-sale investments (net of impairment losses)	1,984	(364)	1,937	(377)
Cash flow hedges	-	-	849	-
Share based compensation	127	348	253	804
Share of other comprehensive income of an associate	(12)	320	(7)	1,078
	<u>(334,652)</u>	<u>20,904</u>	<u>(336,600)</u>	<u>(108,789)</u>
Total comprehensive income for the period	<u>(257,046)</u>	<u>98,444</u>	<u>(181,314)</u>	<u>46,209</u>
Total comprehensive income attributable to:				
Shareholders of the Parent Company				
From continuing operations	(264,502)	92,139	(195,209)	17,737
From discontinued operations	-	-	-	16,320
	<u>(264,502)</u>	<u>92,139</u>	<u>(195,209)</u>	<u>34,057</u>
Non-controlling interests				
From continuing operations	7,456	6,305	13,895	12,152
From discontinued operations	-	-	-	-
	<u>7,456</u>	<u>6,305</u>	<u>13,895</u>	<u>12,152</u>

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

Condensed Consolidated Statement of Changes in Equity – six months ended 30 June 2012 (Unaudited)

	Equity attributable to Parent Company's shareholders										Non-controlling interests	Total	
	Share capital	Share premium	Treasury shares	Legal reserve	Foreign currency translation reserve	Treasury shares reserve	Equity issue transaction cost of an associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve			Retained earnings
Balance at 1 January 2012	430,754	1,703,351	(567,834)	215,377	(214,064)	1,967	(1,760)	(10,046)	7,141	(849)	516,453	125,048	2,205,538
Exercise of share options	602	1,807	-	-	-	-	-	-	-	-	-	-	2,409
Purchase from a non-controlling interest (note 2)	-	-	-	-	-	-	-	-	-	-	(22,903)	(13,275)	(36,178)
Cash dividends (2011)	-	-	-	-	-	-	-	-	-	-	(252,710)	(4,892)	(257,602)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(3,185)	-	3,185	-	-
Total comprehensive income for the period	-	-	-	-	(336,626)	-	(7)	(1,573)	253	849	141,895	13,895	(181,314)
Balance at 30 June 2012	431,356	1,705,158	(567,834)	215,377	(550,690)	1,967	(1,767)	(11,619)	4,209	-	385,920	120,776	1,732,853
Balance at 1 January 2011	429,743	1,697,788	(567,834)	214,871	(143,767)	1,967	(1,779)	4,532	7,386	(2,524)	1,006,607	100,927	2,747,917
Exercise of share options	1,011	5,563	-	-	-	-	-	-	-	-	-	-	6,574
Cash dividends (2010)	-	-	-	-	-	-	-	-	-	-	(776,365)	(7,739)	(784,104)
Transfer to retained earnings	-	-	-	-	-	-	-	-	(1,851)	-	1,851	-	-
Total comprehensive income for the period	-	-	-	-	(98,032)	-	45	(9,971)	804	1,033	140,178	12,152	46,209
Balance at 30 June 2011	430,754	1,703,351	(567,834)	214,871	(241,799)	1,967	(1,734)	(5,439)	6,339	(1,491)	372,271	105,340	2,016,596

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

Condensed Consolidated Statement of Cash Flows – six months ended 30 June 2012 (Unaudited)

	Six months ended 30 June	
	2012	2011
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax from continuing and discontinued operations	189,522	176,138
Adjustments for:		
Depreciation and amortization	97,758	83,128
Interest income	(10,536)	(9,783)
Investment income	1,046	(705)
Share of loss of associates	15,402	18,144
Share of profit of a jointly controlled entity	(6,507)	(314)
Finance costs	12,803	14,008
(Gain)/loss from currency revaluation	(248)	20,912
Operating profit before working capital changes	299,240	301,528
Increase in trade and other receivables	(14,376)	(65,774)
Decrease/(increase) in inventories	3,962	(2,745)
Decrease in trade and other payables	(35,172)	(29,767)
Cash generated from operations	253,654	203,242
Board of Directors' remuneration paid	(430)	(32)
Paid to Kuwait Foundation for Advancement of Sciences	(5,058)	(1,818)
National Labour Support Tax and Zakat paid	(4,983)	(6,814)
Income tax	(33,136)	(14,451)
<i>Net cash from operating activities</i>	210,047	180,127
Cash flows from investing activities		
Deposits maturing after three months and those under lien	2,853	169,749
Investment in a subsidiary	(19,481)	-
Proceeds from disposal of a subsidiary	-	209,839
Investments in securities	(2,869)	(771)
Proceeds from sale of investment securities	9,772	5,235
Acquisition of property and equipment (net)	(67,987)	(72,655)
Acquisition of intangible assets	(15,060)	(602)
Interest received	10,418	9,791
Dividends received	904	1,310
<i>Net cash (used in)/from investing activities</i>	(81,450)	321,896
Cash flows from financing activities		
Capital contribution including share premium– employees stock option	2,409	6,574
Proceeds from bank borrowings	314,344	655,112
Repayment of bank borrowings	(293,235)	(280,471)
Loan to an associate	(2,522)	(1,853)
Dividends paid to Parent Company's shareholders	(251,147)	(775,585)
Dividends paid to non-controlling interest holders of subsidiaries	(4,313)	(6,866)
Finance costs	(7,780)	(19,938)
<i>Net cash used in financing activities</i>	(242,244)	(423,027)
Net (decrease)/increase in cash and cash equivalents	(113,647)	78,996
Effects of foreign currency translation	(42,276)	(16,960)
Cash and cash equivalents at beginning of period	386,147	463,349
Cash and cash equivalents at end of period (note 3)	230,224	525,385

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 8 other countries (31 December 2011 - Kuwait and 8 other countries; 30 June 2011 - Kuwait and 7 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

2. Basis of preparation

This condensed consolidated interim financial information is prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2011.

Amendments to IFRS, which are effective for the annual accounting period starting from 1 January 2012 did not have any material impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but not effective.

Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2012. For further information, refer to the consolidated annual financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2011.

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

Atheer Telecom Iraq Limited (Atheer)

Under the terms of the telecom license agreement with the Iraqi telecom regulatory authority, telecom operators in Iraq were required to make an initial public offer (IPO) of at least 25% of the aggregate number of its qualifying shares in their Iraqi operations and list on the Iraqi Stock Exchange before 31 August 2011. The process for complying with the listing conditions is now ongoing.

During the period, the Group acquired an additional 4.33% equity interest in Atheer, Iraq from a non-controlling interest for a consideration of US\$ 130 million (KD 36 million). The difference between the consideration paid and the carrying value of the shares acquired is recorded in equity.

Mobile Telecommunications Company, Saudi Arabia (SMTC)

SMTC incurred a net loss of Saudi Riyals (SAR) 814 million (KD 60 million) for the six months period ended 30 June 2012 (30 June 2011 – KD 71 million) and has accumulated losses of SAR 10.5 billion (KD 777 million) as of that date (31 December 2011 - KD 710 million; 30 June 2011 - KD 637 million). SMTC's current liabilities also exceed its current assets by SAR 15 billion (KD 1.1 billion) as of 30 June 2012 (31 December 2011 - KD 970 million; 30 June 2011 - KD 167 million).

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

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

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

The cash portion of the share issue proceeds will be used for network expansion, working capital and repayment of a part of the murabaha facility.

SMTC is negotiating a two month extension from July 2012 of the US\$2.6 billion syndicated murabaha facility, while finalising a revised five year US\$ 2.4 billion murabaha facility (for which there are firm commitments from eight banks) at a lower financing cost.

The Group's investment in SMTC with a carrying value of KD 66 million (31 December 2011 - KD 80 million; 30 June 2011 - KD 95 million) has a fair value of KD 203 million (31 December 2011 - KD 144 million; 30 June 2011 - KD 176 million). The Group's net investment in SMTC including loans and receivables is KD 331 million (31 December 2011 - KD 329 million; 30 June 2011 - KD 327 million).

SMTC's independent auditor's modified review report for the period ended 30 June 2012 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its interim financial information for the period ended 30 June 2012 has been prepared on a going concern basis as SMTC believes it will be successful in meeting its obligations in the normal course of operations.

After subscription of SAR 1.3 billion (KD 97 million) to the SMTC rights issue, the Group's shareholding has increased by 12% to 37%.

Mobile Telecommunications Company Lebanon SARL (MTCL)

The Group's Network Management Agreement (NMA) with the Republic of Lebanon has been extended up to 31 January 2013. The financial information of MTCL are prepared on a going concern basis as the management believes that any potential adjustments to the presentation and amounts in the statement of financial position arising from expiry of the NMA may not be significant.

Interest in a jointly controlled entity – Zain Al Ajjal S.A.

The carrying value of this jointly controlled entity is determined by the Group management using the equity method based on estimated results.

Financial support to associate and group companies

The Group has committed to provide working capital and other financial support to Atheer and SMTC whose working capitals are in deficit and to the operations in South Sudan. Based on business plans, the Group does not expect these conditions to have a material adverse impact on the operations of these Group companies.

3. Cash and bank balances

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

	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
	<u>KD '000</u>		
Cash on hand and at banks	162,881	196,846	320,737
Short-term deposits with banks	67,343	197,626	204,648
Government certificates of deposit held by a subsidiary	10,029	10,292	10,133
	<u>240,253</u>	<u>404,764</u>	<u>535,518</u>
Less:			
Government certificates of deposit held by a subsidiary	(10,029)	(10,292)	(10,133)
Deposits with maturities exceeding three months	-	(8,325)	-
	<u>230,224</u>	<u>386,147</u>	<u>525,385</u>

4. Loans to associates

This includes KD 112 million convertible to equity shares in SMTC as disclosed in Note 2.

5. Due to banks

During the period, the Parent Company obtained a term loan of US\$ 175 million (KD 49 million) repayable within three years from the date of the facility and in March 2012 repaid the term loan of US\$ 433.33 million (KD 120 million) availed in March 2011.

In February 2012, Zain Sudan repaid all its Euro denominated loans equivalent to KD 82 million.

In March 2011, the Parent Company secured a revolving credit facility of US\$ 866.67 million from a consortium of foreign banks. The revolving credit facility has been classified as non-current since the repayment date can be extended till March 2014, at the option of the borrower. As of 30 June 2012, US\$ 866.67 million (KD 242 million) (31 December 2011 - KD 63 million; 30 June 2011 - KD 169 million) was outstanding on this revolving credit facility.

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

6. Share capital

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

At the extraordinary general meeting held on 12 April 2012, the Parent Company's shareholders approved the decrease in authorized share capital by 18,422,725 shares and then to increase it by 9,014,983 shares to 4,322,574,895, subject to regulatory approval.

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

7. Dividend

The annual general meeting of shareholders for the year ended 31 December 2011 held on 29 March 2012 (2010 - 12 April 2011) approved distribution of cash dividends of 65 fils (2010 - 200 fils) per share amounting to KD 252,710,000 (2010 - KD 776,365,000).

8. Treasury shares

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No. 10 of 1987 and No. 11 of 1988 and are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
Number of shares	425,711,648	425,711,648	425,711,648
Percentage of issued shares	9.87%	9.88%	9.88%
Market value (KD '000)	315,027	383,140	442,740
Cost (KD '000)	567,834	567,834	567,834

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

9. Investment income

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2012	2011	2012	2011
	KD'000		KD'000	
(Loss)/gain from investments "at fair value through profit or loss"	(712)	(44)	17	(1,177)
Realised (loss)/gain from investments 'available -for-sale'	(1,911)	533	(1,967)	572
Dividend income	804	609	904	1,310
	<u>(1,819)</u>	<u>1,098</u>	<u>(1,046)</u>	<u>705</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)	
	2012	2011	2012	2011
	KD'000		KD'000	
Profit for the period attributable to shareholders:				
From continuing operations	70,976	70,263	141,895	123,858
From discontinued operations	-	-	-	16,320
	<u>70,976</u>	<u>70,263</u>	<u>141,895</u>	<u>140,178</u>
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue	3,887,848,264	3,881,823,013	3,887,848,264	3,881,823,013
Effect of dilution	1,381,302	5,863,340	1,609,435	6,587,712
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,889,229,566</u>	<u>3,887,686,353</u>	<u>3,889,457,699</u>	<u>3,888,410,725</u>
	Fils	Fils	Fils	Fils
Earnings per share – Basic				
From continuing operations	18	18	36	32
From discontinued operations	-	-	-	4
	<u>18</u>	<u>18</u>	<u>36</u>	<u>36</u>
Earnings per share – Diluted				
From continuing operations	18	18	36	32
From discontinued operations	-	-	-	4
	<u>18</u>	<u>18</u>	<u>36</u>	<u>36</u>

11. Segmental information

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

Based on the quantitative thresholds, the Group has identified its operations in Kuwait, Jordan, Sudan and Iraq as the basis for disclosing the segment information.

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

	30 June 2012					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	169,401	69,391	154,822	235,313	34,608	663,535
Net profit before interest and tax	57,442	20,753	52,594	66,275	4,716	201,780
Interest income	2	394	3,109	414	35	3,954
Finance costs	-	(615)	(1,274)	(8,187)	(55)	(10,131)
Income tax expense	-	(4,562)	(19,360)	(9,824)	(316)	(34,062)
Net profit after interest and tax	57,444	15,970	35,069	48,678	4,380	161,541
<i>Unallocated items:</i>						
Investment income						(1,046)
Share of loss of associates						(15,402)
Share of profit of a jointly controlled entity						6,507
Others						3,686
Profit for the period from continuing operations						155,286
Profit for the period from discontinued operations						-
Profit for the period						155,286
Segment assets	216,544	219,247	675,007	977,977	74,024	2,162,799
<i>Unallocated items:</i>						-
Investment securities at fair value through profit or loss						3,200
Investment securities available for sale						54,711
Investment in associates						66,852
Interest in a jointly controlled entity						51,239
Loans to associates						193,350
Others						260,404
Consolidated assets						2,792,555
Segment liabilities	70,088	46,999	306,742	130,502	25,255	579,586
<i>Unallocated items:</i>						-
Due to banks						566,019
Others						(85,903)
Consolidated liabilities						1,059,702
Net consolidated assets						1,732,853
Capital expenditure	22,293	6,660	26,518	18,260	9,286	83,017
Unallocated						30
Total capital expenditure of the continuing operations						83,047
Depreciation and amortization	23,092	10,019	18,947	34,838	7,130	94,026
Unallocated						3,732
Total depreciation and amortization of the continuing operations						97,758

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

	30 June 2011					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	174,597	66,898	154,348	219,597	44,000	659,440
Net profit before interest and tax	66,429	21,617	45,054	62,537	10,085	205,722
Interest income	3	606	1,639	697	91	3,036
Finance costs	-	(487)	(2,824)	(12,989)	-	(16,300)
Income tax expense	-	(5,040)	(6,768)	(8,399)	(742)	(20,949)
Net profit after interest and tax	66,432	16,696	37,101	41,846	9,434	171,509
<i>Unallocated items:</i>						
Investment income						705
Share of loss of associates						(18,144)
Share of profit of a jointly controlled entity						314
Others						(15,706)
Profit for the period from continuing operations						138,678
Profit for the period from discontinued operations						16,320
Profit for the period						154,998
Segment assets						
<i>Unallocated items:</i>						
Investment securities at fair value through profit or loss	207,493	215,501	925,588	998,245	73,625	2,420,452
Investment securities available for sale						6,364
Investment in associates						83,534
Interest in a jointly controlled entity						96,196
Loans to associates						40,584
Others						185,264
Consolidated assets						429,459
						3,261,853
Segment liabilities						
<i>Unallocated items:</i>						
Due to banks	64,323	35,427	305,185	244,898	27,750	677,583
Others						594,329
Consolidated liabilities						(26,655)
Net consolidated assets						1,245,257
						2,016,596
Capital expenditure						
Unallocated	11,149	4,121	34,423	19,537	3,763	72,993
Total capital expenditure of the continuing operations						264
						73,257
Depreciation and amortization						
Unallocated	15,248	7,849	19,005	33,277	4,059	79,438
Total depreciation and amortization of the continuing operations						3,690
						83,128

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

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

In March 2011, the Iraqi telecom regulatory authority imposed a US\$ 262 million (KD 73 million) (31 December 2011: KD 73 million; 30 June 2011: KD 72 million) penalty on Atheer citing non-compliance with certain licence terms. In response to the appeal made by Atheer, the Board of Appeals of the telecom regulatory authority has issued an order dated 30 January 2012 to cancel the above claim and review the case again and determine the amounts that should be paid. In March 2012, the telecom regulatory authority issued notice demanding the payment of US\$ 262 million. Atheer has appealed against this order, citing the telecom regulatory authority's Board of Appeal's order dated 30 January 2012 for the cancellation of the penalty charged and its re-assessment.

Furthermore, the Iraqi telecom regulatory authority has also levied a penalty of US\$ 18 million (KD 5 million) (31 December 2011: KD 5 million; 30 June 2011: KD 5 million) citing breach of network quality covenants.

The Group believes that it has complied with the network quality covenants and license terms.

The Group has received a notification from the Iraqi telecom regulatory authority stipulating a fine of US\$ 12,887 (KD 3,602) per day from 1 September 2011 for delaying the listing of Atheer on the Iraq Stock Exchange. The Group intends to appeal this claim on the basis that it is not liable for such penalties due to mitigating circumstances.

The Iraqi income tax authority has also raised claims for additional income taxes of US\$ 65 million (KD 18 million) for Atheer's operations upto fiscal year 2007 and US\$ 82 million (KD 23 million) for its subsidiary, Iraqna Company for Mobile Services Limited (Iraqna). The Group has reviewed these orders and has filed an appeal denying liability for these additional tax claims on the basis that they are arbitrary and contrary to the applicable Iraqi tax law. The Group has a contingent asset in the form of a claim against the seller for the US\$ 82 million (KD 23 million) tax claim on Iraqna under the 2007 Iraqna share purchase agreement.

The Group has a contingent liability in the form of a general claim on mobile telecom companies operating in South Sudan from the Ministry of Telecommunications & Postal Services, South Sudan ("the Ministry") in February 2012, as tentative license fee for GSM services. The Group has not accepted the claim, as it is without any basis.

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

Legal proceedings have been initiated by and against the Group in 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 condensed 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 2012:

**Notional amounts by term to maturity
(Unaudited)**

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

Derivatives held for hedging:

Cash flow hedges

Commission rate swaps - Share of an associate

- - - -

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

At 31 December 2011:	Notional amounts by term to maturity (Audited)			
	Notional amount	Within 3 months	3 - 12 months	Over 1 year KD'000
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Commission rate swaps - Share of an associate	153,733	153,733	-	-
 At 30 June 2011:	 Notional amounts by term to maturity (Unaudited)			
	Notional amount	Within 3 months	3 -12 months	Over 1 year KD'000
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Commission rate swaps - Share of an associate	151,454	-	151,454	-

15. Comparative figures

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