Annual report 2007

Success in diversity

Annual report 2007

H.H. Sheikh Sabah Al-Ahmed Al-Jaber Al Sabah
Amir of the State of Kuwait

H.H. Sheikh Nawwaf Al-Ahmed Al Sabah
Crown Prince

H.H. Sheikh Nasser Al-Mohamed Al Sabah
Prime Minister

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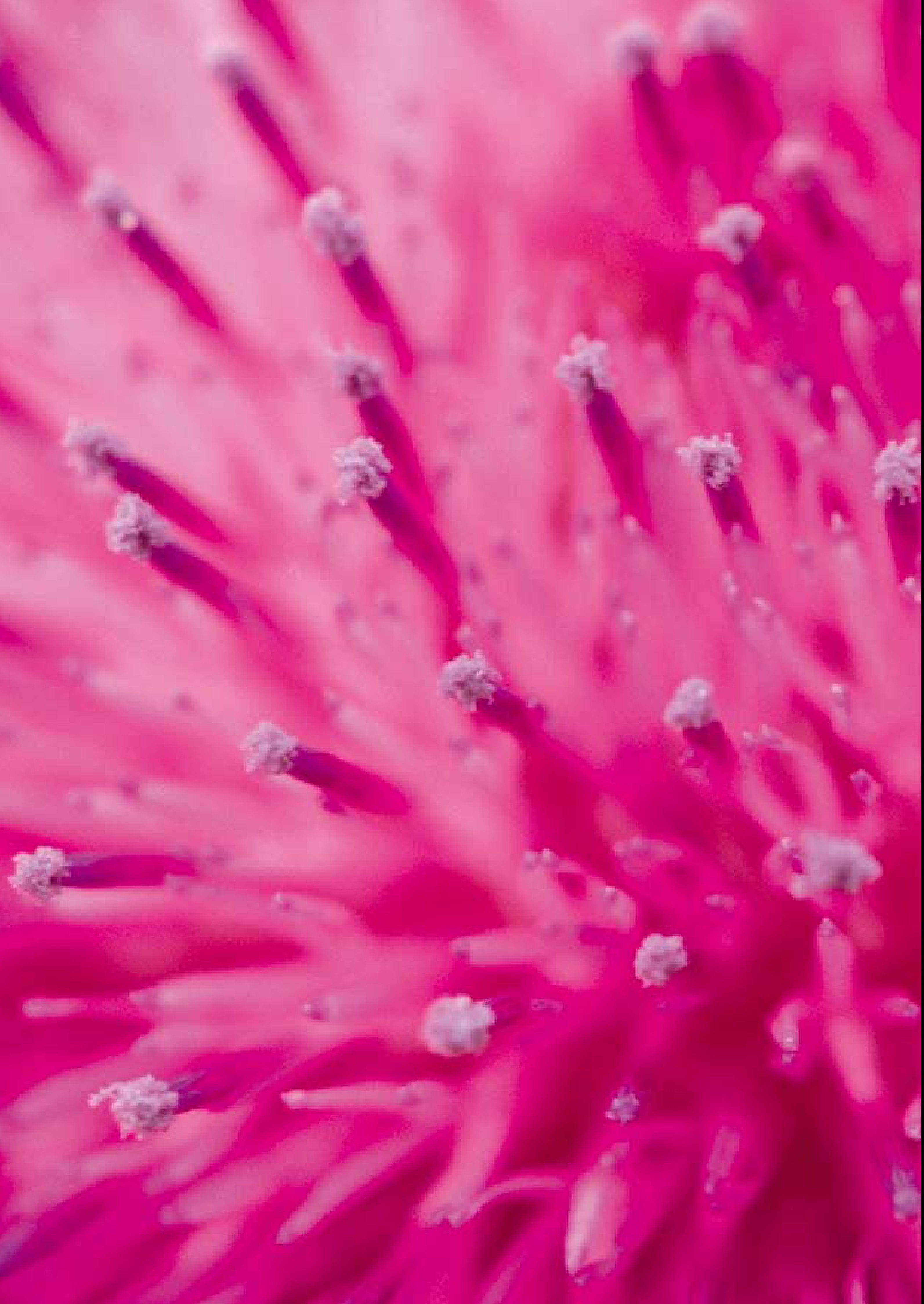


Consolidated financial statements and independent auditors' report

Key objectives

Reach a customer
base of 110 million customers*

Create synergies
across our operations

“Become one of the Top-10 mobile telecommunications companies in the world*”

Achieve an EBITDA of US$ 6 billion*

Combine value creation
and growth from existing operations

Become the market
leader in each of our operations

* By the year 2011

Growth of Zain

#1
operator in 14
of the 20 markets

42
million+ customers
in 20 countries

15,000+
employees,
> 100 nationalities

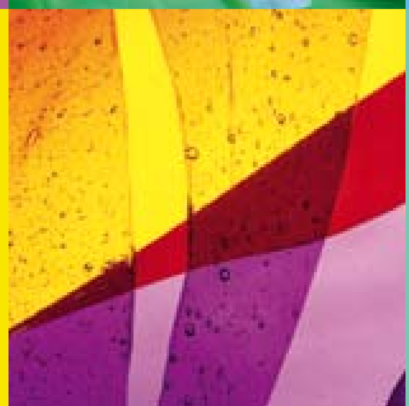
15
million+ km2 under licence,
or 60% larger than USA

One Network:
12 countries
2X geographic area of European Union
50% of population of Africa

68
million+ SMS
sent daily

450
million+ number
of calls made daily

520
million people
under licence

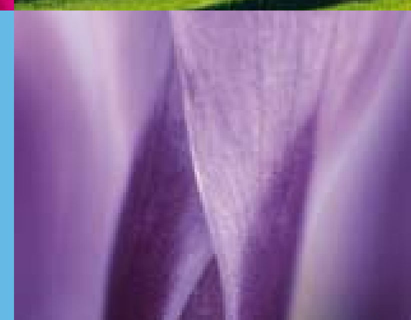


2.5
US$ billion EBITDA,
a 25% increase

Kingdom of Saudi
Arabia and Ghana
added to Zain footprint

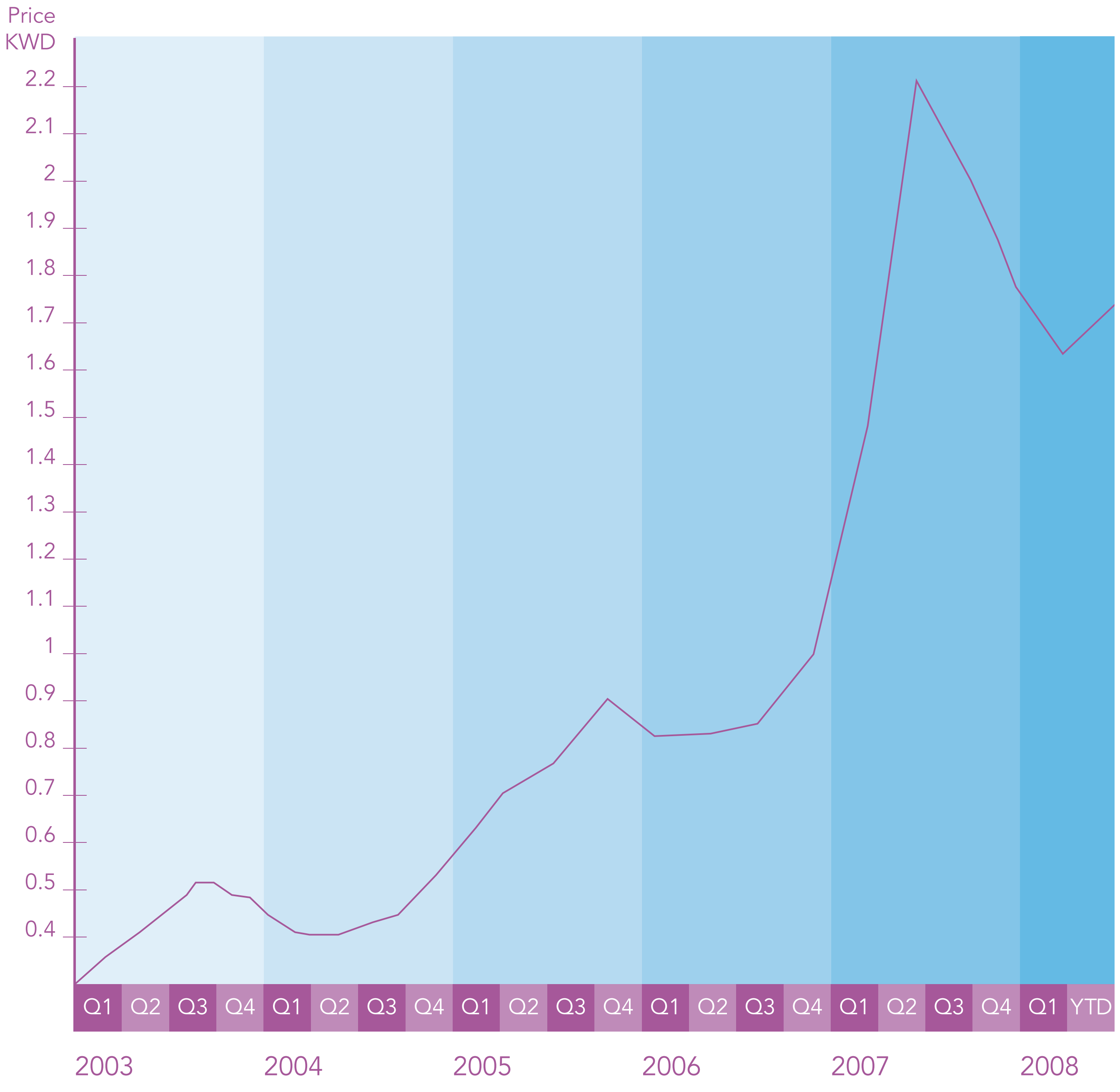
11
million+ customers in Nigeria

5.9
US$ billion in
Revenues,
a 32% increase

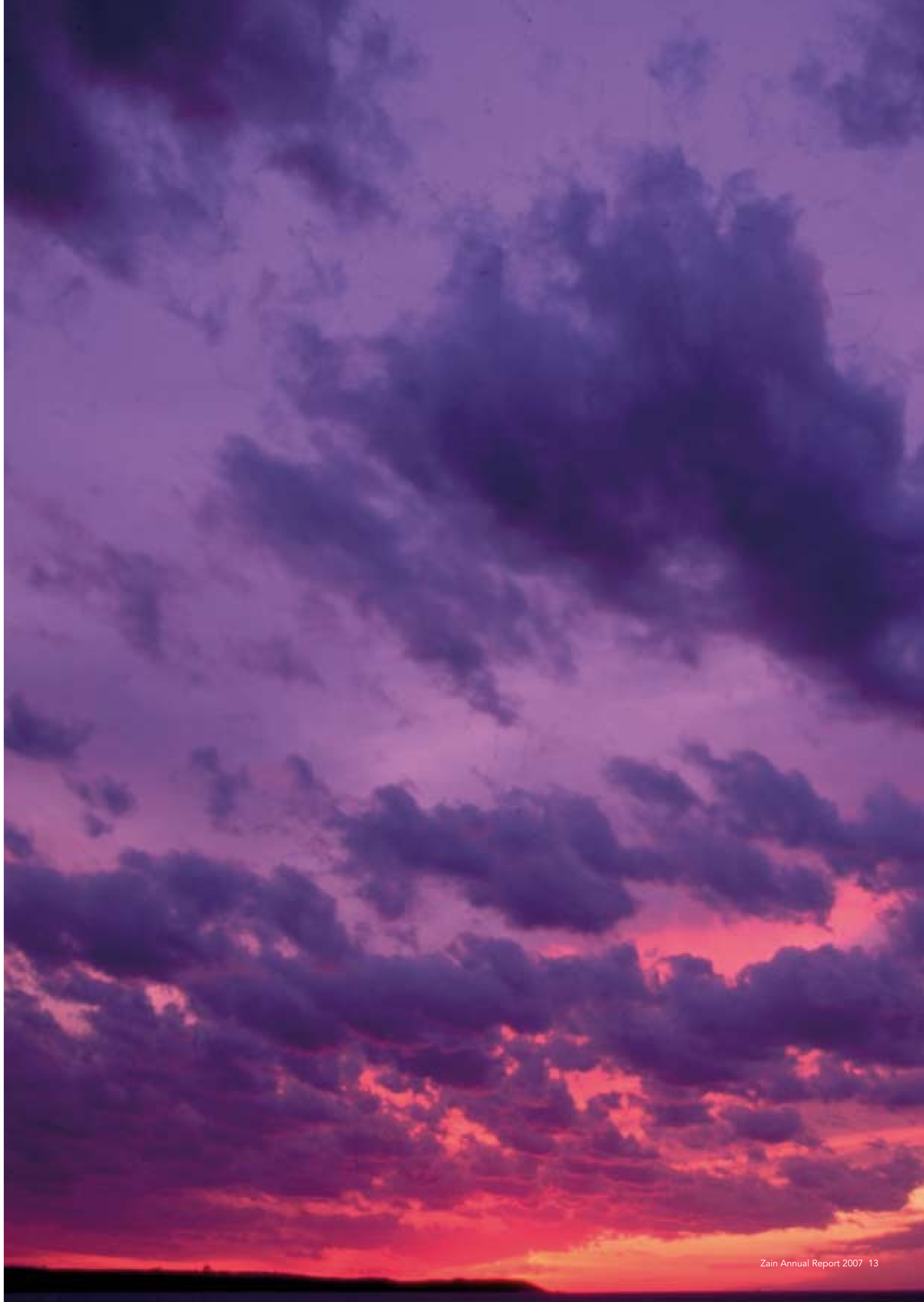


Share price evolution

Quarterly Zain

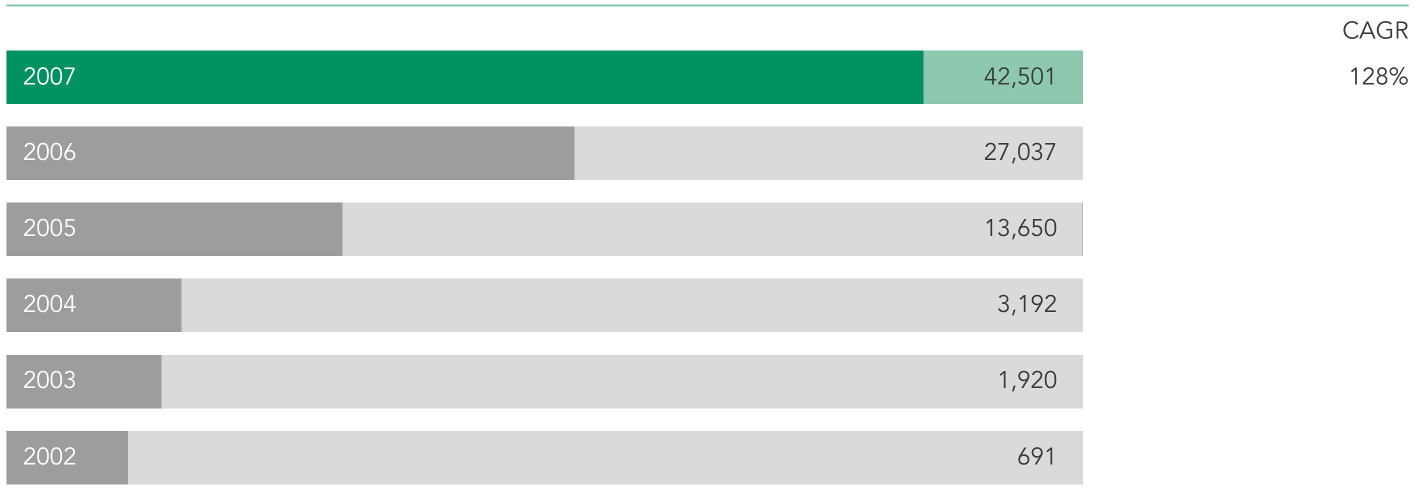


31/03/2003 - 31/03/2008 (Reuters)

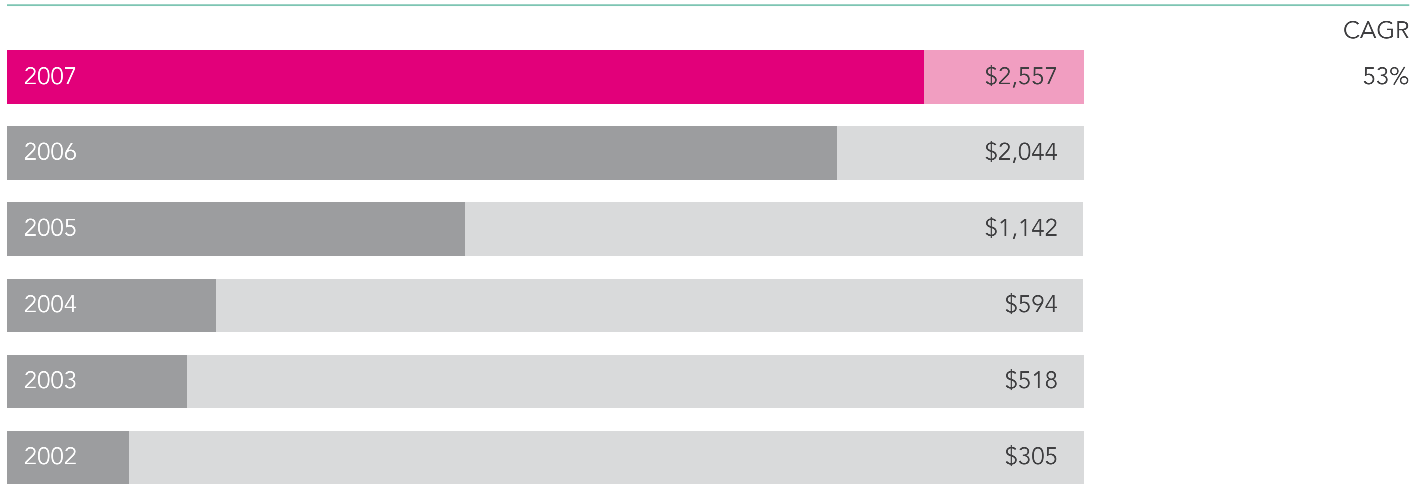


Key performance indicators

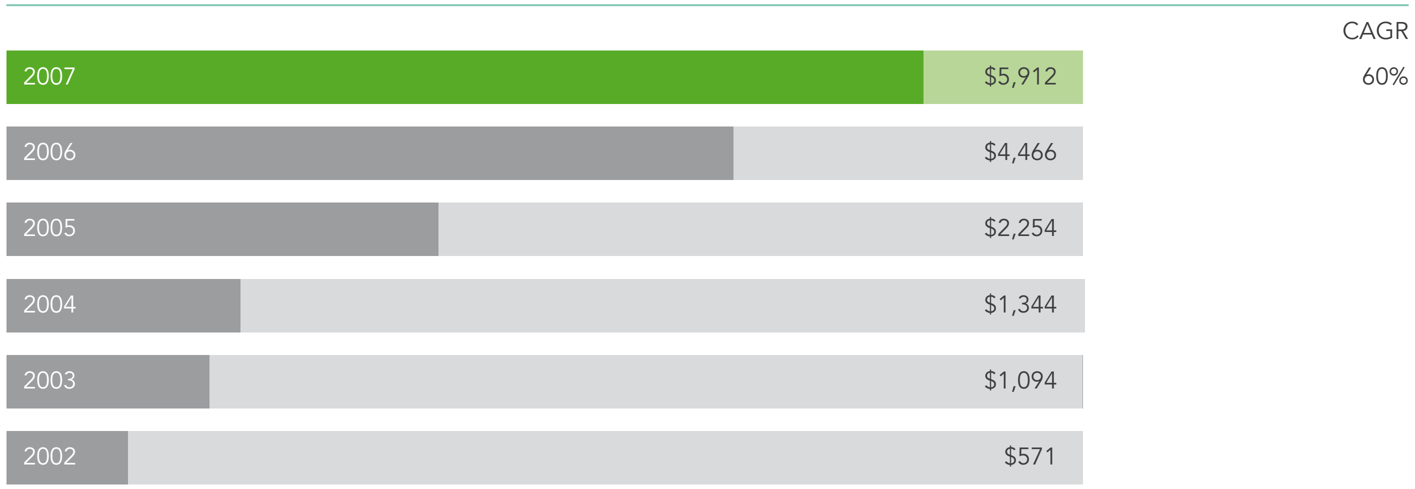
Customers (000)



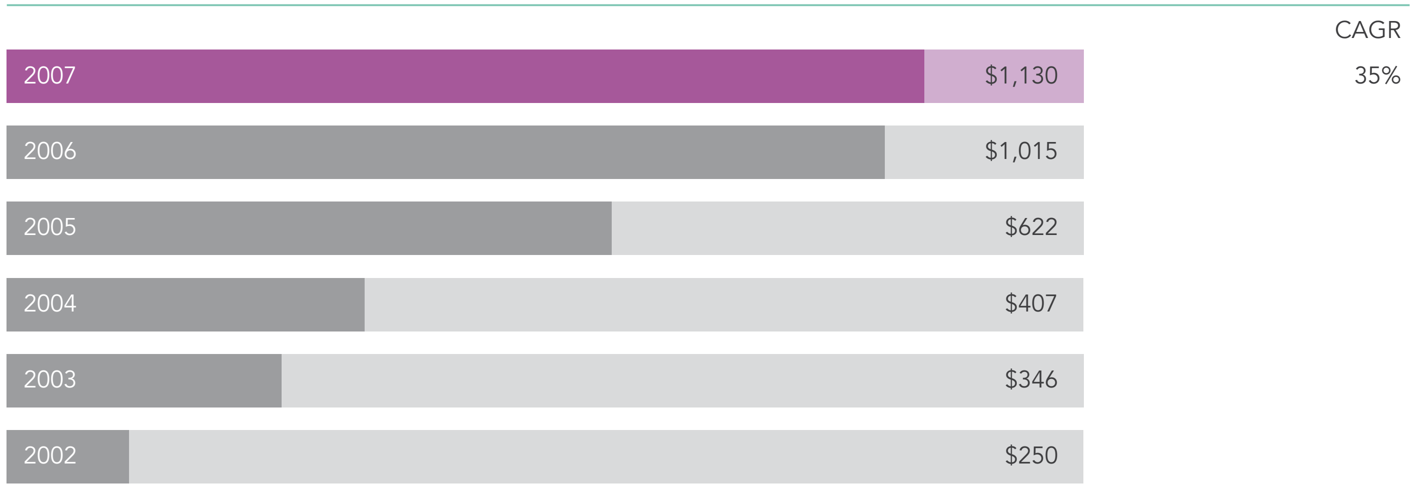
EBITDA (in million dollars)



Revenues (in million dollars)



Net Income (in million dollars)



CAGR: compound annual growth rate
EBITDA: Earning before Interest, Tax, Depreciation and Amortization

Key milestones

> “From a national player to an emerging markets leader”

1983-2002	2003	2004	2005	2006	2007
Leading mobile operator in Kuwait	Awarded GSM license in Iraq	Awarded Management Agreement in Lebanon	Acquired Madacom in Madagascar	Acquired 65% of V-Mobile in Nigeria	Acquired Iraqna in Iraq
	Awarded 2nd GSM license in the Kingdom of Bahrain		Acquired Celtel in 13 African nations	Acquired the remaining 61% of Mobitel - Sudan	Acquired 75% of Westel Ghana
	Acquired Fastlink, the leading Jordanian mobile operator				Acquired 15 year nationwide license in Iraq
					Rebranded to Zain along with 4 operations
					Won Bid for 3rd GSM license in the KSA

Key highlights
Operational events for the full year of 2007

December 31, 2007

Combined operations of Iraqna and MTC Atheer will serve 7 million customers in Iraq under the Zain brand
Zain acquires mobile operator Iraqna, a subsidiary of Orascom Telecom Holding, for US$ 1.2 billion. This acquisition consolidates Zain's already existing market position in Iraq under the MTC-Atheer brand. The two companies join forces and jointly operate under the Zain brand in Iraq.

December 2, 2007

Zain set to increase company's capital by 75%
Zain's Board of Directors recommends an increase of the company's capital by 75% drawing from its existing shareholder base.

November 22, 2007

Africa abolishes roaming as Celtel's 'One Network' expands
Zain's African operations under the Celtel and Zain brands announce the extension of the 'One Network' service, the world's first borderless mobile network in Africa to an additional six countries to include Burkina Faso, Chad, Malawi, Niger, Nigeria and Sudan. The 'One Network' service, now available in 12 countries, plays a crucial role in boosting cross-border trade by eliminating roaming charges and driving economic growth in Africa.

October 22, 2007

Zain's worldwide footprint now stands at 22 countries
Celtel International, Zain's African subsidiary, agrees to acquire 75% of Western Telesystems Ltd (Westel) from the government of Ghana for US$ 120 million. The Group intends to launch services in 2008.

September 29, 2007

Zain launches world's first nationwide WIMAX network in Bahrain
The Kingdom of Bahrain has set another telecommunication's first with the launch of Zain@home, the world's first nationwide WIMAX network.

September 8, 2007

MTC Group rebrands under the single Zain brand
The leading mobile telecommunications operator in 21 countries across the Middle East and Africa re-brands the Group's corporate master brand to Zain. Four operations in Kuwait, Bahrain (both formerly MTC-Vodafone), Jordan (formerly Fastlink) and Sudan (formerly Mobitel) re-brand to Zain.

August 17, 2007

MTC Atheer acquires 15-year mobile license for Iraq
MTC-Atheer, the leading mobile operator in Iraq with over 3.6 million active customers, makes a successful bid for one of the three licenses auctioned by the Iraqi authorities. The successful bid for a consideration of US$ 1.25 billion secures a 15-year nationwide license, allowing MTC-Atheer to better serve its customer base and utilize Group synergies more effectively.

June 13, 2007

Africa Calling: IFC mobilizes US$ 320 million to improve and expand MTC-Celtel services
IFC, the private sector arm of the World Bank, announced its largest financing to date in Sub-Saharan Africa, a US$ 320 million package, to five operations of Celtel International (an MTC subsidiary) to help expand and upgrade its fast growing mobile networks in DRC, Madagascar, Malawi, Sierra Leone and Uganda.

June 6, 2007

World's first borderless mobile network, One Network, expands to 6 countries linking East and Central Africa
Celtel International, the leading pan-African mobile telecommunications company announces the expansion of the 'One Network' service, the world's first borderless mobile network, to include Congo B, Gabon and DRC. This comes nine months after the successful launch of the One Network service in Kenya, Tanzania and Uganda.

May 7, 2007

MTC acquires remaining 15% of Celtel International
MTC acquires the remaining 15% of the outstanding shares in Celtel. This finalizes a binding agreement entered into with the shareholders of Celtel in April 2005 to acquire the outstanding shares within two years for a consideration of US$ 467 million.

March 24, 2007

MTC makes the highest bid for third mobile license in KSA
The MTC-led consortium makes the highest bid for the third mobile telecommunications license in the Kingdom of Saudi Arabia for SAR 22.9 billion (US$ 6.1 billion). MTC holds a 50% interest in the consortium, which will be reduced to 25% following a mandatory initial public offering of the new mobile operator in KSA in 2008.

January 30, 2007

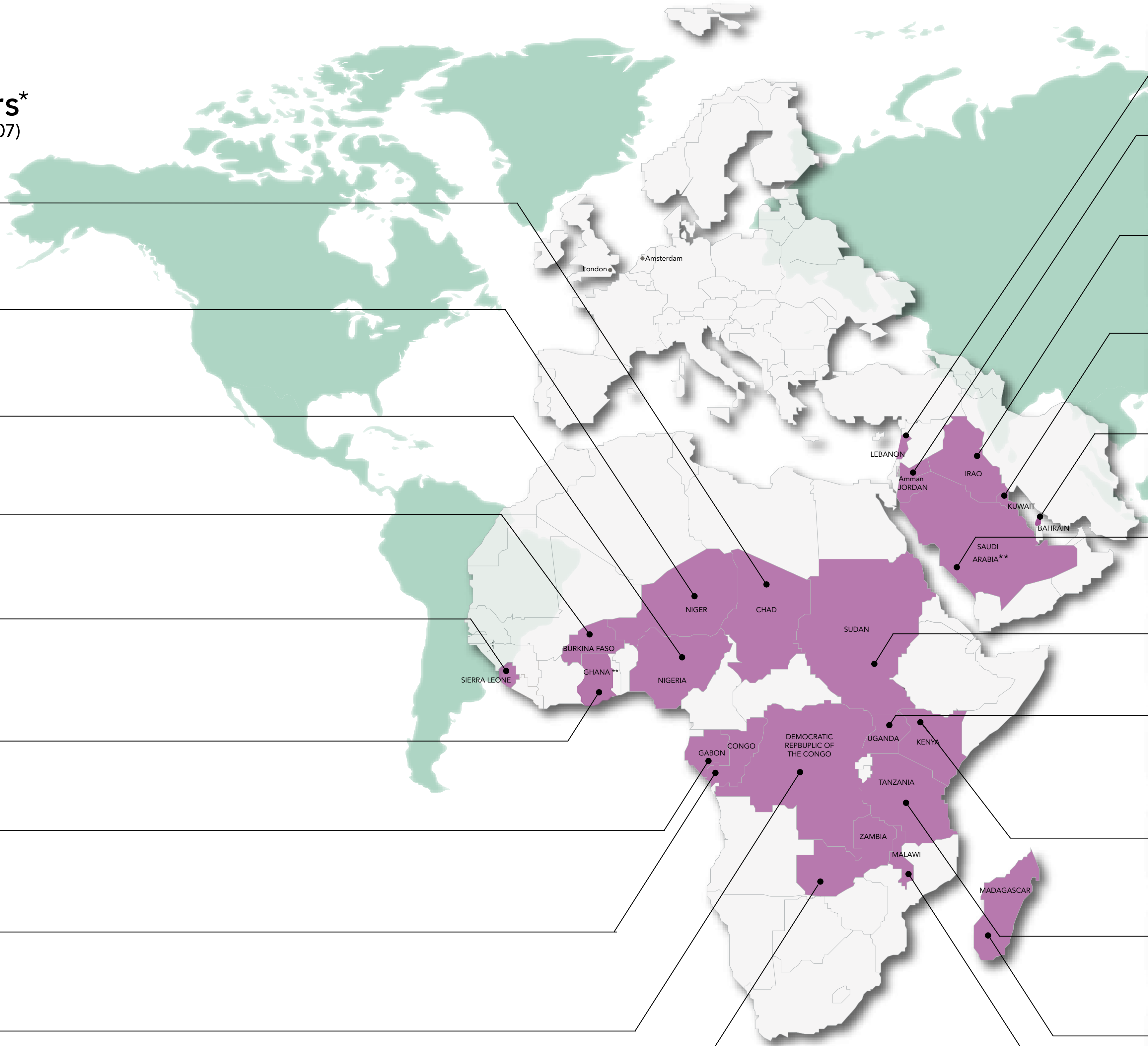
MTC launches ACE
MTC launches ACE an implementation strategy to realize the target of the 3x3x3 vision. ACE seeks to extract superior value from existing assets through three main thrusts: Accelerating the growth in Africa and beyond; Consolidating the existing assets; and Expandind into adjacent markets.

January 9, 2007

MTC Kuwait deploys 3G/HSDPA Network with Motorola
MTC Kuwait deploys a nationwide 3G mobile broadband network in Kuwait including HSDPA to further increase download speeds and improve the user experience of new services.

Zain presence

22 countries
Over 42.5 million active customers*
(December 31, 2007)



CHAD

NIGER

NIGERIA

BURKINA FASO

SIERRA LEONE

GHANA

GABON

CONGO

D. R. CONGO

ZAMBIA

LEBANON

JORDAN

IRAQ

KUWAIT

BAHRAIN

SAUDI ARABIA

SUDAN

UGANDA

KENYA

TANZANIA

MADAGASCAR

MALAWI

* Inclusive of 3 million customers acquired on December 31, 2007 through acquistion of Iraqna
** Saudi Arabia and Ghana: launch of commercial services in the second half of 2008

Board of directors

Mr. Asaad Ahmed Al-Banwan
Chairman

Dr. Saad Hamad Al-Barrak
Deputy Chairman - Chief Executive Officer

Mr. Mishal Mohammed Al-Hammad
Board Member

Mr. Abdulmuhsen Ibrahim Al-Fares
Board Member

Mr. Abdulaziz Yaqoub Al-Nafisi
Board Member

Mr. Jamal Ahmed Al-Kandary
Board Member

Sheikh Khalifa Ali Khalifa Al Sabah
Board Member

Chairman's message

Dear Shareholders,

It gives me great pleasure to present the consolidated annual financial statements for 2007 of Mobile Telecommunications Company K.S.C. – Zain, as we look back on a very successful year, which constitutes the foundation for the company's future success.

As one of the leading mobile telecommunications companies in the Middle East and Africa, we will continue to seek growth aspiring to become one of the leading global companies in this sector, by focusing on enhancing shareholder value, championing employees' interests and being a pioneer in corporate citizenship.

This assembly of shareholders comes at a time when Zain has taken major steps in implementing its ambitious expansion strategy. The Group covers 22 countries in the Middle East and sub-Saharan Africa with an active customer base of more than 42 million.

On behalf of my fellow shareholder representatives on the Board of Directors and all the employees of the group, I am pleased to present and review Zain's annual financial report for 2007. The report provides an overview of the Group's achievements along with the audited accounts and the consolidated financial statements for the fiscal year ended December 31, 2007.

During 2007, we consolidated our leadership position in the Middle East and Africa. Overall, the financial results show the executive management's ability to cope effectively with industry developments and challenges. The company's objectives are supported by its shareholders, customers, partners and employees alike.

Zain successfully expanded its presence across the Middle East and Africa in 2007. The Group won the third mobile license in Saudi Arabia for US$ 6.1 billion. This license will allow Zain to enter the biggest and wealthiest economy in the region. The Group will also provide interconnection among its operations in the region, thus offering distinctive advantages when we launch the mobile network in Saudi Arabia.

In Q3-2007, Zain won a 15-year mobile license for US$ 1.2 billion to operate in Iraq through its MTC-Atheer subsidiary where the Group had been operating already under a temporary license since 2003. Less than three months later, Zain acquired Iraqna, the second largest mobile telecom operator in Iraq, in a transaction worth US$ 1.2 billion. Subsequently, Iraqna and MTC-Atheer merged to become a new entity jointly operating under the Group's new brand Zain. In doing so, Zain in Iraq has become the country's largest telecom company with a customer base of over 7 million.

In addition to Zain's expansions in the Middle East, the Group was also successful in Africa with a major acquisition of 75% of Westel, Ghana's second national operator, in a transaction valued at US$ 120 million.

With each successful acquisition, the Zain Group underscores its ambition to become one of the top ten telecom operators in the world.

On September 8, 2007, the Group launched its new corporate and customer facing brand, Zain, consistent with its aim to become a global telecom operator. The Zain brand has been introduced successfully in Kuwait, Bahrain, Jordan, Sudan and Iraq and the Group will re-brand its African operations from Celtel to Zain in the second half of 2008.

The launch of the world's first borderless network across 12 operations in Africa demonstrates the Group's ability to pioneer new and innovative telecommunications services. The service, known as 'One Network', was originally launched in 2006, and expanded to 12 markets in 2007. This technological break-through has allowed 25 million mobile customers to roam free-of-charge across geographical borders and without paying for incoming calls.

The successful implementation of Zain's objectives hinges on accurate feasibility studies and diligent execution. This allows the Group to benefit from profitable investment opportunities, boost the growth of the company and increase shareholders' equity. The Group will continue to assess potential opportunities for investment in the MENA region to further expand the business.

The Board of Directors and Executive Management of Zain value the trust placed in them by the company's shareholders. This trust has allowed the management to propel the company to its current position as the world's fourth largest telecom operator in terms of geographical footprint.

Zain's strong financial performance in 2007 was driven by excellent financial results of all key performance indicators. For 2007, Zain's Consolidated Net Income was US$ 1.13 billion (KD 320.45 million) compared to US$ 1.01 billion (KD 294.98 million) in 2006, an increase of 9%. Zain recorded Consolidated Revenues of US$ 5.91 billion (KD 1.677 billion), an increase of 32% compared to the previous year. Group EBITDA increased by 25% compared to 2006 to reach US$ 2.56 billion (KD 725.34 million). Stockholders' equity increased to US$ 6.18 (KD 1.748) compared to US$ 5.18 (KD 1.5) in 2006.

Zain's performance track record has allowed the company to establish strong relationships with local, regional and international financial institutions. In 2007, a syndicated US$ 1.2 billion Murabaha financing facility was renewed by a consortium of international banks, a step that deepened the confidence in our company and reflected its strong financial position.

In 2007, the company continued to offer job development programs for its existing employees. These programs aim to attract and retain talented people to support the headquarters in Kuwait and other markets. In doing so, Zain was rated as one of the best private sector companies in Kuwait in terms of employee development. We believe that our talented employees are the cornerstone of the execution of Zain's strategy.

The Group was fortunate to be recognized for its achievements in 2007 with various and prestigious awards. These include Best Telecom Operator Awards in distinct markets in which the Group operates and is testimony to our employees' accomplishments in these markets.

In parallel with the Group's ambition to expand geographically and offer the best services, Zain has always been guided by high standards of corporate social responsibility.

Over the years, Zain has made significant donations towards programs directed at education, health, environmental awareness, cultural events and activities in the communities. In line with the Group's vision, we believe we can continue to offer superior returns to our shareholders while maintaining high standards of corporate social responsibility.

Despite the challenges Zain might face, we are determined to continue our steady growth in the belief that our markets offer significant potential.

As we look at 2008 with confidence, customer focus will continue to be our priority to meet our customers' expectations. We also believe that the continued support of our shareholders will allow us to move forward to achieve the company's strategic goals.

Finally, the Zain Group is indebted to the dedicated efforts of its employees and executive management. Also, the Board of Directors would like to express its gratitude towards the government and authorities of Kuwait as well to the other countries in which Zain operates. Their continuous support is indispensable in providing a legal and regulatory framework that is conducive to the efficient and profitable operation of the Zain companies, which benefits our customers and society as a whole.

Asaad Ahmed Al-Banwan
Chairman of the Board

Executive management team

Dr. Saad H. Al Barrak
Chief Executive Officer

Mr. Sam Deeb
Chief Financial Officer

Mr. Khaled Al Hajeri
Chief Technical Officer

Mr. Haitham Al Khaled
Chief Strategy Officer

Mr. Tony Tasca
Chief Human Resources Officer

Mr. Ibrahim Adel
Chief Communications Officer

Mr. Tito Alai
Chief Commercial Officer

Mr. Mohammed Rafi
Chief Information Officer

Mr. Mohammad Shabib
Chief Regulatory Officer

Executive management board

Mr. Mahmoud Hashish
Chief Executive Officer Middle East

Mr. Chris Gabriel
Chief Executive Officer Africa (Celtel)

Mr. Barrak Al Sabeeh
Chief Executive Officer - Zain Kuwait

Dr. Marwan AlAhmadi
Chief Executive Officer - Zain Saudi Arabia

Management discussion and analysis

One company united under one brand

2007 was a definitive year for the MTC Group in a multitude of ways. We exceeded all performance targets established for the year, added two important markets to our existing portfolio of 20 countries in the Middle East and Africa and resumed the re-branding of MTC into Zain. These extraordinary achievements could only be realized through the loyalty of our customers, support from our shareholders and –last but not least – through the dedication and hard work of our 15,000 plus employees across Africa and the Middle East from 99 different nationalities. On behalf of the Executive Management Board, I would like to thank all Zain employees for their remarkable professionalism and ongoing commitment to the company. I am convinced that with such a winning team we can reach even higher in the years ahead.

Our vision is to become one of the world's leading mobile operators with a ranking among the 10 largest global mobile companies by 2011. By then, we aim to serve 110 million customers and generate an EBITDA of US$ 6 billion. This ambitious growth strategy, adopted in 2003, so far has allowed us to evolve from being a single mobile provider in Kuwait to a truly international company currently operating in 20 countries in the Middle East and Africa with 520 million customers under licence. We anticipate the commercial launch of our newest operations; in Kingdom of Saudi Arabia and Ghana during 2008. The evolution of Zain achieved since 2003 was driven by organic growth of our existing operations and by entering new markets through new licenses and acquisitions. Zain now enjoys growth from a position of market share strength.

Becoming a truly global company depends on more than just size and geographical presence. It entails having a world-class, innovative and compelling service offering for our customers, which translates to superior returns to the company's shareholders. It also requires hiring and retaining world-class staff and, last but not least, maintaining a high standard of corporate governance, while always being cognizant of the importance of upholding mutually beneficial relationships with the communities in which we operate.

For the Zain Group, 2007 was also the year of integration of its group management team. The Zain Group employees located in Kuwait as well as in other Middle Eastern operating companies, and the Celtel management team in the Netherlands will occupy new premises ensuring closer collaboration and proximity to customers. Following the recommendation of a detailed study commissioned by the company, a new Group Head Office will be located in Bahrain with a regional office in Nairobi. Management appointments at Group level are based on the principle of merit and all employees are encouraged to actively contribute in the evolution and growth of Zain.

Zain is born

In support of its strategy and ambitions, the company adopted a new corporate master brand name unifying our different operational brands under the single Zain brand. On September 8, 2007, the operations in Kuwait, Jordan, Bahrain and Sudan were re-branded to Zain. Iraq followed on January 5, 2008 and all the African operations now known as Celtel will rebrand to Zain in the 2nd half of 2008. On launch of commercial services, operations both in Saudi Arabia and Ghana, will be branded Zain.

The name Zain was selected by our employees in coordination with international advertising agencies who created the brand look and feel. The new logo and its colourful identity reflect the Group's freshness, boldness and vitality.

Zain operates in markets, many of which are typically characterized by low mobile penetration, inadequate fixed-line networks, young and growing populations and above-average economic growth. By offering our customers the mobile services they want and need, Zain has been a catalyst in enabling them to become part of the connected world where they can start sharing in 'A Wonderful World', the tag line of the Group's new brand.

Key events in 2007

We witnessed particularly strong growth in our African operations and selective countries in the Middle East especially in Iraq in 2007. In terms of acquisitions, we are very proud to have added the Kingdom of Saudi Arabia to our footprint in the Middle East in 2007 with commencement of operations planned in 2008. As the economic powerhouse in the region, the Kingdom of Saudi Arabia offers ample opportunity for growth in the mobile sector and we believe that Zain's compelling mobile offer will be attractive to the rapidly growing population in the Kingdom and beyond. In Africa, we are delighted to add Ghana to our existing 14 markets on the continent. Ghana, the continent's fourth-largest economy, will strengthen Zain's position in West Africa when we start operations in the second half of 2008.

It is also worth mentioning that Zain significantly strengthened its position in Iraq. First, in August, 2007, we secured a 15-year nationwide license for our existing operation MTC-Atheer. Subsequently, on December 31, 2007, MTC-Atheer acquired the Iraqi mobile operator Iraqna with more than 3 million active customers. Jointly, they now operate under the Zain brand serving more than 7 million Iraqi customers.

In addition to these landmark acquisitions, we are also excited about the extension of Zain's One Network in Africa, the world's first borderless network, from 3 to 6 to 12 nations allowing our customers to make calls at local rates across countries throughout Africa. One Network now covers an area twice the size of the European Union with more than 400 million people under coverage. In early 2008, we introduced One Network services in Zain's Middle East operations starting with Bahrain, Iraq, Jordan and Sudan. Saudi Arabia will join the network on launch date, while other regional operations will join subject to regulatory approvals.

On the technology front, Zain had another world's first with the launch of a nationwide WIMAX network in Bahrain for home users, which later extended for businesses' use. It offers customers a fixed line voice service in addition to high-speed Internet access.

2007 Financial and Operational Results

Zain's key performance indicators showed a healthy growth in 2007, in line with the Group's ambition to become one of the world's premier operators. For the year ending December 31, 2007, Zain served more than 42 million customers, an increase of 57% compared to the previous year. The Group recorded consolidated revenues exceeding US$ 5.9 billion, an increase of 32% compared to the previous year. Over the same period, EBITDA increased 25% to reach more than US$ 2.5 billion, resulting in an EBITDA margin of 43% compared to 46% in 2006. The company's net income in 2007 reached US$ 1.1 billion, an 11% increase compared to 2006, representing earnings per share of 61 cents, an 11% increase compared to the previous year.

Zain's strong financial performance in 2007 was underpinned by the stable cash-generative markets in the Middle East. Kuwait, Sudan and Jordan contributed with US$ 592 million, US$ 263 million and US$ 119 million respectively to the Group's record Net Income of US$ 1.1 billion.

As of December 31, 2007, Zain's African operations represented 63% of the Group's customer base while the Middle Eastern operation consisting of Bahrain, Iraq, Jordan, Kuwait, Lebanon and Sudan represented the remaining customers. The regional revenue contribution of Middle East and Africa are 46% and 56% respectively. The regional split in EBITDA for the two regions was US$ 1.4 billion for the Middle East and US$ 1.2 billion for Africa, representing 53% and 47% respectively. The regional contribution of the Net Income was 77% for the Middle East and 23% for the African operations.

Although a sizeable share of the Group's net profit comes from Kuwait, the contribution of other operations will increase to constitute a larger part of Zain's future results, such as the customer base in Africa, which continues to grow significantly.

We have been very fortunate with the loyal support of our shareholders in the execution of our growth strategy over the recent years. In December 2007, the Board of Directors recommended a capital increase of 75% to bolster the Group's further growth ambitions. I am delighted that the shareholders gave the company their full support for this recommendation and we anticipate our ability to finalize this capital increase in the second quarter of 2008, adding US$ 4.4 billion to the company's capital.

We were also delighted that Zain's initial public offering (IPO) of our Saudi Arabian operation in February 2008 succeeded with a 283% oversubscription, raising US$ 1.87 billion in capital. A record of 8.5 million Saudi nationals subscribed for Zain shares, which constitutes a sign of market confidence not only in the Saudi operation but in Zain as a Group. The Zain led consortium is the Kingdom's third mobile operator. As a result of the IPO, Zain's ownership stake has reduced to 25% while maintaining full management control of the company.

Opportunities ahead

We look back on a challenging but rewarding year in which the Group achieved some major strategic objectives in terms of performance targets, in addition to the successful integration of employee teams working in the Middle East and Africa. A new Head Office in Bahrain will allow the multi-cultural team to excel in 2008 under the new Zain brand. We are confident that we can continue to serve the markets in which we operate with state-of-the art wireless telecommunications services to help our customers realize their ambitions and dreams. Once again, I would like to thank our stakeholders for the trust they placed in us in 2007 and we look forward to serving you in the years ahead of us because we believe the best is yet to come.

Dr. Saad Hamad al Barrak
Chief Executive Officer
Zain Group

Zain brand

Zain (formally known as MTC) has built and maintained several brands over the years starting with MTC-Vodafone in Kuwait and Bahrain to Fastlink in Jordan, Mobitel in Sudan, MTC Atheer and Iraqna in Iraq, and Celtel in Africa.

Even though these brands have become local icons in their own right, MTC had a bigger dream: to become a true global player. With a global marketplace in mind, Zain was born, with a new brand name and a new philosophy. Zain believes in uniting all the MTC brands in order to have the globe as its playground and the diverse nationalities as its family, offering its forty-two plus million customers one interface no matter what country they choose to visit.

Zain aims to unite operations in 22 countries into one attitude and outlook that allows every individual to live his/her life with fewer constraints.

Shaped by a unique set of values; Heart, Radiance, and Belonging, Zain aims to help each and everyone fulfill his or her potential by making the most out of their world. With the power of today's telecommunications, the world has become a much smaller place, allowing us to feel at home in the jungle or at work in the desert. Zain promises to continue developing its products and services ahead of the global pace, turning every difficulty into an opportunity, and every opportunity into a reward.

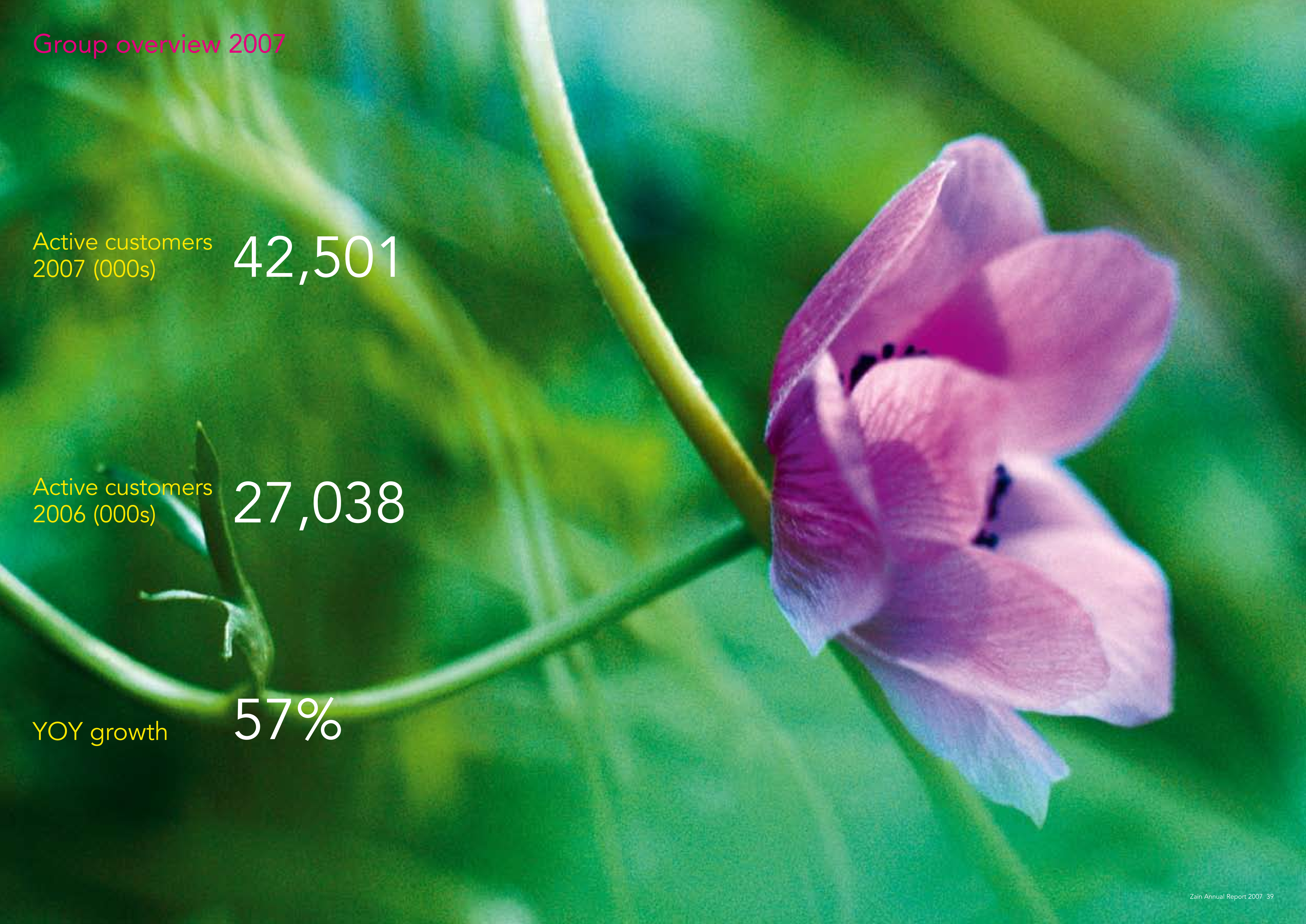
The Zain logo represents the aura that radiates from every one of us as a result of our interaction with the world. The Zain values are defined as follows:

Radiance
Leading the way with imagination and vision, bringing joy, color, and richness to your life.

Heart
Live your life with courage and resolve, engage your spirit, touch your emotions, connect to your soul.

Belonging
Bringing fellowship and community to all, transcending cultural and geographical boundaries.

To launch this new brand, Zain developed a campaign promoting a wonderful world in which people observe not what they see, but what they look for. This was followed up with another campaign celebrating Eid, implying to customers that if they have a positive outlook, they can perceive everyday as Eid, and celebrate life accordingly.



Group overview 2007

Active customers 2007 (000s) 42,501

Active customers 2006 (000s) 27,038

YOY growth 57%

Group overview 2007

Customers (000)

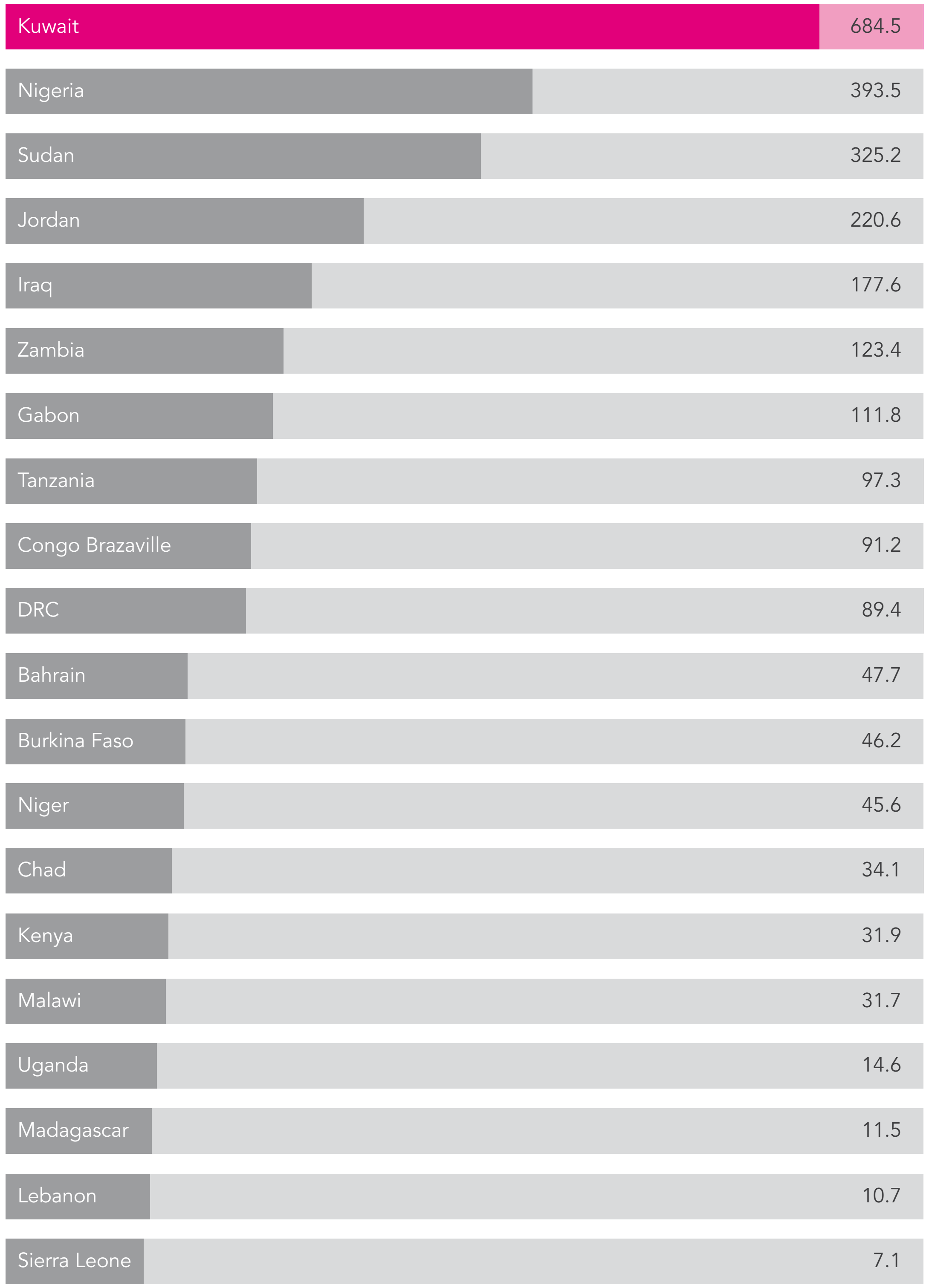
Nigeria	11,098
Iraq	7,287
Sudan	3,883
Tanzania	2,507
DRC	2,273
Kenya	2,104
Zambia	1,966
Jordan	1,858
Kuwait	1,576
Uganda	1,435
Congo Brazaville	1,014
Burkina Faso	918
Gabon	666
Niger	666
Malawi	654
Lebanon	630
Chad	595
Madagascar	574
Bahrain	448
Sierra Leone	349

Revenues (in million dollars)

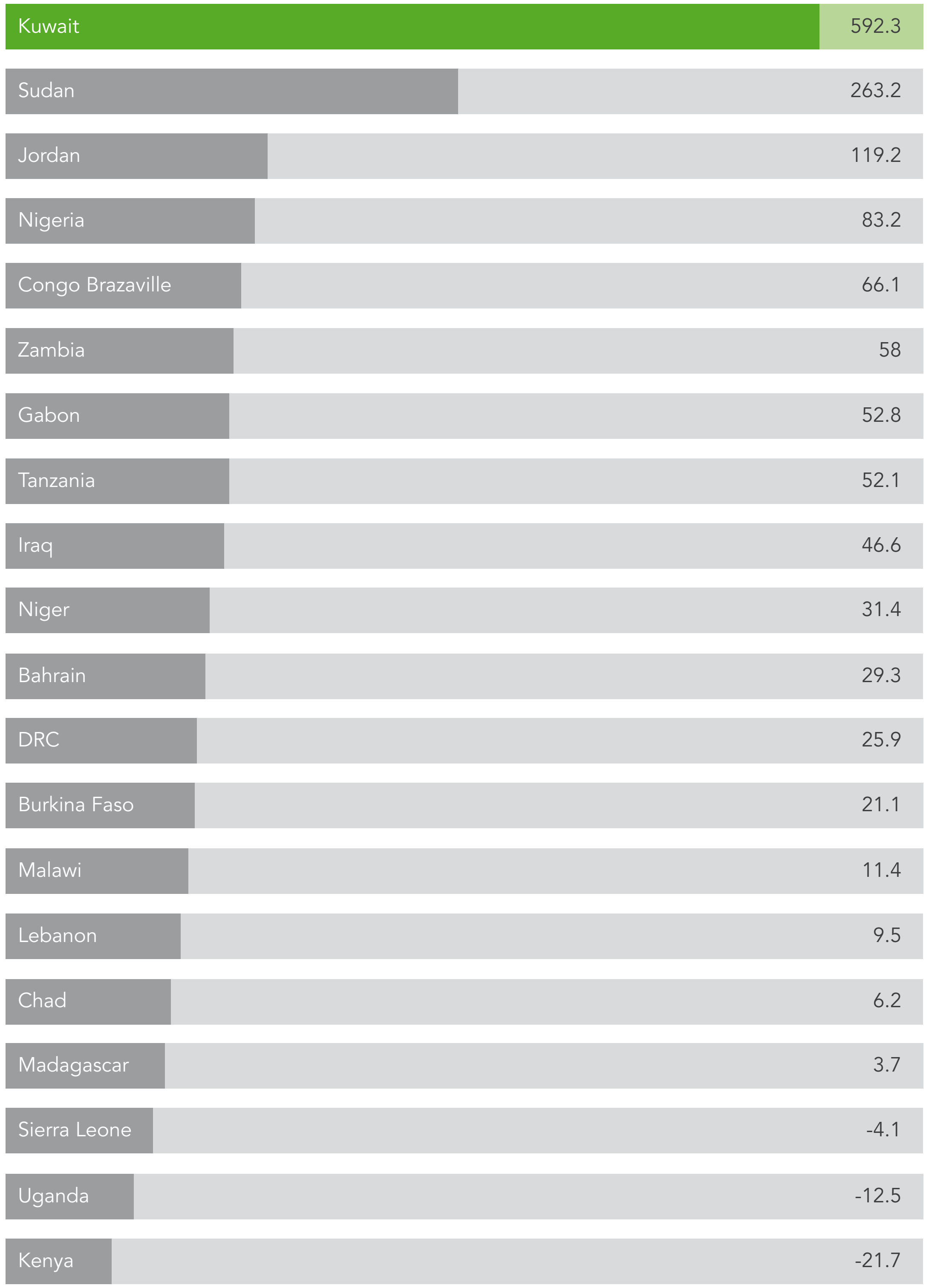
Kuwait	1,266.8
Nigeria	1,171.9
Sudan	792.5
Iraq	561
Jordan	477
DRC	296.7
Tanzania	265
Zambia	252.1
Gabon	233.1
Congo Brazaville	211.3
Kenya	194.3
Bahrain	151.1
Burkina Faso	100.5
Niger	92.5
Chad	91.5
Uganda	91.4
Malawi	71.1
Lebanon	60.9
Madagascar	49.3
Sierra Leone	43.3

Group overview 2007

EBITDA (in million dollars)



Net Income (in million dollars)



Operations snapshot
Kuwait

The operation had a total of 1.576 million active customers by year end of 2007, representing an 8% customer increase compared to 2006. Customers in Kuwait accounted for 4% of Zain's total customer base. At the end of 2007, Zain was the no.1 operator in Kuwait with a 57% market share.

Zain in Kuwait, the Group's flagship operation, was established in 1983 as the region's first mobile operator. Currently, there is one competitor in Kuwait – Wataniya. However, at the end of 2007, a third license was issued to the Saudi Telecom Company. It is expected that STC will launch services by Q4 2008.

Despite sustained high oil prices in 2007, the Kuwaiti economy grew strongly fuelled by investments from both the private and public sector. This growth underpinned the operation's 2007 revenues, which reached a record of USD 1,266.8 million, an increase of 16% compared to 2006. Revenues accounted for 21% of Zain's total – the largest single contributor to the Group's revenues. EBITDA increased by 27% to reach USD 684.5 million. The Group's ARPU in Kuwait is the highest at USD 70.

In 2007, several new services were introduced in Kuwait including E-Go, BlackBerry and 7.2 mb Mobile Internet.

The most important event for 2007 was the re-branding to Zain. Following the launch in September, customers quickly embraced the fresh and dynamic appeal of the new Zain brand. The smooth brand transition was reflected in an excellent performance with a record Net Income of USD 592.3 million for the full year.

Key statistics

Population (000s)
3,400

Customers (000s)
1,576

Year of launch
1983

Ownership
100%

Market positioning
1

Market share
57%

ARPU ($)
70

Financial Growth	2007	2006	YOY Growth
Customers (000s)	1,576	1,461	8%
Revenues (USD m)	1,266.8	1,093.7	16%
EBITDA (USD m)	684.5	539.9	27%
EBITDA margin	54%	-	-
Net Income (USD m)	592.3	447.5	32%

Operations snapshot
Sudan

In February 2006, the Zain Group acquired the remaining 61% of Mobitel, Sudan's first mobile operator, taking ownership to 100%.

The operation's 2007 revenues reached USD 792.5 million, an increase of 10% compared to 2006. Sudan's revenues accounted for 13% of the Group's total consolidated revenues. EBITDA decreased by 22% compared to 2006. Net Income in 2007 decreased by 27% compared to 2006. Zain in Sudan has an ARPU of USD 20.

Mobitel was successfully re-branded to Zain in September 2007. The response to the new brand by the public and media authorities exceeded all expectations.

In a predominantly Arabic speaking country, Zain is a recurring word in the Sudanese language, culture and traditions. Zain has captured people's imagination resulting in increased brand loyalty.

Currently, there are three dominant mobile operators and a newly established 4th operator in Sudan of which Zain is the largest with a commanding 49% market share. MTN and Sudani have a 25% and 24% market share respectively.

Zain in Sudan had over 3.8 million active customers by year end 2007, representing a 41% increase compared to the previous year. The operation's customers accounted for 9% of Zain's total customer base in the Middle East and Africa.

Despite an overheated market in Khartoum caused by continuous competitive promotions and discounte pricing, Zain focused its efforts on customer loyalty, retention programs and rural coverage. Due to substantial investments into expanding the network, Zain now covers around 300 cities and towns, well ahead of competition. Population coverage increased from 35% in early 2006 to over 65% at the end of 2007, with a target to reach 80% by Q2-2008. The operation is currently expanding its network to the South and to the Darfur area where penetrations rates are very low or mobile telephony non-existent, thus constituting a growth opportunity. Important new services were introduced in 2007 including GPRS roaming, Voice SMS and Missed Call Alerts as well as VPN corporate solutions. One of the most significant services launched in 2007 was One Network, linking Sudan to 11 other African countries in one seamless network of the Zain Group.

Key statistics

Population (000s)
38,500

Customers (000s)
3,883

Year of full acquisition
2006

Ownership
100%

Market positioning
1

Market share
49%

ARPU ($)
20

Financial Growth	2007	2006	YOY Growth
Customers (000s)	3,883	2,754	41%
Revenues (USD m)	792.5	717.8	10%
EBITDA (USD m)	325.2	415.2	-22%
EBITDA margin	41%	-	-
Net Income (USD m)	263.2	362.5	-27%

Operations snapshot
Jordan

Zain in Jordan was among the first operations acquired by the Group in the Middle East in 2003. The operation has attained impressive reputation as a market leader in innovation having first introduced many mobile services and receiving many awards over the years.

Jordan is considered to be one of the most liberalized telecom markets in the Middle Eastern region. Currently there are four main mobile operators in Jordan, of which Zain has 43% market share. Umniah and Orange have 20% and 33% market share respectively; with IDEN provider express holding the rest.

Zain in Jordan operation had over 1.8 million active customers by year end 2007, representing a 5% decrease compared to 2006. The operation's customers accounted for 4% of Zain total customer base.

The operation's 2007 revenues reached USD 477 million, a decrease of 2% compared to 2006.

Jordan's revenues accounted for 8% of Zain's total consolidated revenues. EBITDA decreased by 13% compared to 2006. Net Income in 2007 reached USD 119.2 million, a decrease of 12% compared to the previous year. Zain in Jordan has an ARPU of USD 19.

Despite competitive pressure from other operators, Zain in Jordan has maintained its No.1 market position even with a loss in market share of 10%. As the Jordanian market for mobile telecommunication becomes mature and more competitive, Zain has shifted its focus from customer acquisition to customer retention. The new Zain brand was well received and got significant attention from customers and the media, despite the simultaneous re-branding of another Jordanian mobile operator from Jordan Telecom (Mobilecom) to Orange.

In 2007, Zain introduced several new services including BlackBerry, Ring Back Tone (RBT) and user generated content.

Key statistics

Population (000s)
5,900

Customers (000s)
1,858

Year of acquisition
2003

Ownership
96.52%

Market positioning
1

Market share
43%

ARPU ($)
19

Financial Growth	2007	2006	YOY Growth
Customers (000s)	1,858	1,961	-5%
Revenues (USD m)	477	485.4	-2%
EBITDA (USD m)	220.6	253.7	-13%
EBITDA margin	46%	-	-
Net Income (USD m)	119.2	135.1	-12%

Operations snapshot
Nigeria

The operation's 2007 revenues reached USD 1,171.9 million, an increase of 20% compared to the previous year. The operation's revenues accounted for 20% of Zain's total revenues. EBITDA reached USD 393.5 million in 2007. Net Income in 2007 reached USD 83.2 million, a decrease of 37% compared to 2006. Celtel Nigeria's ARPU stands at USD 12.

In May 2006, Zain acquired a 65% majority stake in the Nigerian mobile operator V-mobile. With a population of over 146 million, Nigeria is Africa's most populous nation and has become one of Zain's main drivers for customer growth throughout its 22 operations. Competition remains intense with the telecom industry going through its fair share of consolidation. Celtel Nigeria ended the year as the No.2 operator with a 29% market share, followed by Globacom at 25% while MTN remained the dominant operator with a 42% of the market. As mobile penetration increases, Nigeria will soon overtake South Africa as the continent's largest telecoms market.

At year end, Celtel Nigeria had over 11 million active customers accounting for 26% of Zain's total customer base.

Despite increased competition in the mobile market in Nigeria, the increase in customer numbers reflects the impact of introducing new products, the opening of regional offices, rural penetration and aggressive roll-out initiatives. In addition, Celtel Nigeria increased its number of Points of Sales, managing churn and increasing coverage through a disciplined CAPEX program.

Moreover, the introduction of services such as new Mobile Access Code (0708), prepaid roaming and One Network supported strong customer growth.

Key statistics

Population (000s)
146,200

Customers (000s)
11,098

Year of acquisition
2006

Ownership
65%

Market positioning
2

Market share
29%

ARPU ($)
12

Financial Growth	2007	2006	YOY Growth
Customers (000s)	11,098	6,396	74%
Revenues (USD m)	1.171.9	972.9	21%
EBITDA (USD m)	393.5	221	78%
EBITDA margin	34%	-	-
Net Income (USD m)	83.2	131.5	-37%

Operations snapshot
Congo Brazzaville

The operation had a total of 1.014 million active customers by year end 2007, representing a 48% increase compared to 2006. The operation's customers accounted for 2% of Zain's total customer base.

Celtel Congo Brazzaville was launched in December 1999 and is the premier operator in the country with a 76% market share. There is one competitor Libertis operating in the country.

The operation's 2007 revenues were USD 211.3 million, an increase of 47% compared to 2006 accounting for 4% of Zain's total revenues. EBITDA increased by 61% compared to 2006 and reached USD 91.2 million. Net Income in 2007 reached USD 66.1 million, an increase of 58.5% compared to the previous year. Celtel Congo Brazzaville's ARPU in 2007 was USD 21.

Celtel Congo Brazzaville performed very strongly in 2007 underpinned by solid customer growth and an increased market share due to successful promotions and loyalty programs. Throughout 2007, the operation spearheaded several initiatives to increase usage in an attempt to offset ARPU decline. Increased network roll-out enabled the operation in Congo Brazzaville to extend coverage to 83% of the population.

In 2007, Celtel Congo Brazzaville launched 3 new services including One Network, GPRS and Mobile Top Up. In order to retain customers and reduce the churn rate, Celtel Congo Brazzaville launched a customer loyalty program.

Key statistics

Population (000s)
3,800

Customers (000s)
1,014

Year of launch
1999

Ownership
90%

Market positioning
1

Market share
76%

ARPU ($)
20

Financial Growth	2007	2006	YOY Growth
Customers (000s)	1,014	683	49%
Revenues (USD m)	211.3	143.5	47%
EBITDA (USD m)	91.2	56.6	61%
EBITDA margin	43%	-	-
Net Income (USD m)	66.1	41.7	58.5%

Operations snapshot
Zambia

The operation had over 1.9 million active customers by year end 2007, representing a 48% increase compared to the previous year. The operation's customers accounted for 5% of Zain's total customer base.

Celtel Zambia launched service in 1998 and continues to be one of the strongest performers of the Zain Group with a commanding market share of 79%. The operation has two competitors in Zambia: Zamtel and MTN with market shares of 11% and 10% respectively.

Celtel Zambia's 2007 revenues were USD 252.1 million, an increase of 32.5% compared to the same period in 2006. The operation's revenues accounted for 4% of Zain's total revenues. EBITDA increased by 46% compared to 2006 and reached USD 123.4 million. Net Income in 2007 was USD 58 million, an increase of 85% compared to the previous year. Celtel Zambia's ARPU for 2007 was USD 12.

Celtel Zambia's excellent performance was driven by strong customer growth and brand loyalty, resulting in a significantly higher EBITDA and Net Income.

In 2007, Celtel Zambia launched two new services with 24/7 access, an SMS top-up solution which enables Celtel prepaid customers to top-up their Celtel accounts directly from their bank accounts, and Web2sms service, allowing customers to send an SMS from a PC to multiple users.

Key statistics

Population (000s)
11,900

Customers (000s)
1,9667

Year of launch
1998

Ownership
88.88%

Market positioning
1

Market share
79%

ARPU ($)
12

Financial Growth	2007	2006	YOY Growth
Customers (000s)	1,966	1,325	48%
Revenues (USD m)	252.1	190.2	32.5%
EBITDA (USD m)	123.4	84.6	46%
EBITDA margin	49%	-	-
Net Income (USD m)	58	31.3	85%

Operations snapshot
Gabon

The operation had a total of 666,000 active customers by year end 2007, representing a 30% increase compared to 2006. The operation's customers accounted for 2% of Zain's total customer base.

Celtel Gabon was launched in June 2000 and is the undisputed telecom leader with a 63% market share. There are currently two competitors: Libertis and Telecel with a market share of 27% and 10% respectively. Celtel Gabon managed to finalize the negotiation on its license renewal, extending its current license for an additional 10 years. Gabon stands out in Africa as a prosperous nation with a high GDP. As a result, Celtel Gabon recorded the Group's highest African ARPU of USD 33 in 2007.

Celtel Gabon's 2007 revenues reached USD 233.1 million, an increase of 42% compared to 2006. The operation's revenues accounted for 4% of Zain's total revenues. EBITDA increased by 26% and reached USD 111.8 million. Net Income in 2007 reached USD 52.8 million, an increase of 11% compared to the previous year.

Celtel Gabon continues to dominate the market in terms of its market share despite the increased competition following the privatization of Gabon Telecom. Population coverage reached 80% in 2007, an increase of 4% compared to the previous year. Additionally, new services were rolled out including One Network and GPRS.

Key statistics

Population (000s)
1,300

Customers (000s)
666

Year of launch
2000

Ownership
90%

Market positioning
1

Market share
63%

ARPU ($)
33

Financial Growth	2007	2006	YOY Growth
Customers (000s)	666	514	30%
Revenues (USD m)	233.1	164.6	42%
EBITDA (USD m)	111.8	88.7	26%
EBITDA margin	48%	-	-
Net Income (USD m)	52.8	47.6	11%

Operations snapshot
Tanzania

The operation's 2007 revenues reached USD 265 million, an increase of 56% compared to 2006. This accounts for 5% of Zain's total revenues. EBITDA increased by 55% compared to 2006 and reached USD 97.3 million. Net Income in 2007 was USD 52.1 million, an increase of 96% compared to the previous year. Celtel Tanzania had an ARPU of USD 11 in 2007.

Celtel Tanzania was launched in 2001 as the fourth entrant. Zain currently owns 60% of the company, while the remaining stake is held by the government of Tanzania. With a market share of 39%, Celtel Tanzania is the second largest operator in the country. As the result of a regulatory regime that was further liberalized, the total number of mobile operators increased to seven with an eighth entrant expected in 2008. The three main competitors in Zambia are Vodacom, Mobitel and Zantel with a market share of 41%, 15% and 5% respectively.

Celtel Tanzania ended 2007 with more than 2.5 million active customers, representing an impressive 65% increase compared to the previous year. The operation's customers accounted for 6% of Zain's total customer base.

Celtel Tanzania's strong performance is underpinned by the overall improved economic situation of Tanzania. In addition, the operation continued its efforts to increase population coverage to over 75% by year end.

In 2007, new services were introduced tailored to the lifestyle and preferences of Tanzanian customers. These include Mambo Prepaid Tariff for late night callers and the youth, the launch of BlackBerry services, the Bonga Digressive Tariff and ultra low-cost handset initiatives opening up a new customer segment.

Tanzania was one of the three countries where the One Network was first launched, such a service also contributory to its recent success.

Celtel Tanzania's excellent performance was recognized when it was granted the 2007 Award for most respected company in the ICT sector in East Africa.

Key statistics

Population (000s)
39,700

Customers (000s)
2,507

Year of launch
2001

Ownership
60%

Market positioning
2

Market share
39%

ARPU ($)
11

Financial Growth	2007	2006	YOY Growth
Customers (000s)	2,507	1,517	65%
Revenues (USD m)	265	169.6	56%
EBITDA (USD m)	97.3	62.9	55%
EBITDA margin	37%	-	-
Net Income (USD m)	52.1	26.6	96%

Operations snapshot
Iraq

Zain in Iraq had a total of 7.287 million active customers by year end 2007, representing a 128% increase compared to 2006. The operation's customers accounted for 17% of Zain's total customer base.

MTC-Atheer's leading position in the Iraqi market had been further strengthened by the acquisition of Iraqna, one of Iraq's mobile operators. Despite ongoing security concerns, the operation's strong performance was underpinned by high levels of revenues and EBITDA.

In 2003, MTC acquired a 30% stake in MTC-Atheer, one of Iraq's three newly created mobile operators. The 2-year provisional license granted to MTC-Atheer initially covered the Southern region of Iraq only. Later on, after meeting specific operational milestones, the operation expanded its services to many of the populated areas across the country. In August 2007, Zain Group acquired a nation-wide 15-year license for USD 1.25 billion.

In December 2007, MTC-Atheer concluded the purchase of 100% of the share capital of Iraqna, a subsidiary of Orascom Telecom for USD 1.2 billion. As of January 2008, the two companies jointly operate under the Zain brand and a single management team. Because of our minority interest in Iraq – formerly MTC-Atheer – revenues are not consolidated at the Group level. Currently, Zain in Iraq has one competitor, AsiaCell, with a market share of 30%.

MTC-Atheer's 2007 revenues reached USD 561 million, an increase of 60% compared to 2006. Additionally, EBITDA increased by 71% to USD 177.6 million compared to 2006. Net Income reached USD 46.6 million, an increase of 149% compared to the previous year. MTC-Atheer had an ARPU of USD 13 in 2007.

The company is currently undergoing an expansion program to provide coverage to the northern areas in Iraq, while integrating at the same time the Iraqna network and personnel into the Zain operation.

a. Total customer number and market share for Iraq include 3.1 million customers following the acquisition of Iraqna in 2007.

b. Financial performance figures in Iraq for 2007 and 2006 reflect only the MTC-Atheer operation.

Key statistics

Population (000s)
28,900

Customers (000s)
7,287

Year of launch
2003

Ownership
30%

Market positioning
1

Market share
70%

ARPU ($)
13

Financial Growth	2007	2006	YOY Growth
Customers (000s)	7,287	3,198	128%
Revenues (USD m)	561	350.8	60%
EBITDA (USD m)	177.6	104.1	71%
EBITDA margin	32%	-	-
Net Income (USD m)	46.6	18.7	149%

Operations snapshot
Niger

The operation had a total of 666,000 active customers in 2007, representing a 68% increase compared to 2006. Customers in Niger accounted for 1.5% of Zain's total customer base.

Celtel Niger launched services in October 2001, and is the market leader with a 74% market share. The remaining 26% market share is split between the country's three other mobile operators, Telecel, Sahelcom and Sonitel. In addition, a new license was granted to a fourth mobile operator Orange with a universal license for fixed GSM and Data services.

Celtel Niger's 2007 revenues increased by 51% to reach USD 92.5 million compared to the previous year. The operation's revenues accounted for 1.5% of Zain's consolidated revenues. EBITDA and Net Income for 2007 were USD 45.6 million and USD 31.4 million respectively. Celtel Niger had an ARPU of USD 15 in 2007.

During 2007, new services were introduced to include Web2SMS and One Network. Population coverage increased by 5% to reach 72% at year end 2007 by adding 83 BTS, which allowed the company to cover 15 new geographical areas.

Key statistics

Population (000s)
14,450

Customers (000s)
666

Year of launch
2001

Ownership
80%

Market positioning
1

Market share
74%

ARPU ($)
15

Financial Growth	2007	2006	YOY Growth
Customers (000s)	666	397	68%
Revenues (USD m)	92.5	61.1	51%
EBITDA (USD m)	45.6	29.4	55%
EBITDA margin	54%	-	-
Net Income (USD m)	31.4	20.4	54%

Operations snapshot
Bahrain

Zain in Bahrain had a total of 448,000 active customers at year end 2007, representing a 92% increase compared to 2006. The operation's customers accounted for 1% of Zain's total customer base.

Zain in Bahrain launched its commercial services in December 2003. There is one other mobile operator in Bahrain, Batelco, with a market share of 56%. Bahrain has the highest mobile penetration rate in the region. Since the launch of Zain in Bahrain, its operations have been characterised by an energetic setting of new standards in the telecommunications industry. The company has displayed a lithe and flexible response to the market that has seen it quickly assume leadership position with a slew of new technology offerings and superb coverage quality.

The operation has earned a distinct reputation in the region as the most innovative operation due to its many first products:
• First nationwide WIMAX network in the World - September 2007.
• First 3.5G nationwide network in the World - August 2006.
• First traffic info services in the Kingdom – Feb 2006.

Zain in Bahrain's 2007 revenues reached USD 151.1 million, an increase of 36% compared to 2006. The operation's revenues accounted for 3% of Zain's total consolidated revenues. EBITDA increased by 34% compared to 2006 and reached USD 47.7 million. Net Income reached in 2007 was USD 29.3 million, an increase of 52% compared to the previous year. Zain in Bahrain had a high ARPU of USD 42 in 2007. The launch of the Zain brand in Bahrain had a very positive impact on the operation's results underscored by impressive customer growth and a 14% increase in market share. Zain in Bahrain hosted the launch of the new Zain brand for the Group, being the flagship operation underpinning the strength of the Group's new brand.

In 2007, Zain in Bahrain introduced new services and hosted a number of focused campaigns in support of events such as Gulf Cup Football and Formula One. New services included Ego mobile broadband device and BlackBerry.

Key statistics

Population (000s)
800

Customers (000s)
448

Year of launch
2003

Ownership
56.25%

Market positioning
2

Market share
44%

ARPU ($)
42

Financial Growth	2007	2006	YOY Growth
Customers (000s)	448	233	92%
Revenues (USD m)	151.1	111.5	36%
EBITDA (USD m)	47.7	35.7	34%
EBITDA margin	32%	-	-
Net Income (USD m)	29.3	19.3	52%

Operations snapshot
Democratic Republic of Congo

Celtel DRC had a total of 2.273 million active customers at year end 2007, representing a 24% increase compared to 2006. The operation's customers accounted for 5% of Zain's total customer base.

Celtel DRC launched services in 2000 and its current market share is 41%. Currently, there are four other mobile competitors operating in this highly competitive market. The three major ones are Vodacom (45%), Supercell (7%) and Starcel (7%).

Celtel DRC's 2007 reached USD 296.7 million, an increase of 17% compared to 2006. The operation's revenues accounted for 5% of Zain's total revenues. EBITDA decreased by 2% compared to 2006 and reached USD 89.4 million. Net Income in 2007 was USD 25.9 million, an increase of 7% compared to the previous year. Celtel DRC had an ARPU of USD 12 in 2007.

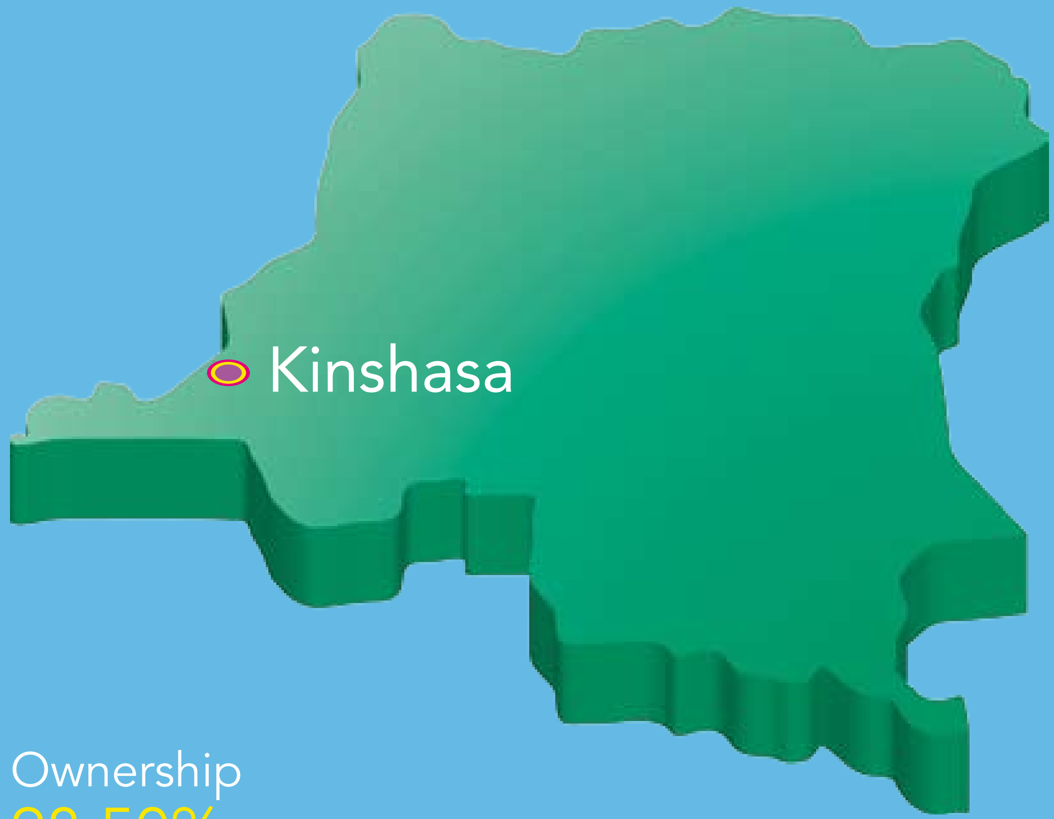
Although Celtel DRC's market share is under pressure as a result of increased competition, the operation performed well during 2007 with an increase in customers, revenues and Net Income. An aggressive roll-out plan adding 109 base stations brought the number of towns under coverage to 271 ahead of Celtel DRC's major competitor Vodacom. Also, new services were launched in 2007 such as One Network, per second billing and GPRS/Edge.

Key statistics

Population (000s)
59,300

Customers (000s)
2,273

Year of launch
2000



Ownership
98.50%

Market positioning
1

Market share
41%

ARPU ($)
12

Financial Growth	2007	2006	YOY Growth
Customers (000s)	2,273	1,833	24%
Revenues (USD m)	296.7	253.2	17%
EBITDA (USD m)	89.4	91	-2%
EBITDA margin	30%	-	-
Net Income (USD m)	25.9	24.1	8%

Operations snapshot
Burkina Faso

The operation had a total of 918,000 active customers at year end 2007, representing a 77% increase compared to 2006, Thus exceeding by 20% the combined increase in customers of our two competitors. Celtel Burkina's customers accounted for 2% of Zain's total customer base.

Celtel Burkina Faso began operations in January 2001. The company is the leading operator in the country with a 57% market share. The operation has two competitors, Telmob and Telecel with a market share of 29% and 14% respectively. Burkina telecommunication market has witnessed an increased level of competition following the privatization of the government-owned operator Onatel, which was acquired by Morocco Telecom.

Celtel Burkina's 2007 revenues increased by 65% to reach USD 100.5 million in 2007. The operation's revenues accounted for 2% of Zain's total consolidated revenues. EBITDA in 2007 was USD 46.2 million, an increase of 65% compared to 2006. Net Income in 2007 reached USD 21.1 million, an increase of 21% compared to the previous year. Burkina's ARPU for 2007 was USD 12.

Burkina introduced several new products and services in 2007. The low-cost handset had a positive impact on customer acquisition in the low income market segment of the services launched, GPRS, One Network as well as the reduction of on-net tariffs were particularly successful. Population coverage increased from 73% in 2006 to 86% in 2007.

Key statistics

Population (000s)
13,600

Customers (000s)
918

Year of launch
2001

Ownership
100%

Market positioning
1

Market share
57%

ARPU ($)
12

Financial Growth	2007	2006	YOY Growth
Customers (000s)	918	518	77%
Revenues (USD m)	100.5	61.2	64%
EBITDA (USD m)	46.2	28	65%
EBITDA margin	46%	-	-
Net Income (USD m)	21.1	17.4	21%

Operations snapshot
Malawi

Celtel Malawi launched services in October 1999 and is the country's leading mobile operator with a market share of 68%, an increase of 7% compared to the previous year. Celtel Malawi has one competitor TNM, with a market share of 32%.

The operation had a total of 654,000 active customers in 2007, representing an 83% increase compared to 2006. Customers in Malawi accounted for 1.5% of Zain's total customer base. Celtel Malawi's 2007 revenues increased by 68% to reach USD 71.1 million compared to 2006. The operation's revenues accounted for 1% of Zain's consolidated revenues. EBITDA and Net Income for 2007 were USD 31.7 million and USD 11.4 million respectively. Celtel Malawi had an ARPU of USD 11 in 2007. The company's biggest challenge in the year was an 11-day power outage caused by a fire in the switch room. The local and international team restored service in a record time and 95% of the customers were able to resume their business in less than a week.

Despite this set-back, the company exceeded its performance targets. Customer numbers grew by 80% and revenue by 68%. Growth was fuelled by initiatives to increase telecommunication penetration in Malawi. These initiatives included the launch of value tariffs, a world-class loyalty program, and enhanced distribution via kiosks and expansion of other retail outlets.

Key statistics

Population (000s)
13,200

Customers (000s)
654

Year of launch
1999

Ownership
100%

Market positioning
1

Market share
68%

ARPU ($)
11

Financial Growth	2007	2006	YOY Growth
Customers (000s)	654	357	83%
Revenues (USD m)	71.1	42.2	69%
EBITDA (USD m)	31.7	16.9	88%
EBITDA margin	45%	-	-
Net Income (USD m)	11.4%	3.4	235%

Operations snapshot
Chad

The operation had a total of 595,000 active customers in 2007, representing an increase of 71% compared to 2006. Customers in Chad accounted for 1% of Zain's total customer base.

Celtel Chad launched services in October 2000 and is the mobile market leader with a 60% market share. Its main competitor is Tigo with a market share of 40%. In addition, two new competitors entered the market: Tawali (CDMA) and Salaam (GSM). The key factors that enabled Celtel Chad to maintain its competitive position in 2007 were: the strength and visibility of the brand, a 60% increase in the number of points of sale (POS) as well as increased coverage in 39 new geographic locations.

Celtel Chad's 2007 revenues increased by 40% to reach USD 91.5 million compared to the previous year. The operation's revenues accounted for 1.5% of Zain's consolidated revenues.

EBITDA in 2007 was USD 34.1 million, an increase of 30% over 2006. Net Income in 2007 was USD 6.2 million with an ARPU of USD 17.

During 2007, new services were introduced including Payphone, a Youth Tariff Plan, M-Voucher and One Network. Population coverage for 2007 exceeded 53%, an increase of 10% compared to 2006.

Key statistics

Population (000s)
10,000

Customers (000s)
595

Year of launch
2000

Ownership
100%

Market positioning
1

Market share
60%

ARPU ($)
17

Financial Growth	2007	2006	YOY Growth
Customers (000s)	595	348	71%
Revenues (USD m)	91.5	65.4	40%
EBITDA (USD m)	34.1	26.3	30%
EBITDA margin	37%	-	-
Net Income (USD m)	6.2	6.1	2%

Operations snapshot
Madagascar

The operation had a total of 574,000 active customers in 2007, representing a 73% increase compared to 2006. Customers in Madagascar accounted for 1% of Zain's total customer base.

Celtel Madagascar joined the Zain's Group African portfolio in 2005. The operation in Madagascar has two competitors: Orange and Telma Mobile with a market share of 55% and 13% respectively.

Celtel Madagascar's 2007 revenues increased by 39% to reach USD 49.3 million compared to the previous year. The operation's revenues accounted for approximately 1% of Zain's consolidated revenues. EBITDA in 2007 was USD 11.5 million, a decrease of 2% compared to 2006. Net Income in 2007 was USD 3.7 million, a decrease of 39% over 2006. Celtel Madagascar had an ARPU of USD 9 in 2007.

During 2007, new services were introduced to include GPRS-related products such as Access to Internet and Web2SMS. Moreover, New Tariff plans were introduced for both prepaid and postpaid customers. Celtel Madagascar ended the year with 268 BTS sites, an approximate 100% increase compared to the previous year. Celtel Madagascar is currently the operator with the widest population coverage of more than 52%.

Key statistics

Population (000s)
19,100

Customers (000s)
574

Year of acquisition
2005

Ownership
100%

Market positioning
2

Market share
32%

ARPU ($)
9

Financial Growth	2007	2006	YOY Growth
Customers (000s)	574	331	73%
Revenues (USD m)	49.3	35.6	39%
EBITDA (USD m)	11.5	11.7	-2%
EBITDA margin	23%	-	-
Net Income (USD m)	3.7	6.1	-39%

Operations snapshot
Sierra Leone

The operation had a total of 349,000 active customers in 2007, representing a 44% increase compared to 2006. Customers in Sierra Leone accounted for approximately 1% of Zain's total customer base.

Sierra Leone launched services in September 2000, and is the leading provider of telecom services with a 45% market share in this West African nation. Sierra Leone is a highly competitive market with a total of 5 mobile operators including Millicom, Comium, Sierratel and Africell.

Celtel Sierra Leone's 2007 revenues decreased by 3% to reach USD 43.3 million compared to 2006. The operation's revenues accounted for approximately 1% of Zain's consolidated revenues. EBITDA and Net Income for 2007 were USD 7.1 million and USD (4.1) million respectively. Celtel Sierra Leone had an ARPU of USD 13 in 2007.

Throughout 2007, competitors eroded margins with low pricing and highly competitive initiatives in Freetown in particular. However, Celtel continued to strengthen its footprint in remote regions and achieved population coverage of 80% by the end of 2007. This presented a competitive advantage, allowing Celtel to maintain its market leadership with a commanding 45% market share.

In 2007, new services were introduced to include M-Voucher, and SIM-based payphones services.

Key statistics

Population (000s)
5,680

Customers (000s)
349

Year of launch
2000

Ownership
100%

Market positioning
1

Market share
45%

ARPU ($)
13

Financial Growth	2007	2006	YOY Growth
Customers (000s)	349	243	44%
Revenues (USD m)	43.3	44.8	-3%
EBITDA (USD m)	7.1	13.4	-47%
EBITDA margin	16%	-	-
Net Income (USD m)	-4.1%	4.6	-189%

Operations snapshot
Uganda

The operation had a total of 1,435 million active customers in 2007, representing a 205% increase compared to 2006. Customers in Uganda accounted for approximately 3% of Zain's total customer base.

Celtel Uganda launched services in 1995, and was Celtel's first operation in Africa. Uganda witnessed a dynamic entry of three new operators: HITS, WARID and Reliance in addition to the three existing players: MTN, UTL and Celtel Uganda. The three new operators are expected to launch services in 2008. Despite increased competition, 2007 was Celtel Uganda's most successful year in the company's history. Market share grew by 60% from 20% in 2006 to 32% in 2007.

Celtel Uganda's 2007 revenues increased by 130% to reach USD 91.4 million compared to the previous year. The operation's revenues accounted for 1% of Zain's consolidated revenues. EBITDA and Net Income for 2007 were USD 14.6 million and USD (12.3) million respectively. Celtel Uganda had an ARPU of USD 9 in 2007.

The remarkable increase in market share was the result of aggressive brand building initiatives, improved distribution, as well as improved network coverage and tariff re-alignment. Throughout 2007, new services were launched including GPRS/EDGE enabled services and BlackBerry. In addition, 52 based stations were added to Celtel's existing network, making the Ugandan operation the leader of network coverage.

Uganda was one of the three countries where the One Network was first launched, a service also contributory to its recent success.

Key statistics

Population (000s)
29,900

Customers (000s)
1,435

Year of launch
1995

Ownership
100%

Market positioning
2

Market share
32%

ARPU ($)
9

Financial Growth	2007	2006	YOY Growth
Customers (000s)	1,435	470	205%
Revenues (USD m)	91.4	39.8	130%
EBITDA (USD m)	14.6	0.2	7200%
EBITDA margin	20%	-	-
Net Income (USD m)	-12.3	-15.5	-21%

Operations snapshot
Kenya

Celtel Kenya had over 2.1 million active customers at year end 2007, representing an 8% increase compared to 2006. The operation's customers accounted for 5% of Zain's total customer base.

Celtel Kenya was acquired in May 2004, and is considered a highly competitive market with a single commanding competitor – Safaricom – with a 66% market share. In the fourth quarter of 2007, France Telkom took a 50% shareholding in the government owned operator, Telkom Kenya, and announced plans to roll-out GSM services under the Orange brand in 2008.

Celtel Kenya's 2007 revenues reached USD 194.3 million, an increase of 11% compared to 2006. The operation's revenues accounted for 3% of Zain's total revenues. EBITDA decreased by 38% to reach USD 31.9 million compared to the previous year. Celtel Kenya had an ARPU of USD 7 in 2007.

Celtel Kenya's ambition to build a mobile network with the country's highest population coverage achieved its target of 86% in 2007 and plans to meet its goal of 95% coverage in 2008. Celtel Kenya did not perform well in 2007 as a result of intense competition from Safaricom. The so-called clubbing effect of on-net calls on Safaricom's network as the country's dominant operator has put pressure on Celtel's profitability. To counter this, Celtel Kenya's response was to launch the 'Uhuru' (Freedom) campaign with flat rates across all networks aiming to address the competitor's discriminatory pricing. The flat rate also helped influence the Regulator to reduce interconnection rates by 22% and announce future reductions.

Kenya was one of the three countries where the One Network was first launched. Zain has installed a new management team in Kenya that will reengineer the operation, projecting for 2008 to be a turnaround year.

Key statistics

Population (000s)
37,500

Customers (000s)
2,104

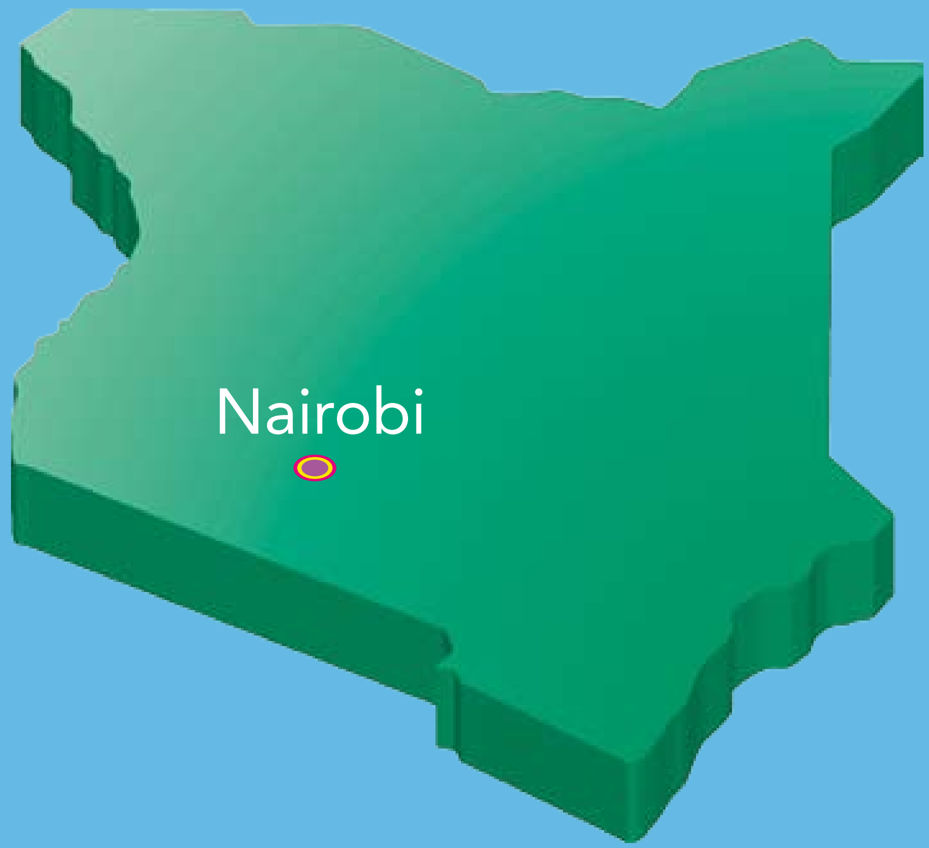
Year of acquisition
2004

Ownership
80%

Market positioning
2

Market share
33%

ARPU ($)
7



Financial Growth	2007	2006	YOY Growth
Customers (000s)	2,104	1,939	9%
Revenues (USD m)	194.3	174.3	12%
EBITDA (USD m)	31.9	51.1	-38%
EBITDA margin	16%	-	-
Net Income (USD m)	-21.7	-11.2	-94%

Operations snapshot
Lebanon

MTC Lebanon had a total of 630,000 active customers at year end 2007, representing a 13% increase compared to 2006. The operation's customers accounted for some 1% of Zain's total customer base.

In June 2004, MTC won a 4-year management contract to run one of Lebanon's two GSM networks. Rebranded as MTC-Touch, Zain has developed the Lebanese operation to its full potential. The Lebanese telecommunication market remains uncompetitive due to the regulated duopoly of the two GSM networks owned by the government. The Telecommunication Regulatory Authority (TRA) has started the process for privatization in 2007, but as a result of the unstable political situation in Lebanon, the process has been indefinitely delayed. In the meantime, MTC-Touch has been granted a 6 month extension of its current management contract from June 1, 2008 to December 2008.

MTC-Touch's 2007 revenues reached USD 60.9 million, an increase of 5% compared to 2006, accounting for 1% of Zain's total revenues. EBITDA increased by 8% compared to 2006 and reached USD 10.7 million. Net Income was USD 9.5 million in 2007, an increase of 9% compared to the previous year.

As the government set the tariffs for the telecommunication services, competition doesn't exist at this level, but rather tackles value added services, brand image and customer satisfaction, where MTC-Touch is ahead of its competitors.

In 2007, new services were launched including Electronic-Recharge, Credit Transfer, Prepaid SMS roaming and ATM recharging.

Key statistics

Population (000s)
4,100

Customers (000s)
630

Year of management contract award
2004

Ownership
Management Contract

Market share
50%

Financial Growth	2007	2006	YOY Growth
Customers (000s)	630	560	13%
Revenues (USD m)	60.9	58.1	5%
EBITDA (USD m)	10.7	9.9	8%
EBITDA margin	18%	-	-
Net Income (USD m)	9.5	8.7	9%

Operations snapshot
Kingdom of Saudi Arabia

Zain led consortium won the USD 6.1 billion bid for the third mobile license in Saudi Arabia in March 2007. Subsequently, the license was awarded in July 2007. Zain held a 50% interest in the consortium, which was further reduced to 25% following the mandatory IPO of Zain KSA at the Saudi Stock Exchange in February 2008.

As a result of the high oil prices, the KSA has recently scored robust economic indicators, with a GDP has growing by a compounded annual growth rate (CAGR) of 17%. With a GDP of USD 340.7 billion in 2006 The KSA ranks as also the twenty-second largest economy in the world.

Given the tremendous response of investors, the Zain IPO turned out to be the third largest stock market transaction in Saudi history in terms of subscribers and the largest in terms of funds subscribed, More than 8.5 million subscribers placed their requests for a total of 1.78 billion shares at the par value of SAR 10 per share (US$2.67), raising some 17.83 billion SAR (US$4.76 billion). This has increased public interest in the Zain presence in Saudi Arabia at nearly half the eligible population and more than a third of the total population, from the youngest to the eldest age category.

Knowing that the 700-million-shares IPO included an allocation of 70 million shares to the kingdom's Public Pension Agency, PPA, the demand for the 630 million shares available for individual subscribers was very impressive and reached a coverage ratio of 283%. Zain intends to launch services in the Kingdom of Saudi Arabia by the second half of 2008.

The KSA is the largest telecommunications market in the GCC and has around 26 million inhabitants and more than 8 million visitors per year. STC and Mobily are the two current providers of mobile telecommunications services in the KSA serving approximately 62% and 38% of KSA subscribers respectively as at October 2007.

Fixed-line penetration in the KSA market is relatively low. By the third quarter of 2007, the mobile penetration rate had reached 97%, leaving potential for further growth. The KSA market has relatively high ARPU of USD 35. Furthermore, market research has shown that broadband penetration is comparatively low at 0.9%.

The Company expects that these factors, combined with a strong and growing KSA economy, will maintain the KSA standing as one of the fastest growing and most attractive mobile markets in the world.

Key statistics

Population (000s)
23,681

Lisence Award
2007

Ownership
25%

Operations snapshot
Ghana

The acquisition of Westel solidifies Zain's leading position in Africa where its current footprint covers 14 countries with over 26 million customers. Zain in Ghana is expected to launch during the second half of 2008.

In October 2007, the Zain Group announced the acquisition of a majority stake of 75% in Westel, the second national operator of Ghana for USD 120 million. The government of Ghana remains a shareholder in Westel with a 25% holding. Westel is licensed to provide fixed and mobile telecommunications services. The Zain Group will invest in a state-of-the-art GSM network to offer mobile services to the people of Ghana. When the Group launches services under the Zain brand in the second half of 2008, customers in Ghana will benefit immediately from the One Network service offered across the African continent.

Currently, Ghana has three dominant mobile GSM operators: MTN with a 60% market share, Ghana Telecom – OneTouch, and TIGO with a market share of 18% and 22% respectively.

Ghana has experienced robust economic growth of 6% in recent years, making Ghana the 5th largest economy in sub-Saharan Africa. With approximately 22 million inhabitants, Ghana is the 9th largest country of the 47 sub-Saharan nations. Zain is confident that with a low penetration of approximately 28%, Ghana offers significant growth prospects.

Key statistics

Population (000s)
22,532

Year of acquisition
2007

Ownership
75%

One network

Embrace One Network

The world's first borderless network

One Network in 12 countries Accessible to 400 million people or 50% of Africa's population

Serving 26 million customers

Africa's first borderless network

Africa has been known for trading between communities without geographical or political boundaries. For generations, communities have lived and moved freely between countries and national borders. Zain's African operations have a unique and unparalleled footprint in 14 countries in Sub-Saharan Africa serving more than 26 million customers.

As the leading provider of mobile telecommunications services and building on the Group's unmatched presence across the African continent, the Zain Group has introduced One Network, the world's first true borderless network mobile phone network. It revolutionizes and replaces the concept of roaming in Kenya, Tanzania, Uganda, Democratic Republic of Congo (DRC), the Republic of Congo, Nigeria, Gabon, Chad, Sudan, Malawi, Niger and Burkina Faso. The service provided by One Network changes the way people communicate with their family and friends while away from home. It enables customers to move freely between twelve countries in Africa, in which the Group operates, treated as local customers of the visited country in terms of pricing, while retaining their home network service functionalities. If required, customers can even recharge their accounts with locally purchased top-up cards.

One Network is a cost-effective, convenient solution to meet customers' regional and continent-wide communications needs. There is no registration, no additional fees. It is all part of the Group's existing tariff plans and applies to all prepaid and postpaid customers throughout the region - automatically.

Corporate social responsibility

"We believe organisations should focus on social responsibility as much as they do on pure business performance – it is important to Zain that its social and cultural projects have a positive impact on the people of all the countries in which we operate. We are a business, but one that recognizes that we do not live in an independent bubble, cut off from the rest of the world".

Dr Saad Al Barrak, Zain's CEO.

The Corporate Social Responsibility (CSR) team falls under the Corporate Communications and Investor Relations Division and reports to the Group CEO, Dr. Saad Al Barrak. Zain's strategy is to develop initiatives that have a triple bottom line approach with social, economic and environmental impacts. Corporate Social Responsibility programmes are carried out both by Zain Group and all the operating companies. The Group CSR team provides a strategic direction for all of Zain's operations relating to corporate social responsibility.

Group corporate social responsibility projects

Millennium Villages Project
The Millennium Villages is an innovative project that aims at helping rural African communities lift themselves out of extreme poverty. The goal of this project is to prove that by fighting poverty at the village level through community-led development, rural Africa can achieve the Millennium Development Goals (MDGs) - global targets for reducing extreme poverty and hunger by half while improving education, health, gender equality and environmental sustainability - by 2015 and escape the extreme poverty that traps hundreds of millions of people throughout the continent.
It is important to mention that Sub-Saharan Africa has the greatest proportion of people living in extreme poverty in the world - more than 40 percent or roughly 300 million people living with less than $1 a day.

The Zain Group is working in partnership with the Earth Institute, Millennium Promise, the United Nations Development Program (UNDP), and Ericsson on an integrated development initiative to empower communities with basic necessities and adequate resources in an attempt to end extreme poverty in Africa.

Zain Group is providing access to telecommunications through its network as well as subsidised mobile telecommunications to the health workers in Millennium Villages located in the countries where it operates.

The first 12 Millennium Villages' sites are each located in: 1. hunger "hot spots" (including at least 20 percent of the underweight child population below five years old); 2. countries where the governments are committed to achieve the MDGs; and 3. one of 12 distinct agro-ecological zones in Africa. Each Millennium Village will comprise approximately 5,000 people, each one of whom will be dedicated the sum of US$110 per year for five years. This collected sum is the result of several monthly donations, $30 of which comes from local and national governments, $20 from international agencies and contributors, $50 from project donors and $10 from the village either in funds or in kind.

The project currently works with nearly 400,000 villagers throughout rural Africa and includes 79 Millennium Villages located in 10 countries in Sub-Saharan Africa: Ethiopia, Ghana, Kenya, Malawi, Mali, Nigeria, Rwanda, Senegal, Tanzania and Uganda.

Environmental initiatives

Zain Group is working towards the implementation of ISO 14001 environmental standards in Bahrain, Jordan, Kuwait and Lebanon. These standards require the establishment of an appropriate environmental policy and the identification of the environmental aspects arising from the Group's past, existing or planned activities, products and services, in order to determine significant environmental impacts. In addition, Zain should identify priorities and set appropriate environmental objectives and targets, and then establish a strategy that will allow it to achieve the objectives previously set.

Future direction

Zain plans to measure and reduce the environmental harmful impact of its operations by assessing the following:

1. Operation of its networks

The Company plans to measure and reduce its carbon footprint as the first step towards becoming carbon neutral. The Group is also looking into recycling its network components and improving the dismantling and disposal of its network infrastructure. In many of the Group's operations, due to the lack of adequate or unstable electricity supplies, the company relies on generators to power up the networks' base stations. Zain is looking into using alternative sources of energy such as wind and solar power. In Uganda, it has already started rolling out green sites, thereby leading the way towards environmentally responsible networks. Moreover, base stations powered by hybrid solutions will be launched in all African operations.

2. Business activities

The company is seeking to market its products and services in a way that diminishes their impact on the environment. Internally, it is working on reducing the amount of paper it uses and increasing the use of recyclable materials.

3. Company facilities

Zain is planning to ensure that the construction of its buildings is based on green building solutions and existing infrastructure. This initiative aims at reducing energy and water consumption.

Social initiatives

Lake Victoria initiative

Thirty million people in Tanzania, Kenya and Uganda live in the immediate vicinity of Lake Victoria, the world's second largest inland lake. Fishing is the mainstay of the lakeside communities and more than 200,000 fishermen work on the lake. Zain is upgrading its infrastructure and building 21 additional radio sites to provide mobile coverage 20 kilometres into the lake. This will provide mobile coverage for over 90 percent of the fishing zones, where up to 5,000 people die each year from accidents and piracy. The project will use Ericsson's Extended Range software package to more than double the effective range of radio base stations and Ericsson's Mobile Position System, a location-based service that enables emergency authorities to triangulate the mobile signal of fishermen in distress. Ericsson's green site solutions, including solar and hybrid power solutions, will also be used to provide electric power to the base stations in the more remote island areas.

The initiative to extend the region's mobile network reflects the companies' commitment to corporate responsibility and to improving lives through communication, and is supported by a solid sound business case based on increased subscribers' numbers and a higher volume of data traffic, thereby ensuring the sustainability of the project.

Future direction

Zain is very committed to the social and economic development of the communities in which it operates and is working towards the gradual implementation of the United Nations Global Compact, a voluntary commitment undertaken by an organisation to implement strict ethical guidelines. The Company is seeking to join the World Business Council for Sustainable Development and is developing a strategic stakeholder engagement process with its key players. Zain is seeking to adhere to the Global Reporting Initiative (GRI) for benchmarking sustainability reporting.

Corporate social responsibility “On the ground”

The Group’s programmes are focused on education and partnership in the communities in the Middle East and Africa.

CAN Ceremony

Middle East

Kuwait

Zain supported the Cancer Aware Nation (CAN), a leading non - governmental organisation, which is working to increase public knowledge about cancer and to highlight the importance of early cancer detection. CAN offers free cancer check-ups and encourages people to lead healthier lives through raising their awareness of the positive impact of healthy eating.

Zain Kuwait continued to support the Lothan Youth Achievement Center (LOYAC) program, which provides youth with unique opportunities to develop their personal growth, explore their talents and potentials, build and enhance their professional and interpersonal skills and find their sense of purpose, in an attempt to help them evolve into highly effective young leaders. Some 1,300 students have benefited from the program and activities of LOYAC. Zain continues to back the program financially and through providing youth with part-time jobs and training while they are still studying.

Bahrain

In 2007, the Zain Bahrain e-learning Centre was launched. This highly advanced technological centre was developed in coordination with the University of Bahrain at a cost of more than BD 310,000 donated by Zain. The centre’s purpose is to provide students with advanced web-based learning tools and to promote the culture and concepts of e-learning. Every year, the centre will cater to nearly 17,000 students and faculty members. The company also offered subsidised communication packages to university students and staff at a subsidized price. This included a top-of-the-range laptop, fast internet access through a GPRS connect access card with a data SIM card, and eeZee line. The company also sponsored the Indian School fund-raising fair, which raises funds for needy students, school facilities expansion and staff welfare schemes. For the fourth consecutive year, Zain distributed school bags and stationery as part of the ‘Back to School’ yearly project. The company sponsored as well youth development projects and bolstered its youth-oriented community partnerships with the signing of a key sponsorship deal with the Muharraq Club. This will enable the soccer team of Bahrain’s oldest sports club in Bahrain to benefit from training initiatives and coaching. Other initiatives include the Al Ta’aref summer soccer tournament, sponsorship of the Barbar Club and key sponsorship of a national sporting event – the Bahrain Marathon which raises funds for needy causes while promoting a healthy lifestyle.

Iraq

In Iraq, Zain extended its support to cultural institutions including the Iraqi National Symphony Orchestra and the Arab Music Academy. The company also exclusively sponsored the Iraqi Football Federation as well as the Iraqi Handicapped Association, and continued to give financial assistance for medical treatment of several patients outside Iraq. Without this assistance, many of these patients would not have been able to receive the treatment they require. Zain Iraq was also able to alleviate the suffering of some Iraqis in 2007 by distributing food to the poor and internally displaced persons (IDP).

The operation also is a committed contributor to the Amar Foundation, which provides medical, social and educational assistance to over 200,000 Iraqis per annum.

Jordan

Since 2004, Zain Jordan Education Fund has offered 42 university scholarships on an annual basis to excelling students as well as 2 scholarships to students with physical disabilities. There are currently 110 students in universities across Jordan benefiting from this fund. The company’s education support includes the Zain School Adoption program. Launched two years ago, this program selects a public school in need of renovation and provides it with heaters for the winter and water drinking fountains, in addition to benches and building playgrounds. On the other hand, more than 2000 people have benefited from the Zain Jordan Digital Community Centres, which offer free training in IT.

The Zain Relief Fund, set-up in cooperation with the Ministry of Social Development, grants financial support to individuals in dire need of emergency assistance following hospitalization or any natural catastrophe that has harmed them in way or another. For the fourth consecutive year, Zain Jordan has run the ‘Towards Life’ SMS campaign with proceeds benefiting the King Hussein Cancer Centre.

Lebanon

In line with the company’s commitment to be a social driven organization, MTC Touch supported sports, economic, cultural, tourism and charity events in Lebanon. This assistance extended to a basketball team as well as the Lebanese Handi-Sport Federation. The company backed the Lebanon’s Economic Recovery conference and the Gebran Tueini Award – Press Under Siege conference.

Sudan

The Sudan Social Development Fund, established in 2006 with a US$ 6 million dollar capital, continues to play a pivotal role in the company’s CSR activities. The Fund’s aim is to address the social development requirements of the people of Sudan and to ensure that all geographical areas of the country benefit from its activities.

Initiatives carried out in 2007 included the building of a small maternity and child welfare hospital in partnership with Albirr wa Altawasul Benevolent Organization in the town of Sharkela. Financial support was also provided to the Al Hilalia Hospital to enable the purchase of essential and badly needed medical equipment and the donation of fully equipped ambulances to seven regional hospitals in Sudan.

Corporate social responsibility “On the ground”

LOYAC program

Millenium villages

Africa

Build our nation

Across Africa, and through Celtel, Zain’s corporate social responsibility programmes focus on education as a measure towards enabling governments and people to achieve the United Nations Millennium Development Goals.

Celtel’s Build Our Nation programme was started in Tanzania four years ago and has expanded to other countries in which Celtel operates. Through this programme, the company made donations exceeding US$ 1 million in 2007 of books and educational supplies to publicly owned schools, in addition to donating 67 computers to schools on the mainland and the islands of Zanzibar and Pemba. At the end of 2007, the programme had supported 456 Secondary Schools in Tanzania.

Other educational projects

In the Republic of Congo, Celtel opened a multimedia centre called the “Dr Saad Al Barrak Multimedia Centre” at the University in Brazzaville. The company launched the HeadStart program, under which Congolese students have been selected for training. Also, the company donated a generator to the Blanche Gomez Hospital in Brazzaville, the first generator this mother-child referral hospital has received since 1969.

Moreover, Celtel rehabilitated the Saint Boniface College in Lubumbashi at a cost of US$150000. The college, considered as one of the leading schools in the country, was built in 1929 as the first school for black children in Lubumbashi, Katanga and has 2000 students. Celtel also signed an agreement with the Center for the Documentation of the Higher and University Education of Kinshasa (Centre de Documentation de l’Enseignement Supérieur et Universitaire de Kinshasa, CEDESURK). This project is building a network to connect nine higher education institutions across the country together for the cost of US$500 000 over four years. During his visit in DRC in July 2007, Dr. Saad Al Barrak donated US$ 200,000 and 50 computers, worth an additional US$80,000. The project, which is the first of its kind in the country, will build skills in information and communication technology, in addition to helping the country to open up to the rest of the world and bridge the digital divide.

In Niger, Celtel donated 39 computers to the University of Abdou Moumouni in Niamey and donated USD 1,100,000 and USD 344,969 to the University of Ibadan and Lagos Business School, respectively, to improve their learning environment. The University of Ibadan will use the funds for the rehabilitation of academic buildings to their original state and the construction of parks in some strategic places on the campus.

In Tanzania, the Celtel Scholars’ programme, which provides scholarship to the top 8 boys and girls who gain admission to local universities every year, has had 23 beneficiaries.

Celtel Africa challenge

The Celtel Africa Challenge is a televised educational quiz show, in which teams from universities in Kenya, Tanzania and Uganda compete to win prizes and are granted a total of USD 300,000 for them and their universities. The programme was created to highlight Celtel’s commitment to education and to showcase academic excellence in the East African Region while creating a networking platform for university students. The first edition of the Celtel Africa Challenge attracted audiences of up to 30% and was independently rated to be one of the most popular shows in East Africa. The universities used the grants they won to build or improve their educational facilities and infrastructure. Following on from its successful launch, the Celtel Africa Challenge is being extended in 2008 to include the universities in Malawi and Zambia.

Social initiatives

Health and water

In the Democratic Republic of Congo, Celtel rehabilitated the anatomopathology laboratory pertaining to the clinics of the University of Kinshasa, and donated computers and network connections to these clinics. The rehabilitation will enable the clinics to improve the education of trainee doctors and permit clinical analysis.

Celtel in Kenya commissioned boreholes and shallow wells in five regions of the country, which brought safe water to more than 200,000 Kenyans. The company partnered with the African Medical Research Fund (AMREF) to raise funds for sinking boreholes and shallow wells in all provinces in 2008. By increasing access to water resources, Celtel reduced the distance from households to water points, enabling to improve hygiene in households. Increased water resources have also been a key factor in boosting livestock farming.

Celtel has carried out numerous projects to combat HIV/AIDS and to reduce its impact. Most of these programs have focused on provision of information and education. In Nigeria, Celtel provided toll free lines for guidance and counselling on HIV/AIDS education, in cooperation with the National Agency for the Control of AIDS (NACA). In addition, the company offered equipment enabling the NACA to receive 32 simultaneous conversations, thereby reducing the congestion on the toll free lines. Similar projects have been carried out in Kenya, Tanzania and Uganda.

In line with the company’s vision of being an active member of the society, Zain donated supplies to underprivileged communities across Africa.

Independent Auditors' Report to the Shareholders

We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company KSC ("the Parent Company") and its subsidiaries ("the Group") which comprises the consolidated balance sheet as of 31 December 2007, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Parent Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and of its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association; that an inventory was duly carried out; and 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 have occurred during the year ended 31 December 2007 that might have had a material effect on the business of the Group or on its consolidated financial position.

Bader & Co.
PricewaterhouseCoopers

P.O. Box 20174, Safat 13062
7th floor, Dar al-Awadi Complex
Ahmed Al-Jaber Street,
Sharq - Kuwait
Phone: (965) 2408844
Fax: (965) 2408855
pwc.kwt@kw.pwc.com

Bader A. Al Wazzan
Licence No. 62A
PricewaterhouseCoopers

National Audit Office

P.O. Box 5689, Safat 13057 Kuwait
Phone: (965) 2461218
(965) 2432263
Fax: (965) 2465878

Nasser Abdullah Al Muqait
Licence No. 9A
Al-Ahli Bureau

Kuwait 28 January 2008

Consolidated Balance Sheet as of 31 December 2007

(in thousand KD)

	Note	2007	2006 (Restated)
ASSETS			
Current assets			
Cash and bank balances	4	261,263	474,322
Trade and other receivables	5	246,276	184,485
Inventories	6	22,047	14,791
Investment securities at fair value through profit or loss	7	23,002	18,455
Total current assets		**552,588**	**692,053**
Non-current assets			
Deferred tax assets	8	64,724	40,618
Investment securities available for sale	7	179,468	134,842
Investment in associates	9	259,640	8,026
Loan to an associate	10	170,875	-
Property and equipment	11	1,495,602	1,131,189
Intangible assets	12	1,637,255	1,477,557
Other financial assets	13	6,850	6,648
		3,814,414	**2,798,880**
Total assets		**4,367,002**	**3,490,933**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	554,754	427,396
Due to banks	15	453,747	460,721
Due to minority interest holders	16	18,509	155,262
		1,027,010	**1,043,379**
Non-current liabilities			
Due to banks	15	1,531,512	921,117
Deferred tax liabilities	8	31,763	9,980
Other non-current liabilities	17	28,411	16,023
		1,591,686	**947,120**

	Note	2007	2006 (Restated)
Equity			
Attributable to Parent Company's shareholders			
Share capital	18	189,398	126,182
Treasury shares	18	(15,576)	(15,576)
Share premium	18	624,465	624,465
Legal reserve	18	94,699	63,091
Voluntary reserve	18	63,091	63,091
Foreign currency translation reserve		(26,014)	(24,390)
Investment fair valuation reserve		67,704	41,778
Share based compensation reserve		12,222	5,736
Retained earnings		571,938	470,055
		1,581,927	**1,354,432**
Minority interest		**166,379**	**146,002**
Total equity		**1,748,306**	**1,500,434**
Total Liabilities and Equity		**4,367,002**	**3,490,933**

The accompanying notes are an integral part of these consolidated financial statements.

Asaad Ahmed Al Banwan
Chairman

Dr. Saad Hamad Al Barrak
Managing Director - Deputy Chairman

Consolidated Statement of Income Year ended 31 December 2007

(in thousand KD)

	Note	2007	2006 (Restated)
Revenue	19	1,677,270	1,297,415
Cost of sales		(361,751)	(274,729)
Gross profit		**1,315,519**	**1,022,686**
Distribution, marketing & operating expenses		(470,446)	(336,708)
General and administrative expenses		(153,537)	(115,829)
Depreciation and amortization	11 - 12	(236,062)	(162,057)
Goodwill written off on disposal of shares in subsidiaries		-	(5,785)
Provision for impairment – trade and other receivables		(3,832)	(2,921)
Operating profit		**451,642**	**399,386**
Interest income		26,289	18,254
Investment income	20	21,537	7,810
Share of (loss)/ profit of associates (net)		(3,135)	5,825
Other income		6,092	9,505
Finance cost		(123,586)	(88,084)
Gain from currency revaluation		13,144	3,396
Board of Directors' remuneration		(28)	(28)
Contribution to Kuwait Foundation for Advancement of Sciences		(2,973)	(2,940)
National Labour Support Tax and Zakat	21	(5,447)	(4,323)
Profit for the year before income tax		383,535	348,801
Income tax expense of subsidiaries	22	(40,874)	(34,972)
Profit for the year		**342,661**	**313,829**
Attributable to:			
Shareholders of the Parent Company		320,455	294,981
Minority interest		22,206	18,848
		342,661	**313,829**
		Fils	Fils
Basic earnings per share	23	172	159
Diluted earnings per share	23	171	158

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity - Year ended 31 December 2007

	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		
Balance at 1 January 2007 (restated)	126,182	624,465	(15,576)	63,091	63,091	(24,390)	41,778	5,736	470,055	146,002	1,500,434
Net exchange differences	-	-	-	-	-	(1,624)	-	-	-	368	(1,256)
Realised gain on available-for-sale investments (net)	-	-	-	-	-	-	(11,789)	-	-	-	(11,789)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	37,715	-	-	-	37,715
Share based compensation (Note 25)	-	-	-	-	-	-	-	6,486	-	-	6,486
Net income/ (expense) recognised directly in equity	-	-	-	-	-	(1,624)	25,926	6,486	-	368	31,156
Profit for the year	-	-	-	-	-	-	-	-	320,455	22,206	342,661
Total recognised income/(loss) for the year	-	-	-	-	-	(1,624)	25,926	6,486	320,455	22,574	373,817
Transfer to reserves	-	-	-	31,608	-	-	-	-	(31,608)	-	-
Capital contribution	-	-	-	-	-	-	-	-	-	1,582	1,582
Adjustment to minority interest share	-	-	-	-	-	-	-	-	-	(363)	(363)
Sale/purchase of shares to/from minority interest (net)	-	-	-	-	-	-	-	-	-	(2,445)	(2,445)
Share of put option liability	-	-	-	-	-	-	-	-	-	1,822	1,822
Exercise of employee share options	125	-	-	-	-	-	-	-	(42)	-	83
Issue of bonus shares (2006)	63,091	-	-	-	-	-	-	-	(63,091)	-	-
Cash dividends (2006)	-	-	-	-	-	-	-	-	(123,831)	(2,793)	(126,624)
Balance at 31 December 2007	**189,398**	**624,465**	**(15,576)**	**94,699**	**63,091**	**(26,014)**	**67,704**	**12,222**	**571,938**	**166,379**	**1,748,306**
Balance at 1 January 2006	109,723	624,465	(15,576)	54,862	54,862	2,352	55,540	-	299,512	32,844	1,218,584
Net exchange differences	-	-	-	-	-	(26,742)	-	-	5	1,965	(24,772)
Realised loss on available-for-sale investments (net)	-	-	-	-	-	-	39	-	-	-	39
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(13,801)	-	-	-	(13,801)
Share based compensation (Note 25)	-	-	-	-	-	-	-	5,736	-	-	5,736
Net income/ (expense) recognised directly in equity	-	-	-	-	-	(26,742)	(13,762)	5,736	5	1,965	(32,798)
Profit for the year from continuing operations	-	-	-	-	-	-	-	-	294,981	18,848	313,829
Total recognised income for the year	-	-	-	-	-	(26,742)	(13,762)	5,736	294,986	20,813	281,031
Transfer to reserves	-	-	-	8,229	8,229	-	-	-	(16,458)	-	-
Business combinations	-	-	-	-	-	-	-	-	-	96,256	96,256
Sale/purchase of shares to/from minority interest (net)	-	-	-	-	-	-	-	-	-	854	854
Share of put option liability	-	-	-	-	-	-	-	-	-	(1,827)	(1,827)
Issue of bonus shares (2005)	16,459	-	-	-	-	-	-	-	(16,459)	-	-
Cash dividends (2005)	-	-	-	-	-	-	-	-	(91,526)	(2,938)	(94,464)
Balance at 31 December 2006 (restated)	126,182	624,465	(15,576)	63,091	63,091	(24,390)	41,778	5,736	470,055	146,002	1,500,434

The accompanying notes are an integral part of these consolidated financial statements.

42

million active customers
31 December 2007

Consolidated Statement of Cash Flows Year ended 31 December 2007

(in thousand KD)

	2007	2006 (Restated)
Cash flows from operating activities		
Profit for the year before income tax	383,535	348,801
Adjustments for:		
Depreciation, amortization and goodwill written off	236,062	167,842
Interest income	(26,289)	(18,254)
Investment income	(21,537)	(7,810)
Share of loss/ (profit) of associates	3,135	(5,825)
Finance cost	123,586	88,084
Loss on sale of property and equipment	170	1,062
Profit on sale of subsidiary	-	(268)
Gain from currency revaluation	(13,144)	(3,396)
Operating profit before working capital changes	**685,518**	**570,236**
(Increase)/decrease in trade and other receivables	(67,024)	184,466
Increase in inventories	(7,835)	(5,145)
Increase in trade and other payables	90,547	85,896
Increase in other non-current liabilities	12,319	2,287
Cash generated from operations	**713,525**	**837,740**
Payments:		
Income tax	(36,895)	(31,146)
Board of Directors' remuneration	(28)	(28)
Kuwait Foundation for Advancement of Sciences	-	(1,851)
National Labour Support Tax	(4,320)	(2,877)
Net cash from operating activities	**672,282**	**801,838**

	2007	2006 (Restated)
Cash flows from investing activities		
Proceeds from sale of investment securities	1,275	4,144
Acquisition of investments	(4,677)	(7,686)
Acquisition of subsidiaries	(60,920)	(529,441)
Proceeds from sale of subsidiaries	-	268
Investment in associate	(269,306)	(450)
Acquisition of property and equipment (net)	(586,700)	(441,764)
Acquisition of intangible assets	(166,645)	(37,292)
Interest received	26,269	15,879
Dividend received	5,033	4,644
Net cash used in investing activities	**(1,055,671)**	**(991,698)**
Cash flows from financing activities		
Proceeds from bank borrowings (net)	603,421	545,451
Loan to an associate	(170,875)	-
Minority shareholder's capital contribution - Bahraini subsidiary	1,527	-
Proceeds from issue of share capital	83	-
Dividends paid	(123,588)	(90,383)
Dividends paid to minority shareholders	(2,875)	(2,938)
Finance cost paid	(123,436)	(92,136)
Net cash from financing activities	**184,257**	**359,994**
Net (decrease)/ increase in cash and cash equivalents	(199,132)	170,134
Effects of exchange rate changes on cash and cash equivalents	(13,927)	11,309
Cash and cash equivalents at beginning of year	474,322	292,879
Cash and cash equivalents at end of year (Note 4)	**261,263**	**474,322**

Net Income

$1,130
million US dollars

Revenues

$5,912
million US dollars

EBITDA

$2,557
million US dollars

Notes to the Consolidated Financial Statements 31 December 2007

(in thousand KD)

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 20 other countries (2006 : Kuwait and 19 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 2007 the Group began rebranding its trade name to "Zain" starting with the Middle East and Sudan. The principal subsidiaries and associates are listed in Note 3.

These consolidated financial statements have been approved for issue by the Board of Directors of the Parent Company on 28 January 2008 and are subject to approval of the shareholders at the forthcoming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "at fair value through profit or loss" or "available for sale" and revaluation of previously held interests arising from a business combination achieved in stages. These consolidated financial statements have been presented in Kuwaiti Dinars, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 33.

2.2 Changes in accounting policies

The accounting policies are consistent with those used in the previous year except that the Group has adopted IFRS 7 Financial Instruments: Disclosures and the amendment to International Accounting Standard (IAS) 1 – Capital disclosures. As a result additional disclosures are made that will enable users to evaluate:

- the significance of financial instruments for the Group's financial position and performance.

- the nature and extent of risks arising from financial instruments to which the Group is exposed during the year and at the reporting date, and how the Group manages those risks.

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group:

IFRS 8 "Operating Segments"

The application of IFRS 8, which will be effective for the annual periods beginning on or after 1 January 2009, will result in disclosure of information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

IAS 1 "Presentation of Financial Statements" (Revised)

The application of IAS 1 (Revised), which will be effective for the annual periods beginning on or after 1 January 2009, will impact the presentation of financial statements to enhance the usefulness of the information presented.

2.3 Business Combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The purchase method of accounting is used to account for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired in a business combination is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income.

When a business combination is achieved in stages, each exchange transaction is treated separately and the cost of the transaction and fair value information at the date of transaction is used to determine the amount of goodwill associated with the transaction. An adjustment is made to recognise previously held interests at their fair values on the date of the latest exchange transaction which is accounted for as a revaluation.

The Group separately recognizes the contingent liabilities of an acquiree at the acquisition date, if its fair value can be measured reliably.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within twelve months from the acquisition date.

2.4 Consolidation

Subsidiaries are those enterprises, including special purpose entities, controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Minority interest in an acquiree is stated at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of the original business combination and the minority's share of changes in the equity since the date of the combination. Equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and statement of income respectively. Minority interest is classified as financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the minority interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements or audited financial information of the subsidiaries. Intra group balances, transactions, income and expenses are eliminated in full. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

2.5 Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally cash, deposits, receivables, investments, payables, due to banks and derivatives.

In accordance with International Accounting Standard (IAS) 39, the Group classifies financial assets as "at fair value through profit or loss", "loans and receivables" or "available for sale". All financial liabilities are classified as "other than at fair value through profit or loss".

Recognition/ de-recognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

- Financial instruments

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as "at fair value through profit or loss".

- Financial assets at fair value through profit or loss

Financial assets classified as "at fair value through profit or loss" are divided into two sub categories: financial assets held for trading, and those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy. Derivatives are classified as "held for trading" unless they are designated as hedges and are effective hedging instruments, in which case they are classified as "at fair value through profit or loss".

- Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

(in thousand KD)

• Available for sale
These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in equity. When the "available for sale "asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the statement of income as gains or losses.

• Financial liabilities/ equity
Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

• Financial guarantees
Financial guarantees are subsequently measured at the higher of; the amount initially recognized less any cumulative amortization and the best estimate of the amount required to settle any financial obligation arising as a result of the guarantee.

Fair values

Fair values of quoted instruments are based on quoted closing bid prices. If the market for a financial asset is not active or the financial instrument is unquoted, fair value is derived from recent arm's length transactions, discounted cash flow analysis, other valuation techniques commonly used by market participants or determined with reference to market values of similar instruments.

The fair value of financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the statement of income. For "available for sale" equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

Financial assets are written off when there is no realistic prospect of recovery.

2.6 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows.

2.7 Inventories

Inventories are stated at the lower of weighted average cost and net realizable value.

2.8 Income taxes

Income tax payable on profits is recognized as an expense in the period in which the profits arise based on the applicable tax laws in each jurisdiction.

Deferred income tax on the net operating results is provided using the liability method on all temporary differences, at the balance sheet date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized for all temporary differences, including carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

2.9 Investments in associates

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases. Under the equity method, the Group recognises in the statement of income, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

2.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Buildings	8 – 50
Cellular and other equipment	4 – 15
Aircraft	10
Furniture	1 – 12

These assets are reviewed periodically for any impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the statement of income. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.11 Intangible assets and goodwill

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of telecom license fees, customer contracts and relationships, key money and software rights.

Intangible assets with indefinite useful lives are not subject to amortisation and are tested at least annually for impairment.

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortised on a straight line basis over the life of the license. Key money and software rights are amortized on a straight line basis over a period of five years. Customer contracts and relationships are amortised over a period of three years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable net assets acquired in a business combination or an associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is allocated to each cash generating unit for the purpose of impairment testing. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity or a part of the entity include the carrying amount of goodwill relating to the entity or the portion sold.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible asset is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the statement of income and that relating to goodwill cannot be reversed in a subsequent period.

2.12 Provisions for liabilities

Provisions for liabilities are recognized when as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation; and the amount can be reliably estimated.

2.13 Share-based payment transactions

The Group operates both an equity settled and cash settled share based compensation plan. The cost of these share based transactions is measured at fair value at the date of the grant taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the vesting period with recognition of a corresponding adjustment in equity in the case of equity settled plans and in liability in the case of cash settled plans. The cost of equity settled plans is measured with reference to the fair value at the date on which they are granted using an option pricing model, which is then recognised as an expense over the vesting period with a corresponding increase in equity. The fair value of these options excludes non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest. It recognises the impact of the revision to the original estimates, if any in the statement of income, with a corresponding increase or decrease in equity.

Notes to the Consolidated Financial Statements 31 December 2007

(in thousand KD)

2.14 Post employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed. The defined benefit plan is unfunded and is computed as the amount payable to employees as a result of involuntary termination on the balance sheet date. This basis is considered to be a reliable approximation of the present value of the final obligation.

2.15 Treasury shares

The cost of the Parent Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends and rights issues. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.16 Accounting for leases

Where the Group is the lessee

Operating leases

Leases of property and equipment under which, all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

Finance leases

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are recognised as assets in the balance sheet at the estimated present value of the related lease payments. Each lease payment is allocated between the liability and finance charge so as to produce a constant periodic rate of interest on the liability outstanding.

2.17 Revenue

Airtime revenue is recognized based on actual usage. Subscription income is recognized on a time proportion basis. Other revenues primarily comprising of handset equipment and sim card starter pack sales are recognized upon delivery to customers. Interest income is recognized on a time proportion basis using the effective yield method and dividend income is recognized when the right to receive payment is established.

2.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

2.19 Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Parent Company it is the Kuwaiti Dinar and in the case of subsidiaries it is their respective national currencies. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the statement of income.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets are included in the investment fair valuation reserve in equity.

The income and cash flow statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their balance sheets are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill and fair value adjustments arising on business combinations) and of borrowings and other currency instruments designated as hedges of such instruments, are taken to shareholders' equity. When a foreign operation is sold, any resultant exchange differences are recognised in the statement of income as part of the gain or loss on sale.

2.20 Discontinued operations

An entity is classified as a discontinued operation when the criteria to be classified as held for sale has been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations.

2.21 Contingencies

Contingent assets are not recognised as an asset till realisation becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination is recognized only if its fair value can be measured reliably.

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3. Subsidiaries and Associates

The principal subsidiaries and associates are:

Subsidiary	Country of Incorporation	Percentage of Ownership	
		2007	2006
Mobile Telecommunications Company International B.V. – "MTCI"	The Netherlands	100%	100%
Pella Investment Company – "Pella"	Jordan	96.516%	96.516%
MTC Vodafone Bahrain B.S.C (Closed) - "MTCB"	Bahrain	56.25%	60%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. "MTCL"	Lebanon	100%	100%
Sudanese Mobile Telephone Company Limited (Zain)	Sudan	100%	100%
Associate			
Atheer Telecom Iraq Limited – "Atheer"	Cayman Islands	30%	30%
Mada Leletisalat LLC	Saudi Arabia	50%	-

MTCI holds 100% of Celtel International B.V Netherlands (Celtel) which is a Dutch holding and finance company principally engaged in the business of operating cellular telecommunications networks in 16 (2006 – 15) countries in Africa.

Subsidiary	Country of Incorporation	Percentage of Ownership	
		2007	2006
Celtel Burkina Faso S.A	Burkina Faso	100%	95.71%
Celtel Tchad S.A	Chad	100%	100%
Celtel Congo (DRC) SARL	Dem. Rep of Congo	98.50%	98.50%
Celtel Congo S.A	Republic of Congo	90%	90%
Celtel Gabon S.A	Gabon	90%	84%
Celtel Kenya Limited	Kenya	80%	60%
Celtel Malawi Limited	Malawi	100%	100%
Celtel Niger S.A	Niger	80%	80%
Celtel (S.L) Limited	Sierra Leone	100%	100%
Celtel Limited Uganda	Uganda	100%	100%
Celtel Zambia Limited	Zambia	88.88%	88.88%
Celtel Tanzania Limited	Tanzania	60%	60%
Celtel Madagascar SA	Madagascar	100%	100%
Celtel Nigeria Limited	Nigeria	65%	65%
Western Telesystems Limited	Ghana	75%	-

Special Purpose Entity			
Stichting Celtel International	The Netherlands		

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The initial accounting of the business acquisitions of Zain, Sudan and Celtel, Nigeria (formerly Vee Networks Limited) in 2006 were carried out using provisional values of identifiable assets, liabilities and contingent liabilities and the purchase price allocation (PPA) was completed during the year. The Group restated comparative figures as disclosed in Note 34 to give effect to adjustments arising from the PPA.

The vendors of Vee Networks Limited were obliged under the pre-emption right provision of a shareholders agreement to first offer the shares to each other and then to a third party. The vendor offered to the third party its right of use of its pre-emptive rights under the above provisions, but it lapsed since they were unable to provide the finance within the 30 days deadline as specified in the shareholders agreement. The third party has filed a suit in Nigerian Courts to uphold its pre- emption status but Group management believes that it has meritorious defenses. During the year a number of court decisions have been in the Group's favour but a final decision has not been issued.

Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC – "JMTS".

JMTS, MTCB and Atheer operate the cellular mobile telecommunications network in Jordan, Bahrain and Iraq respectively. MTCL manages the state owned cellular mobile telecommunications network in Lebanon.

In August 2007, Atheer Telecom's license to operate in Iraq was renewed for a period of 15 years for a license fee of US$ 1.250 billion. The financial statements of Atheer, whose working capital is in deficit, have been prepared on a going concern basis as its shareholders have committed to provide financial support. In December 2007 Atheer signed an agreement to acquire all of the assets of another mobile operator in Iraq with effect from the close of business on 31 December 2007 for US$ 1.2 billion.

In March 2007, a consortium led by the Parent Company won the bid for the twenty five year, third mobile telecommunications license in the Kingdom of Saudi Arabia for an upfront fee of Saudi Riyals 22.91 billion (equivalent KD 1.77 billion) payable in 2008. A Saudi joint stock company, under the name Saudi Mobile Telecommunications Company (SMTC), with an authorized share capital of Saudi Riyals 14 billion (equivalent to KD 1 billion) is under incorporation, in which, the Parent Company will hold 25% of the voting shares, other members of the bidding consortium 25%, a Saudi state owned organization 10% and the balance 40% will be offered to Saudi nationals in a mandatory initial public offering ("IPO") in early 2008. This license is expected to become operational in early 2008.
The Parent company owns 50% of the voting shares of a Special Purpose Entity, Mada Leletisalat LLC that was incorporated to manage the procedures leading to the formation of SMTC.
In October 2007, the Group signed an agreement with the Government of Ghana to acquire 75% equity interest in Western Telesystems Limited (Westel) for US$ 120 million (equivalent KD 32.8 million). Westel is one of the two national operators based in the Republic of Ghana that is licensed to provide fixed and mobile (GSM) telecommunication services. This transaction received formal approval of the regulatory authorities of the Republic of Ghana on 18 December 2007. Details of this transaction are disclosed in Note 28.

4. Cash and bank balances

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

	2007	2006
Cash on hand and at banks	148,226	371,731
Short-term deposits with banks with original maturities of less than three months	113,037	102,591
Cash and bank balances	**261,263**	**474,322**

5. Trade and other receivables

	2007	2006
Trade receivables:		
Customers	39,145	32,927
Distributors	54,943	43,692
Other operators (Interconnect)	68,397	54,171
Roaming partners	8,233	6,306
Provision for impairment	(42,870)	(39,038)
	127,848	98,058
Accrued income	11,664	4,760
Staff	3,915	2,806
Due from an associate	33,958	11,512
Prepayments, advances and deposits	68,891	67,349
	246,276	**184,485**

The ageing analysis of these trade receivables is as follows:

	2007	2006
Up to 3 months	64,327	59,990
3 – 6 months	5,701	3,084
	70,028	**63,074**

As of 31 December 2007, trade receivables of KD 70,028,000 (2006 - KD 63,074,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2007	2006
Kuwaiti Dinar	36,152	22,530
US Dollar	93,454	57,053
Euro	11,111	13,057
Others	105,559	91,845
	246,276	**184,485**

As of 31 December 2007, trade receivables of KD 70,090,000 (2006: KD 45,384,000) were impaired against which the Group carries a provision of KD 42,870,000 as of 31 December 2007 (2006 - KD 39,038,000). The individually impaired receivables mainly relate to customers. It was assessed that a portion of the impaired receivables is expected to be recovered.

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Movement of provision for impairment of trade and other receivables is as follows:

	2007	2006
Opening balance - 1 January	39,038	37,510
On acquisition of subsidiaries	-	8,787
Recoveries/Write back of provisions	-	(10,180)
Charge for the year	3,832	2,921
Closing balance – 31 December	**42,870**	**39,038**

The other classes within trade and other receivables do not contain past due or impaired assets. The Group does not hold any collateral as security.

6. Inventories

	2007	2006
Handsets and accessories	23,628	17,094
Provision for obsolescence	(1,581)	(2,303)
	22,047	**14,791**

7. Investment securities

	2007	2006
Current investments		
Investment securities at fair value through profit or loss		
Quoted equities	16,487	12,165
Funds	6,515	6,290
	23,002	**18,455**
Non current investments		
Available for sale		
Quoted equities	113,839	78,546
Funds	43,211	38,408
Unquoted equities	24,110	19,580
Impairment loss	(1,692)	(1,692)
	179,468	**134,842**

Investment securities are denominated in the following currencies:

	2007	2006
Kuwaiti Dinar	149,208	104,703
US Dollar	35,163	33,571
Other currencies	18,099	15,023
	202,470	**153,297**

Available for sale investments include unlisted securities with original cost of KD 7,558,000 (2006 – KD 7,678,000) carried at cost less impairment since it is not possible to reliably measure their fair value.

During the year the Group recognized an unrealized gain of KD 37,715,000 (2006 - unrealized loss of KD 13,801,000) in investment fair valuation reserve arising from fair valuation of 'available for sale' investments and transferred a gain of KD 11,789,000 (2006 – loss of KD 39,000) from investment fair valuation reserve to the statement of income, arising from disposals.

8. Deferred tax assets / Liabilities

	2007	2006
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	64,542	1,939
Deferred tax assets to be recovered within 12 months	182	38,679
	64,724	**40,618**
Deferred tax liabilities:		
Deferred tax liability payable after more than 12 months	30,666	9,980
Deferred tax liability payable within 12 months	1,097	-
	31,763	**9,980**

Notes to the Consolidated Financial Statements 31 December 2007

(in thousand KD)

9. Investments in associates

This represents the Group's share of investments in associates accounted for using the equity method.

	2007	2006
Opening balance	8,026	236,383
Capital contribution during the year	269,306	450
Share of (loss)/ profit for the year	(3,135)	5,825
Transferred to goodwill	-	(515)
Foreign currency translation adjustment	(14,557)	761
Dividend received	-	(34,126)
Adjustments to identifiable assets and liabilities	-	(189,096)
Adjustment – Zain, Sudan	-	(11,656)
Closing balance	**259,640**	**8,026**

Capital contribution during the year represents Saudi Riyals 3.5 billion deposited in an escrow account as the Parent Company's 25% share of the authorized capital of SMTC.

The aggregate share of associates assets, liabilities, revenue and profit is as follows:

	2007	2006
Assets	152,018	26,336
Liabilities	147,975	19,594
Revenue	47,788	30,572
Foreign currency translation adjustment	(3,135)	5,825

10. Loan to an associate

The Parent Company has granted a loan of USD 625 million to its associate, Atheer, under a credit facility agreement at an interest rate of LIBOR + 2.5% .The repayment of principal is allowed at any time free of penalties.

11. Property and equipment

	Land and buildings	Cellular and other equipment	Projects in progress	Total
Cost				
As at 31 December 2006 (as previously reported)	74,258	1,265,829	319,601	1,659,688
Adjustment to provisional values (Note 34)	-	45,525	-	45,525
As at 31 December 2006 – as restated	74,258	1,311,354	319,601	1,705,213
Additions	5,788	491,471	154,503	651,762
On acquisition of subsidiaries	19	2,048	3	2,070
Transfers and adjustments	1,334	120,494	(121,822)	6
Disposals	(217)	(12,967)	(24)	(13,208)
Exchange adjustment	(1,213)	(67,481)	(3,693)	(72,387)
As at 31 December 2007	**79,969**	**1,844,919**	**348,568**	**2,273,456**
Depreciation				
As at 31 December 2006 (as previously reported)	28,025	541,634	-	569,659
Depreciation pertaining to 2006 (Note 34)	-	4,365	-	4,365
As at 31 December 2006 – as restated	28,025	545,999	-	574,024
Charge for the year	6,881	203,260	-	210,141
On disposals	(233)	(7,388)	-	(7,621)
On acquisition of subsidiaries	12	1,736	-	1,748
Exchange adjustment	(1,388)	950	-	(438)
As at 31 December 2007	**33,297**	**744,557**	**-**	**777,854**
Net Book Value				
As at 31 December 2007	**46,672**	**1,100,362**	**348,568**	**1,495,602**
As at 31 December 2006 (restated)	**46,233**	**765,355**	**319,601**	**1,131,189**

Additions during the year include amounts arising from acquisition of Westel Ghana. During the year, the useful lives of network equipment of Mobitel Sudan were revised from 5 years to 8 -15 years and accordingly the depreciation for the year was lower by KD 11,534,000 (2006 – Nil).

Property and equipment include vehicles with a net book value of KD 173,000 (2006 - KD 367,000) and KD 572,000 (2006 - Nil) acquired under finance lease by JMTS - Jordan and Mobitel Sudan respectively. It also includes buildings with a net book value equivalent to KD 782,000 (2006 - KD 843,000) acquired under a finance lease by MTCB Bahrain. Projects in progress comprise of cellular and other equipment amounting to KD 328,145,000 (2006 - KD 319,601,000) and buildings amounting to KD 20,423,000 (2006 - Nil).

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12. Intangible assets

	Goodwill	Licence fees	Others	Total
Cost				
At 31 December 2006 (as previously reported)	1,363,178	167,695	41,238	1,572,111
Adjustment to provisional values (Note 34)	(48,146)	22,141	3,686	(22,319)
At 31 December 2006 (as restated)	**1,315,032**	**189,836**	**44,924**	**1,549,792**
Additions	57,291	152,713	1,197	211,201
On subsidiaries acquired	40,951	539	-	41,490
Exchange adjustments	(49,499)	(15,720)	(2,373)	(67,592)
As at 31 December 2007	**1,363,775**	**327,368**	**43,748**	**1,734,891**
Accumulated amortization				
At 31 December 2006 (as previously reported)	17,322	46,071	3,945	67,338
Adjustment to provisional values (Note 34)	(5,048)	4,217	5,728	4,897
At 31 December 2006 (as restated)	**12,274**	**50,288**	**9,673**	**72,235**
Of subsidiaries acquired	-	243	-	243
Charge for the year	-	19,030	6,891	25,921
Exchange adjustment	(333)	353	(783)	(763)
As at 31 December 2007	**11,941**	**69,914**	**15,781**	**97,636**
Net book value				
As at 31 December 2007	1,351,834	257,454	27,967	1,637,255
As at 31 December 2006 (restated)	**1,302,758**	**139,548**	**35,251**	**1,477,557**

The residual amortisation periods of licenses range from 2.5 to 14 years.
The adjustments recognised during the current period arise from completion of the purchase price allocation of the business combinations that were effected in 2006 as the initial accounting for those business combinations was determined only provisionally in that year.

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of acquired subsidiaries. Goodwill has been allocated to each country of operation as that is the Cash Generating Unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

The addition to goodwill during the year arises from the acquisition of Westel Ghana and other step up acquisitions in Celtel Gabon S.A, Celtel Kenya Ltd, Celtel Burkina Faso S.A. and Celtel Zambia Limited.

Goodwill and the CGU to which it has been allocated are as follows:

	2007	2006 (Restated)
Pella Investment Company, Jordan	79,516	79,516
Celtel Burkina Faso S.A	27,735	28,030
Celtel Tchad S.A	26,741	28,326
Celtel Congo (DRC) SARL	102,090	108,140
Celtel Congo S.A	65,081	67,922
Celtel Gabon S.A	90,887	92,661
Celtel Kenya Limited	130,221	106,599
Celtel Malawi Limited	21,254	22,517
Celtel Niger S.A	23,363	24,577
Celtel (S.L) Limited	39,427	41,764
Celtel Limited Uganda	7,147	7,571
Celtel Zambia Limited	74,616	65,409
Celtel Tanzania	17,289	18,231
Celtel, Madagascar	28,623	24,809
Celtel, Nigeria	126,254	134,560
Sudanese Mobile Telephone Company Limited (Zain, Sudan)	452,126	452,126
Westel Ghana	39,464	-
	1,351,834	**1,302,758**

Impairment testing

The Group determines whether goodwill or intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on value-in-use calculations.

(in thousand KD)

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	• Average market share in the period immediately before budget period increased each year for anticipated growth in market share of upto 13%. Value assigned reflects past experience and changes in economic environment. • Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth in market penetration. • Cash flows beyond the five year period have been extrapolated using a growth rate ranging from 3% to 5%. This growth rate does not exceed the long term average growth rate of the market in which the CGU operate.
Exchange rate	• Average market forward rate over the budget period. Value assigned is consistent with external source of information.
Discount rate	• Discount rates range from 12% per annum to 17.3% per annum. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amount so obtained was significantly above the carrying amount of the CGUs. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is impaired.

13. Other financial assets

	2007	2006
Cash held in a restricted foundation account – due to be settled after 12 months	3,135	3,321
Import duties recoverable	3,470	2,826
Deferred consideration on sale of LinkAfrica business	-	471
Others	245	30
	6,850	**6,648**

14. Trade and other payables

	2007	2006 (Restated)
Trade payables	142,587	102,310
Deferred revenue	63,152	55,955
Due to roaming partners	7,998	2,516
Due to other operators (interconnect)	12,809	22,013
Due to Government of Jordan	14,598	17,858
Provision for income taxes – foreign subsidiaries	60,094	50,422
Kuwait Foundation for the Advancement of Sciences	5,843	3,004
National Labour Support Tax and Zakat	5,449	4,321
Dividend payable	8,616	5,364
Accrued expenses	150,618	115,513
Directors' remuneration	28	28
Due to minority interest holders (Note 16)	8,485	-
Other payables	74,477	48,092
	554,754	**427,396**

15. Due to banks

	2007	2006 (Restated)
MTC (the Parent Company)		
Short term loans – unsecured	16,427	17,569
Long term loans – unsecured	21,538	40,038
	37,965	**57,607**
JMTS – Jordan		
Long term loans	30,928	32,672
Notes payable	249	3,078
Finance lease obligations	251	319
	31,428	**36,069**

Notes to the Consolidated Financial Statements 31 December 2007

(in thousand KD)

	2007	2006 (Restated)
MTCB – Bahrain		
Long term loans	17,789	15,634
Finance lease obligations	520	650
	18,309	**16,284**
Celtel – The Netherlands		
Short term loan	102,959	90,392
Long term loan	333,900	244,360
	436,859	**334,752**
Mobitel – Sudan		
Long term loan	108,727	-
Finance lease obligations	572	-
	109,299	**-**
MTCI – The Netherlands		
Islamic finance (Murabaha)	328,080	347,520
Long term loan	1,023,319	589,606
	1,351,399	**937,126**
	1,985,259	**1,381,838**

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2007	2006
Less than 6 months	1,382,102	937,184
6 – 12 months	83,918	101,624
1 - 5 years	398,038	284,276
Over 5 years	81,891	178
Fixed rate borrowings	39,310	58,576
	1,985,259	**1,381,838**

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2007	2006
US Dollar	1,705,394	1,212,972
Euro	108,727	-
Other currencies	171,138	168,866
	1,985,259	**1,381,838**

The effective interest rate as at 31 December 2007 was 4% to 7.38% (2006 – 4% to 6.85%) per annum.

The Parent Company's borrowings are in US Dollars from a Kuwaiti bank and that of subsidiaries in US Dollars or in their respective local currencies from banks.

JMTS

JMTS's loan agreements contain covenants relating to compliance with financial ratios and foreclosure of loans in the event of non-compliance.

MTCB

MTCB's long term loan is secured by a mortgage of its freehold land and buildings.

Celtel - Netherlands

These facilities are secured by Celtel's interest in the shares held by Celtel in certain group companies and by a charge over all the bank accounts of Celtel, the bank accounts of the various intermediate holding companies, an assignment of the shareholder loans from Celtel to the various intermediate holding companies and an assignment of certain shareholder loans from the various intermediate holding companies to the Celtel operations.

These facilities include syndicated loans and medium term notes of KD 36,501,000 (2006 - KD 38,504,000) owed by Celtel Kenya Limited of which KD 20,263,000 (2006 : KD 21,464,000) is secured by the assets and shares of Celtel Kenya Limited and KD 12,065,000 (2006 : KD 12,780,000) is guaranteed by a Dutch financial institution.

The majority of the assets of Celtel are pledged and certain of its subsidiaries have entered into various financial covenants covering amongst others, minimal levels of cash repatriation and levels of profitability. Financial covenants include restrictions over dividend payments and asset disposals. Furthermore certain political risks require prepayment of the loans.

Mobitel

During the year Mobitel obtained a Euro 270 million (KD 108.7 million) Islamic murabaha financing from a consortium of foreign banks. This facility is guaranteed by the Parent Company. This loan is fully repayable after 36 months and carries an interest rate of 2.5 % above 3 month EURIBOR. The effective rate of interest as of 31 December 2007 was 7.38% (2006 – Nil). Financial covenants stipulate maximum debt of 3 times EBITDA (Earnings before interest, tax, depreciation and amortization) and ratio of EBITDA to net finance charges is not less than 3:1.

MTCI

In June 2006 MTCI obtained a revolving financing with a limit of US$ 4 billion (KD 1.094 billion) from a consortium of local and foreign banks. This facility is secured by a guarantee given by the Parent Company and JMTS. Financial covenants stipulate maximum net borrowings of 4 times consolidated EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and ratio of annualized consolidated EBIDTA of not less than 3 times annualized consolidated net interest payable.
In December 2006 MTCI obtained a US$ 1.2 billion (KD 328 million) Islamic Murabaha financing from a foreign bank, which was later refinanced in December 2007 by a consortium of foreign banks. This facility is secured by a guarantee given by the Parent Company. Financial covenants stipulate maximum debt of 4 times consolidated EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and ratio of annualized consolidated EBIDTA to annualized net financial charges of not less than 1.

(in thousand KD)

16. Due to minority interest holders

The Group has an obligation to acquire a further 10% interest in Celtel Zambia Limited from one of its local partners (also a shareholder in Celtel). The exercise period of this option ends should Celtel Zambia Limited be listed on a stock exchange. The Group has accounted for this put option as if it had acquired the 10% interest. The assumed purchase price is US$ 98.7 million (KD 26.98 million) (2006 – KD 19.6 million). This assumed price is based on a multiple of EBIDTA that is in the put option contract. This created goodwill US$ 97.6 million (KD 26.68 million) (2006 – KD 17.8 million) after deducting minority interest from the assumed purchase price.

Under the terms of the purchase offer made to the shareholders of Celtel, the Parent Company acquired the minority interest of 15.014% in the equity of Celtel for cash in April 2007.

The equity instruments held by such minority interest share holders are classified as financial liabilities other than at fair value through profit or loss rather than equity since there is an irrevocable obligation to deliver cash to settle the minority's interest.

17. Other non-current liabilities

	2007	2006
Customer deposits	4,419	4,947
Post employment benefits	8,661	7,756
Employee share option liability	3,135	3,320
Refundable deposit	12,196	-
	28,411	**16,023**

18. Share capital and reserves

Share capital (par value of KD 0.100 per share)

	2007	2006
Authorised	1,261,819,591	1,097,234,427
Opening balance	630,909,795	164,585,164
Bonus shares	2,926,440	-
Shares approved for 2006 Employee Share Option Plan (ESOP)	**1,895,655,826**	**1,261,819,591**

	2007	2006
Issued and fully paid up		
Opening balance	1,261,819,591	1,097,234,427
Bonus shares	630,909,795	164,585,164
Shares issued for 2006 ESOP	1,250,195	-
	1,893,979,581	**1,261,819,591**

In the extraordinary general meeting held on 25 March 2007, the Parent Company's shareholders approved the increase in authorized share capital and the Amiri Decree approving the increase of authorized share capital was issued on 9 July 2007.

Treasury shares

	2007	2006
Number of shares	35,269,169	23,512,779
Percentage of issued shares	1.86%	1.86%
Market value (KD '000)	134,728	78,062
Cost (KD '000)	**15,576**	**15,576**

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. Reserves equivalent to the cost of treasury shares held are not distributable.

Legal reserve

The Parent Company's Articles of Association provide for a maximum legal reserve of 50% of its share capital. Accordingly, during the year legal reserve has been appropriated to that extent. This reserve can be utilised only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

Voluntary reserve

The Parent Company's Articles of Association provide for the Board of Directors to propose appropriations to voluntary reserve up to a maximum of 50% of its share capital. During the year the Board of Directors does not propose any addition (2006: KD 8,229,000). There is no restriction on distribution of this reserve.

Dividend - 2006

The annual general meeting of shareholders held on 25 March 2007 approved distribution of cash dividends of 100 fils per share and bonus shares of 50 shares for every 100 shares.

Proposed dividend

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 90 fils per share (2006 - 100 fils per share) and bonus shares in the ratio of 50 shares for every 100 shares (2006 – 50 shares for every 100 shares) to the registered shareholders as of the date of the Annual General Meeting.

Rights issue

The Parent Company's Board of Directors has resolved to recommend an increase of the Company's equity by KD 1.2 billion, through a rights issue, at the next Annual General Meeting of shareholders for their approval.

(in thousand KD)

19. Revenue

	2007	2006 (Restated)
Airtime and subscription	1,659,629	1,288,621
Trading income	17,641	8,794
	1,677,270	**1,297,415**

20. Investment income

	2007	2006
Gain/(loss) on investments at fair value through profit or loss	4,611	(2,888)
Realised gains from available for sale investments	11,893	6,054
Dividend income	5,033	4,644
	21,537	**7,810**

21. National Labour Support Tax and Zakat

These taxes payable to Kuwait's Ministry of Finance under National Labour Support Law No. 19 of 2000 and Law No. 46 of 2006. Zakat is computed at 1% of net profit earned from 9 December 2007.

22. Income tax expense of subsidiaries

	2007	2006
JMTS	11,340	12,841
MTCL	516	1,223
Mobitel	1,568	1,668
Celtel	27,450	19,240
	40,874	**34,972**

23. Earnings per share

Basic and diluted earnings per share based on weighted average number of shares outstanding during the year and the previous year, as restated for bonus shares issued in the current year, are as follows:

	2007	2006 (Restated)
Net profit for the year	320,455	294,981
	Shares	Shares
Number of shares issued and paid-up	1,893,979,581	1,892,729,386
Weighted average number of treasury shares	(35,269,169)	(35,269,169)
	1,858,710,412	**1,857,460,217**
Effect of dilution (Note 25)	17,367,531	4,342,591
Weighted average number of shares, less treasury shares outstanding during the year adjusted for the effect of dilution	1,876,077,943	1,861,802,808
	Fils	Fils
Basic earnings per share	172	159
Diluted earnings per share	171	158

Basic and diluted earnings per share from operations reported for the previous year were 247 fils and 246 fils, before retroactive adjustment for bonus shares issued in 2007 and the effect of the restatement carried out during the year for business combination accounting (Note 34).

24. Staff costs

	2007	2006
Wages and salaries	141,361	92,796
Share based compensation granted to employees	7,422	11,206
Post employment benefits	5,064	5,542
	153,847	**109,544**

(in thousand KD)

This is allocated as follows:

	2007	2006
Distribution, marketing & operating expenses	89,170	52,051
General and administrative expenses	64,677	57,493
	153,847	**109,544**

25. Share-based compensation plans

Kuwait

At an Extraordinary General Meeting held on 29 March 2006 the Parent Company's shareholders approved an amendment to the Parent Company's articles of association to permit issue of employee stock options in accordance with a scheme approved by its Board of Directors.

The total number of shares to be granted under the scheme or Employee Share Option Plan (ESOP) is not to exceed 10% of the issued shares over ten years. The shares to be allotted under the scheme shall be provided through a capital increase and issue of new shares or through treasury shares held by the Parent Company. The ESOP scheme is available only to employees who hold certain specified posts within the Group.

Eligible employees are granted the option to purchase a predetermined number of Parent Company's shares at a specified exercise price as follows:

	2006 Plan		2007 Plan	
	Numbers	Weighted average exercise price	Numbers	Weighted average exercise price
Granted	2,956,000	0.100	8,700,000	2.656
Adjustment for bonus shares	1,478,000	-	-	
Total	**4,434,000**	**0.067**	**8,700,000**	
Exercised	1,250,195	0.067	-	
Stock options outstanding at 31 Dec 2007	3,183,805	0.067	8,700,000	
Weighted average remaining contractual life (in years)	2		3	
Weighted average share price of options exercised during the year	4.056		-	

2006 Plan

The exercise price of the granted options is KD 0.100 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 1 January 2007 exercisable from the date of vesting, up to three years from the service date.

Under the 2006 ESOP the Parent Company initially granted 5,485,000 shares at an exercise price of KD 1.760 per share. The fair value of these options was KD 1.873 per share with a total fair value of KD 10,273,000. This Plan, which was subject to approval of shareholders, was amended before that date. The amended Plan granted 2,956,000 shares at an exercise price of KD 0.067 per share after adjusting for eligible bonus shares. The fair value of these options was KD 3.126 per share with a total fair value of KD 9,241,000 which was approved by shareholders. The significant inputs into the model were a share price of KD 3.220 - the market price at the grant date, the exercise price shown above, volatility of 10%, dividend yield of nil (due to the ESOP terms), option life of 3 years and an annual interest rate of 5.5%.

2007 Plan

The exercise price of the granted options is the closing share price as of 01 January 2007 less a discount of 20%. The options vest over three years at the rate of 33%, 33% and 34% on 1 July 2008, 1 July 2009 and 1 January 2010 respectively exercisable from the date of vesting, up to three years from the service date.

Under the 2007 ESOP the Parent Company has granted 8,700,000 options at an exercise price of KD 2.656 per share. The fair value of options granted during the period determined using an option pricing model was KD 0.995 per share. The significant inputs into the model were a share price of KD 3.320 - the market price at the grant date, the exercise price shown above, volatility of 10%, dividend yield of nil (due to the ESOP terms), option life of 3 years and an annual interest rate of 8.75%.

The number of outstanding options under the 2007 ESOP as of 31 December 2007 was 8,700,000 shares (2006 – Nil).

The Parent Company recognised total expenses of KD 6,486,000 (2006 - KD 5,736,000) related to equity settled share-based compensation during the year.

Notes to the Consolidated Financial Statements 31 December 2007

(in thousand KD)

26. Segment 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 December 2007						
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	Total
Segment revenues	359,386	135,316	42,862	17,248	224,823	897,635	1,677,270
Net profit	216,121	32,638	4,679	2,704	74,666	(10,353)	320,455
Segment assets	1,840,763	188,764	57,952	5,526	320,076	2,861,310	5,274,391
Consolidation adjustment							(907,389)
Consolidated Assets							**4,367,002**
Segment liabilities	258,834	88,520	35,743	3,399	236,485	2,228,861	2,851,842
Consolidation adjustment							(233,146)
Consolidated Assets							**2,618,696**
Net assets							**1,748,306**
Capital expenditure Incurred during the year	42,762	5,365	9,728	13	97,193	431,655	586,716
Depreciation and amortisation	22,887	18,965	4,898	9	12,160	177,143	236,062

	31 December 2006 (Restated)						
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	Total
Segment revenues	317,724	141,017	32,380	16,910	193,782	595,602	1,297,415
Net profit/(loss)	141,198	37,944	3,361	2,540	95,876	14,062	294,981
Segment assets	1,527,494	199,960	41,037	5,813	150,553	2,646,265	4,571,122
Consolidation adjustment							(1,080,189)
Consolidated Assets							**3,490,933**
Segment liabilities	173,062	94,121	27,673	3,662	84,980	2,093,073	2,476,571
Consolidation adjustment							(486,072)
Consolidated Assets							**1,990,499**
Net assets							**1,500,434**
Capital expenditure Incurred during the year	27,065	52,691	3,254	41	49,936	345,801	478,788
Depreciation and amortisation	21,680	21,100	4,207	6	15,876	104,973	167,842

27. 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:

	2007	2006
Transactions		
Management fees (included in other income)	4,775	5,095
Balances		
Trade and other receivables	72,660	490
Trade and other payables	43,251	27,203
Key management compensation		
Salaries and other short term employee benefits	3,243	1,317
Post-employment benefits	277	132
Share based payments	3,243	2,868

Notes to the Consolidated Financial Statements 31 December 2007

(in thousand KD)

28. Business combination

The Group's acquisition of 75% interest in Westel, Ghana, and details of the acquisitions are shown below.

Westel, Ghana

The provisional values assigned to the identifiable assets and liabilities of Westel, Ghana, as at the date of acquisition, which will be reviewed within one year of acquisition on finalisation of the Purchase Price Allocation (PPA), are shown below.

	KD'000
Cash and bank	1,241
Trade and other receivables	1,758
Property, plant and equipment	310
Trade and other payables	(10,251)
Intangible assets – Licence	286
Value of net assets	**(6,656)**
Purchase consideration settled in cash	31,441
Cash and cash equivalents in subsidiary acquired	(1,241)
Cash outflow on acquisition	**30,200**

Details of net assets acquired and goodwill are as follows:

Purchase Consideration	KD'000
Cash paid	31,441
Adjustment for retention amount	1,367
Total purchase consideration	32,808
Add: Provisional value of net assets acquired	6,656
Goodwill arising on acquisition	**39,464**

The above goodwill is attributable to Westel's profitability and the significant synergies expected to arise from the acquisition.

29. Commitments and contingencies

	2007	2006
Capital commitments	489,249	236,688
Capital commitments – share of associates	82,899	7,781
Uncalled share capital of investee companies	7,558	1,003
Letters of credit	5,288	4,318
Letters of guarantee	184,485	15,056

Operating lease commitments – Group as lessee

The Group leases various branches, offices and transmission sites under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2007	2006
Not later than 1 year	5,868	14,088
Later than 1 year and no later than 5 years	25,646	25,831
Later than 5 years	8,685	10,389
	40,199	**50,308**

Financial guarantees

The Parent Company is a guarantor for a credit facility of US$ 404 million (KD 110 million) granted to a fellow member of the Saudi consortium that won the third telecom license in Saudi Arabia. The Parent Company holds a cash collateral of US$ 44,608,000 (KD 12,196,000) to cover interest payable by the borrower.

JMTS is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 425,000 (31 December 2006 – KD 3,267,000). 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 liable for a claim filed by the Ministry of Communications (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 favour of MoC, but the Parent Company won an appeal against the verdict in September 2007. Pending the outcome of the appeal filed by MoC in the Supreme Court, the Parent Company's management is of the opinion that the above claim will not materially affect the Group's financial statements.

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

(in thousand KD)

30. Financial risk management

The Group's financial assets have been categorized as follows:

	Loans and receivables	Assets at fair value through profit and loss	Available for sale
31 December 2007			
Cash and bank balances	261,263	-	-
Trade and other receivables	246,276	-	-
Investment securities	-	23,002	179,468
Loan to an associate	170,875	-	-
Other financial assets	6,850	-	-
Total	**685,264**	**23,002**	**179,468**
31 December 2006			
Cash and bank balances	474,322	-	-
Trade and other receivables	184,485	-	-
Investment securities	-	18,455	134,842
Other financial assets	6,648	-	-
Total	**665,455**	**18,455**	**134,842**

All financial liabilities as of 31 December 2007 and 31 December 2006 are categorized as 'other than at fair value through profit or loss'.

30.1 Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the Group Treasury department under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The significant risks that the Group is exposed to are discussed below:

Market risk

Foreign exchange risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities such as trade and other receivables, trade and other payables and due to banks.

The impact on the post tax profit arising from a 10% weakening / strengthening of the functional currency against the major currencies to which the Group is exposed is given below:

Currency	2007	2006
U S Dollar	2,573	8,255
Euro	15,039	2,813

Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
The Group's investments are primarily quoted on the Kuwait Stock Exchange. The effect on profit as a result of changes in fair value of equity instruments classified as 'at fair value through profit or loss' and the effect on equity of equity instruments classified as 'available for sale' arising from a 5% increase / decrease in equity marked index, with all other variables held constant is as follows:

	2007		2006	
Market indices	Impact on net profit	Effect on equity	Impact on net profit	Effect on equity
Kuwait Stock Exchange	825	7,145	608	5,143

Profit for the year would increase/ decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Equity would increase/ decrease as a result of gains/losses on equity securities classified as available for sale.

(in thousand KD)

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from short-term bank deposits and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2007 and 2006, the Group's borrowings at variable rate were denominated in US Dollar and Euro. The fair value impact of fixed rate borrowings as at 31 December 2007 and 2006 is not material.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At 31 December 2007, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been lower/higher by KD 5,880,000 (2006 : KD 5,108,000)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, bonds and receivables. The Group manages this risk by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to receivables is limited due to dispersion across large number of customers and by using experienced collection agencies. The maximum exposure of the Group to credit risk is from bank deposits and trade and other receivables. For more information refer to notes 4 and 5.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. Liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Parent Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements. Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

As at 31 December 2007 the Group's current liabilities exceed current assets and as disclosed in Note 18 the Parent Company plans to increase equity in 2008 by KD 1.2 billion.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2007				
Bank borrowings	624,810	247,245	1,549,350	2,357
Trade and other payables	554,754	-	-	-
Due to minority interest holders	18,509	-	-	-
Customer deposits	-	4,419	-	-
Refundable deposit	-	12,196	-	-
Commitments	189,773	-	-	-
At 31 December 2006				
Bank borrowings	568,487	171,341	908,627	194
Trade and other payables	427,396	-	-	-
Due to minority interest holders	155,262	-	-	-
Customer deposits	-	4,947	-	-
Commitments	19,374	-	-	-

31. Capital risk management

The gearing ratios at 31 December 2007 and at 31 December 2006 were as follows:

	2007	2006
Total borrowings	1,985,259	1,381,838
Less: cash and cash equivalents (Note 4)	261,263	474,322
Net debt	1,723,996	907,516
Total equity	1,748,306	1,500,434
Total capital	3,472,302	2,407,950
Gearing ratio	50%	38%

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

32. Fair value of financial instruments

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair values of financial instruments carried at amortised cost are not significantly different from their carrying values.

33. Significant accounting judgments and estimates

In accordance with the accounting policies contained in IFRS and adopted by the Group, management is required to make the following judgments and estimations that may affect the carrying values of assets and liabilities.

Judgments

Business combinations

To allocate the cost of a business combination management exercises significant judgment to determine identifiable assets and liabilities and contingent liabilities whose fair value can be reliably measured, to determine provisional values on initial accounting of a business combination and to determine the amount of goodwill and the Cash Generating Unit to which it should be allocated.

Classification of investments

On acquisition of an investment, management has to decide whether it should be classified as carried at fair value through profit or loss, available for sale or as loans and receivables. In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance.

(in thousand KD)

Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or directly in equity.

Substance of relationship with special purpose entities
Where the Group obtains benefits from a special purpose entity, management considers the substance of the relationship to judge if such an entity is controlled by the Group.

Impairment
When there is a significant or prolonged decline in the value of an "available for sale" quoted investment security management uses objective evidence to judge if it may be impaired. At each balance sheet date, management assesses, whether there is any indication that inventories, property and equipment, goodwill and intangible assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

Contingent liabilities
Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Sources of estimation uncertainty

Fair values- unquoted equity, investments and business combinations
The valuation techniques for unquoted equity investments and identifiable assets, liabilities and contingent liabilities arising in a business combination make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Accounts receivable
The Group estimates an allowance for doubtful receivables based on past collection history and expected cash flows from debts that are overdue.

Tangible and intangible assets
The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives.

Taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Any changes in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of the above assets.

Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and the input factors most sensitive to change have been disclosed in Note 12. Based on analysis performed there are no indications that the carrying value of any CGU exceeds its recoverable amount.

Share based compensation
The fair valuation of ESOP requires significant estimates regarding the expected volatility of the share price, the dividends expected on the shares, the market interest rate for the life of the plan and the expected term of the option.

34. Comparative figures
Certain prior year amounts have been reclassified to conform to current year presentation and to give effect to matters stated in Note 3 as follows:

Statement of Income	KD '000
Profit for the year 2006 as previously reported	325,326
Adjustments for accounting of business combinations of 2006 based on PPA - amortisation of intangible assets	(11,598)
KFAS adjustments	104
NLST adjustments	(3)
Profit for the year 2006 – restated	**313,829**

Balance Sheet	
Property and equipment - as previously stated	1,090,029
Adjustments to provisional values	45,525
Depreciation pertaining to the year	(4,365)
Property and equipment – restated	**1,131,189**
Intangible assets as of 31 December 2006 as previously stated	1,504,773
Amortisation pertaining to 2006	(4,897)
Adjustments to provisional values	(22,319)
Intangible assets – 2006 restated	**1,477,557**

Glossary

GSM (Global System for Mobile Communications)
The most popular standard for mobile phone used by over 2 billion people across more than 212 countries and territories in the world.

HSDPA (High Speed Downlink Packet Access)
HSDPA is an enhancement of the 3G technology that considerably increases downlink packet data rate, provides shorter response time and better quality of services. Current HSDPA deploys support of 1.8Mbit/s, 7.2 Mbit/s and 14.4Mbit/s. Further speed grades are planned for the future.

UMTS (Universal Mobile Telecommunication Systems)
3rd generation wireless communications system that support high-speed mobile multimedia services.

3G (3rd Generation)
3G refers to the third generation of developments in wireless technology, especially in mobile communications. 3G includes features such as enhanced multimedia (voice, data and video); broad bandwidth and high speed (up to 14.4Mbit/s) and roaming capability throughout Europe, Japan and North America.

EDGE (Enhanced Data rates for GSM Evolution)
Digital mobile phone technology that increases data transmission rate, enjoys reliability to accommodate internet and multimedia services at four times the speed of GPRS.

MMS (Multimedia Messaging Services)
Standard for a telephony messaging system that allow wireless phone users to send messages containing rich text, images, audio and video content.

MVNO (Mobile Virtual Network Operator)
Company without its own telecommunications network that offers public mobile technology services by buying the right to use part of its infrastructures from an already established company.

SMS (Short Message Service)
A telecommunication protocol that allows the sending of "short" (160 characters or less) text messages via mobile phones.

WI-MAX (Worldwide Interoperability for Microwave Access)
A standard-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL.

WAP (Wireless Application Protocol)
Open international standard for mobile phone applications enabling access to the Internet.

Mobile Top Up
Distribution of scratch cards via SMS instead of physical recharge vouchers.

Me2U
Account balance sharing instrument. Powered by user friendly Sim Tool Kit (STK) application via SMS command.

SuperSim
A friendly user STK application to all Celtel services, including SMS content, Me2U, Who called?, and Celtel Info, all in a multilingual environment.

Know.It.All
Meaningful SMS based content services offered through the Celtel Branded SIM card.

Who -Called?
Missed Call Alerts (MCA) notify subscribers about calls they don't know about, as their handsets were powered off or outside network coverage.

Web2SMS
Web2SMS is a mass messaging product that will enable Celtel customers to send SMS messages from a website. They can generate SMS messages and send them to individual numbers or to a distribution list of numbers, using a web interface.

One4all
SIM card-based enhanced payphone solution.

One Network
The world's first borderless network, allowing customers to roam freely across Africa and the Middle East without paying roaming charges and experiencing all the benefits of their home network services.

Portal
GPRS/EDGE WAP portal to Celtel Infotainment services.

Access
GPRS/EDGE based Internet access service.

Picture Messaging
Person-to-person picture messaging enables customers to take pictures with their camera phones and send them to other customers.

Friends & Family
This option allows prepaid customers to choose up to 5 Celtel numbers and get a discount for calls made to these numbers.

Notes

Notes

Contact List

Zain Kuwait, Headquarters
P.O.Box 22244,
13083 Safat, Kuwait
Tel: +965 4644444
Fax: +965 4641111
www.zain.com
Email: info@kw.zain.com

Zain Jordan, Headquarters
P.O.Box 940821
Amman 11194 Jordan
Cell: +962 7 95797979
Tel: +962 6 5803000
Fax: +962 6 5828200
www.zain.com
Email: info@jo.zain.com

Zain Bahrain, Headquarters
Seef District,
P.O.Box 266, Manama, Bahrain
Tel: +973 36031000
Fax: +973 17581117
www.zain.com
Email: info@bh.zain.com

Zain Iraq, Headquarters
Bldg. 47 - Str. 14 - Dist. 605
Hay Al-Mutanabi - Al-Mansoor
Baghdad, Iraq
Tel: + 964 1 5410840
+ 964 1 5410843
+ 964 1 5410933
Fax: + 964 1 5418611
www.zain.com
Email: info@iq.zain.com

Zain Sudan, Headquarters
Sudanese Mobile Telephone Co. Ltd.
4th Floor, Arab Co. for Live Stock
Development Building,
Mogran, Alghaba Street,
P.O.Box 13588, Khartoum, Sudan
Tel: + 249 91 239 7601
Fax: + 249 91 239 7608
www.zain.com
Email: info@sd.zain.com

Zain Saudi Arabia, Headquarters
Arcade Centre,
King Fahad Highway
P.O.Box 295814
Riyadh 11351
Kingdom of Saudi Arabia
Tel: +966 1 216 1800
www.zain.com
Email: info@sa.zain.com

MTC Touch, Headquarters
MTC Touch Bldg. Charles Helou Av.
P.O.Box 175051 Beirut, Lebanon
Tel: +961 3 792000
+961 1 566111
Fax: +961 3 792020
+961 1 564185
www.mtctouch.com.lb
Email: info@mtc.com.lb

Celtel International
London address:
78, Brook St, London,
W1K 5EF United Kingdom
Tel: +44 20 7499 4555

Head Office:
Celtel International B.V.
Scorpius 112-126
2132 LR Hoofddorp
Netherlands
Tel: +31 23 554 2390
Fax: +31 23 569 3979

Celtel Burkina Faso
Av. de la Résistance du 17 Mai,
01 BP 6622, Ouagadougou,
Burkina Faso
Tel: +226 33 14 00 - 1 - 2
Email: info@bf.celtel.com

Celtel Chad
Immeuble Pierre Brock,
Avenue Charles de Gaulle,
BP 5665, N'Djamena, Tchad
Tel: + 235 52 04 11
+ 235 52 04 18
Fax: + 235 52 02 31
+ 235 52 04 19
Email: info@td.celtel.com

Celtel DRC
Celtel House, Avenue Tchad, BasCongo,
Gombe, Kinshasa,
République Democratique du Congo
Tel: +243 9900100
Fax: +243 9900101
Email: info@cd.celtel.com

Celtel Gabon
124 Avenue Bouet,
BP 9259, Libreville, Gabon
Tel: +241 74 00 00
Fax: +241 74 52 86
Email: info@ga.celtel.com

Celtel Kenya
Parkside Towers, Mombasa Road
P.O.Box 73146 – 00200
Nairobi, Kenya
Tel: +254 20 69 011 235
Fax: +254 20 69 011 106
Email: info@ke.celtel.com

Celtel Madagascar
Explorer Business Park,
Bâtiments B1-B2 Ankorondrano,
Antananarivo 00101, Madagascar
Tel: + 261 33 11 00100
Fax: + 261 20 22 37423

Celtel Malawi
Celtel House, Raynor Avenue, Limbe,
P.O.Box 1235, Malawi
Tel: +265 1644 022
Fax: +265 1644 745
Email: info@mw.celtel.com

Celtel Niger
Niger Rue de l'Aeroport,
BP 11 922, Niamey, Niger
Tel: +227 73 23 46 - 47
Fax: +227 73 23 85
Email: info@ne.celtel.com

Celtel Congo
Celtel House,
Avenue du General de Gaulle,
Allee Makimba P9
BP 1267, Pointe Noire,
République du Congo
Tel: +242 520 00 00
Fax: +242 94 88 75
Email: info@cg.celtel.com

Celtel Sierra Leone
42 Main Motor Road, Wilberforce,
Freetown, Sierra Leone
Tel: +232 22 233 222
Fax: +232 22 233 240
Email: info@sl.celtel.com

Celtel Tanzania
Celtel House, Plot No 717/1
Block D, Mikocheni area,
Ali Hassan Mwinyi Road,
Kinondoni District,
P.O.Box 9623,
Dar es Salaam, Tanzania
Tel: +255 22 274 8100
Fax: +255 22 274 8188
Email: info@tz.celtel.com

Celtel Uganda
Plot 40 Jinja Rd,
P.O.Box 6771, Kampala, Uganda
Tel: +256 41 230110
Fax: +256 41 230106
Email: info@ug.celtel.com

Celtel Zambia
Zamcell House, Nyerere Road,
P.O.Box 320001, Woodlands,
Lusaka, Zambia
Tel: +260 1 250 707
Fax: +260 1 250 595
Email: info@zm.celtel.com

Celtel Nigeria Limited
Plot 16780 Olakunle Bakare Close
Off Sanusi Safunwa Street
Victoria Islands Lagos
Tel: +234 1 461 3880
Fax: +234 1 270 7648
Email: info@zm.celtel.com

P.O.Box 22244,
13083 Safat, Kuwait
Tel: +965 4644444
Fax: +965 4641111
www.zain.com
Email: info@zain.com