
zain
Ambition
gets you started,
passion
gets you there
09
annual report

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

table of contents

Board of Directors

Mr. Asaad Ahmed Al Banwan
Chairman

Dr. Saad Hamad Al Barrak
Deputy Chairman
Chief Executive Officer

Sheikha Aida Salem Al-Ali Al Sabah
Board Member

Sheikh Khalifa Ali Al-Khalifa Al Sabah
Board Member

Mr. Saleh Yousef Al Saqoubi
Board Member

Mr. AbdulMohsen Ibrahim Al Fares
Board Member

Mr. Abdulaziz Yaqoub Al Nafisi
Board Member

Mr. Jamal Ahmed Al Kandary
Board Member

Dear Shareholders,
On behalf of my fellow members of the Board of Directors, it gives me great pleasure to once again welcome you to our general assembly to review the Zain Group's activities and achievements in 2009.

It was a year that was full of challenges for the Group's Middle Eastern and African operations, which had to cope with the ongoing global financial crisis and heightened local competition in our individual markets. These factors made it necessary to adopt comprehensive structural reviews of the Group's plans during this particular period. The financial indicators for the fiscal year ending 31 December 2009 reflected the impact of these challenges, but the Group's overall performance remains excellent, especially if we consider that the total revenues and earnings before interest, taxes, depreciation and amortization (EBITDA) is the highest since Zain began its foreign expansion eight years ago.

During the past year, Zain's performance has been characterized by great flexibility. The Group performed well across all its operations, responding positively to the dynamics of these markets with the energy and professionalism of its staff. This culminated in the success of the majority of the Group operations in maintaining their leading positions in their respective markets.

A record breaking year

Indeed, Zain's standard of excellence has been sustained by the Group's robust strategy, one that has seen it raise the overall efficiency of its operational performance despite the ongoing financial crisis. The results of this period were characterized by an improvement in the operating margins of most of the Group's operations. The Group recorded KD 2.318 billion in revenues in 2009, a 16% increase compared to 2008. This growth was mainly attributed to the fact that the Group increased its ownership in the Zain Iraq, which was transformed from an associate company to a subsidiary. During 2009, Zain operations in the Middle East either maintained or increased their annual revenues, especially in Sudan and Bahrain. The exception was Zain Kuwait, which saw a decrease in revenues due to the removal of tariffs on calls received from landlines which had a significant impact on the overall revenues of the Kuwaiti telecom sector. Zain operations in Africa relatively maintained the same revenue levels in their local currencies. However, the continued sharp fluctuations of the exchange rates of these currencies against the US Dollar clearly contributed to a decline in the performance of the African operations when the results were consolidated. This in turn placed considerable pressure on the consolidated revenues of the Group. In addition, losses due to the revaluation of foreign currencies amounted to KD 38 million on Zain's 2009 net profit.

Zain has implemented a series of initiatives to improve the operational revenues and efficiencies across its operations. By modifying the operating model to fit with the existing market conditions, Zain was able to achieve an EBITDA of KD 926 million, an increase of 24% compared to 2008. However, in spite of the increased levels of revenue and operational efficiency, as well as the positive trends in profitability that were witnessed across the Group's Middle East operations, net profit decreased by 39% annually to KD 195 million. The year-on-year drop was mainly attributed to an extraordinary gain of KD152.4m recognized in 2008 from fair valuation of Zain Iraq's existing equity, low exchange rates of local African currencies, and to increased depreciation and increased financing costs, in addition to the company's share in the loss of its associate, the burgeoning young operation in KSA. Although the Group's share of Zain Saudi Arabia's losses rose in 2009 due to the increased costs, the operation was able to end 2009 at breakeven monthly EBITDA levels due to the continued growth in customers and revenues and prudent management of operating expenses.

Innovative marketing

Thanks to its innovative marketing plans, Zain has established a solid brand from which it continues to launch exciting and diverse services, all of which have proved popular in their respective markets.

This has been the strong base on which the company relies for any products or services it rolls out across its markets, and will continue to rely on for expansion plans in2010. The reputation that Zain has achieved and the confidence embodied in the brand will propel the company towards achieving our future business goals.

Out of Zain's vision, and responsibility to its customers, the Group has continued its CSR activities across all its operations, demonstrating the strong belief that it is a key partner in serving and supporting the activities of local communities.In parallel, the Group continues to nourish the professional development of all its employees by providing the latest international-standard career programs. It also has redoubled its efforts to recruit home-grown talent in the countries in which it operates. In view of these achievements and successes, we promise to maintain the exceptional position that Zain has achieved. The Group is now firmly moving forward and will spare no efforts and capabilities in enhancing shareholder value and maintaining their rights.

Shareholder support

I cannot but express my sincere gratitude to our shareholders for the confidence they have placed in Zain in recent years. There is no doubt that this has been the critical factor in the Group's success. It also gives me pleasure to extend my sincere thanks and gratitude to my fellow Board members and to commend the excellent efforts and constructive guidance that have also been contributing factors in our strong performance. I also wish to extend my sincere thanks and gratitude to the executive management team members for their hard work and professionalism in implementing the Group's strategy. And last but not least, I would like to express my deep appreciation to all the Group's employees for their sincere dedication and diligence in performing their duties.

In conclusion, on my own behalf, and on behalf of all my fellow members of the Board of Directors and the executive management, as well as all the employees of the Group, it gives me pleasure to offer our deepest gratitude and appreciation to His Highness the Emir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah; His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al Jaber Al-Sabah; His Highness the Prime Minister Sheikh Nasser Mohammad Al-Ahmad Al-Sabah and to the members of our government for their continued support.

Asaad Ahmed Al Banwan
Chairman, Board of Directors

Overview

4th largest mobile operator in the world in terms of geographic footprint, with a commercial presence in 23 countries
580 million+ people under license
15 million+ km2 under license or 60% larger than USA
72.4 million customers
#1 operator in 16 out of 22 markets
14.7 million+ customers in Nigeria
10.2 million+ customers in Iraq
500 million daily total calls
93 million daily total SMS
13,000+ employees > 100 nationalities
KD 2.318 billion in revenues (US$ 8.056 billion), a 15.7% increase
KD 926 million EBITDA (US$ 3.215 billion), a 24% increase
Zain brand is valued at US$ 2.9 billion according to the 2010 BrandFinance® Global 500 Report
Zain is listed in the Financial Times' Global 500 Index which ranks the world's largest companies based on market capitalization

One Network

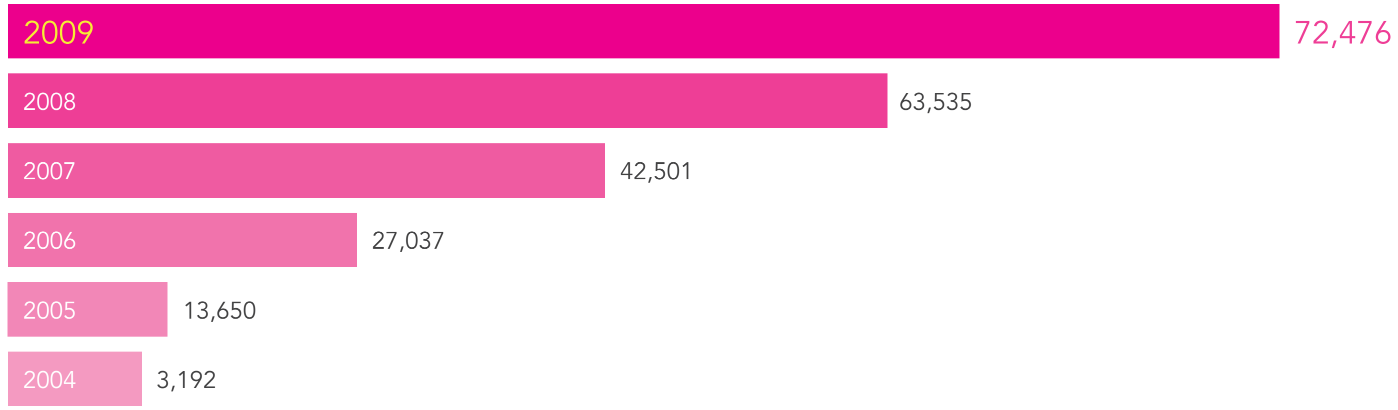
- Covering more than 96 million customers
- 22 countries and counting
- 1 Network – 0 Borders
- Local rates for voice and data services while abroad
- No charge for receiving calls while abroad
- Ability to top up in all 22 countries at over 1 million outlets

Zap

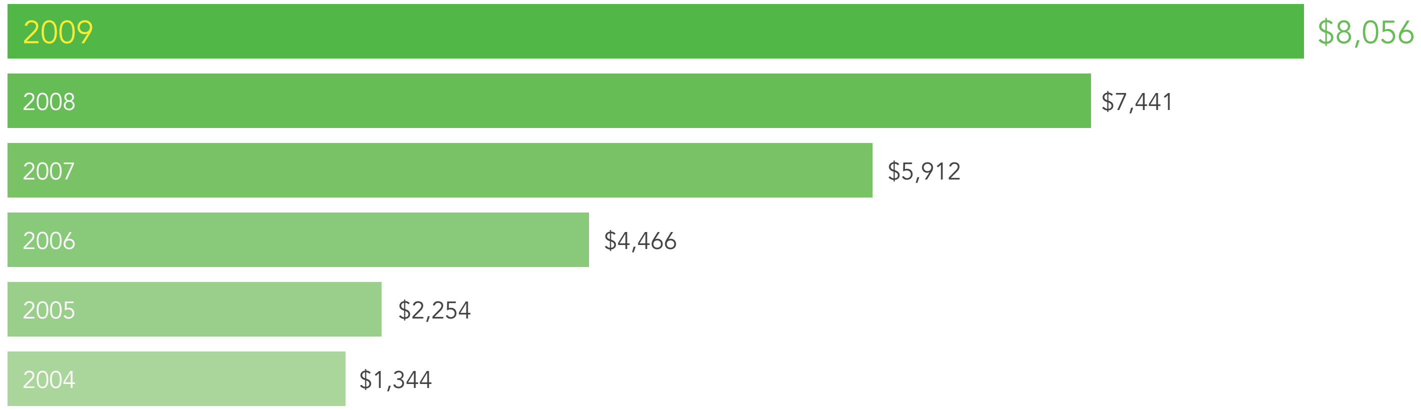
Launched in 6 African nations
To be rolled out in all Zain operations
12 million+ customers fully enabled for the service
2 million transactions a month
Biggest Mobile Commerce service in the world in terms of geographical coverage, enabled customers and service functionalities
Winner of the inaugural GSMA's 2010 'Mobile Money for the Unbanked Service' award

Key Performance Indicators

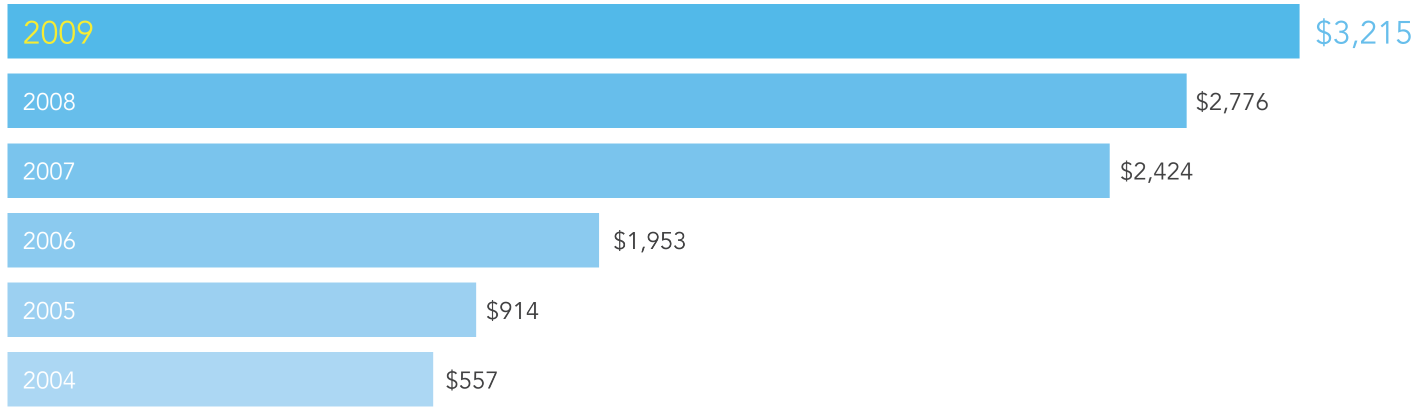
Customers (000) CAGR 86.7%



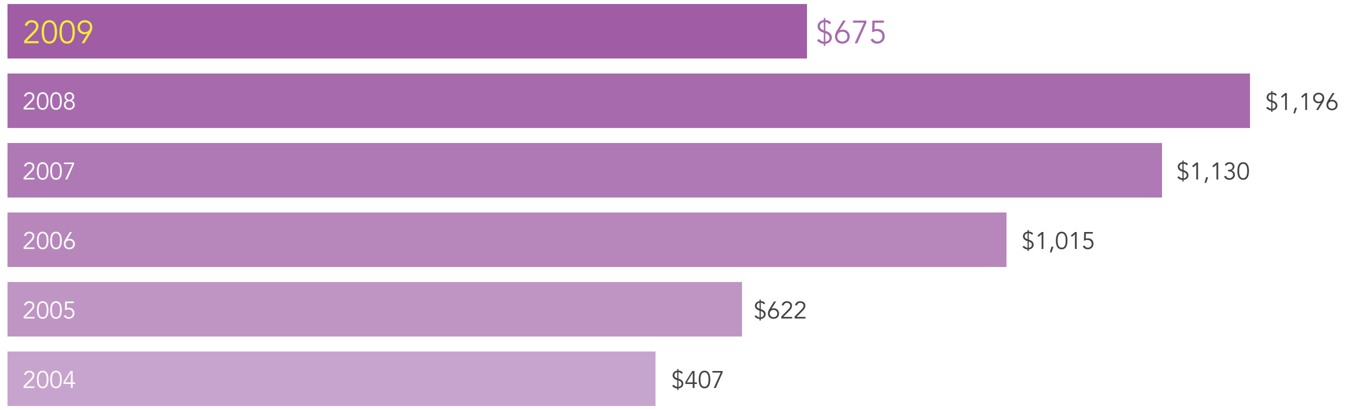
Revenues (in million dollars) CAGR 43.1%



EBITDA (in million dollars) CAGR 42%



Net Income (in million dollars) CAGR 10.7%



Key Milestones

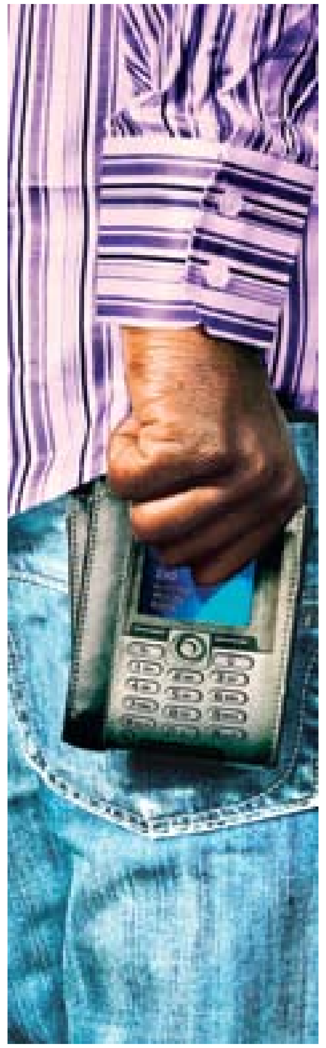
1983-2002	2003	2004	2005	2006	2007	2008	2009
Leading mobile operator in Kuwait	Awarded GSM license in Iraq	Awarded Management Agreement in Lebanon	Acquired Madacom in Madagascar	Acquired 65% of V-Mobile in Nigeria	Acquired Iraqna in Iraq	Commenced operations in Ghana	Invested in 31% of Moroccan operator Wana in a joint venture with Al Ajial
	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	Commenced operations in KSA	
	Acquired Fastlink, the leading Jordanian mobile operator				Acquired 15 year nationwide license in Iraq	Rebranded from Celtel to Zain all African Operations	
					Rebranded to Zain along with 4 operations	Merged MTC Atheer & Iraqna, & rebranded to Zain	
					Won Bid for 3rd GSM license in the KSA		

Share Price Evolution

Key Highlights

operational events for the full year of 2009

/13 January



/16 February

/19 March

/20 March

/8 June

/13 January Zain wins the Lebanese mobile management agreement to continue managing mtc touch for an additional year, commencing February 1, 2009. /16 February Zain launches Zap, the most comprehensive mobile banking service in Kenya, Tanzania and Uganda. /14 March In a 50/50 partnership with Al Ajial Investment Fund Holding, Zain takes 31% stake in Wana, the third mobile telecom operator in Morocco. /19 March Zain announces the opening of its flagship store in Bahrain, the first of its kind in the world. /20 March Zain launches Zain Create in Kuwait, allowing customers to download Rotana's digital entertainment content. /4 May Zain launches 'Drive11', a new program to propel the company towards its 2011 target of becoming a top 10 global mobile operator, through focusing on customer facing services and commercial activities while outsourcing some back-office/ non-core functions to strategic partners. /11 May Zain launches high speed data access on the 'One Network' platform to pioneer cross border local GRX-based data access, ensuring faster internet, email and other data services without roaming surcharges. /18 May Zain enters into agreement to merge its Jordan operation with Palestinian operator Paltel. /8 June As part of the 'Drive11' program, Zain Nigeria enters into a strategic five-year network outsourcing agreement with Ericsson.

/18 June

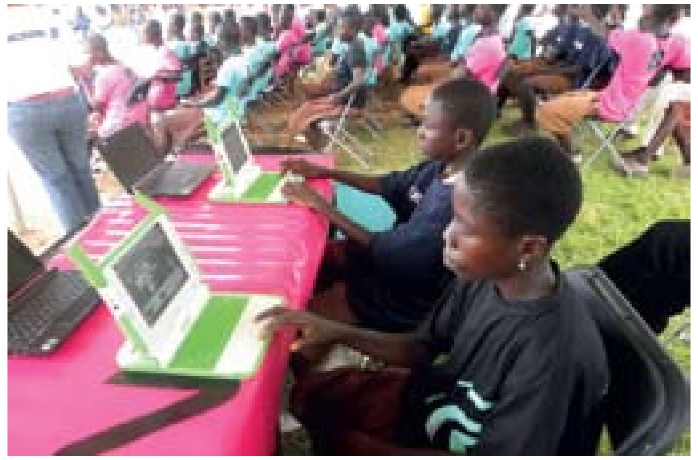
/20 July

/21 June

/18 June Zain partners with Global Humanitarian Forum, Ericsson and WMO in 'Weather Info for All', an initiative to increase the number of weather stations at cellular sites across Africa from 300 to 5,000. This initiative will increase dissemination of weather information via mobile phones to users and communities, including farmers and fishermen in remote areas. /21 June Zain scoops two major prizes at the Global Telecoms Business Awards in London: the Innovation in Mobile Banking award for Zap, and the Editor's Lifetime Achievement award for Zain Group CEO Dr. Saad Al Barrak. /22 June Zain and Western Union collaborate to deliver money transfer services to countries in Africa and the Middle East through Zain's Zap platform. Customers can now send cash money transfer from participating Western Union locations around the globe to Zap customers in Kenya, Tanzania and Uganda. /20 July Zain sponsors the 'Mandela Day' concert in New York in celebration of the iconic statesman's 91st birthday. /11 August Zain Saudi Arabia signs a landmark Murabaha US$ 2.5 billion financing facility to support its future growth, one of the largest Islamic financing deals. /23 September Zain enhances mobile banking in Africa through Zap by providing a pioneering service that allows Zap customers to receive money from any bank account around the world and send money to any bank in Kenya, Tanzania and Uganda.

/10 October

/12 October



/8 November

/21 November

/21 December

/5 October Zain Bahrain announces that it will implement the Middle East's first Long Term Evolution (LTE) technology, which will improve voice, data, and multimedia services. /10 October Zain sponsors the MTV Africa Music Awards, hosted by Wyclef Jean. /12 October The inaugural GCC Webranking sees www.zain.com attain third best website from 85 blue chip GCC companies, while Zain Saudi Arabia www.sa.zain.com ranks third in the Kingdom. /27 October Zain holds inaugural Technology Conference in Bahrain. The three-day forum sees 20 international companies sharing knowledge and latest technologies. /8 November Working with the Millennium Villages Project, a collaboration between The Earth Institute at Columbia University, Millennium Promise and the United Nations Development Programme (UNDP), Ericsson and Zain deploy mobile communications services in Ghana to lift 30,000 people in the Bonsaaso Millennium Village Cluster out of poverty, through the provision of 3.5G mobile telecommunications service.

/18 November Zain expands its ground breaking 'One Network' platform to Egypt in a strategic partnership with Mobinil. Over 27 million Zain customers in Bahrain, Iraq, Jordan, Kuwait*, Saudi Arabia and Sudan can now benefit from 'One Network' services when visiting Egypt for business or pleasure with a reciprocal benefit for Mobinil's customers who visit any of these Zain countries. /19 November Zain management confirms that the merger agreement between Zain and Paltel announced earlier this year will not take place, because Zain did not receive the required government approval, conditional to concluding the deal. /21 November Zain wins awards at the 3rd Annual Telecoms World Awards, Middle East, held in Dubai, taking Best Operator, Best Brand and Best Technical Innovation for 'One Network'. /26 November As part of the 'Drive11' program, Zain in Kenya, Tanzania and Uganda enter into a strategic five-year network outsourcing agreement with Nokia Siemens Networks. /21 December Zain, in partnership with Novatel Wireless, Inc, announce the launch of the wireless device Zain MiFi Intelligent Mobile Hotspot in its Kuwait operation. The company plans on extending this service to all other Zain operations by 2010. *data only

14%

YOY growth

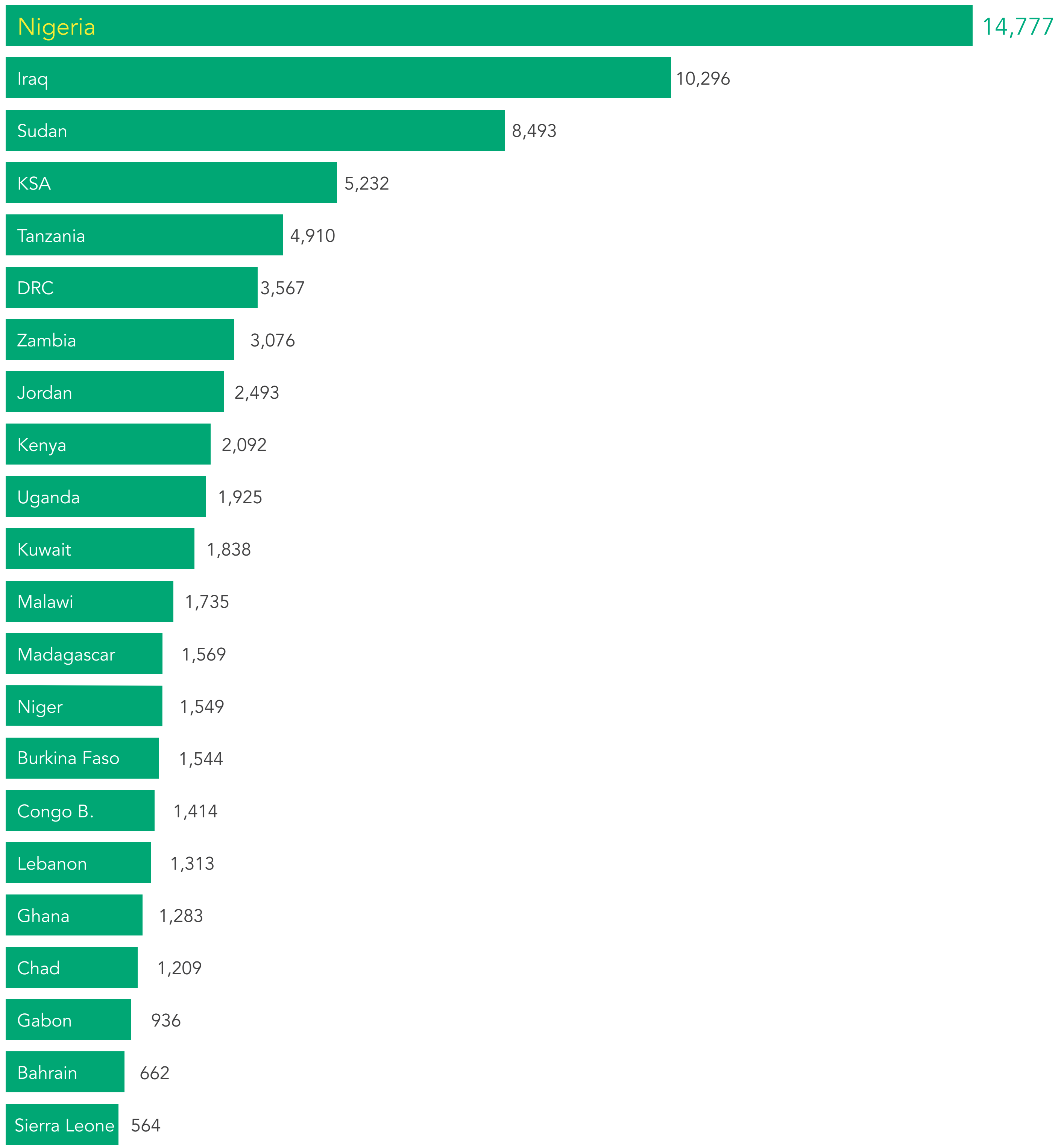
72,476

Active customers 2009 (000s)

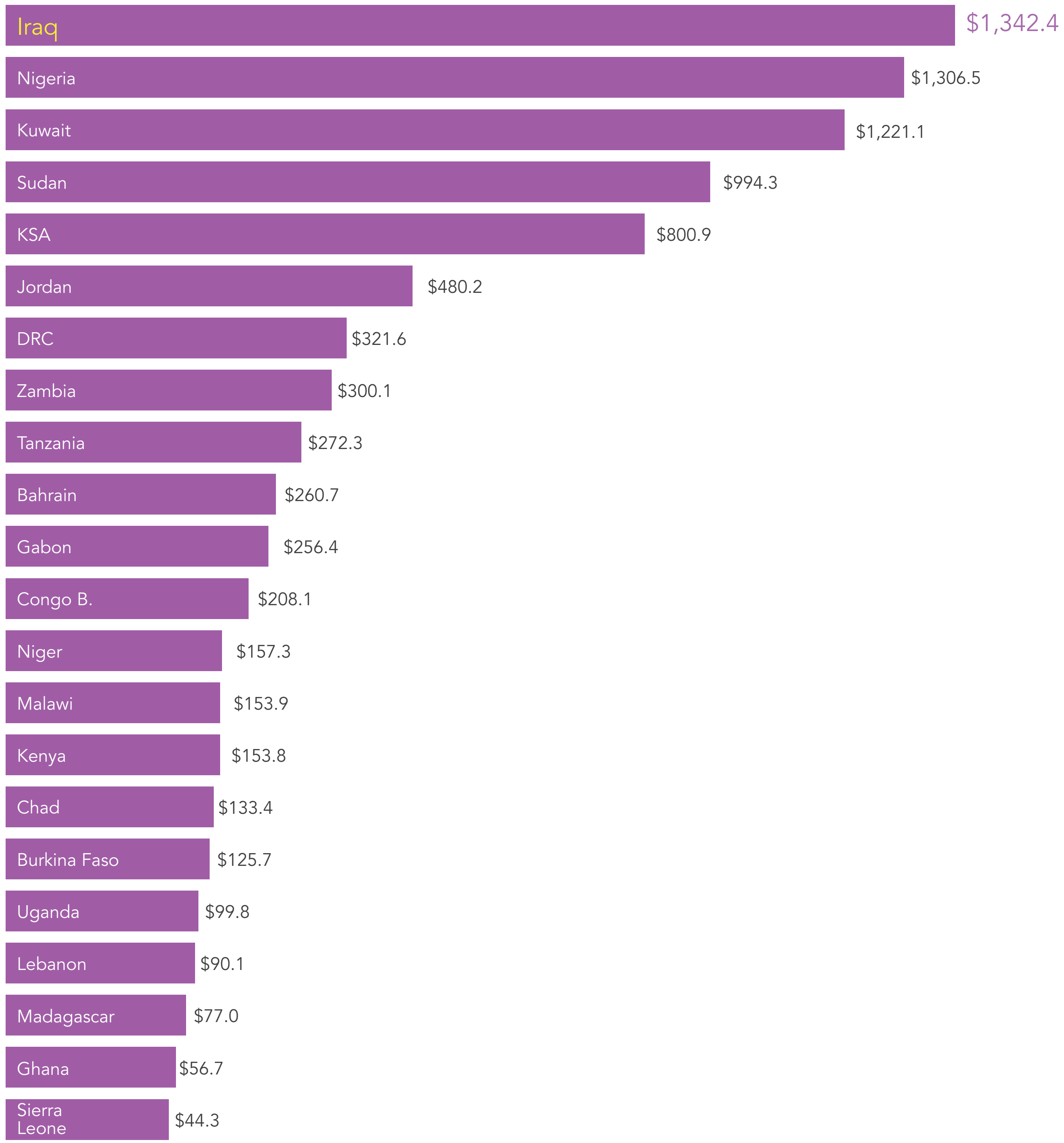
63,535

Active customers 2008 (000s)

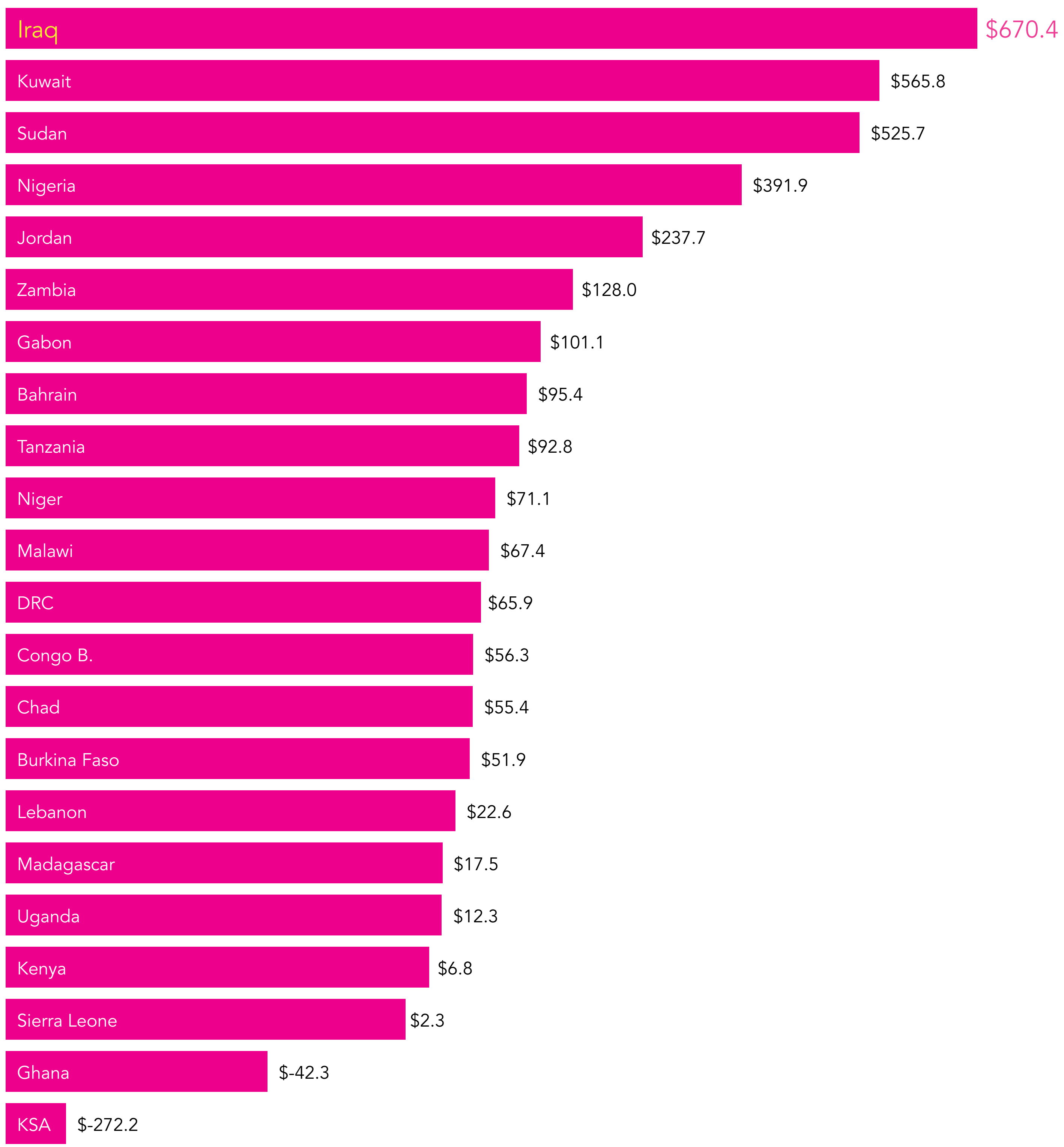
Customers (000)



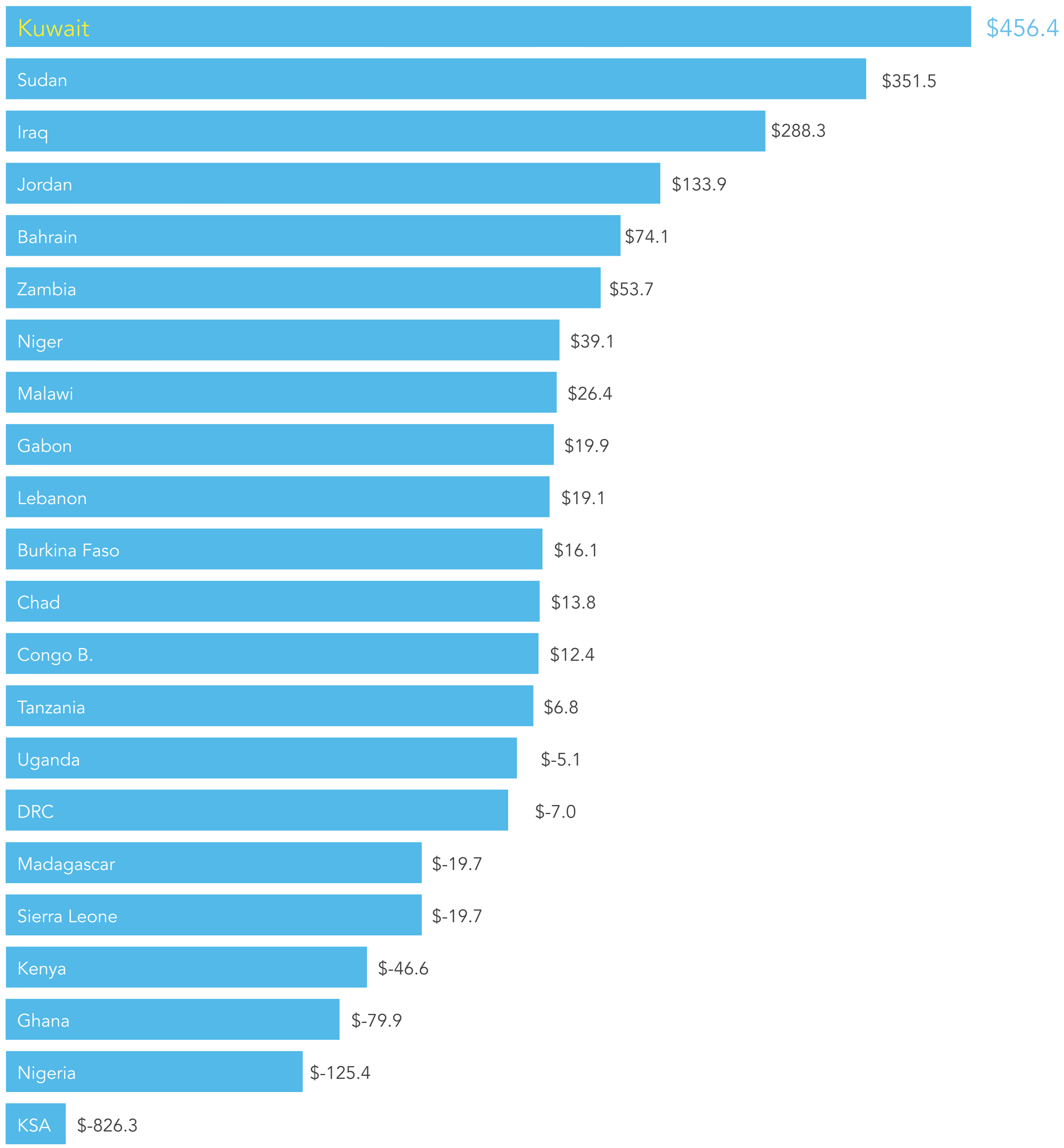
Revenues (in million dollars)



EBITDA (in million dollars)

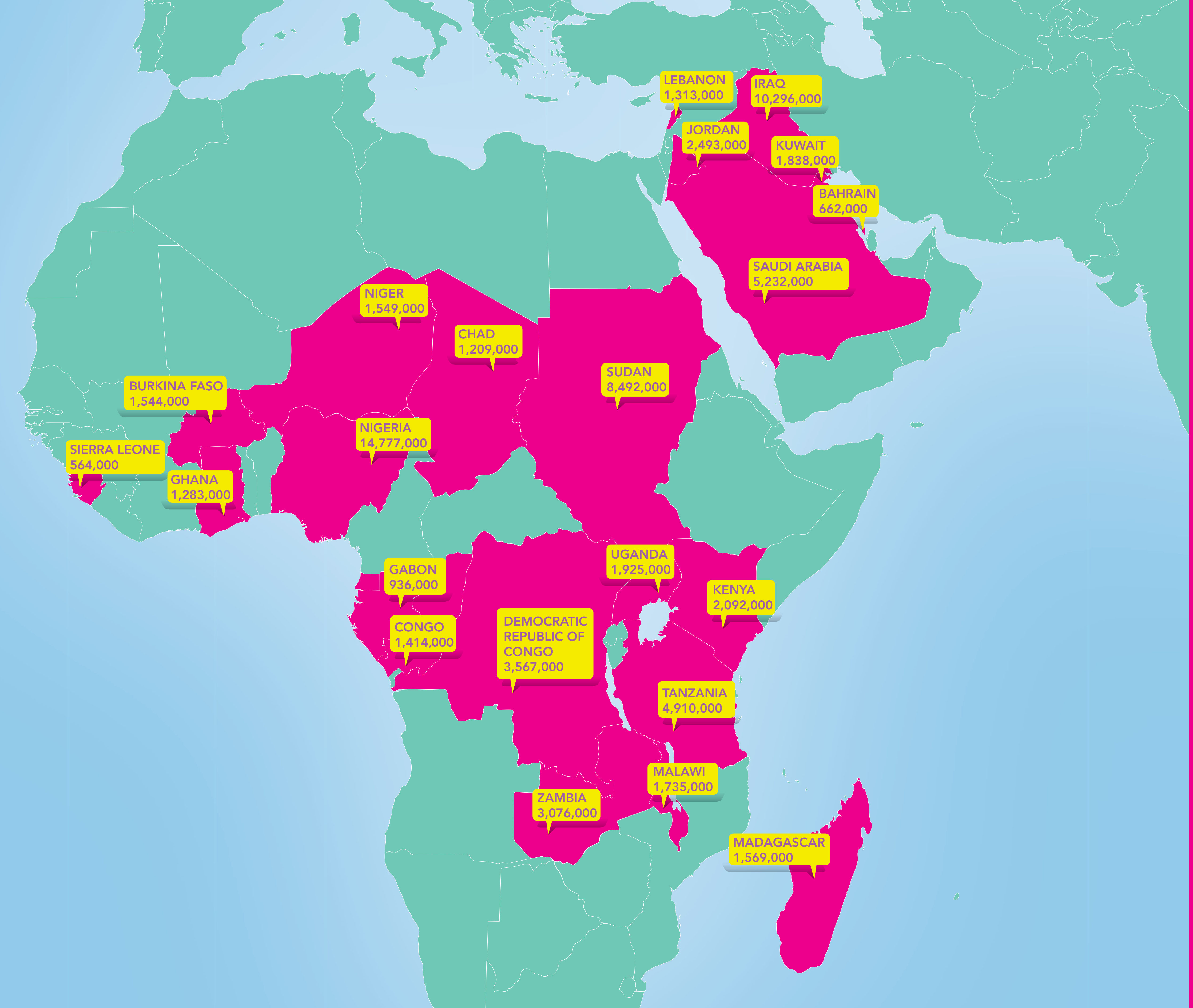


Net Profit (in million dollars)



Over 72.4 million customers in 23* countries

The numbers show active customers year-end 2009



*Inclusive of Morocco which launched GSM operations in Q1 2010

The Group's flagship operation was established in 1983 and made history in 1994 by becoming the first telecom operator to launch a commercial GSM service in the region.

Beginning Q1 2009, Zain Kuwait faced increased competition with the aggressive entry of a new competitor in addition to another market incumbent. At the same time, the removal of tariffs on calls received from landlines had a sizeable impact on Kuwait's mobile operators in 2009. In spite of these challenges, Zain Kuwait commanded a dominant 49% market share and more significantly captured an estimated 63% of total market revenues.

2009 witnessed the launch of several innovative services such as Zain Create content portal and the MiFi wireless router to enhance VAS revenues, boost the consumer segment and provide it with better flexibility and value. Zain also successfully locked-in customers through loyalty and retention programs aimed at rewarding customers and promoting their mobile usage. Zain also optimized its network performance through its 1,664 sites by year end, with a geographical coverage at 98% for 2G and 95% for 3G, and 99% population coverage.

Part of "One Network"
*Data only

Year of launch 1983

Ownership 100%

Market positioning 1

Customer market share 49%

ARPU ($) 55

Population (000s) 3,480

Customers (000s) 1,838

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,838	1,769	4%
Revenues (USD m)	1,221.1	1,415.8	(13%)
EBITDA (USD m)	565.8	720.5	(18%)
EBITDA margin	46%	51%	-
Net Income (USD m)	456.4	638.0	(23%)

In February 2006, Zain acquired the remaining 61% stake of Mobitel, Sudan's first mobile operator, in a deal valued at US$ 1.332 billion, resulting in 100% ownership. The company was rebranded to Zain in September 2007 and subsequently renewed its license in Sudan for a period of 20 years.

Today, Zain is the leading mobile provider in Sudan with a commanding 60% market share. Zain recorded a stellar performance in 2009, with substantial growth across all financial and operational indicators in spite of the local currency weakening against the US dollar. Zain operated a successful marketing and sales campaign during the year, introducing popular packages and new branded Zain outlets. The resulting increase in customer satisfaction has put Zain at the forefront of the market with both the highest customer acquisition share and the lowest churn among all competitors.

Zain Sudan's healthy results also stemmed from its ongoing network rollout, extending coverage to 84% of the population (35% geographically) through 1,729 sites, while optimizing its network capital and operating costs to achieve substantial savings and improved operating margins. The relatively low network coverage promises considerable potential for growth in the Sudanese market.

Part of "One Network"

Year of full acquisition 2006

Ownership 100%

Market positioning 1

Customer market share 60%

ARPU ($) 12

Population (000s) 40,797

Customers (000s) 8,493

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	8,493	5,190	64%
Revenues (USD m)	994.3	870.3	14%
EBITDA (USD m)	525.7	408.3	29%
EBITDA margin	53%	47%	-
Net Income (USD m)	351.5	278.5	26%

Iraq
Operations Snapshot

Zain has been providing mobile services in Iraq since December 2003. After securing a 15-year license in August 2007, Zain acquired Iraqna's network, becoming the largest mobile operator in Iraq. The Zain Group subsequently increased its ownership from 30% to 72% to assume majority control in 2008. The operation's 2009 results are thus reflected in the consolidated group total.

2009 saw several major government contracts with various international oil companies that will further boost the image of Iraq's economy and its potential as an area for future private Foreign Direct Investment (FDI). The security environment in Iraq has also shown some important signs of improvement during 2009. This will reduce the country's risk profile and drive economic growth.

By December 2009, Zain Iraq had built a strong customer base of 10.3 million customers representing 53% of the Iraqi market through a concerted focus on improving network quality and churn management. Growth was hampered by network rollout delays in Kurdistan, due to pending local government approvals. Zain covers 99% of the remaining population coverage, adding 380 sites in 2009, and successfully unifying the ex-Iraqna network with its core network elements.

Part of "One Network"

Year of launch 2003

Ownership 71.67%	ARPU ($) 11
Market positioning 1	Population (000s) 30,419
Customer market share 53%	Customers (000s) 10,296

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	10,296	9,681	6%
Revenues (USD m)	1,342.4	1,295.4	4%
EBITDA (USD m)	670.4	564.4	19%
EBITDA margin	50%	44%	-
Net Income (USD m)	288.3	220.0	31%

Jordan
Operations Snapshot

In 1994, Zain in Jordan, formerly Fastlink, revolutionized the telecom sector in the Kingdom by being the first to introduce mobile services in the country. In 2003, it was the first to join what is now the Zain Group's Middle East portfolio and despite the tough competition in this liberalized market, it continues to be the foremost telecom operator in the country.

In 2009, Zain strengthened its control of market share with strong acquisition activities, most notably in the governorates where Zain introduced the Muhafazat offer, providing home zone billing for customers, as well as a slew of customized packages of promotions and benefits targeting youth, the army, and expatriate segments. In 2009, 85 new sites were rolled out bringing the total of on-air sites to 1,458 by end of the year, covering 67% of the Kingdom geographically and 98% of the Jordanian population.

The Jordanian telecom market was not spared by the global financial crisis, experiencing high inflation and strain on local disposable income and lending. This in turn led to lower consumer spending as reflected in the declining ARPUs.

Part of "One Network"

Year of acquisition 2003

Ownership 96.52%	ARPU ($) 15
Market positioning 1	Population (000s) 6,362
Customer market share 44%	Customers (000s) 2,493

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	2,493	2,345	6%
Revenues (USD m)	480.2	484.9	(1%)
EBITDA (USD m)	237.7	223.2	6%
EBITDA margin	50%	46%	-
Net Income (USD m)	133.9	128.5	4%

Bahrain
Operations Snapshot

Zain started operations in the Kingdom in December 2003 as MTC-Vodafone. Since its historic introduction of 3.5G, WIMAX and 'One Network', Zain has tapped into a rich seam of telecommunication records, placing itself and Bahrain firmly on the global telecoms map. Zain's network covers 100% of the Bahraini population for both 2G and 3G services.

Zain achieved a milestone by capturing half of the customers in Bahrain's duopoly market during 2009 despite being the second entrant. A new entrant is expected to intensify the competitive environment with its launch of commercial operations in Q1-2010. Zain planned an aggressive acquisition of youth and the untapped vocational segments by introducing attractive packages aimed to stimulate customer usage. Zain Bahrain also implemented cost optimization initiatives focused on improving operating margins through centralization and outsourcing, leveraging Zain Group's bargaining power with suppliers, and interconnect negotiations.

Zain also reaffirmed its commitment to the Bahraini youth by launching a local chapter of its Future University Network, a youth development entity made up of university students who invest in themselves, under Zain's guardianship, to feed their minds and sculpt their professional skills through teamwork, collaboration, training and practical field work. F.U.N. gives Bahraini students opportunities to develop projects and come up with innovative business ideas and test them against the real world.

Part of "One Network"

Year of launch 2003
Ownership 56.25%
Market positioning 2
Customer market share 49%
ARPU ($) 26
Population (000s) 1,130
Customers (000s) 662

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	662	686	(3%)
Revenues (USD m)	260.7	227.1	14%
EBITDA (USD m)	95.4	76.0	25%
EBITDA margin	37%	33%	-
Net Income (USD m)	74.1	56.9	30%

Zambia
Operations Snapshot

Zain's Zambia operation launched a digital GSM-900 network in December 1998. It was taken over by Zain following the Group's acquisition of Celtel in May 2005. The Zambian telecom market consists of three GSM players, including Zain.

Zain Zambia was no exception to the aftershocks of the financial doldrums, which have seen the economy shrink by an estimated 2 percentage points in real terms and this has been reflected in the challenges that Zain has faced in 2009. However, against this background, revenues increased by 14% in local currency, while operationally Zain Zambia closed 2009 with two major milestones: achieving 3 million customers and being voted no.1 in Customer Care in Zambia.

The liberalization of the International Gateway is close to completion and the only missing chain is the price that has to be set by the Government.

Year of launch 1998
Ownership 78.88%
Market positioning 1
Customer market share 69%
ARPU ($) 8
Population (000s) 12,511
Customers (000s) 3,076

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	3,076	2,669	15%
Revenues (USD m)	300.1	353.8	(15%)
EBITDA (USD m)	128.0	168.8	(24%)
EBITDA margin	43%	48%	-
Net Income (USD m)	53.7	73.5	(27%)

In October 2001, Zain was the first mobile operator to start operations in Niger. Since its launch, Zain has evolved to remain dominant in the Niger telecoms market, which today hosts five mobile operators.

In spite of the competitors' aggressive promotional offers, Zain still leads the Niger mobile market with 67% market share. Overall, Zain enjoyed a good 2009 performance in view of market realities and intra-competition forces. From a regulatory standpoint, Zain Niger was granted a new deadline of February 2010, to undergo the identification exercise of its customers. In addition, the end of tax exemption by 2009 will have a negative impact on 2010 EBITDA and Net Profit.

Part of "One Network"

Year of launch 2001

Ownership 90%

Market positioning 1

Customer market share 67%

ARPU ($) 10

Population (000s) 15,539

Customers (000s) 1,549

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,549	1,111	39%
Revenues (USD m)	157.3	129.2	22%
EBITDA (USD m)	71.1	59.0	21%
EBITDA margin	45%	46%	-
Net Income (USD m)	39.1	35.9	9%

Zain was granted a 15-year GSM license in February 1999 and launched services in Malawi in the same year as the second mobile operator. It soon overtook the competitor and became the undisputed market leader, a position it still holds with a market share of 72%.

Zain Malawi managed to sustain its profitability level by year-end 2009 despite a shortage in hard currency and the devaluation of the Kwacha versus the US Dollar. On the competitive front, a potential competitor failed to begin operations before the January 20, 2010 deadline, and the Malawi Communications Regulatory Authority (MACRA) is yet to decide whether the license should be revoked or not. In Q4, 12 new sites were commissioned, bringing the total sites on air to 324.

Part of "One Network"

Year of launch 1999

Ownership 100%

Market positioning 1

Customer market share 72%

ARPU ($) 8

Population (000s) 14,856

Customers (000s) 1,735

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,735	1,270	37%
Revenues (USD m)	153.9	127.5	21%
EBITDA (USD m)	67.4	54.2	24%
EBITDA margin	44%	43%	-
Net Income (USD m)	26.4	26.3	(0.38%)

Gabon
Operations Snapshot

Since its first live test in Gabon in April 2000, Zain has never relented in its efforts to dominate the mobile industry in Gabon. From second position with a 29% market share, Zain has become the market leader in just four years after launch, a position it still holds with a market share of 62%.

In the face of stiffer competition with a new entrant in the market, Zain is strategically poised to create more value to its customers. With extensive network that covers 85% of the population, Zain has come a long way to offer invaluable services to help boost acquisition and share of wallet.

On a macro level, the Gabonese market was not an exception to the impact of the financial crisis, causing strain on local disposable income, and customers' airtime usage as a result.

Part of "One Network"

Year of launch 2000
Ownership 90%
Market positioning 1
Customer market share 62%
ARPU ($) 25
Population (000s) 1,380
Customers (000s) 936

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	936	809	16%
Revenues (USD m)	256.4	272.7	(6%)
EBITDA (USD m)	101.0	122.0	(17%)
EBITDA margin	39%	45%	-
Net Income (USD m)	19.9	43.0	(54%)

Burkina Faso
Operations Snapshot

Established under the name Celtel Burkina Faso, the company launched the country's second mobile service in January 2001. Today, Zain is the undisputed market leader with a 51% share.

Zain has maintained a lead position in the market despite competitors' aggressive strategy in offering frequent refill bonuses to boost customer satisfaction and grow market share. Zain's network in Burkina Faso is wholly digital and has GSM coverage of almost 100% of the population and nationwide GPRS. On the regulatory front, the new regulator has recently adjusted the interconnection fee to 30 FCFA (US$ 0.06) down from 50 FCFA (US$ 0.08) which came into force as of October 1, 2009.

Part of "One Network"

Year of launch 2001
Ownership 100%
Market positioning 1
Customer market share 51%
ARPU ($) 7
Population (000s) 15,881
Customers (000s) 1,544

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,544	1,307	18%
Revenues (USD m)	125.7	128.6	(2%)
EBITDA (USD m)	51.9	53.4	(3%)
EBITDA margin	41%	42%	-
Net Income (USD m)	16.1	20.9	(23%)

Despite starting operations in Tanzania as the fifth entrant in November 2001, Zain has steadily grown and gained market share to become the country's leading mobile operator.

Zain has maintained its leadership position in the market despite nominal revenue growth in 2009 which was in line with most major industries in Tanzania. Being the first mobile operator to connect to Seacom, undersea fiber optic cable, Zain witnessed a steady improvement in the quality and speed of its data service matched by a solid demand. On the commercial front, Zain pioneered new services throughout 2009 with the launch of 3G in Dar es Salam, Rewardz and ZAP– the much anticipated mobile commerce platform.

Part of "One Network"

Year of launch 2001
Ownership 60%
Market positioning 1
Customer market share 39%
ARPU ($) 5
Population (000s) 43,036
Customers (000s) 4,910

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	4,910	3,862	27%
Revenues (USD m)	272.3	327.8	(17%)
EBITDA (USD m)	92.8	136.6	(32%)
EBITDA margin	34%	42%	-
Net Income (USD m)	6.8	43.7	84%

Tanzania Operations Snapshot

Zain was the first mobile operator in Chad, starting operations in October 2000, and is totally owned by the Group.

Since its launch, Zain had remained a pioneer in the Chadian telecom industry in terms of network coverage, distribution, market share and brand equity.

In 2009, Zain maintained a lead position with a 65% market share – a decrease of 5 percentage points compared to Q3-09, mainly due to the competitors' aggressive price promotions. On the upside, Zain's outstanding performance was underpinned to a great extent by the re-launch of the key activities (PSB tariff, EVD, prepaid bundle offers) rolled-out to continue extending coverage in key strategic areas. On the regulatory front, Zain Chad managed to renew its license on September 25th for an additional period of 10 years.

Part of "One Network"

Year of launch 2000
Ownership 100%
Market positioning 1
Customer market share 65%
ARPU ($) 9
Population (000s) 11,558
Customers (000s) 1,209

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,209	1,035	17%
Revenues (USD m)	133.4	124.0	8%
EBITDA (USD m)	55.4	47.9	16%
EBITDA margin	42%	39%	-
Net Income (USD m)	13.8	7.8	77%

Chad Operations Snapshot

Republic of the Congo
Operations Snapshot

After acquiring its Republic of the Congo (Brazzaville) GSM license in 1998, Zain launched its network in December 1999.

With competition on the rise, Zain is still the leading operator in terms of subscriber growth, new services, new technology and market share.

As the Congo Brazzaville mobile telecom market nears saturation, Zain's market share continues to suffer, mainly from the competition's aggressive airtime bonus promotions, while trying to avoid a value-destroying price war. As a result, Zain registered a high churn rate in particular during the last quarter of 2009. By end of 2009, Zain had 341 sites on air covering 87% of the population.

Part of "One Network"

Year of launch 1999

Ownership 90% | ARPU ($) 12

Market positioning 1 | Population (000s) 3,971

Customer market share 51% | Customers (000s) 1,414

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,414	1,321	7%
Revenues (USD m)	208.1	228.1	(9%)
EBITDA (USD m)	56.3	84.6	(33%)
EBITDA margin	27%	37%	-
Net Income (USD m)	12.4	43.6	(72%)

Uganda
Operations Snapshot

Zain's Uganda operation was established in 1995 and was the first GSM mobile network operator to launch in sub-Saharan Africa.

Hosting four mobile operators, Uganda is a highly competitive market with a very low ARPU.

Zain continues to weather the storm of lower domestic revenues and aggressive competitors' activities by rolling-out campaigns tailored to increase share of wallet through ARPU stimulation. With competition on the rise, Zain will be launching 3G services in Q1-2010. In addition, the Uganda Communications Commission will apply a 15% decrease on termination rates as of January 1, 2010.

Part of "One Network"

Year of launch 1995

Ownership 100% | ARPU ($) 4

Market positioning 2 | Population (000s) 33,531

Customer market share 35% | Customers (000s) 1,925

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,925	2,078	(7%)
Revenues (USD m)	99.8	137.2	(27%)
EBITDA (USD m)	12.3	30.4	(60%)
EBITDA margin	12%	22%	-
Net Income (USD m)	(5.1)	(22.4)	(77%)

Democratic Republic of Congo
Operations Snapshot

Zain started commercial services in the Democratic Republic of Congo (DRC) in December 2000 in Kinshasa, the capital, before extending its coverage progressively to reach 47% of the population.

Being the first mobile network to launch in DRC, Zain has managed to distinguish itself as the market leader with a 45% market share.

The socio-economic landscape remains challenging as the recession still affects the eastern part of DRC, in particular Kinshasa and Katanga – Zain's major source for revenue share. Zain's market share has been sliding since its peak in H1-09 (47%) primarily due to the customer identification process and tough competition. Nonetheless, it still closed the year with a 45% share, retaining the top spot in the market. In addition, sluggish growth was exacerbated by high inflation (53% annualized) and currency depreciation causing a strain on airtime usage.

Part of "One Network"

Year of launch 2000
Ownership 98.5%
Market positioning 1
Customer market share 45%
ARPU ($) 7.7
Population (000s) 67,983
Customers (000s) 3,567

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	3,567	3,303	8%
Revenues (USD m)	321.6	381.2	(16%)
EBITDA (USD m)	65.9	85.6	(23%)
EBITDA margin	20%	22%	-
Net Income (USD m)	(7.0)	(1.0)	(800%)

Sierra Leone
Operations Snapshot

Zain launched commercial operations in Sierra Leone in September 2000 as the first mobile operator in the country. Zain is renowned for the active part it played in assisting both the Government and the British Military with communication services across the country, in a bid to end the civil conflict.

The telecom market in Sierra Leone is highly competitive and currently hosts five mobile operators.

Zain Sierra Leone has maintained a lead position with 46% market share despite tough competition in Q4-09. Zain's performance was rocked sharply by the aftershocks of the global financial crisis and the devaluation of the Leone currency versus the US Dollar (over 30% in 2009). On the regulatory front, the National Telecommunications Commission (NATCOM) introduced SIM card registration, effective 1st December 09 as well as a proposition for all operators to start charging in local currency starting from 29th of December, 2009.

Part of "One Network"

Year of launch 2000
Ownership 100%
Market positioning 1
Customer market share 46%
ARPU ($) 7
Population (000s) 6,125
Customers (000s) 564

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	564	461	22%
Revenues (USD m)	44.3	48.1	(8%)
EBITDA (USD m)	2.3	9.1	(75%)
EBITDA margin	5%	19%	-
Net Income (USD m)	(19.7)	(1.6)	(1131%)

Madagascar Operations Snapshot

Madacom launched its GSM services on November 27, 1997, as the first operator. In 2005, it joined the Zain Group's African portfolio and is today considered one of the most innovative operators in a market that hosts two other operators.

Despite the adverse conditions of the macro-economic landscape and growing political instability, Zain closed the year as the market leader for the first time with a 40% share. On the commercial front, several initiatives were launched to increase usage in low-traffic sites, including Zain'ena (a modular tariff), Rewardz and Location Based Charging (LBS). By end of 2009, Zain Madagascar covered more than 65% of the population with 365 sites on air.

Part of "One Network"

Year of acquisition 2005

Ownership 100% | ARPU ($) 5

Market positioning 1 | Population (000s) 21,034

Customer market share 40% | Customers (000s) 1,569

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,569	1,246	26%
Revenues (USD m)	77.0	82.5	(7%)
EBITDA (USD m)	17.5	13.6	29%
EBITDA margin	23%	16%	-
Net Income (USD m)	(19.7)	(19.4)	(2%)

Kenya Operations Snapshot

The Group acquired the Kenyan operation in May 2004. It was initially incorporated in November 1999 then launched in January 2000 after acquiring a 15-year GSM license for USD 15 million.

Hosting four mobile operators, Kenya is considered a highly competitive market with a very low ARPU. The network has grown drastically from 67 sites at the end of 2000 to a total of 991 sites by end of 2009.

Zain Kenya ended 2009 with a 14% market share, a decrease of 3 percentage points attributable to the aftershocks of the global recession and to competitors' aggressive pricing policies. On a commercial front, several key initiatives were put in place to drive acquisition, increase share of wallet and usage including Customer Value Development (CVD), Zap, Top-up promotion and the re-launch of Club 20.

Zain Kenya will undergo the process for SIM registration in Q1-2010 subsequent to the presidential directive issued in July 2009.

Part of "One Network"

Year of acquisition 2004

Ownership 95% | ARPU ($) 4

Market positioning 2 | Population (000s) 40,141

Customer market share 14% | Customers (000s) 2,092

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	2,092	3,079	(32%)
Revenues (USD m)	153.8	162.4	(5%)
EBITDA (USD m)	6.8	(24.6)	128%
EBITDA margin	4%	(15%)	-
Net Income (USD m)	(46.6)	(89.3)	48%

Ghana
Operations Snapshot

Zain launched commercial activities in Ghana on December 15, 2008 following its acquisition of a majority stake in Westel in 2007. It was the first telecom operator to introduce a state-of-the-art 3.5G network in the country.

With the stabilization of the economic landscape, the telecom market growth was modest in Q4-2009 compared to the third quarter of the same year. Zain ended 2009 with a 375% increase in its customer base compared to 2008, while its market share improved marginally. From a regulatory standpoint, the National Communications Authority (NCA) is imposing a mandatory SIM registration on all operators, effective June 30, 2010.

In its effort to consolidate coverage in the main economic centers of Ghana, Zain closed 2009 with a total of 408 sites on air.

Part of "One Network"

Year of acquisition 2007

Ownership 75%

Market positioning 4

Customer market share 9%

ARPU ($) 4

Population (000s) 24,655

Customers (000s) 1,283

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,283	270	375%
Revenues (USD m)	56.7	12.9	340%
EBITDA (USD m)	(42.3)	(28.8)	(47%)
EBITDA margin	(75%)	(223%)	-
Net Income (USD m)	(79.9)	(61.3)	(30%)

Nigeria
Operations Snapshot

Zain was the first operator to roll-out GSM services in Nigeria with a digital GSM-900 network activated in December 1998. Following the Zain Group's acquisition of stake in Celtel in 2006, the operation was rebranded to Zain in August 2008. The crowded market consists of three major players, including Zain, and four smaller ones.

Zain Nigeria closed the year with a 24% market share, a decrease of 2 percentage points attributed to a correction in the recognition of churned customers on the Zain Network. Despite the challenging economic landscape, Zain Nigeria focused its efforts on protecting market share, and investing in its core network to improve both capacity and coverage. Further to the Nigerian Communication Commission NCC's directive mandating SIM cards registration, Zain is putting in place the necessary measures to ensure smooth implementation of this initiative.

On the commercial front, several initiatives were carried out to drive customer acquisition, notably Zain StepUp, targeted at high ARPU customers, the Data and SME Offer as well as Zain Joli, a mass offer targeted to stimulate usage for low and non-revenue generating customers.

Part of "One Network"

Year of acquisition 2006

Ownership 65.7%

Market positioning 2

Customer market share 24%

ARPU ($) 7

Population (000s) 156,618

Customers (000s) 14,777

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	14,777	17,197	(14%)
Revenues (USD m)	1,306.5	1,635.3	(20%)
EBITDA (USD m)	391.9	585.2	(33%)
EBITDA margin	30%	36%	-
Net Income (USD m)	(125.4)	20.5	(712%)

Lebanon
Operations Snapshot

In June 2004, MTC won a 4-year management contract to operate one of Lebanon's two GSM networks. Rebranded to mtc touch, Zain has committed to developing the Lebanese operation to its maximum potential by establishing a world class service.

In January 2009, the Ministry of Telecommunications signed an annual renewal agreement with Zain. Due to the unpredictable political situation in Lebanon, the process of selling the two existing networks is still on hold. The disclosed revenues are those received by Zain from the management contract and do not reflect the revenues from commercial operations.

Year of management contract award 2004
Ownership Management Contract
Customer market share 56%
Population (000s) 4,206
Customers (000s) 1,313

Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	1,313	836	57%
Revenues (USD m)	90.1	68.7	31%
EBITDA (USD m)	22.6	13.6	55%
EBITDA margin	25%	20%	-
Net Income (USD m)	19.1	12.6	41%

Kingdom of Saudi Arabia
Operations Snapshot

Zain launched its commercial operations in the Kingdom of Saudi Arabia on August 26, 2008, a year after it was awarded its mobile license. The Group holds management control of the operation through its 25% ownership stake.

By the end of 2009, its full year of operation, Zain captured 18% share of the market with a total of 5.2 million active customers, an increase of 160% from the previous year.

During 2009, Zain launched a series of successful packages that locked-in customer loyalty and introduced a new level of innovation and value for money in the market. Most prominently, Zain made waves in the broadband market with its unique concept based on the Pay per Day offering. Zain's call centers also ranked number one in independent surveys in terms of customer service and quality.

Zain's strategy of rapid network deployment enabled it to cover 83% of the population in over 350 cities by year end and significantly reduce national roaming costs, which was evident in the fast improving operational margins. Funding for operational growth was secured when Zain received an enormous vote of confidence from the international financial community by closing a US$ 2.5 billion Murabaha financing facility. The company achieved break-even EBITDA milestone in the last two months of 2009 and is on track to become EBITDA positive during 2010.

Part of "One Network"

Year of launch 2008
Ownership 25%
Market positioning 3
Customer market share 18%
ARPU ($) 18
Population (000s) 28,962
Customers (000s) 5,232

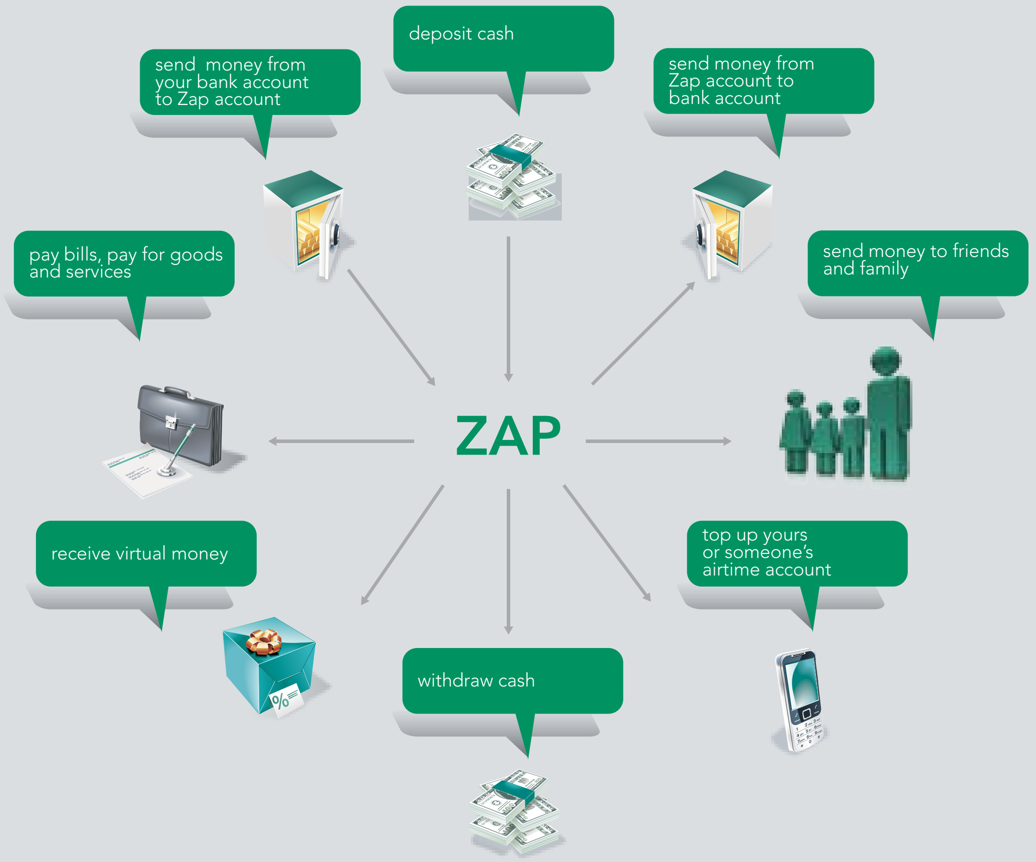
Operational & Financial Performance	2009	2008	YOY Growth
Customers (000s)	5,232	2,010	160%
Revenues (USD m)	800.9	134.5	531%
EBITDA (USD m)	(272.2)	(373.1)	26%
EBITDA margin	(34%)	(277%)	-
Net Income (USD m)	(826.3)	(536.0)	(54%)

2009 was a year of innovation. Zain launched Zap, its m-commerce service; it activated data roaming on the 'One Network' platform; it unveiled Zain Create Music and Games and was able to deliver BlackBerry service across its operations. The year's bundle of innovation was a perfect snapshot of the Zain ethos. Zap made life easier for millions of 'unbanked' Africans, while 'One Network' showed how its platform could cater to both Zap customers and data traffic. Zain Create Games showed that Zain understands the value of entertainment via the mobile handset, while rolling out the BlackBerry service once again demonstrated that Zain is in tune with the demands of the modern day mobile user, one who wants all communication tools at hand and on the go.

Zap: Reshaping the future of banking

On February 16, 2009 Zain commercially introduced its Mobile Commerce portfolio. Zap provides the most comprehensive and accessible package of Mobile Commerce features currently available in the World and is accessible to potentially over 100 million people in Kenya, Tanzania, and Uganda, many of whom are 'unbanked'.

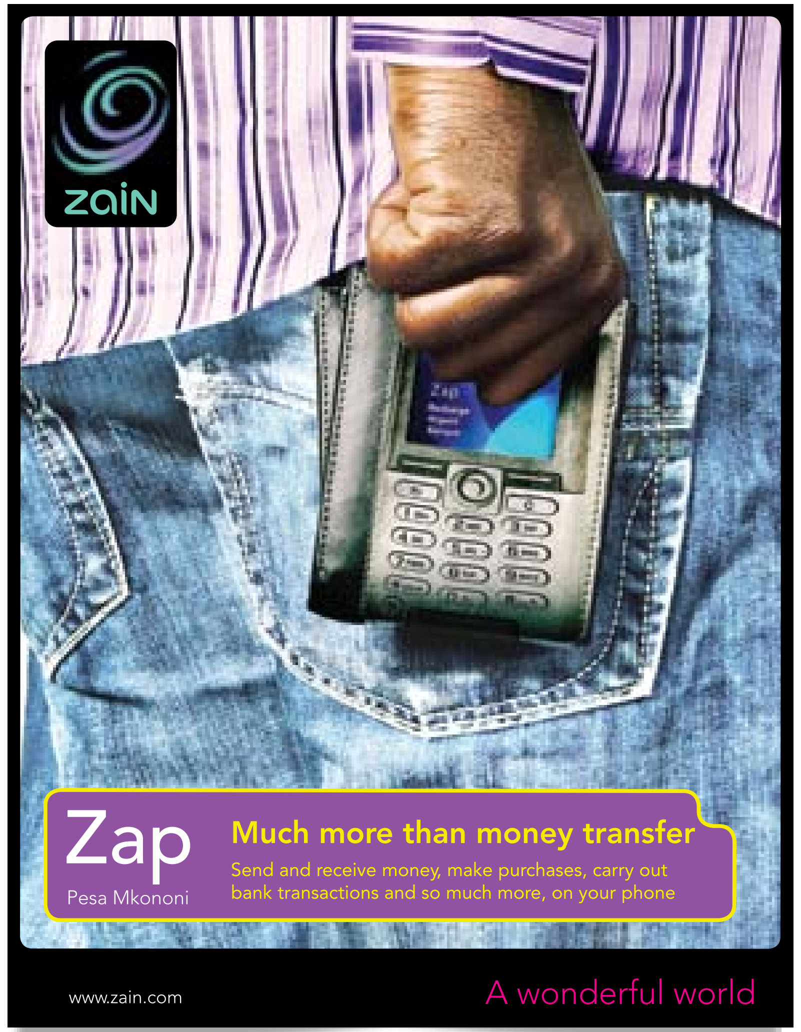
Zain partnered with leading international and regional banks, including Citibank and Standard Chartered Bank to introduce Zap, enabling customers to use their mobile phone to:



Zap also provides customers with increased security and flexibility, reducing the need to carry cash and ensuring payments between friends and family remain secure.

A password is needed for each transaction and the service is protected through a state-of-the-art security application. Customers will also benefit from being able to access the service 24/7 through their handset, allowing them to access their money anytime, anywhere. Zain customers can sign up for Zap services for free by completing an application form and submitting it to any one of the registered Zain agents in tens of thousands of villages, towns and cities in countries where Zap is available. Zain will then provide customers with a virtual mobile wallet, which allows them to use their mobile phone in much the same way as a bank account debit card and manage their money through their handset. The service is supported on all handsets including the ultra-low-cost handsets (ULCH) which Zain is successfully rolling out across the African continent.

In June, Zain and Western Union announced a partnership to deliver mobile money transfer services across Africa and the Middle East through the Zap platform. As a part of this partnership, Zain customers could receive money transfers from Western Union locations around the globe, either at a Western Union Agent location or directly into their Zap accounts.



The Benefits

Customers

Comprehensive one-stop shop experience
Convenient & easy to use access to money anywhere anytime
Secure more secure and flexible than cash
Affordable gives the unbanked access to banking services
Relevant we are responding to our customers needs

Micro finance institutions

Added coverage of their services to remote areas
Customer repayments made quick and easy

Retailers

New and easy payment methods
Enhanced cash management instruments

Service industries and utilities

Ability to get payments electronically from a significant portion of the overall population

On September 23, Zain announced a revolutionary enhancement to Zap, whereby customers could receive money swiftly and securely from any bank account in the world as well as send money easily to any bank in Kenya, Tanzania, and Uganda. This is the first time in the World that a mobile commerce account has been configured so users could receive funds from anywhere in the world directly to their Zap accounts.

In December, Zap was introduced in Malawi, Niger and Sierra Leone and it was announced that it would soon be commercialized in the rest of the African and Middle East operations following the necessary regulatory approvals.

The Zap service is also compatible with Zain's award winning 'One Network' platform, which allows all Zap customers to move freely across geographical borders and be treated as a local customer in any of the 22 'One Network' countries in terms of pricing. Furthermore, they retain home network service functionalities; they can access their Zap accounts, send/receive money and pay for goods and service exactly the same way as they can at home.

With more that 12 million customers fully enabled for the service across six African nations, Zap is the biggest Mobile Commerce service in the world in terms of geographical coverage, enabled customers and service functionalities. Zap is a testament to Zain's commitment to the economic development of the countries in which it operates. Zain is once again initiating change.

Zap is the winner of the inaugural GSMA's 2010 Mobile Money for the Unbanked Service Award.

'One Network': Revolutionizing Roaming

In September 2006, the company introduced 'One Network', the world's first borderless mobile phone network, which was later expanded in June and November 2007 in Africa and then to the Middle East in April 2008.

On August 1, 2008, 'One Network' linked both continents, offering a mobile, borderless network to Zain customers in Bahrain, Burkina Faso, Chad, Republic of Congo, Democratic Republic of Congo, Gabon, Ghana, Iraq, Jordan, Kenya, Malawi, Niger, Nigeria, Saudi Arabia, Sudan, Tanzania and Uganda. 'One Network' gives customers the opportunity to move freely across geographical borders, make calls at local rates, receive calls for free, being able to top up their phones with locally purchased recharge cards and retain home network service functionalities. In other words 'One Network' customers do not pay roaming surcharges when outside their home country and crossing into another Zain 'One Network' country. Reporting on the launch of 'One Network', the Economist declared that, "the Zain Group has, in effect, created a unified market of the kind that regulators can only dream about in Europe".

In May 2009, as a demonstration of its commitment to expand this revolutionary service in terms of geography and product offerings, this time by being the first mobile operator in the world to successfully introduce the innovative cross-border local GRX-based access (which is faster than traditional data roaming), Zain launched cross-border data services across the Middle East and East Africa across the award-winning 'One Network' service platform. Now, in addition to being able to move freely across geographic borders without roaming call surcharges, and without having to pay for incoming calls, all Zain customers, both pre-paid and post-paid, either in the Middle East or in East Africa, can easily and quickly access internet, email, MMS, BlackBerry service and other Zain portals. Initially launched separately across the Middle East and Africa, by the end of 2009 cross-continent connectivity was implemented and all 'One Network' countries joined the service.

For the first time, Zain welcomed customers in Kuwait to the 'One Network' platform, although for the time being they can only benefit from the new data service when crossing borders of other 'One Network' countries as other offerings, such as voice calls, are not yet available due to regulatory issues in Kuwait. Customers travelling to Kuwait from other countries in the Middle East and Africa will also only benefit from the data service.

In June 2009, 'One Network' expanded to Sierra Leone and in August, the service was rolled out in Madagascar. In November, in a strategic partnership with the Egyptian Mobinil, Zain customers could benefit from 'One Network' services when visiting Egypt while Mobinil's 24 million customers could hook up to 'One Network' when visiting selected Zain countries.

'One Network' has revolutionized the concept of roaming and is a milestone in Zain's bid to become a top 10 mobile company by 2011. 'One Network' is a manifestation of the benefits and synergies of having one brand and it is setting new standards in mobile technology and customer expectation. With 'One Network', Zain has demonstrated how the power of a single brand to make a difference to the way we live.

One Network, the world's first borderless network allows travelers while roaming to: receive calls for free, make calls at local rates, recharge with local cards, and access data and home network services

Zain Create: A Wonderful World of Digital Entertainment

Zain Create, Zain's entertainment experience, provides customers with a gateway to a vast world of entertainment they can preview and download onto mobile phones and laptops. Available in Bahrain, Iraq, Kuwait, Jordan, Lebanon, Saudi Arabia, and Sudan, Zain Create offers full-track audio and video downloads, pre-releases, video and audio streaming, in addition to java and online games.

Music is selected from local, regional and international artists through exclusive partnerships with major international labels such as Rotana.

Zain customers can register and use Zain Create via:

• Web Portal: www.create.zain.com

• Zain gadget: application to download on your PC/laptop

• Zain mobile: application to download on your mobile

• WAP portal: wap.create.zain.com

Customers can stream playlists and Rotana Satellite channels as well as download content onto a mobile handset or your PC up to five times with one purchase. Zain Create also offers celebrity and entertainment news.

Zain Create is yet another exciting initiative that allows customers to express their lifestyle via their mobile phone and be part of Zain's 'wonderful world'. In 2010, Zain Create will be rolled-out across the African operations with more content on the way.

Zain Create Games: Mobile gaming fun for Zain customers

November saw the launch of Zain Create Games in Bahrain. The introduction of the branded WAP games portal was followed by a similar launch in Jordan, a month later.

Zain Create WAP customers can either visit games.zain.com through their mobile phones and play any game they choose, or send 'Games' to a short code and download the game of their choice to their mobile phone.

The games include Pro Evolution Soccer, 2012 Apocalypse, Call of Duty, Guitar Hero, Ice age 3, Quantum of Solcae, Tony Halk and many more. In 2010 Zain plans to roll out the games portal to all markets and include online, multiplayer and cross platform games.

BlackBerry®: Across two continents

In giving a whole new meaning to the concept of mobile connectivity, Zain has successfully rolled-out the BlackBerry service across its operations.

In 2009, the service was introduced in Lebanon, Niger, Burkina Faso, Chad, Ghana, Malawi, Sierra Leone and Saudi Arabia. Because of its unlimited access to Instant Messaging (IM), social networking services, internet browsing and applications, the BlackBerry has been widely embraced by the youth segment, a trend that inspired Zain to launch the prepaid BlackBerry in Jordan, Nigeria, Zambia, Ghana and Malawi.

Zain BlackBerry users increased by 500% on 2008, while Zain is number one in most of its markets in terms of BlackBerry users and the first to launch the service.

In 2010, Zain will continue to roll out prepaid BlackBerry services in the rest of its markets as well as introduce a Zain BlackBerry application portal. Zain will also, in partnership with local partners, develop BlackBerry-based applications tailored to the corporate sector.

The Zain Group Networks is committed to supporting all operations and stakeholders by providing customers with a continuously improved network in terms of quality and service. The Group Networks' mission is to introduce to all operations exceptional and, commercially viable network services and technologies across the divisions and our network partners. The Zain Group Networks is divided into three main entities running under the Group Chief Technical Officer (CTO) office. They are Strategy and Support, Network Management, and Facilities Management.

The Network Management technical team is responsible for the design, planning and support of the active components of the network, vendor management, contracts negotiation and overall active components, CAPEX budgeting and assisting in OPEX budgeting.

The Facilities Management team supports the passive components of the networks. This includes planning, design, roll-out supervision, vendor management and overall CAPEX management.

The Strategy and Support mission is to develop and maintain strong network strategic initiatives, such as 'Drive11', long-term outsourcing and the technology roadmap, as well as providing professional and high level support to all Group Network members and preserving a sociable and open culture within the team.

Zain Group Networks adopts a centralized planning, budgeting and operational support model through account management.

This model seeks to boost the efficiency of the Group Networks (GNW) mission by centralizing planning and recommendations and centralizing RfP/PO (Request for Proposal/Purchase Order) management, and, as a result, contributes to significant savings.

STRATEGIC INITIATIVES AND ACHIEVEMENTS

Drive11

By 2011, in alignment with its ACE strategy, Zain's aspiration is to become one of the top 10 global mobile operators, reach $6 billion EBITDA and exceed 150 million customers. 'Drive11' is a Group-wide program, corresponding to the C – Consolidation – thrust of ACE strategy (Accelerate, Consolidate, and Expand). It was launched in late 2008 to consolidate Zain strengths and maximize efficiency towards achieving Zain's aspiration.

Group Networks (GNW) contribution to 'Drive11' is summarized in the following major initiatives:

OPEX Savings Optimizing OPEX across the organization was the focus of 'Drive11' in 2009, and since Networks makes up the biggest part of OPEX, optimization was at the cornerstone of everything that was done. As part of 'Drive 11', Group Networks together with all operations, identified the key levers of OPEX savings. With focus on the key levers, the organization managed to increase network OPEX efficiency in 2009, through a group-wide unprecedented collaborative planning and execution and a number of ongoing initiatives which will bring additional efficiency in the coming years.

Outsourcing Through its approximately 20% net cost reduction, vendor-specific levers implementations and quality deficit enhancements due to an extensive operational model, outsourcing is proving to be the most viable solution for running a successful operation. On August 1, 2009, the first successful outsourcing project took place in Nigeria, with the second involving the three East African operations of Uganda, Kenya, and Tanzania on November 17, 2009.

Strategies adopted to undertake outsourcing were: 1) full network outsourcing without CAPEX to maximize value capture, while keeping strategic planning in-house 2) multi vendor selection to strike a balance between negotiation power and complexity and 3) opting for multiple-cluster outsourcing approach to balance between short-term and long-term impact.

Technology Roadmap

To help make wiser investment decisions, leverage investments, identify technology potentials and gaps and further build a reference framework through developing a consensus around a set of technological requirements, a technology roadmap was developed, accommodating requirements of all relevant telecommunications streams.

The technology roadmap defines a group-wide technical strategy, centered around ACE, for the next three to five years, for all Zain operations. It is aligned with existing and future operational needs and strategies and influenced by the dynamics of the global market behavior, while maintaining the peculiarity of the individual operation's stipulation and strategies. It also identifies alternative technologies for meeting certain objectives.

SUCCESS STORIES

LTE in Bahrain

Zain Bahrain signed the first commercial agreement for Long Term Evolution (LTE) in the Middle East and North Africa (MENA region) in October 2009. Zain Bahrain customers can now enjoy high speed data downloads and an enhanced experience, thanks to its transition to an all-IP, flat network through the introduction of Internet High Speed Packet Access (I-HSPA) and the Middle East and North Africa Region's first Long Term Evolution (LTE) technology. There also will be a dramatic improvement in coverage throughout the Kingdom, where ongoing infrastructure development necessitates parallel development of the mobile network.

Additionally, with Bahrain part of Zain's One Network, Zain customers visiting Bahrain will benefit from this improved technology and faster access speeds with no additional roaming fees.

The Long Term Evolution (LTE) technology was demonstrated during the Bahrain launch announcement in October 2009

Zain Technology Conference

On October 13, 2009, Zain inaugurated its first Technology Conference, held over three days at the Bahrain Ritz Carlton Hotel. The aim of the event was to review all Zain's partners' latest technology roadmaps, discuss the possibility of including new technologies in 2010 networks plans, design and discuss possible group synergies and centralize solutions for operational efficiency. It was also an opportunity for the Zain family to network with key partners such as Ericsson, Huawei, Nokia Siemens Networks, Juniper, Motorola, Qualcomm, Alcatel-Lucent, Cisco, Tango and ZTE.

The first day saw presentations by Zain Group CTO, Khalid Al Omar, and other senior executives, while the remaining two days were given over to partners and their latest technologies. The conference structure was divided into five parallel technology tracks: core networks, transmission, radio networks, value added services and intelligent networks.

Nokia Siemens Networks took a practical approach on how to enrich customer experience, while increasing operational efficiency by sharing its strategy and technology roadmaps and showcasing interactive end-user services, including a live LTE demo in the popular Experience Lounge.

Huawei demonstrated the full range of the customized solutions, covering wireless, core network, application and service, as well as the terminals, and explored, along with Zain, the future technology evolution roadmap of mobile broadband to LTE, and how Huawei could match the ACE strategy of Zain to enhance its sustainable competitive advantage.

Ericsson presented the next generation of charging systems and showed how a core network can evolve from today's Multi Service Network into a shared processor blade cluster solution. Its radio presentation focused on how radio networks will evolve into a multi-standard soft radio environment, built for future needs in voice and mobile broadband with an accent on Zain's current networks.

The Zain Technology Conference was keenly attended by key network partners

Zain Green Power Solutions

Zain's geographical footprint in emerging markets, with an important number of non-electrified rural sites, increases the need for the deployment of cost effective power solutions and helps us in our goal to bring communication to all people.

Wind and Solar In 2009, the Zain Group, through careful vendor selection and multiple trials, has brought considerable awareness knowledge about Green Power to our operations.

In Madagascar, Zain successfully implemented wind power solutions and is planning further deployment going forward, while solar trials are ongoing in The Republic of Congo (Brazzaville). Finally, Zain, in collaboration with the GSMA, launched a feasibility study in Tanzania and Uganda to assess potential implementation and savings.

Diesel Battery Hybrid Solution The Hybrid Solution utilizes energy stored in batteries to power sites for an extended period of time, while the generator remains on standby mode and is run only when required. Zain has deployed Hybrid Solutions across its network to reduce fuel consumption costs on Off Grid Sites, achieving a 30% to 70% saving in fuel cost.

Zain Nigeria is currently planning to deploy Diesel Battery Hybrid Solutions across its network.

Aspirations

Zain seeks to embrace the latest technology, not for the sake of being the first, but to serve our customers efficiently and provide them with the appropriate and most up-to-date communication services and products.

In the midst of enormous telecommunication developments, and under the stress of the global economic challenges, we have demonstrated that we can meet and even exceed our customers' expectations by never compromising on quality. Our ultimate goal is to be a brand that sticks in the hearts and minds of our valued customers who see Zain as an essential partner in their daily lives. Providing a range of sophisticated and quality proven services will be the mark that distinguishes Zain from others in the global dynamic market.

2009 saw Zain robustly support high-profile global events, unveil new and exciting concepts and fly its corporate flag at the major telecom gatherings; all this being part of its bid to be a top ten global mobile company by 2011. In doing so, Zain has constantly redefined what it means to be a telecommunication company, offering exciting services, supporting noble initiatives, empowering the young and helping communities in which it operates. All these initiatives are powerful testimonies to Zain's commitment to the advancement of humanity.

Sketches of Spain:
The Zain House at the Mobile World Congress in Barcelona

February 16-19, Zain attended the Mobile World Congress in Barcelona. This was the second consecutive year that Zain had attended the high-profile event, this time with a more ambitious, sophisticated and successful showing.

As in 2008, the center-piece of the Zain roadshow was the Zain house, set in the beautiful and historic village of Poble Espanyol, overlooking the main city. Zain's home-away-from-home, it was designed to reinforce the brand's presence in Barcelona and reaffirm the company's status as a dynamic global telecom player.

Of course, creating a contemporary, engaging and hospitable environment was only part of the mission. The Zain House was also a focal point for serious business activity: meetings were held, strategies were discussed, deals were struck. The Zain House was also the venue from where Zap, Zain's mobile commerce service, was formally launched.

Retail therapy:
Zain unveils Flagship Store in Bahrain

On March 19, 2009 Zain unveiled its 350-square meter Flagship Store in Bahrain. Interactive, informative and entertaining, and utilizing the latest in digital technology, it was designed to change the way we shop for telecom goods. It is a living, breathing, dynamic piece of technology that allows customers to see both their own world and Zain's world.

The store was designed by London-based agency, whose brief was to emphasize on customization, to associate Zain with empowering customers to make their phones individual, crazy and wonderful, using everything from decals to crystals and diamonds. Interactive touch screens throughout the store allow customers to explore, play and discover, as well as download music, ringtones and videos to make their phone equally exciting on the inside.

Much of the store's ceiling work is exposed, creating a juxtaposition of exposed beams and a high-gloss floor. Business-focused sales areas are framed by smooth timber, while play and exploration areas are high-color and high-tech.

The front of the store is a pure brand frame with Zain brand 'spine' made up of 14 inter-linked large LCD displays and text LED running through the store. Customers can upload pictures and text messages to the spine, announcing their entrance and interacting with the store, a concept that will eventually connect to a network of flagship stores across the Middle East and Africa operations, realizing Zain's vision of 'A wonderful world'.

Happy Birthday Madiba: Mandela Day Concert in NYC

On July 18, with a global television audience of over 1 billion, New York's Radio City Music Hall hosted the 'Mandela Day' concert to honour the iconic South African statesman, Nelson Mandela – or Madiba as he is known in Africa – on his 91st birthday. For the second consecutive year, Zain was the main sponsor of the star-studded event.

The concert, which raised funds for Mandela's charitable foundations was endorsed by the UN Secretary General Ban Ki-Moon and a delegation of UN ambassadors from Africa, the Middle East, Asia and Europe. Zain presented hundreds of complimentary concert tickets to Mandela Day volunteers from South Africa and New York, as well as to several charities in New York.

The event brought together the biggest names in music from the US and Africa to perform under the banner of Mandela Day. France's First Lady, Carla Bruni-Sarkozy, made a rare concert appearance, headlining an A-list celebrity cast. It included Former US President Bill Clinton, French President Nicolas Sarkozy and actors Forest Whitaker, Morgan Freeman, Sharon Stone, Susan Sarandon as well as the Italian rock legend Zucchero.

The concert was the culmination of a week-long series of events in New York City in celebration of the first-ever Mandela Day. Zain, with Mandela's charitable foundations, worked with partner organizations, other city authorities and community associations and volunteers across the globe to create a worldwide series of Mandela Day events to honor Madiba's life and legacy.

Battle of the Brains: The Zain Africa Challenge

On August 31, after six months of competition, Nigeria's University of Ibadan (UI), won the 2009 Zain Africa Challenge, the hugely popular TV quiz show involving 32 universities from eight nations across Africa.

The third season of the Zain Africa Challenge saw competing students from universities in Ghana, Kenya, Malawi, Nigeria, Sierra Leone, Tanzania, Uganda and Zambia go head to head in what has become known as the "Battle of the Brains". It was the first time that UI had won the title, beating Kenya's Kenyatta University in a final watched by tens of millions of viewers across Africa and beyond.

At stake for all teams was not only the prestige of taking the crown, but also a share of more than $1 million in prize money and educational grants donated by Zain.

The Zain Africa Challenge is proof of the company's commitment to the advancement of education. As a responsible global corporate citizen, Zain has proven yet again that it is not only a telecommunications service provider, but also a dependable ally of the African people.

Mama mia!: The MTV Africa Music Awards with Zain

On October 10, for the second year running, Zain sponsored the annual MTV Africa Music Awards, or MAMAs as they have become affectionately known.

2008 saw the MAMAs shake the Nigerian capital of Abuja to its foundations; in 2009 the carnival rolled into the Moi International Sports Complex in the Kenyan capital, Nairobi.

Nameless (Kenya) and MI (Nigeria) were the big winners of the evening, with the two artists scooping up two trophies each at the pan-African music celebration. Host, international acclaimed artist Wyclef Jean set the uplifting tone for the evening with an electrifying live set and monster hits, keeping the party bumping all night for the 4,000 guests. The event was broadcasted across the African continent and also shown on MTV channels across the globe.

In keeping with the show's purpose of bringing Africa together, the MAMAs featured multiple collaborations between artists from different countries and music genres – mixing up hip hop with R&B, alternative, soul and dancehall, among others.

MAMAs 2009 WINNERS!

Artist of the Year: D'Banj (Nigeria)
Best Male: Nameless (Kenya)
Best Female: Amani (Kenya)
Best Performer: Samini (Ghana)
Best Group: P Square (Nigeria)
Best Alternative Artist: Zebra and Giraffe (South Africa)
Best hip-hop: MI (Nigeria)
Best R&B: Darey Art Alade (Nigeria)
Best New Act: MI (Nigeria)
Best Video: HHP (SA)
Legend Award: Lucky Dube (SA)
My Video: Patricke-Stevie
Moungondo (Congo Brazzaville)
Listeners Choice: Nameless (Kenya)

F.U.N. for all

On October 15, in the Bahrain capital of Manama, Zain reinforced its commitment to the country's youth by unveiling the third Zain's Future University Network, or F.U.N., the company's innovative career support program. F.U.N., which had been successfully launched in Jordan and Kuwait, gives university students the opportunity

to gain experience and nurture their corporate skills under the guidance of Zain experts, who will prepare them for rigors of the job market or the challenges of private enterprise.

Under Zain's guardianship, F.U.N. helps university students invest in themselves, feeding their minds and sculpting their professional skills through teamwork, collaboration, training and practical field work. F.U.N. is more than just an internship; it also gives student team members opportunities to develop projects and come up with innovative business ideas and test them against the real world, gaining management experience and hands-on know how. In Jordan, F.U.N. has made such an impact that it has evolved into a separate stand-alone company, providing Zain services and products to the youth segment as well as managing some of Zain's corporate events. It is part-owned and run by the students with its own office space and is managed by a senior Zain executive. A number of 'Future University Network' graduates are currently employees of Zain in Jordan as well as with the Zain Group Head office in Bahrain. F.U.N. will be soon rolled-out in Saudi Arabia, Uganda, Nigeria and Sudan, and eventually in all countries in which Zain has a presence.

Later on during the year, on December 13, Zain Group launched the Annual Youth Forum for its Future University Network members. The forum, launched for the first time, hosted around 300 members from Future University Network Companies. The forum, to be launched on a yearly basis, aims to strengthen ties between members of all companies in the Middle East and Africa by facilitating the exchange of ideas and expertise as well as the development of the participants' skills in this area. Furthermore, participants will build on the achievements that have been accomplished and set future plans and the necessary steps to be taken with the framework of goals which the Zain Group seeks to accomplish.

Meeting of minds: The Zain Technology Conference

From October 12-14, the inaugural Zain Technology Conference was held in Bahrain. The aim of the event was to meet vendors, review the latest technologies and discuss issues and concerns in a relaxed environment. The first day was devoted to Zain Group presentations, while days 2 and 3 were given over to vendors and "five parallel technology tracks" that included, core networks, transmission, radio networks, value added services and intelligent networks. Vendors also had their own stands from where they could show off their latest technologies and field questions. Those present included Acision, Airwide, Alcatel-Lucent, Astellia, Bluecoat, Cisco, Ericsson, Huawei, ITS2, JnetX, Juniper, METCO, Motorola, NSN, Qualcom, Tango, tecnoman, Tekelec and ZTE.

Among the blue chip companies present, Ericsson, presented the next generation of charging systems and showed how the core network will evolve from today's Multi Service Network into a shared processor blade cluster solution. Nokia Siemens Networks showcased interactive end-user services, including a live LTE demo while Huawei presented all leading product roadmaps related to Zain's business.

Our Impact

At Zain, Corporate Social Responsibility (CSR) is considered an integral part of the organization, and our goal is to create maximum, positive development impact on people within the communities in which we operate. This will not only enhance our brand value and reputation, but also ensure a positive and long lasting relationship with all Zain's stakeholders.

CSR is the main driver in achieving greater social recognition. We also realize that through CSR and the creation of strong relationships with governments, NGOs and communities, we can make a bigger impact on people's lives across Africa and the Middle East and benefit from increased customer attraction, loyalty and retention, as they align their personal values to those of Zain.

In 2009, Zain ran nearly 200 individual initiatives across all the operations, in the areas of health, education, youth, women's issues, staff welfare, sport, art and culture, and the environment.

Area of Impact	Africa	Middle East	Number of Initiatives
Health	20	16	36
Education	15	35	50
Youth	10	7	17
Women	10	6	16
Workplace (Internal CSR)	4	8	12
Sports	8	3	11
Arts and Culture	19	10	29
Environment	7	6	13

2009 HIGHLIGHTS AND CASE STUDIES

2009 Education Highlights

Build our Nation

Education is a vital need that every country in Africa struggles to provide. It is the dream of every child to go to school and acquire knowledge. However, many of these dreams remain unfulfilled by high levels of poverty in many African countries.

Although some African governments have introduced free primary education, the needs far outweigh the funds provided by government and other donors. It is on this basis that a program to support primary education was initiated. Dubbed 'Build Our Nation', the Zain-funded program today benefits millions of primary schools pupils, helping schools buy books and learning aids.

In Niger, as part of its education promotion drive, Zain donated CFA francs 10 million (approximately US$ 21,000) to the primary school centre at Tarey in the County of N'Dounga, primarily to repair 13 classrooms in the school. In Gabon, Zain donated US$ 20,000 worth of school books to the municipal library of Port-Gentil, while in the Democratic Republic of the Congo (DRC), the company 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). Dubbed eb@le, the project seeks to provide network connectivity between nine higher education institutions across the country at a cost of US$ 500,000 over four years. Previously, in July 2007, Zain had donated US$ 200,000 and 50 computers, making up an additional US$ 80,000 disbursed for this project. Finally, in Madagascar, Zain offered summer jobs for three months to 400 underprivileged high school students so they could finance their studies.

The Zain-funded "Buid Our Nation" program benefits millions of school pupils by providing them with books and learning aids as well as repairing schools

Madrasati

The Madrasati, or My School, initiative was launched in Jordan by Her Majesty Queen Rania Al-Abdullah, to renovate and maintain a number of public schools across the Kingdom. As a major partner of this initiative, Zain Jordan offered JD 400,000 (US$563,000) for maintenance and infrastructure purposes as well as for the support of the educational programs to secure a better educational environment.

The company has also signed a five-year agreement with the Jordan River Foundation as a major partner in this initiative and is expected to adopt 50 schools by the end of the final phase of this agreement.

In February 2009, Zain Jordan received the Al Hussein Decoration (First Class), in recognition of its role in serving the local community, and in March 2009, Queen Rania also honored Zain Jordan at a lunch at Basman Palace.

As a major partner of the "Madrasati" initiative, Zain Jordan has helped renovate and maintain a number of public schools across the Kingdom

2009 Health Highlights

Patients Helping Fund Society (PHFS)

For the third year in a row, Zain Kuwait continued in its efforts to support the Patients Helping Fund Society (PHFS) by donating KD 50,000 (US$173,000). The money will be used to provide medical treatment to Kuwaiti and non-Kuwaiti cancer patients.

Think Pink

The reception area of Zain Bahrain's office building in Seef turned pink for a day on Monday October 25, when the company plunged into a day-long campaign in support of Think Pink Bahrain, which spearheads efforts to raise breast cancer awareness in the Kingdom. Staff joined in to create and sell pink-themed merchandise as a fund-raising activity. Items on sale included homemade food, pink flowers and bracelets, magnets, ribbons, mugs and Think Pink Bahrain merchandise. The day's canteen proceeds were also donated to Think Pink Bahrain.

Employees were given a presentation by medical personnel from Al Kindi Hospital on the importance of self-examination techniques and how this simple practice can save lives. Following the Think Pink Bahrain campaign 'icheck', employees stamped their hands with the icheck icon and took photos with their hands up, highlighting the importance their hands play in early detection. The day ended with an auction of a huge pink teddy and two 'diamond' numbers with all proceeds going to Think Pink Bahrain.

Zain Bahrain helps in raising breast cancer awareness in the Kingdom in support of Think Pink

On-Site Clinic

Pioneered by Zain Jordan in 2000, the Group plans to roll out on-site clinics throughout all the Zain operations. Zain on-site health clinic is a fully-equipped health facility that can treat the employees and their families and transfer more complicated cases to specialists or hospitals where the medical professionals are on-call.

Having an on-site health clinic means that Zain can attract the highest caliber human resources and retain existing employees by providing a top quality health network. It can also cut costs. Having an on-site clinic treats basic health issues without the need for employees to leave their working sites. Finally, it can monitor and regulate hospital admissions.

Zain plans to launch on-site clinics throughout all operations, with the first to be launched in Q1-2010 in the Democratic Republic of Congo (DRC).

2009 Community Development Highlights

Millennium Villages

In partnership with the UN, Earth Institute, Ericsson and local authorities, and in line with the Millennium Goals agreed upon at the Millennium Summit I 2000, Zain has provided connectivity to what have become known as the Millennium Villages, in six African countries, impacting as many as 400,000 people. They are Bonsaaso in Ghana, Sauri and Dertu in Kenya, Mwandama in Malawi, Mbola in Tanzania and Ruhiira in Uganda.

Zain has committed to ensuring telecommunications and internet services through its network; providing SIM cards for the community health workers; establishing toll free local emergency numbers and providing full maintenance of the sites in the villages.

The communities in these villages not only have improved communication through the mobile phones but are benefiting from value-added services such as a significant increase in school enrollments and retention through initiatives like the mobile school; the recruitment of a mobile school teacher; improved health facilities such as venom antidotes and an immunization fridge that uses Zain Base Transceiver Station (BTS) power.

State-of-the-art technologies are used in extending telecommunications and internet services across the Millenium Villages

Children in the Millenium Villages are now enjoying internet access

Ghana – Bonsaaso

The latest village to be launched in this initiative is the Bonsaaso village in Ghana. The Bonsaaso Millennium Village 'cluster' consists of six distinct villages: Bonsaaso, Watreso, Datano, Keniago, Takorase and Asamang, with an estimated population of 5,000 residents in each village. These villages are in a largely rural area of the country and are some of the poorest regions of Ghana.

The villagers have to travel anywhere between 2km and 40km to access the few functioning health facilities available and there is only one hospital within 40km of the villages that has the facilities to treat all the common health problems experienced by the community. The shortage of healthcare workers and the poor road conditions, coupled with the lack of adequate transport for the workers, makes healthcare outreach in the communities very difficult. Additionally, from an educational perspective, not only do students have to walk up to 5km to go to school, there are not enough primary schools to support the population of this cluster alone.

Economically, most of the fertile land, that is closer to the communities, has been used for cocoa production, pushing food crop production to remote areas. As a result, farmers have difficulty in finding a ready market for their farm produce due to the long distances from market centers and the poor condition of the road network. Since the beginning of the Ghana project, three new clinics have been constructed and two renovated, with Zain and Ericsson are supporting these clinics with fixed wireless terminals for schools and clinics, and toll-free numbers for the emergency services and healthcare workers, allowing for a quicker and more efficient delivery of such services.

Zain provides SIM cards with a closed user group facility, allowing healthcare workers to consult each other free of charge with mobile handsets donated by Sony Ericsson to the community health workers and emergency services. Ericsson also provided solar powered chargers for the mobile phones, ensuring that these healthcare lifelines are available at all times. Furthermore, by providing fixed wireless terminals and internet access at learning centers in each cluster, Zain and Ericsson are bringing the outside world to the teachers and pupils, providing them with limited internet access and valuable teaching aids. The establishment of a 3.5G network in the clusters has also provided farmers with the opportunity to access information about availability of goods and pricing from vendors without having to travel.

Malawi – Mwandama

The ambulance driver at the village clinic says Zain has improved communication between him and health workers. He says it also saves time as he knows what time to move from one point to the other. "Now, community nurses can call me from one place to the other especially in time of emergencies," he said. Both he and the local nurses say the mobile phones have saved lives. The nurses and health workers can get advice and manage cases right there in the community; call for an ambulance in time of emergencies; communicate with fellow health workers in case there is an urgent meeting at Thondwe Health Centre with the zone cluster manager, call for help from fellow health workers and communicate with nurses.

Kenya - Sauri

Sauri was the first Millennium Village selected by the Earth Institute. According to a 2007 census, the Sauri cluster consists of an estimated 65,000 people, 14% of which are children aged between 0 and 5. Taking into account an annual growth rate of 2.5%, the number of children in 2009 under 5 years of age, is estimated at 9,561. The Mobile Community-based Therapeutic Care (mCTC) program was introduced in Sauri to give home treatment to the severely malnourished; provide Ready to Use Therapeutic Foods (RUTF) at home and bring treatment to patients who would normally have to seek standard in-patient care.

Zain also implemented a toll-free SMS system to run mCTC program in Sauri area. Currently the system has over 4,000 children in the system with the goal of registering all kids under five. The main health issue that the children face in this area is malnutrition. This program has reduced the mortality rate from this disease.

Another area where Zain has made an impact is in education. At the Bar Sauri Primary School, a computer lab was set up in February 2009 to teach the primary school children internet (provided by Zain) and computer skills. In fact, Information and Communication Technologies (ICT) has been introduced into the school syllabus at all the levels.

Kenya - Dertu

The mobile network coverage in Dertu has had a great impact on the lives of the community. Previously, the community had to use a radio for communication in an emergency. Currently the community can directly contact any of the medical staff available anytime.

The same can be said for the mobile school. Parents can confidently send their children to the school because they can communicate with the children anytime through their teachers' phones, while teachers can now access parents at any time.

Dertu also has four volunteer animal health workers trained by the Millennium Villages Project (MVP). As incentive, they have received four mobile phones, which are topped up with Kshs 2,000 (US$26) every month from Zain and which help give early warning of any disease outbreaks or droughts and attend to livestock issues at short notice.

Livestock owners who wish to sell part of their stock can easily contact people in different markets to know where prices are better. They can also stay in contact with herders. In the first month of the mobile phone launch, a herd of cattle was stolen from Isiolo district. With a mobile network in place, the authorities were able to be alerted and the thieves were apprehended.

The mobile phone has helped people improve their business development, cutting out travel and allowing traders to deal directly with partners and customers over the phone.

Finally, the mobile phone has enabled people to report those missing, especially children, to the authorities. So far more than five people who went missing have been found via mobile phone communication.

Weather Initiative

On June 18, the Global Humanitarian Forum and its President, former UN Secretary General Kofi Annan, together with Zain, Ericsson, and the World Meteorological Organization (WMO) announced a major initiative, dubbed "Weather Info for All", to radically improve Africa's weather monitoring network in the face of the growing impact of climate change.

A recent Global Humanitarian Forum report estimated that climate change is responsible for some 300,000 deaths each year and over US$ 100 billion worth of economic losses, mainly because of shocks to health and agricultural productivity. Sub-Saharan Africa accounts for close to a quarter of these losses, and is the region at the most immediate risk of droughts and floods. Agricultural yields in some areas are expected to fall by 50% as early as 2020.

The Global Humanitarian Forum initiated this collaboration in response to Africa's severe gap in weather information highlighted at the Forum's first annual event. The members of the initiative will deploy 5,000 new weather observation stations across Africa, providing a massive increase in crucial information to predict and manage climate shocks.

Africa has a network eight times below the WMO minimum recommended standard, and less than 200 weather stations that meet WMO observation requirements, compared to several thousand each in Europe, North America, and parts of Asia. The 5,000 weather stations will be installed at new and existing mobile network sites throughout the continent over coming years, in what promises to save lives and bring increased economic opportunity to tens of millions of people.

Zain agreed to host the weather equipment at mobile network sites being rolled out across Africa in coordination with Ericsson. Achieving the 5,000 target will require additional operator commitment and external financing.

The initial deployment, already begun in Zain networks, focuses on the area around Lake Victoria in Kenya, Tanzania and Uganda. The first 19 stations installed will double the weather monitoring capacity of the Lake region.

Approximately 70% of Africans rely on farming for their livelihood, or close to 700 million people, and over 95% of Africa's agriculture depends on rainfall. Changing weather patterns due to climate change render obsolete traditional knowledge relating to agriculture otherwise reliable for centuries, creating a great need for meteorological information.

The initiative will have an impact far beyond agriculture and disaster preparation as it also includes assistance to national meteorological services in training and technical capacities. Better weather information will support increased development in poor communities, in particular by allowing for access to micro-insurance, which can be based on weather data indexes, such as rainfall. Each weather station can be a reference point for insurance products over a radius of 20kms, enabling an average of 5,000 farmers to insure their crops. Insured farmers have better access to microfinance, which can allow for large increases in yields and incomes in as little as one year, through the purchase of better seeds and fertilizers. The initiative will also increase the volume of information useful for scientists, as well as for the water, transport and energy industries.

The "Weather Info for All" initiative is improving the livelihoods of many, including the fishermen around the Lake Victoria area

Lake Victoria Initiative

In an initiative coordinated by the GSM Association, Zain and Ericsson continued in their joint effort to save lives and bring development across the Lake Victoria region by extending the mobile network coverage of the three East African States to promote safety and security. The coverage allows for communication and SMS exchange to and from phones. This enhancement will fuel economic and social development of the lakeside communities, where 80% of fishing activities takes place, and potentially reduce the number of fishing-related deaths each year.

Thanks to the project, the Lake Victoria region now has an additional 21 energy-efficient sites, with three of them solar powered, and a Rescue Coordination Center has also been established. Local stakeholders supporting the project include the International Maritime Rescue Federation (IMRF) and its local representative, the National Lake Rescue Institute (NLRI).

Lake Victoria is the second largest lake in the world with nearly 200,000 fishermen, 35 million people living along its shores and a fishing fleet of more than 70,000 boats. This armada of boats, powered by paddling or small engines, is operated with poor safety and security due mainly to a lack of available communication systems. Weather conditions can change suddenly and strong winds can occur without much warning; boats are often overloaded, and most of the people can't swim. Furthermore, buoyancy, or life saving equipment, is not easily available. As a result, many lives are lost due to drowning in the lake (estimated 5,000 deaths per year). It is expected that this intervention will go a long way towards improving conditions and reducing fatalities.

The initial phase of the Lake Victoria Project entailed a feasibility study looking at how the rescue initiative would be undertaken in terms of commercial sustainability. Phase II targets the implementation of an operational search and rescue facility with a framework to provide the necessary tools for valuable services. The GSM network enables voice and data communication on and around Lake Victoria. Zain has developed value added services that will enable fishermen on the lake to find critical information through SMS and voice calls, such as fish and commodity prices as well as weather and safety alerts. The expanded network will also make it possible to collect daily data from the more than 1,400 Beach Management Units in Kenya, Uganda and Tanzania.

Most importantly, the new network will provide crucial information to facilitate search and rescues, fleet movement and tracking. Ericsson's Mobile Position System will enable emergency authorities to locate the mobile signal of those in distress and send the details to the Rescue Coordination Center.

Late 2009, Zain completed the phase of developing and funding the Lake Victoria initiative, having completed a proof of concept to demonstrate that the Search and Rescue on the lake is indeed a viable and workable solution.

The enhanced network coverage across Lake Victoria helps fishermen by providing them with weather and safety alerts as well as fish and commodity prices

Training and Development Center for Widows

Zain Iraq, through a wide scale sustainability program, has launched an initiative late 2009, to promote the social role of widows in Iraq in collaboration with the Training and Development Center for Widows (TDCW). The support given to the TDCW allows it to socially and economically rehabilitate widows and their families. This program is carried out through workshops which are presented within the framework of peace, love and non-violence. The tentative one-year support program should be effective enough to help many widows who have useful skill sets improve their employment opportunities.

Zain Al-Nahda Training Center

To complement efforts made by the Saudi Arabian government, Zain KSA recently established the Al-Nahda Center, a training facility at a shelter at Ahad Al-Masarha for refugees who had fled the fighting with rebels along the Kingdom's southern border with Yemen. Al-Nahda Center, which was created in collaboration with Al-Nahda Charitable Society, holds educational and vocational workshops with displaced women of all ages that will benefit them in the long run as well as train other women who join the center. Zain KSA provided all the training tools, materials and educational aids.

mtc touch donates one bus and 25,000 USD for orphanage

With the start of the school year, mtc touch, Zain's affiliate in Lebanon, donated a bus and US$ 25,000 to the 'Lady of the Assumption' orphanage in Forzol, in the Bekaa. This donation reflects mtc touch's continuing commitment to support Lebanon's rural regions and encourage sustainable development.

Zain Sudan Sends Prisoners Home for Eid El-Fitr

For the third year, Zain accepted responsibility for 70 prisoners, released home at the end of Ramadan few days before Eid El-Fitr. The initiative was carried out in partnership with the local Al Nazeel Organisation where cases were carefully scrutinized in order to determine the most eligible prisoners to be released. Zain then settled the fees for their court cases and received permission from the court for the release of the prisoners.

Increasing Our Impact

At Zain, business is driven by passion. If we are to have a positive developmental impact on people through the use of, and innovation in, our products and services, then the potential for increasing our impact is unlimited as it becomes part of everyday business.

In 2010, the goal of CSR remains the same: to have the maximum positive development impact on people in the areas that we operate.

The mobile phone is the single most transformative technology for development, and in 2010 we will bridge the gap between CSR and our core products and services, embedding it strategically into the DNA of the organization.

An example of this is our groundbreaking 'One Network', which was launched to connect people and contribute to human development, regardless of borders and a culture of costly roaming tariffs. Meanwhile, our corporate strategy, aims to ensure talent and resources are developed and sourced locally. Finally, as the biggest mobile commerce operator in the world, we are leaders in life changing technology, bringing banking, health and education services to previously under-served markets.

In 2010, we also aim to focus on sustainable development, increasing economic prosperity by creating local employment opportunities, bridging the digital divide by providing connectivity, developing the youth segment and focusing on education, fostering entrepreneurship and enhancing our workplace fulfillment, and the wellbeing of our employees.

This will ensure that CSR in 2010 will increase its impact and its strategic value to the organization, delivering maximum positive development impact on the people and communities in which we operate.

table of contents

Consolidated Financial Statements and Independent Auditors' Report

Independent Auditors' Report to the Shareholders

Mobile Telecommunications Company K.S.C Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company K.S.C. ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of income, comprehensive income, changes in shareholders' 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; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 2009, and of its financial performance and its cash flows 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 2009 that might have had a material effect on the business of the Group or on its consolidated financial position.

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Nasser Abdullah Al Muqait
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Al-Ahli Bureau

Kuwait 31 March 2010

Consolidated Statement of Financial Position

as at 31 December 2009

(in thousand KD)	Notes	2009	2008
ASSETS			
Current assets			
Cash and bank balances	4	267,175	367,871
Trade and other receivables	5	405,434	355,321
Loan to an associate	6	-	79,673
Inventories	7	32,554	30,427
Investment securities at fair value through profit or loss	8	7,464	16,676
		712,627	**849,968**
Non-current assets			
Deferred tax assets	9	134,049	88,805
Investment securities available for sale	8	98,492	96,904
Investments in associates	10	165,771	216,389
Interest in a jointly controlled entity	11	44,063	-
Loans to an associate	6	141,996	-
Property and equipment	12	2,151,768	2,026,790
Intangible assets	13	2,245,453	2,234,423
Other financial assets	14	2,539	2,378
		4,984,131	**4,665,689**
Total Assets		**5,696,758**	**5,515,657**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	15	939,944	970,191
Due to banks	16	536,472	231,138
		1,476,416	**1,201,329**
Non-current liabilities			
Due to banks	16	1,615,994	1,670,788
Deferred tax liabilities	9	38,704	30,283
Other non-current liabilities	17	87,166	212,128
		1,741,864	**1,913,199**
EQUITY			
Attributable to Parent Company's shareholders			
Share capital	18	428,285	427,240
Share premium	18	1,691,105	1,690,772
Treasury shares	18	(567,834)	(567,834)
Legal reserve	18	147,989	127,788
Voluntary reserve	18	63,091	63,091
Foreign currency translation reserve		(21,174)	(97,692)
Treasury shares reserve		1,967	1,967
Equity issue transaction cost of associate		(1,814)	(1,746)
Investment fair valuation reserve		(7,719)	(9,201)
Share based compensation reserve		18,361	20,395
Hedge reserve		(49,298)	(60,382)
Retained earnings		593,643	625,014
		2,296,602	2,219,412
Non-controlling interests		**181,876**	**181,717**
Total equity		**2,478,478**	**2,401,129**
Total Liabilities and Equity		**5,696,758**	**5,515,657**

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

Asaad Ahmed Al Banwan
Chairman

Nabeel Bin Salamah
Chief Executive Officer

Consolidated Statement of Income
for the year ended 31 December 2009

(in thousand KD)	Note	2009	2008
Revenue	19	2,318,372	2,003,080
Cost of sales		(639,843)	(571,122)
Gross profit		**1,678,529**	**1,431,958**
Distribution, marketing and operating expenses		(518,533)	(467,467)
General and administrative expenses		(222,944)	(210,609)
Depreciation and amortization	12,13	(398,093)	(303,363)
Impairment losses – goodwill	13	(22,864)	(63,262)
Provision for impairment – trade and other receivables		(10,974)	(6,556)
Operating profit		**505,121**	**380,701**
Interest income		13,372	31,489
Investment income	20	(8,226)	(599)
Share of loss of associates	10	(61,145)	(20,659)
Share of loss of jointly controlled entity	11	(4,229)	-
Fair value gain on the previously held equity interest in a subsidiary		-	152,413
Other income		11,666	21,470
Finance cost		(160,710)	(128,002)
Loss from currency revaluation		(38,172)	(37,091)
Board of Directors' remuneration		(32)	(32)
Contribution to Kuwait Foundation for Advancement of Sciences		(1,818)	(2,978)
National Labour Support Tax and Zakat	21	(5,156)	(5,877)
Profit for the year before income tax		**250,671**	**390,835**
Income tax expense of subsidiaries	22	(39,430)	(53,720)
Profit for the year		**211,241**	**337,115**
Profit attributable to:			
Shareholders of the Parent Company		195,008	322,002
Non-controlling interests		16,233	15,113
		211,241	**337,115**
Earnings per share (EPS)	**23**		
		Fils	Fils
Basic earnings per share		51	88
Diluted earnings per share		50	87

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009

(in thousand KD)	2009	2008
Profit for the year	211,241	337,115
Other comprehensive income :		
Exchange differences on translating foreign operations	67,098	(72,615)
Net unrealised gain/ (loss) on available-for-sale investments	7,364	(75,302)
Net realised gains transferred to statement of income on available-for-sale investments (net of impairment losses)	(5,882)	(1,603)
Cash flow hedges	11,084	(60,382)
Share based compensation	7,207	8,173
Share of other comprehensive income of an associate	(68)	(1,746)
Total comprehensive income for the year	298,044	133,640
Total comprehensive income attributable to:		
Shareholders of the Parent Company	291,231	119,464
Non controlling interests	6,813	14,176
	298,044	133,640

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

Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2009

(in thousand KD)	Equity Attributable to Parent Company's Shareholders												Non-Controlling Interests	Total
	Share Capital	Share Premium	Treasury Shares	Legal Reserve	Voluntary Reserve	Foreign Currency Translation Reserve	Treasury Shares Reserve	Equity Issue Transaction Cost of Associate	Investment Fair Valuation Reserve	Share Based Compensation Reserve	Hedge Reserve	Retained Earnings		
Balance at 1 January 2009	427,240	1,690,772	(567,834)	127,788	63,091	(97,692)	1,967	(1,746)	(9,201)	20,395	(60,382)	625,014	181,717	2,401,129
Transfer to reserves	-	-	-	20,201	-	-	-	-	-	-	-	(20,201)	-	-
Adjustments to non-controlling interest share	-	-	-	-	-	-	-	-	-	-	-	-	(1,393)	(1,393)
Sale/purchase of shares to/from non-controlling interest (Note 3)	-	-	-	-	-	-	-	-	-	-	-	(22,477)	4,101	(18,376)
Exercise of share options	1,045	333	-	-	-	-	-	-	-	-	-	(468)	-	910
Cash dividends (2008)	-	-	-	-	-	-	-	-	-	-	-	(192,474)	(9,362)	(201,836)
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	(9,241)	-	9,241	-	-
Total comprehensive income for the year	-	-	-	-	-	76,518	-	(68)	1,482	7,207	11,084	195,008	6,813	298,044
Balance at 31 December 2009	428,285	1,691,105	(567,834)	147,989	63,091	(21,174)	1,967	(1,814)	(7,719)	18,361	(49,298)	593,643	181,876	2,478,478
Balance at 1 January 2008	189,398	624,465	(15,576)	94,699	63,091	(26,014)	-	-	67,704	12,222	-	571,938	166,379	1,748,306
Transfer to reserves	-	-	-	33,089	-	-	-	-	-	-	-	(33,089)	-	-
Issue of share capital	142,174	1,066,307	-	-	-	-	-	-	-	-	-	-	-	1,208,481
Profit on sale of treasury shares	-	-	-	-	-	-	1,967	-	-	-	-	-	-	1,967
Purchase of treasury shares	-	-	(552,258)	-	-	-	-	-	-	-	-	-	-	(552,258)
On business acquisition (Note 27)	-	-	-	-	-	-	-	-	-	-	-	-	21,467	21,467
Adjustment to non-controlling interest share	-	-	-	-	-	-	-	-	-	-	-	-	(16,140)	(16,140)
Sale / purchase of shares to / from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	26,682	(1,526)	25,156
Exercise of share options	885	-	-	-	-	-	-	-	-	-	-	(301)	-	584
Issue of bonus shares (2007)	94,783	-	-	-	-	-	-	-	-	-	-	(94,783)	-	-
Cash dividends (2007)	-	-	-	-	-	-	-	-	-	-	-	(167,435)	(2,639)	(170,074)
Total comprehensive income for the year	-	-	-	-	-	(71,678)	-	(1,746)	(76,905)	8,173	(60,382)	322,002	14,176	133,640
Balance at 31 December 2008	427,240	1,690,772	(567,834)	127,788	63,091	(97,692)	1,967	(1,746)	(9,201)	20,395	(60,382)	625,014	181,717	2,401,129

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2009

(in thousand KD)	2009	2008
Cash flows from operating activities		
Profit for the year before income tax	250,671	390,835
Adjustments for		
Depreciation, amortization and goodwill written off	420,957	366,625
Interest income	(13,372)	(31,489)
Investment income	8,226	599
Share of loss of associates	61,145	20,659
Share of loss of jointly controlled entity	4,229	-
Fair value gain on the previously held equity interest in a subsidiary	-	(152,413)
Finance cost	160,710	128,002
(Gain)/ loss on sale of property and equipment	(8)	424
Loss from currency revaluation	38,172	37,091
Operating profit before working capital changes	**930,730**	**760,333**
Increase in trade and other receivables	(83,925)	(90,671)
Increase in inventories	(1,149)	(6,426)
Increase in trade and other payables	23,696	49,623
Cash generated from operations	**869,352**	**712,859**
Payments		
Income tax	(12,685)	(36,161)
Board of Directors' remuneration	-	(28)
Kuwait Foundation for Advancement of Sciences	(2,841)	(3,004)
National Labour Support Tax and Zakat	(6,247)	(5,414)
Net cash from operating activities	**847,579**	**668,252**
Cash flows from investing activities		
Proceeds from sale of investment securities	5,561	8,022
Investments in securities	(1,404)	(1,779)
Investments in subsidiaries	(18,583)	13,005
Sale of shares in a subsidiary	-	50,154
Deferred purchase consideration paid (Note 15)	(192,915)	-
Investments in associates	(1,786)	(15,796)
Investment in jointly controlled entity	(50,522)	-
Acquisition of property and equipment (net)	(469,385)	(651,873)
Acquisition of intangible assets	(7,072)	(141,957)
Interest received	24,888	36,933
Dividend received	2,216	6,141
Net cash used in investing activities	**(709,002)**	**(697,150)**
Cash flows from financing activities		
Proceeds from/ (repayments of) bank borrowings (net)	184,308	(149,267)
Loan to an associate	(59,246)	(76,688)
Proceeds from issue of share capital	910	1,194,809
Purchase of treasury shares	-	(540,577)
Sale of treasury shares	-	4,539
Dividends paid	(191,086)	(166,763)
Dividends paid to non-controlling interests	(9,362)	(2,654)
Finance cost paid	(178,772)	(128,488)
Net cash (used in)/ from financing activities	**(253,248)**	**134,911**
Net (decrease)/ increase in cash and cash equivalents	(114,671)	106,013
Effects of exchange rate changes on cash and cash equivalents	13,975	595
Cash and cash equivalents at beginning of year	367,871	261,263
Cash and cash equivalents at end of year (Note 4)	**267,175**	**367,871**

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

Notes to the Consolidated Financial Statements
Notes for the year ended 31 December 2009

1. Incorporation and activities

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

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 22 other countries (2008: Kuwait and 21 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

During the year, the Group incorporated a jointly controlled entity in Morocco - Zain Al Ajial S.A., with 50% interest, which then acquired 31% of the equity shares and voting rights of Wana Corporate, a Moroccan joint stock company which is specialized in the telecom sector in that country (Note 11).

The principal subsidiaries and associates are listed in Note 3.

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Parent Company on 31 March 2010 and are subject to approval of the shareholders at their 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 consolidated 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 previously held equity interests in business combinations 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 contingent 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 consolidated financial statements are disclosed in Note 33.

2.2 Changes in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for adoption of a new accounting policy for "Interests in joint ventures" (Note 2.10) and the following new and amended IASB Standards that are effective from 1 January 2009:

IFRS 7 (Amended)	: Financial Instruments: Disclosures
IFRS 8	: Operating Segments
IAS 1 (Revised)	: Presentation of Financial Statements
IAS 16 (Amended)	: Property, Plant and Equipment
IAS 23 (Revised)	: Borrowing Costs
IAS 32 (Amended)	: Financial Instruments: Presentation
IAS 36 (Amended)	: Impairment of Assets
IAS 39 (Amended)	: Financial Instruments: Recognition and Measurement
IFRIC 13	: Customer Loyalty Programmes

i) Amendments to IFRS 7 'Improving Disclosures about Financial Instruments'
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Measurements related to items at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments. The amended standard also requires disclosing reconciliation between the beginning and ending balance for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy.

ii) IFRS 8 'Operating Segments'
The new standard which replaced IAS 14 'Segment reporting' requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

iii) IAS 1 'Presentation of Financial Statements'
The revised standard separates owner and non-owner changes in shareholders' equity. The statement of changes in shareholders' equity includes only details of transactions with owners, with non-owner changes in shareholders' equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.

iv) IAS 23 'Borrowing Costs'
The revised standard has eliminated the previously available option to expense all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset when incurred. Borrowing costs incurred on qualifying assets have to be capitalized.

v) IFRIC 13 'Customer Loyalty Programmes'
This interpretation applies to customer loyalty award credits that (a) an entity grants to its customers as part of a sales transaction and (b) subject to meeting any further qualifying conditions, the customers can redeem in the future for free or services. Such award credits should be accounted as a separately identifiable component of the sales transaction in which they are granted ("the initial sale"). The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale.

The application of other IASB standards did not have material impact on the consolidated financial statements of the Group.

Standards and Interpretations issued but not yet effective
The following International Accounting Standard Board (IASB) Standard and International Financial Reporting Interpretation Committee (IFRIC) Interpretation have been issued but are not yet effective and have not been early adopted by the Group:

For annual periods beginning on or after 1 July 2009

IAS 31 (Revised)	: Interests in Joint Ventures
IAS 38 (Revised)	: Intangible Assets
IAS 39 (Revised)	: Financial Instruments – Recognition and Measurement
IFRIC 17	: Distributions of Non-cash Assets to Owners
IFRIC 18	: Transfers of Assets from Customers

For annual periods beginning on or after 1 January 2010

IAS 1 (Revised)	: Presentation of Financial Statements
IAS 7 (Revised)	: Statement of Cash Flows
IAS 17 (Revised)	: Leases
IAS 36 (Revised)	: Impairment of Assets
IFRS 2 (Revised)	: Share-based Payments
IFRS 8 (Revised)	: Operating Segments

For annual periods beginning on or after 1 July 2010

IFRIC 19	: Extinguishing Financial Liabilities with Equity Instruments

For annual periods beginning on or after 1 January 2013

IFRS 9	: Financial Instruments: Classification and Measurement

This standard will replace IAS 32 and IAS 39 upon its effective date. IFRS 9 establishes principles for the financial reporting of financial assets that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

The application of these standards will be made in the financial statements when these standards and interpretations become effective and are not expected to have a material impact on the consolidated financial statements of the Group.

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 acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. 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. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of income. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is 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.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Equity and net income are attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the parent company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and income. The non controlling interest is classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non controlling 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 subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. If a parent loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in retained earnings is transferred to the consolidated statement of income.

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/ derecognition
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 derecognized 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 recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

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 consolidated statement of income or in equity 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 statement of income 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.

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 amortized cost using the effective yield method.

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 consolidated 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 amortized cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Derivative financial instruments and hedging activities
Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives with positive fair values (unrealized gains) are included in other receivables and derivatives with negative fair values (unrealized losses) are included in other payables in the statement of financial position. For hedges, which do not qualify for hedge accounting and for "held for trading" derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of income. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

Fair value hedge: In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognized in 'Other receivables' or 'Other payables' and in the consolidated statement of income. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the consolidated statement of income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated statement of income.

Cash flow hedge: For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in the consolidated statement of comprehensive income and the ineffective portion is recognized in the consolidated statement of income.

When the hedged cash flow affects the statement of income, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the statement of income. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders' equity at that time remains in shareholders' equity and is recognized when the hedged forecast transaction is ultimately recognized in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in shareholders' equity is immediately transferred to the consolidated statement of income.

The fair value of the derivative liability is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

Impairment
A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position 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 recognized in the consolidated 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 consolidated 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 is provided using the liability method on all temporary differences, at the statement of financial position 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 statement of financial position 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 utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 utilized.

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. The excess of the cost of investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recognized as goodwill. Goodwill on acquisition of associates is included in the carrying values of investments in associates. Investments in associates are initially recognized 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 recognizes in the consolidated 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 recognizes 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, amortization 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 recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

2.10 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The Group recognizes its interests in jointly controlled entities using the equity method.

2.11 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 consolidated 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).

2.12 Intangible assets and goodwill

Identifiable non-monetary assets acquired in a business combination 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 which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortization period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortized 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 for software rights and over the lease period for operating leases. Customer contracts and relationships are amortized over a period of 4 to 5 years.

Goodwill arises in a business combination and is computed as the excess of the aggregate of: the consideration transferred; the non-controlling interests proportionate share of the acquiree's net identifiable assets, if any; and the acquisition-date fair value of the acquirer's, previously held, equity interest in the acquiree, over the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Any deficit is a gain from a bargain purchase and is recognized directly in the consolidated statement of income.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. 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.

Goodwill and intangible assets with indefinite useful lives are tested at least annually for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill and intangible assets. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. That relating to goodwill cannot be reversed in a subsequent period. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

2.13 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.

2.14 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 recognized 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 recognizes the impact of the revision to the original estimates, if any in the consolidated statement of income, with a corresponding increase or decrease in equity.

2.15 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 statement of financial position date. This basis is considered to be a reliable approximation of the present value of the final obligation.

2.16 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. 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. Reserves equal to the cost of treasury shares held are not available for distribution.

2.17 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 recognized as assets in the statement of financial position 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.

2.18 Revenue
Revenues from operations consist of recurring revenues, such as billings to customers for monthly subscription fees, roaming, leased line and airtime usage fees, and non-recurring revenues, such as one-time connection fees and telephone equipment and accessory sales. Recurring revenue is recognized when the related service is rendered and comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of activities. Other revenues, which arise from service contracts, sales of telephones and accessories or other services, are recognized in the month during which the services or goods are provided.

Direct costs associated with prepaid cards which includes both the cost of purchasing the cards as well as dealer margins, are recognized when incurred, i.e. upfront while the airtime costs are recognized as and when the revenue is being recognized. Prepaid income collected in advance is deferred and recognized based on actual usage or upon expiration of the usage period, whichever comes first.

Specific customer acquisition costs are charged to marketing expenses or dealer commissions when the subscriber is activated.

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.

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

2.20 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 or the applicable foreign currency. 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 statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated 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 statement of financial position 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 recognized in the consolidated statement of income as part of the gain or loss on sale.

2.21 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.

2.22 Contingencies
Contingent assets are not recognized as an asset until realization 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 are recognized if their fair value can be measured reliably.

3. Subsidiaries and Associates
The principal subsidiaries and associates are:

Subsidiary	Country of Incorporation	Percentage of Ownership	
		2009	2008
Zain International B.V. (formerly Mobile Telecommunications Company International B.V.) – "ZIBV"	The Netherlands	100%	100%
Pella Investment Company – "Pella"	Jordan	96.516%	96.516%
Zain Bahrain B.S.C (Closed) - "MTCB"	Bahrain	56.25%	56.25%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. "MTCL"	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited "Zain Sudan"	Sudan	100%	100%
Atheer Telecom Iraq Limited – "Atheer"	Cayman Islands	71.667%	71.667%
Athir National Co. W.L.L. "ANC"	Bahrain	100%	100%
Associate			
Saudi Mobile Telecommunications Company (SMTC)	Saudi Arabia	25%	25%

Zain International B.V. holds 100% of Zain Africa B.V., Netherlands (ZABV) which is a Dutch holding and finance company principally engaged in the business of operating cellular telecommunications networks in 15 (2008 - 15) countries in Africa as follows:

Subsidiary	Country of Incorporation	Percentage of Ownership	
		2009	2008
Celtel Burkina Faso S.A	Burkina Faso	100%	100%
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%	90%
Celtel Kenya Limited	Kenya	95%	80%
Celtel Malawi Limited	Malawi	100%	100%
Celtel Niger S.A	Niger	90%	90%
Celtel (S.L) Limited	Sierra Leone	100%	100%
Celtel Limited Uganda	Uganda	100%	100%
Celtel Zambia Limited	Zambia	78.88%	78.88%
Celtel Tanzania Limited	Tanzania	60%	60%
Celtel Madagascar SA	Madagascar	100%	100%
Celtel Nigeria Limited	Nigeria	65.702%	65.702%
Zain Ghana Limited	Ghana	75%	75%

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.

MTCL
On 30 January 2009, the Parent Company signed a new Network Management Agreement (NMA) with the Republic of Lebanon. This agreement expires on 30 January 2010 and is renewable for an additional year. The financial statements of MTCL are prepared on a going concern basis as the management believes that any potential adjustments to the presentation and amounts in the statement of financial position arising from expiry of the NMA may not be significant.

Celtel Kenya Limited
During the year, the Group acquired an additional 15% equity interest in Celtel Kenya Limited from a non- controlling interest for a consideration of US$ 63.75 million (KD 18.58 million). The difference between the consideration paid and the share acquired of the carrying value of net assets is recorded in equity.

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

Financial support to Group companies
The Group has committed to provide working capital and other financial support to Atheer, Zain Sudan, SMTC, ZABV, Celtel Nigeria Ltd., Celtel Gabon Ltd. and Celtel Kenya Ltd. whose working capitals were in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

4. Cash and bank balances

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

(in thousand KD)	2009	2008
Cash on hand and at banks	169,277	171,140
Short-term deposits with banks with original maturities of less than three months	97,898	196,731
Cash and bank balances	**267,175**	**367,871**

The effective interest rate on short-term deposits as of 31 December 2009 was 1.98% to 6% per annum (2008 – 3.02% to 6.13%).

5. Trade and other receivables

(in thousand KD)	2009	2008
Trade receivables:		
Customers	90,453	64,785
Distributors	19,334	37,161
Other operators (interconnect)	83,639	75,535
Roaming partners	15,788	17,678
Provision for impairment	**(51,458)**	**(50,014)**
	157,756	**145,145**
Accrued income	7,339	8,336
Staff	5,162	5,808
Due from an associate	44,678	68,775
Prepayments, advances and deposits	**190,499**	**127,257**
	405,434	**355,321**

As of 31 December 2009, trade receivables of KD 69,958,000 (2008 - KD 80,623,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

(in thousand KD)	2009	2008
Up to 3 months	21,834	23,129
3 – 6 months	9,987	14,452
6 – 12 months	14,882	14,087
More than 12 months	23,255	28,955
	69,958	**80,623**

As of 31 December 2009, trade receivables of KD 54,600,000 (2008 - KD 53,756,000) were impaired against which the Group carries a provision of KD 51,458,000 (2008 - KD 50,014,000). The individually impaired receivables mainly relate to post paid customers. It was assessed that a portion of the impaired receivables is expected to be recovered.

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

(in thousand KD)	2009	2008
Kuwaiti dinar	19,089	37,803
US dollar	155,599	142,992
Euro	19,674	29,928
Bahraini dinar	20,837	22,023
Sudanese pound	33,972	28,049
Jordanian dinar	45,271	13,639
Others	110,992	80,887
	405,434	**355,321**

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

(in thousand KD)	2009	2008
Opening balance - 1 January	50,014	42,870
On acquisition of subsidiary	-	6,542
Recoveries/ write back of provisions	(9,530)	(5,954)
Charge for the year	10,974	6,556
Closing balance – 31 December	**51,458**	**50,014**

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. Loans to an associate

This comprises of two shareholders loans, one denominated in Saudi Riyals and the other in United States Dollars provided by the Group to SMTC. The SAR 1.1 billion (KD 83 million) loan, disbursed in 2008 carries an interest rate of 4.25% per annum over six month Saudi Inter-Bank Offered Rate (SIBOR) starting from 12 August 2009.

In 2009 the Group provided an additional US Dollar 206 million (KD 59 million) loan which carries an interest rate of 6.75% per annum over six month Saudi Inter-Bank Offered Rate (SIBOR).

These loans are subordinate to the associate's borrowings from banks and are repayable only after 12 August 2011.

7. Inventories

(in thousand KD)	2009	2008
Handsets and accessories	36,784	32,402
Provision for obsolescence	(4,230)	(1,975)
	32,554	**30,427**

8. Investment securities

(in thousand KD)	2009	2008
Current investments		
At fair value through profit or loss		
Quoted equities	7,464	9,872
Funds	-	6,804
	7,464	**16,676**
Non-current investments		
Available for sale		
Quoted equities	53,120	58,094
Funds	26,665	28,560
Unquoted equities	26,043	15,913
Impairment loss	(7,336)	(5,663)
	98,492	**96,904**

Investment securities are denominated in the following currencies:

(in thousand KD)	2009	2008
Kuwaiti dinar	71,714	76,280
US dollar	26,915	26,195
Other currencies	7,327	11,105
	105,956	**113,580**

Available for sale investments include unlisted securities with original cost of KD 4,640,000 (2008 - KD 5,674,000) 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 7,364,000 (2008 - unrealized loss of KD 75,302,000) in investment fair valuation reserve arising from fair valuation of 'available for sale' investments and transferred a gain of KD 7,555,000 (2008 – KD 5,574,000) from investment fair valuation reserve to the consolidated statement of income, arising from disposals. The Group also recognized an impairment loss of KD 1,673,000 (2008 – KD 3,971,000) in the consolidated statement of income by transferring the loss from the investment fair valuation reserve.

9.Deferred tax assets/ liabilities

(in thousand KD)	2009	2008
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	128,597	79,284
Deferred tax assets to be recovered within 12 months	5,452	9,521
	134,049	**88,805**
Deferred tax liabilities:		
Deferred tax liability payable after more than 12 months	36,474	25,892
Deferred tax liability payable within 12 months	2,230	4,391
	38,704	**30,283**

10. Investments in associates

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

(in thousand KD)	2009	2008
Opening balance	216,389	259,640
Capital contribution during the year	1,779	608
Share of loss for the year (See below)	(61,145)	(20,659)
Acquisition of additional shares	-	15,152
Cost of IPO (SMTC)	-	(1,746)
Foreign currency translation adjustment	8,748	1,276
Adjustment – Atheer (Note 27)	-	(37,882)
Closing balance	**165,771**	**216,389**

The carrying amount of the Group's investment in SMTC included above is KD 165 million (2008: KD 216 million) and the Group's net investment in SMTC including loans and receivables (Note 6) is KD 351.578 million (2008 - KD 334.596 million). The Group is also contingently liable for guarantees amounting to US$ 774 million (KD 222 million) relating to loan and other vendor financing availed by SMTC.

In August 2009, SMTC refinanced the US$ 2.5 billion murabaha loan that matured in July 2009 with a new murabaha facility of a similar amount repayable in full in August 2011.

Under the murabaha financing agreement, SMTC must obtain prior written consent of the lenders to declare any dividend or other distribution in cash or in kind to shareholders, modify any shareholder loan agreement or to make any payment under a shareholder loan agreement.

SMTC incurred a net loss of Saudi Riyals 3.1 billion (KD 238 million) for the year ended 31 December 2009 (2008 – KD 132 million) and has accumulated losses of Saudi Riyals 5.4 billion (KD 413 million) as of that date (2008 – KD 169 million). SMTC's current liabilities also exceed current assets by Saudi Riyals 4.9 billion (KD 375 million) as of 31 December 2009 (2008 – KD 876 million). Furthermore, SMTC is in breach of certain covenants attached to some of the loan facilities. The lenders have provided waivers for the non-compliance, subject to SMTC providing to them, revised financial milestones for the quarters ending 31 December 2010 for their approval.

SMTC's audited financial statements for the year ended 31 December 2009 disclose that they have been prepared on a going concern basis as it is currently in the process of providing such information to lenders and its management is of the opinion that negotiations with the lenders to obtain their approval on such revised milestones as well as efforts to secure funding to meet its obligations in the normal course of operations will be successful.

The Group's share of the associates' assets, liabilities, revenue and profit/loss is as follows:

(in thousand KD)	2009	2008
Assets	537,228	493,571
Liabilities	371,457	277,182
Revenue	57,935	9,056
Net (loss)/ profit for the year:		
Atheer, Iraq	-	12,704
SMTC, Saudi Arabia	(59,514)	(32,877)
Others	(1,631)	(486)
	(61,145)	**(20,659)**

11. Interest in a jointly controlled entity

During the year, the Group incorporated a jointly controlled entity Zain Al Ajial S.A. in the Kingdom of Morocco which then acquired 31% of the equity shares and voting rights of Wana Corporate, a Moroccan joint stock company which is specialized in the telecom sector in that country for US$ 175 million (KD 50.52 million). The Group's share of loss in the jointly controlled entity amounting to KD 4.229 million has been recognized in the consolidated statement of income.

12. Property and equipment

(in thousand KD)	Land and buildings	Cellular and other equipment	Projects in progress	Total
Cost				
As at 31 December 2007	79,969	1,844,919	348,568	2,273,456
Additions	7,619	391,705	308,512	707,836
On acquisition of subsidiaries	-	306,929	8,644	315,573
Transfers and adjustments	7,858	163,233	(174,328)	(3,237)
Disposals	(155)	(18,916)	(31)	(19,102)
Exchange adjustment	2,052	(107,022)	(34,838)	(139,808)
As at 31 December 2008	97,343	2,580,848	456,527	3,134,718
Additions	28,030	499,555	37,837	565,422
Transfers and adjustments	4,164	165,432	(171,386)	(1,790)
Disposals	(14,872)	(54,654)	(71,867)	(141,393)
Exchange adjustment	3,028	38,486	(16,200)	25,314
As at 31 December 2009	**117,693**	**3,229,667**	**234,911**	**3,582,271**
Accumulated depreciation				
As at 31 December 2007	33,297	744,557	-	777,854
Charge for the year	3,977	269,255	-	273,232
On disposals	(174)	(5,510)	-	(5,684)
On acquisition of subsidiaries	-	107,705	-	107,705
Exchange adjustment	190	(45,369)	-	(45,179)
As at 31 December 2008	37,290	1,070,638	-	1,107,928
Charge for the year	5,891	337,823	-	343,714
On disposals	(11)	(35,190)	-	(35,201)
Exchange adjustment	1,158	12,904	-	14,062
As at 31 December 2009	**44,328**	**1,386,175**	**-**	**1,430,503**
Net Book Value				
As at 31 December 2009	**73,365**	**1,843,492**	**234,911**	**2,151,768**
As at 31 December 2008	**60,053**	**1,510,210**	**456,527**	**2,026,790**

Additions during the previous year include amounts arising from the step up acquisition of Atheer.

Property and equipment includes vehicles with a net book value of KD 1,168,000 (2008 – KD 1,431,000) acquired under finance lease by Zain Sudan and buildings with a net book value equivalent to KD 785,000 (2008 – KD 788,000) acquired under a finance lease by MTCB. Projects in progress comprise of cellular and other equipment amounting to KD 222,040,000 (2008 - KD 444,895,000) and buildings amounting to KD 12,871,000 (2008 – KD 11,632,000).

The Group re-evaluated the estimated useful life of towers of its Sub Saharan operating segment in 2009 based on internal technical assessments, contractual guarantees from suppliers, historical replacements information and industry benchmarks and decided to extend the useful life of towers from 8 to 15 years. This change in accounting estimate applies prospectively and resulted in a KD 14.91 million lower depreciation charge for the year.

13. Intangible assets

(in thousand KD)	Goodwill	Licence fees	Others	Total
Cost				
At 31 December 2007	1,363,775	327,368	43,748	1,734,891
Additions	150,497	7,589	339	158,425
Disposals	(28,741)	(22,133)	-	(50,874)
On subsidiaries acquired	259,054	335,404	989	595,447
Adjustments to identifiable asset	(4,336)	-	4,336	-
Exchange adjustments	(4,543)	5,933	575	1,965
At 31 December 2008	1,735,706	654,161	49,987	2,439,854
Additions	5,966	4,910	2,228	13,104
Disposals	(512)	-	(19)	(531)
Adjustments to identifiable asset	(11,008)	(8,950)	183	(19,775)
Exchange adjustments	76,472	8,578	3,546	88,596
As at 31 December 2009	**1,806,624**	**658,699**	**55,925**	**2,521,248**
Accumulated amortization and impairment losses				
At 31 December 2007	11,941	69,914	15,781	97,636
On disposals	-	(22,132)	-	(22,132)
Of subsidiaries acquired	-	26,511	989	27,500
Impairment losses	63,262	-	-	63,262
Charge for the year	-	23,506	6,625	30,131
Exchange adjustments	1,680	7,001	353	9,034
At 31 December 2008	76,883	104,800	23,748	205,431
On disposals	-	-	(13)	(13)
Adjustments to identifiable asset	-	(4,176)	4,333	157
Impairment losses	22,864	-	-	22,864
Charge for the year	-	45,621	8,758	54,379
Exchange adjustments	2,568	(8,600)	(991)	(7,023)
As at 31 December 2009	**102,315**	**137,645**	**35,835**	**275,795**
Net book value				
As at 31 December 2009	1,704,309	521,054	20,090	2,245,453
As at 31 December 2008	**1,658,823**	**549,361**	**26,239**	**2,234,423**

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 in 2008 arises from the step up acquisition in Atheer.

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

(in thousand KD)	License expiry date	2009	2008
Pella Investment Company, Jordan	February 2021	79,516	79,516
Zain Bahrain B.S.C (Closed), Bahrain	April 2018	-	-
Celtel Burkina Faso S.A	May 2010	32,743	27,876
Celtel Tchad S.A	October 2019	31,889	27,030
Celtel Congo (DRC) SARL	December 2019	105,838	103,192
Celtel Congo S.A	December 2013	77,959	66,418
Celtel Gabon S.A	April 2017	107,226	91,302
Celtel Kenya Limited	January 2015	36,839	57,836
Celtel Malawi Limited	February 2014	17,724	21,425
Celtel Niger S.A	December 2015	27,747	23,661
Celtel (S.L) Limited	November 2013	31,448	39,853
Celtel Limited Uganda	October 2013	6,860	7,224
Celtel Zambia Limited	May 2013	61,323	52,315
Celtel Tanzania	November 2032	4,371	14,895
Celtel, Madagascar	September 2015	28,166	28,505
Celtel, Nigeria	February 2016	104,389	113,548
Sudanese Mobile Telephone Company Limited (Zain, Sudan)	February 2029	484,841	456,510
Zain Ghana Limited	October 2021	32,310	34,867
Atheer Telecom Iraq Limited, Cayman Islands	September 2022	433,120	412,850
		1,704,309	**1,658,823**

Impairment testing

The Group determines whether goodwill or intangible assets with indefinite useful lives 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 or fair value less cost to sell if that is higher.

In 2009 the Group determined recoverable amount using fair value less costs to sell based on a bid made by a major mobile telecom operator based in India in February 2010. This is deemed to be a most recent transaction as defined by IAS 36. Even though this is a contemplated transaction that arose in 2010, it has been considered by Group management to be an objective indication of a value attributed to the Group's telecom operations by a knowledgeable and willing party. Where this approach led to possible impairment situations additional impairment assessments were made resulting in an impairment loss on Celtel Kenya.

To compute the fair value less costs to sell for Celtel Kenya, a variety of alternative valuation approaches were used, which include amongst others a recent market transaction, the recent acquisition by the Company of a 15% share from a non-controlling interest shareholder and the net asset value in combination with an offer from a third party to purchase towers, which would imply a significant excess value over the current book value of such assets. Whilst the various valuation approaches showed a variety of outcomes, management has decided to record an impairment charge of KD 22,864,000 (2008 - KD 63,262,000) based on the lower end of the range of valuations obtained. This amount is disclosed in the consolidated statement of income as impairment losses. The main driver for the impairment charge is increased competition and the economic conditions in general that lead to lower than anticipated revenues.There was no change in the basis of aggregating the assets of the Kenya operations since the previous estimate of its recoverable value.

Celtel Tchad license

During the year, the telecom license in Celtel Tchad which was previously cancelled in August 2008 was extended for ten years from October 2009.

14. Other financial assets

(in thousand KD)	2009	2008
Import duties recoverable	2,539	2,378
	2,539	**2,378**

15. Trade and other payables

(in thousand KD)	2009	2008
Trade payables	209,985	211,296
Deferred revenue	104,168	83,659
Due to roaming partners	10,936	9,003
Due to other operators (interconnect)	11,571	18,295
Due to Government of Jordan	12,906	12,862
Provision for income taxes – foreign subsidiaries	88,870	80,567
Kuwait Foundation for the Advancement of Sciences	2,939	5,848
National Labour Support Tax and Zakat	4,762	5,914
Dividend payable	7,638	6,192
Accrued expenses	277,322	253,812
Directors' remuneration	64	32
Deferred purchase consideration (See note below)	-	196,064
License fee payable (See note below)	179,313	57,573
Other payables	29,470	29,074
	939,944	**970,191**

The deferred purchase consideration payable for the acquisition of Iraqna Company for Mobile Services Limited (Iraqna) in 2008, was settled during the year.

License fee payable represents the deferred payment liability for Atheer's telecom license fee, payable to the Telecom Regulatory Authority of Iraq (TRAI). It was due for repayment on 31 March 2009 but was deferred and is now payable in three equal annual installments beginning 1 March 2009 at a finance cost of 8% per annum on the outstanding balance. The first installment due on 1 March 2009 was not paid and consequently, the entire outstanding amount has been demanded by the TRAI. Accordingly, the entire balance outstanding, including the interest due on it, has now been reclassified as a current liability.

16. Due to banks

(in thousand KD)	2009	2008
MTC (the Parent Company)		
Short term loans	40,535	21,855
Long term loans	67,418	5,166
	107,953	**27,021**
JMTS – Jordan		
Long term loans	-	31,200
Notes payable	-	311
Finance lease obligations	17	142
	17	**31,653**
MTCB – Bahrain		
Short term loan	-	5,972
Long term loans	1,967	6,397
Finance lease obligations	333	427
	2,300	**12,796**
ZABV – The Netherlands		
Short term loans	156,901	146,809
Long term loans	422,149	405,718
	579,050	**552,527**
Zain – Sudan		
Long term loan	111,346	106,055
Finance lease obligations	161	979
	111,507	**107,034**
Atheer – Iraq		
Short term loan	178,549	55,270
Bank overdraft	14,014	-
	192,563	**55,270**
ZIBV – The Netherlands		
Short term loan	11,476	-
Long term loan	1,147,600	1,115,625
	1,159,076	1,115,625
	2,152,466	**1,901,926**

The above is disclosed in the statement of financial position as follows:

(in thousand KD)	2009	2008
Current liabilities	536,472	231,138
Non-current liabilities	1,615,994	1,670,788
	2,152,466	**1,901,926**

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the statement of financial position date are as follows:

(in thousand KD)	2009	2008
Less than 6 months	941,772	689,402
6 – 12 months	-	80,104
Fixed rate borrowings	1,210,694	1,132,420
	2,152,466	**1,901,926**

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

(in thousand KD)	2009	2008
US dollar	1,689,557	1,461,747
Euro	131,881	106,055
Kuwaiti dinar	20,000	-
Bahraini dinar	6,974	12,796
Jordanian dinar	17	31,653
Other currencies	304,037	289,675
	2,152,466	**1,901,926**

The effective interest rate as at 31 December 2009 was 1.20% to 7.40% (2008 – 3.91% to 7.68%) per annum.

MTC

During the year, MTC obtained an unsecured long term loan of US$ 200 million and an unsecured short term loan of Euro 200 million from foreign banks. Three installments of Euro 50 million each were repaid during the year. Under the US$ 206 million loan agreement MTC is obliged to hedge its interest rate exposure on this loan during its tenure. MTC has hedged this exposure through Interest Rate Swaps (IRS).

Principal financial covenants include:

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

MTC also obtained a long term loan of BD 6.7 million (KD 5 million) from a Kuwaiti bank which is secured by first mortgage of a freehold land and building located in Bahrain with a net book value as of 31 December 2009 of KD 13,138,000 (Note 12).

MTCB

MTCB's long term loan is secured by mortgage of its freehold land and building with a net book value as of 31 December 2009 of KD 382,000 (2008 – KD 394,000) (Note 12).

ZABV

The majority of the assets of ZABV are pledged to lenders and certain of its subsidiaries have entered into various loan agreements that include financial covenants in relation to debt-to-equity and leverage ratios. Financial covenants also include restrictions on dividend distributions. ZABV's Nigerian subsidiary was in breach of certain financial loan covenants during the year. Celtel Nigeria renegotiated the financial covenants with the lenders prior to year-end and as of 31 December 2009 they are in compliance with all financial covenants.

Zain Sudan

This represents Euro 270 million (KD 111 million) (2008 - Euro 270 million - KD 106 million) Islamic murabaha financing obtained from a consortium of foreign banks in 2007. This facility is guaranteed by the Parent Company. This loan is fully repayable in 2010. Financial covenants stipulate maximum debt of 3 times EBITDA (Earnings before interest, tax, depreciation and amortization) and ratio of EBITDA to net finance charges of not less than 3:1. As of 31 December 2009 the Company was in compliance with these financial covenants.

Atheer

These are US Dollar denominated unsecured short term credit facilities obtained from local and foreign banks. The credit facilities are guaranteed by MTC and it is also required to comply with certain financial covenants and restrictions on dividend distribution. In addition, there are restrictions on the Company over distribution of dividend, payment of management fees, capital expenditure, use of net proceeds from issue of any equity shares or new borrowings and the holding of excess cash in banks on relevant dates.

ZIBV

In June 2006 ZIBV obtained a revolving financing with a limit of US$ 4 billion (KD 1.1 billion) from a consortium of local and foreign banks repayable in 2011. This facility is secured by a guarantee given by MTC and JMTS. Financial covenants stipulate maximum net borrowings of 4 times consolidated EBITDA and ratio of annualized consolidated EBIDTA of not less than 3 times annualized consolidated net interest payable.

In June 2009 ZIBV obtained a short term loan of US$ 40 million (KD 11.5 million) from a foreign bank. This loan is guaranteed by MTC.

17. Other non-current liabilities

(in thousand KD)	2009	2008
Customer deposits	11,284	8,160
Post employment benefits	19,364	13,712
License fee payable (Note 15)	-	115,146
Derivative liability (Note 30)	49,298	60,382
Refundable deposit	7,220	14,728
	87,166	**212,128**

18. Share capital and reserves

Share capital (par value of KD 0.100 per share)

	2009	2008
	No of shares	No of shares
Authorized		
Opening balance	4,280,306,722	1,895,655,826
Bonus shares	-	947,827,913
Rights issue	-	1,421,741,870
Shares approved for Employee Share Option Plan (ESOP) – net	17,064,948	15,081,113
	4,297,371,670	**4,280,306,722**
Issued and fully paid up		
Opening balance	4,272,405,303	1,893,979,581
Bonus shares	-	947,827,913
Rights issue	-	1,421,741,870
Shares issued for 2006 ESOP	2,813,652	3,183,805
Shares issued for 2007 ESOP	7,278,150	5,672,134
Shares issued for 2008 ESOP	356,400	-
	4,282,853,505	**4,272,405,303**

Rights issue - 2008

At the extraordinary general meeting held on 25 March 2008, the Parent Company's shareholders approved increase in authorized share capital from 1,895,655,826 to 4,280,306,722 shares and the Amiri Decree approving the increase was issued on 9 July 2008.

At the Annual General Meeting held in March 2008, the Parent Company's shareholders approved a rights issue of 1,421,741,870 shares of 100 fils per share at a premium of 750 fils per share to the shareholders registered in the shareholders' register as on 10 March 2008. The rights issue offer was opened for subscription on 17 August 2008 and closed on 18 September 2008. 1,404,971,815 shares were fully subscribed for and paid up and the balance 16,770,055 shares were acquired by the Parent Company as treasury shares after obtaining the approval of the Kuwait Stock Exchange.

At the extraordinary general meeting held on 30 March 2009, the Parent Company's shareholders approved decrease in authorized share capital by 5,123,576 shares and then to increase it by 22,188,524 shares to 4,297,371,670 shares.

Treasury shares

	2009	2008
Number of shares	425,711,648	425,711,648
Percentage of issued shares	9.94%	9.96%
Market value (KD '000)	434,226	378,883
Cost (KD '000)	567,834	567,834

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

In accordance with the Law of Commercial Companies and the Parent Company's Articles of Association, 10% of the profit for the year has been appropriated towards legal reserve. 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 did not propose any addition (2008 - Nil). There is no restriction on distribution of this reserve.

Dividend - 2008

The annual general meeting of shareholders held on 30 March 2009 approved distribution of cash dividends of 50 fils per share for the year 2008.

Proposed dividend

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 170 fils per share (2008 - 50 fils per share) to the registered shareholders as of the date of the Annual General Meeting.

19. Revenue

(in thousand KD)	2009	2008
Airtime and subscription	2,272,572	1,965,193
Trading income	45,800	37,887
	2,318,372	**2,003,080**

20. Investment income

(in thousand KD)	2009	2008
Loss on investments at fair value through profit or loss	(2,463)	(7,071)
Realised (loss)/gains from available for sale investments	(6,306)	4,302
Impairment loss on available for sale investments	(1,673)	(3,971)
Dividend income	2,216	6,141
	(8,226)	**(599)**

21. National Labour Support Tax and Zakat

These taxes are payable to Kuwait's Ministry of Finance under National Labour Support Law No. 19 of 2000 and the Zakat Law No. 46 of 2006.

22. Income tax expense of subsidiaries

(in thousand KD)	2009	2008
JMTS	13,980	11,981
MTCL	1,109	661
Zain Sudan	15,370	13,082
ZABV	(5,737)	24,848
Atheer	14,708	3,148
	39,430	**53,720**

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:

(in thousand KD)	2009	2008
Net profit for the year	195,008	322,002
	Shares	Shares
Weighted average number of shares in issue	3,857,141,857	3,656,617,078
Effect of dilution (ESOP - Note 24)	12,710,249	36,307,021
Weighted average number of shares in issue outstanding during the year adjusted for the effect of dilution	3,869,852,106	3,692,924,099
	Fils	Fils
Basic earnings per share	51	88
Diluted earnings per share	50	87

24. Share-based compensation plans

Kuwait

At an Extraordinary General Meeting held on 29 March 2007 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 are provided either through a capital increase and issue of new shares or from the 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		2008 Plan		2009 plan	
	Numbers	Weighted average exercise price	Numbers	Weighted average exercise price	Numbers	Weighted average exercise price	Numbers	Weighted average exercise price
		KD		KD		KD		KD
Granted	2,956,000	0.100	14,271,038	0.100	14,179,440	1.084	16,843,774	0.672
Adjustment for bonus shares	1,478,000		-		-		-	
Total	4,434,000	0.067	14,271,038	0.065	14,179,440	1.084	16,843,774	0.624
Exercised in 2007	1,250,195	0.067	-		-			
Stock options outstanding at 31 Dec 2007	3,183,805	0.067	14,271,038	0.065	14,179,440	1.084	16,843,774	0.624
Adjustment for bonus shares	1,378,582		7,549,379		-		-	
Total	4,562,387	0.067	21,820,417	0.065	14,179,440	1.084	16,843,774	0.624
Exercised in 2008	1,676,245	0.067	7,179,695	0.065	-		-	
Stock options forfeited	39,299		43,874		-	-	-	
Total	2,846,843	0.034	14,596,848	0.065	14,179,440	1.084	16,843,774	0.624
Additional shares granted	-		-		82,886	1.084	-	
Adjustment for dividend	-		977,784		-		-	
Exercised in 2009	2,813,652	0.034	7,278,150	0.065	4,575,005	1.034	-	
Stock options forfeited	33,191		1,251,994		1,049,773		-	
Stock options outstanding at 31 Dec 2009	-		7,044,488	0.065	8,637,548	1.034	16,843,774	0.624
Stock options exercisable at the end of the year	-		7,044,488	0.061	4,318,744	1.034	5,614,591	0.624
Weighted average remaining contractual life (in years)	-		1		2		3	
Weighted average share price of options exercised during the year		1.030		1.030		1.030		-

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 and up to three years from the service date.

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 fair value 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%. The Group recognized total expenses of KD Nil (2008 - KD 1,047,000) related to equity settled share-based compensation during the year.

2007 Plan

The exercise price of the granted options is the closing share price as of 1 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 initially granted 8,700,000 shares at an exercise price of KD 2.656 per share. The fair value of these options was KD 0.995 per share with a total fair value of KD 9,241,000. This Plan was amended before that date. The amended Plan granted 14,271,038 shares at an exercise price of KD 0.100 per share after adjusting for eligible bonus shares. The fair value of these options was KD 0.995 per share with a total fair value of KD 14,199,683. 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 Group recognized total expenses of KD 3,273,000 (2008 - KD 5,783,000) related to equity settled share-based compensation during the year.

2008 Plan

The Parent Company granted 14,179,440 shares at an exercise price of KD 1.084 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 1 January 2009 exercisable from the date of vesting and up to three years from the service date. The fair value of these options was KD 0.235 per share with a total fair value of KD 3,330,750. The significant inputs into the fair value model were a share price of KD 1.160 - the market price at the grant date 1 November 2008, 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 7.25%.

The Group recognized total expenses of KD 849,000 (2008 – 1,343,000) related to equity settled share-based compensation during the year.

2009 Plan

The Parent Company granted 16,843,774 shares at an exercise price of KD 0.624 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 1 January 2010 exercisable from the date of vesting and up to three years from the service date. The fair value of these options was KD 0.302 per share with a total fair value of KD 4,969,449. The significant inputs into the fair value model were a share price of KD 0.840 - the market price at the grant date 1 January 2009, the exercise price shown above, volatility of 5%, dividend yield of nil (due to the ESOP terms), option life of 3 years and an annual interest rate of 5%.

The Group recognized total expenses of KD 3,084,000 (2008 – Nil) related to equity settled share-based compensation during the year.

The average market price per share of the Parent Company for the year ended 31 December 2009 was KD 1.030 (2008 - KD 2.024).

25. 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, Iraq and Sub-Saharan Africa. This forms the basis of the geographical segments.

(in thousand KD)	31-Dec-09							
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq	Sub-Saharan Africa	Total
Segment revenues	351,463	138,147	75,047	25,922	286,117	386,343	1,055,333	2,318,372
Net profit before impairment loss on goodwill	131,122	51,830	21,461	6,483	115,305	129,511	47,504	503,216
Less: Impairment losses – goodwill	-	-	-	-	-	-	(22,864)	(22,864)
Net profit after impairment loss on goodwill	131,122	51,830	21,461	6,483	115,305	129,511	24,640	480,352
Interest income	4,648	2,552	261	43	3,663	-	2,205	13,372
Share of loss of jointly controlled entity	-	-	-	-	-	-	(4,229)	(4,229)
Finance cost	-	(1,318)	(406)	-	(6,505)	(31,858)	(120,623)	(160,710)
Income tax expense	-	(13,980)	-	(1,109)	(15,370)	(14,708)	5,737	(39,430)
Unallocated items:								
Investment income								(8,226)
Share of loss of associates								(61,145)
Others								(8,743)
Profit for the year								**211,241**
Segment assets	214,759	249,900	91,554	10,714	1,031,807	1,003,400	2,449,232	5,051,366
Unallocated items:								
Investment securities at fair value through profit or loss								7,464
Deferred tax assets								134,049
Investment securities available for sale								98,492
Investment in associates								165,771
Interest in jointly controlled entity								44,063
Loans to an associate								141,996
Others								53,557
Consolidated assets								**5,696,758**
Segment liabilities	76,797	39,526	21,709	6,499	89,585	289,850	382,402	906,368
Unallocated items:								
Due to banks								2,152,466
Deferred tax liabilities								38,704
Others								120,742
Consolidated liabilities								**3,218,280**
Net consolidated assets								**2,478,478**
Capital expenditure incurred during the year	33,676	8,962	7,276	16	67,067	28,944	317,126	463,067
Unallocated								6,318
Total capital expenditure								**469,385**
Depreciation and amortization	26,643	18,258	6,334	14	32,583	63,488	248,419	395,739
Unallocated								2,354
Total depreciation and amortization								**398,093**

(in thousand KD)	31-Dec-08							
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq*	Sub-Saharan Africa	Total
Segment revenues	381,144	130,528	61,141	18,547	234,280	59,911	1,117,529	2,003,080
Net profit before impairment loss on goodwill	171,716	45,759	15,728	3,914	89,948	37,070	91,896	456,031
Less: Impairment losses – goodwill	-	-	-	-	-	-	(63,262)	(63,262)
Net profit after impairment loss on goodwill	171,716	45,759	15,728	3,914	89,948	37,070	28,634	392,769
Interest income	24,398	2,922	485	116	596	27	2,945	31,489
Finance cost	-	(2,088)	(895)	-	(7,855)	(4,558)	(112,606)	(128,002)
Income tax expense	-	(11,981)	-	(661)	(13,082)	(3,148)	(24,848)	(53,720)
Unallocated items:								
Investment income								(599)
Share of loss of associates								(33,363)
Fair value gain on the previously held equity interest in a subsidiary								152,413
Others								(23,872)
Profit for the year								**337,115**
Segment assets	254,120	267,534	70,875	6,143	857,723	1,009,262	2,544,060	5,009,717
Unallocated items:								
Investment securities at fair value through profit or loss								16,676
Deferred tax assets								88,805
Investment securities available for sale								96,904
Investment in associates								216,389
Loan to an associate								79,673
Others								7,493
Consolidated assets								**5,515,657**
Segment liabilities	78,650	37,057	19,896	3,312	111,194	462,464	454,503	1,167,076
Unallocated items:								
Due to banks								1,901,926
Deferred tax liabilities								30,283
Others								15,243
Consolidated liabilities								**3,114,528**
Net consolidated assets								**2,401,129**
Capital expenditure incurred during the year	23,803	9,095	12,060	19	98,463	9,962	487,193	640,595
Unallocated								11,278
Total capital expenditure								**651,873**
Depreciation and amortization	24,375	16,890	5,047	11	19,692	7,093	229,731	302,839
Unallocated								524
Total depreciation and amortization								**303,363**

* The segment information of Iraq is for a period of two months. Net profit includes 10 months share of profit of associate.

26. 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:

(in thousand KD)	2009	2008
Transactions		
Management fees (included in other income)	9,671	10,322
Interest income on loans to an associate	3,307	-
Balances		
Trade and other receivables	3,090	4,015
Trade and other payables	1,021	3,000
Due to banks	39,859	42,577
Key management compensation		
Salaries and other short term employee benefits	6,133	5,396
Post-employment benefits	891	685
Share based payments	3,604	4,071

27. Business combination

In October 2008 the Group acquired control over Atheer through a step up acquisition of an additional 31.667% equity interest. There were no financial effects to be recognized in 2009 on completion of the purchase price allocation.

This acquisition was accounted in 2008 using provisional fair values in accordance with revised IFRS 3 as follows:

	KD '000
Consideration transferred in cash	9,251
Non-controlling interest share	21,467
Acquisition date fair value of the previously held equity interest	190,295
	221,013
Less:	
Total identifiable net assets	**70,516**
Goodwill arising from business combination	**150,497**

From the date of acquisition (31 October 2008), Atheer contributed revenues of KD 59,911,000 and net profit of KD 16,446,000 to the net results of the Group for the year 2008. If the acquisition had taken place on 1 January 2008, the Group revenue and net profits for the year 2008 would have been higher by KD 288,808,000 and KD 42,809,000 respectively.

28. Commitments and contingencies

(in thousand KD)	2009	2008
Capital commitments	258,906	355,999
Capital commitments – share of associates	38,033	37,921
Uncalled share capital of investee companies	411	396
Letters of credit	66,886	61,142
Letters of guarantee	394,903	233,900

Legal proceedings have been initiated by and against some of the other subsidiaries in a number of jurisdictions. On the basis of information currently available, and having taken counsel with legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated operations of the Group.

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

ZABV and its subsidiary Celtel Nigeria are jointly or separately the defendant in several lawsuits in which another shareholder is contesting its pre-emptive right status. These cases are on going and are yet to proceed to trial. ZABV is of the view that the cases initiated are without merit. Given the remote probability of any adverse effect to the Group's consolidated financial position and the difficulties in estimating probable outcomes in a reliable manner, the Group determined that it was appropriate not to provide for this matter in the consolidated financial statements.

Operating lease commitments – Group as lessee

The Group leases various branches, offices and transmission sites under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

(in thousand KD)	2009	2008
Not later than 1 year	13,779	9,724
Later than 1 year and no later than 5 years	43,288	32,399
Later than 5 years	14,446	3,840
	71,513	**45,963**

Financial guarantees

The Parent Company is a guarantor for a credit facility of US$ 460 million, approximately KD 132 million (2008- US$ 404 million, approximately 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$ 22,227,000, approximately KD 6,377,000 (2008 - US$ 38,641,000, approximately KD 10,678,000) to cover interest payable by the borrower.

29.Financial risk management

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

(in thousand KD)	Loans and receivables	Assets at fair value through profit and loss	Available for sale
31 December 2009			
Cash and bank balances	267,175	-	-
Trade and other receivables	405,434	-	-
Investment securities	-	7,464	98,492
Loan to an associate	141,996	-	-
Other financial assets	2,539	-	-
Total	**817,144**	**7,464**	**98,492**
31 December 2008			
Cash and bank balances	367,871	-	-
Trade and other receivables	355,321	-	-
Investment securities	-	16,676	96,904
Loan to an associate	79,673	-	-
Other financial assets	2,378	-	-
Total	**805,243**	**16,676**	**96,904**

All financial liabilities as of 31 December 2009 and 31 December 2008 are categorized as 'other than at fair value through profit or loss'.

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 Finance function under policies approved by the Board of Directors. This function identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides guidance 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:

(a) Market risk

(i) 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, recognized 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 recognized 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:

(in thousand KD) Currency	2009	2008
U S Dollar	3,694	5,012
Euro	13,561	13,548

(ii) 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 in the consolidated statement of financial position 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 market index, with all other variables held constant is as follows:

Market indices	2009		2008	
(in thousand KD)	Impact on net profit	Effect on equity	Impact on net profit	Effect on equity
Kuwait Stock Exchange	373	3,245	494	4,845

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'.

(iii) 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 2009 and 2008, the Group's borrowings at variable rates were denominated in US Dollar and Euro. The fair value impact of fixed rate borrowings as at 31 December 2009 and 2008 is not material.

The Group analyzes 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. The Group manages interest rate risk by monitoring interest rate movements and using Interest Rate Swaps to hedge interest rate exposure.

At 31 December 2009, 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 8,068,000 (2008 - KD 8,892,000).

b) 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.

(c) 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.

The Group has committed to provide working capital and other financial support to some of its subsidiaries. (Note 3).

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

(in thousand KD)	Less than 1 year	Between 1and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009				
Bank borrowings	599,329	1,353,295	339,526	24,585
Trade and other payables	939,944	-	-	-
Derivative financial instruments - cash flow hedge	-	49,298	-	-
Customer deposits	-	11,284	-	-
Refundable deposit	-	7,220	-	-
Licence fee payable	179,313	-	-	-
Commitments	326,203	-	-	-
At 31 December 2008				
Bank borrowings	299,704	265,200	1,357,702	89,100
Trade and other payables	970,191	-	-	-
Derivative financial instruments - cash flow hedge	-	-	60,382	-
Customer deposits	-	8,160	-	-
Refundable deposit	-	14,728	-	-
License fee payable	-	66,785	62,179	-
Commitments	417,537	-	-	-

30. Derivative financial instruments

In the ordinary course of business the Group uses derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

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

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

At 31 December 2009:			Notional amounts by term to maturity			
(in thousand KD)	Positive fair value	Negative fair value	Notional amount Total	Within 3 months	3-12 months	Over 1 year
Derivatives held for hedging: Cash flow hedges						
Interest rate swaps	-	(49,298)	1,204,980	-	-	1,204,980
	-	**(49,298)**	**1,204,980**	**-**	**-**	**1,204,980**

At 31 December 2008:			Notional amounts by term to maturity			
(in thousand KD)	Positive fair value	Negative fair value	Notional amount Total	Within 3 months	3-12 months	Over 1 year
Derivatives held for trading: Foreign currency swaps	206	-	34,518	34,518	-	-
Derivatives held for hedging: Cash flow hedges						
Interest rate swaps	-	(60,382)	1,105,400	-	-	1,105,400
	206	**(60,382)**	**1,139,918**	**34,518**	**-**	**1,105,400**

Foreign currency swaps are contractual agreements between two parties to exchange a given amount of one currency for another and, after a specified period of time, to give back the original amounts swapped.

Interest rate swaps are contractual agreements between two parties to exchange interest based on notional value in a single currency for a fixed period of time.

The Group uses interest rate swaps to hedge changes in interest rate risk arising from floating rate borrowings.

The fair valuation gain/loss of the derivatives held for trading is recognized in the consolidated statement of income and the fair valuation gain/loss of the derivatives held for hedging (cash flow hedge) is recognized in 'Hedge reserve account' in equity.

31. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return on investment to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In managing capital, the Group considers the financial covenants in various loan agreements that require the Group to maintain specific levels of debt-equity and leverage ratios.

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 statement of financial position, plus net debt.

The gearing ratios at the statement of financial position dates were as follows:

(in thousand KD)	2009	2008
Total borrowings	2,152,466	1,901,926
Less: Cash and cash equivalents (Note 4)	267,175	367,871
Net debt	1,885,291	1,534,055
Total equity	2,478,478	2,401,129
Total capital	4,363,769	3,935,184
Gearing ratio	43%	39%

32. Fair value of financial instruments

Fair values of financial instruments are not materially different from their carrying values. For financial assets and liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value.

Determination of fair value and fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:
Level 1: Quoted prices in active market for the same instrument.
Level 2: Quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: Valuation techniques for which any significant input is not based on observable market data.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets:

(in thousand KD)	At 1 January 2009	Gain/loss recorded in the statement of income	Gains recorded in equity	Net purchases, sales and settlements	At 31 December 2009
31 December 2009 Investment securities available for sale: Unquoted securities (net of impairment losses)	12,612	-	10,130	-	22,742

During the year ended 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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 "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. 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 statement of financial position 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 only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. 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 recognizes a liability 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 deferred tax assets.

Goodwill
The Group annually tests whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units are determined based on value-in-use calculations or at fair value less costs to sell. The fair value less cost to sell is based on recent/ intended market transactions and the related EBITDA multiples used in such transactions. These calculations require the use of estimates.

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. Post balance sheet event

On 30 March 2010, the Group entered into a legally binding definitive Sale Purchase Agreement (SPA) with a major mobile telecom operator based in India to sell its wholly owned subsidiary Zain Africa BV (Note 3) based on an enterprise valuation of US$ 10.7 billion (KD 3.08 billion). This is subject to receiving appropriate approvals. Under the SPA consideration will be fully settled in cash, of which US$ 8.3 billion (KD 2.39 billion) will be paid upon closing and US$ 700 million (KD 202 million) will be paid one year thereafter. The buyer will also assume US$ 1.7 billion (KD 490 million) of Zain Africa BV's consolidated debt obligations.

35. Comparative figures

Certain prior year amounts have been reclassified to conform to current year presentation with no effect on net profit or equity.

Glossary

1. GSM
(Global System for Mobile Communications)

It's a digital mobile telephony system used by over 2 billion people across 212 countries in the world. GSM digitizes and compresses data, then sends it down a channel with two other streams of user data, each in its own time slot.

2. HSDPA
(High-Speed Download Packet Access)

HSDPA is a protocol for mobile telephone data transmission known as a 3.5G technology. This protocol allows networks based on Universal Mobile Telecommunications System 'UMTS' to have higher data transfer speeds and capacity. Current HSDPA deployments support down-link speeds of 1.8, 3.6, 7.2 and 14.4 Mbit/s.

3. UMTS
(Universal Mobile Telecommunications System)

3rd generation wireless communications system that support high-speed mobile multimedia services. UMTS will speed convergence between telecommunications, IT, media and content industries to deliver new services and create fresh revenues generating opportunities.

4. 3G
(3rd Generation)

3G is the term given to the third generation of mobile communication systems. It offers enhanced services, such as multimedia and video. The main 3G technologies include UTMS and CDMA2000.

5. 2G
(2nd Generation)

2G is short for the second-generation wireless telephone technology. Voice is encoded as a digital bit stream and is less prone to interference and harder to clone.

6. EDGE
(Enhanced Data rates for GSM Evolution)

EDGE is a faster version of the Global System for Mobile i.e. (GSM) wireless service and enables delivery of multimedia and other broadband applications to mobile phone and computer users through increased data transmission rates.

7. MMS
(Multimedia Messaging Services)

MMS is a standard for telephone messaging systems that allows sending messages including multimedia objects (images, audio, video and rich text). It's mainly deployed in cellular networks along with other messaging systems like SMS, Mobile Instant Messaging and Mobile E-mail.

8. MVNO
(Mobile Virtual Network Operator)

It's a company that provides mobile phone service but does not have its own licensed frequency allocation of radio spectrum, nor does it necessarily have the entire infrastructure required to provide mobile telephone service.

9. SMS
(Short Message Service)

A telecommunication protocol that allows the interchange of short text messages between mobile telephone devices.

10. 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.

11. ARPU
(Average Revenue per User)

It's a measure of the revenue generated by one customer's phone, pager, etc. for a period typically per month or annum.

12. CDMA
(Code Division Multiple Access)

CDMA is a method for describing physical radio channel's. Data intended for a specific channel is modulated with that channel's code.

13. DSL
(Digital Subscriber Line)

DSL is a family of technologies that provides digital data transmission over the wires of a local telephone network.

14. GPRS
(General Packet Radio Service)

A GPRS is used for WAP, MMS and internet communication. GPRS data transfer is typically charged per megabyte of traffic transferred, while data communication via traditional circuit switching is billed per minute of connection time, independent of whether the user actually is utilizing the capacity or is an idle state.

15. Mobile Top Up

Mobile Top Up is a facility to electronically recharge an existing mobile prepaid connection using recharge vouchers. This facility enables users to increase their mobile talk-time.

16. SIM
(Subscriber Identity Module)

Usually referred to as a SIM card which contains relevant information that enables access onto the subscripted operator's network.

17. VOIP
(Voice over Internet Protocol)

VOIP is a protocol optimized for the transmission of voice through the internet or other packet switched networks. VOIP is often used abstractly to refer to the actual transmission of voice rather than the protocol implementing it.

18. WAP
(Wireless Application Protocol)

WAP is an international standard for the applications that use wireless communication. It provides access to the internet through mobile handset.

19. Me2U

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

20. Who-Called?

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

21. 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.

22. Access

GPRS/EDGE based internet access service

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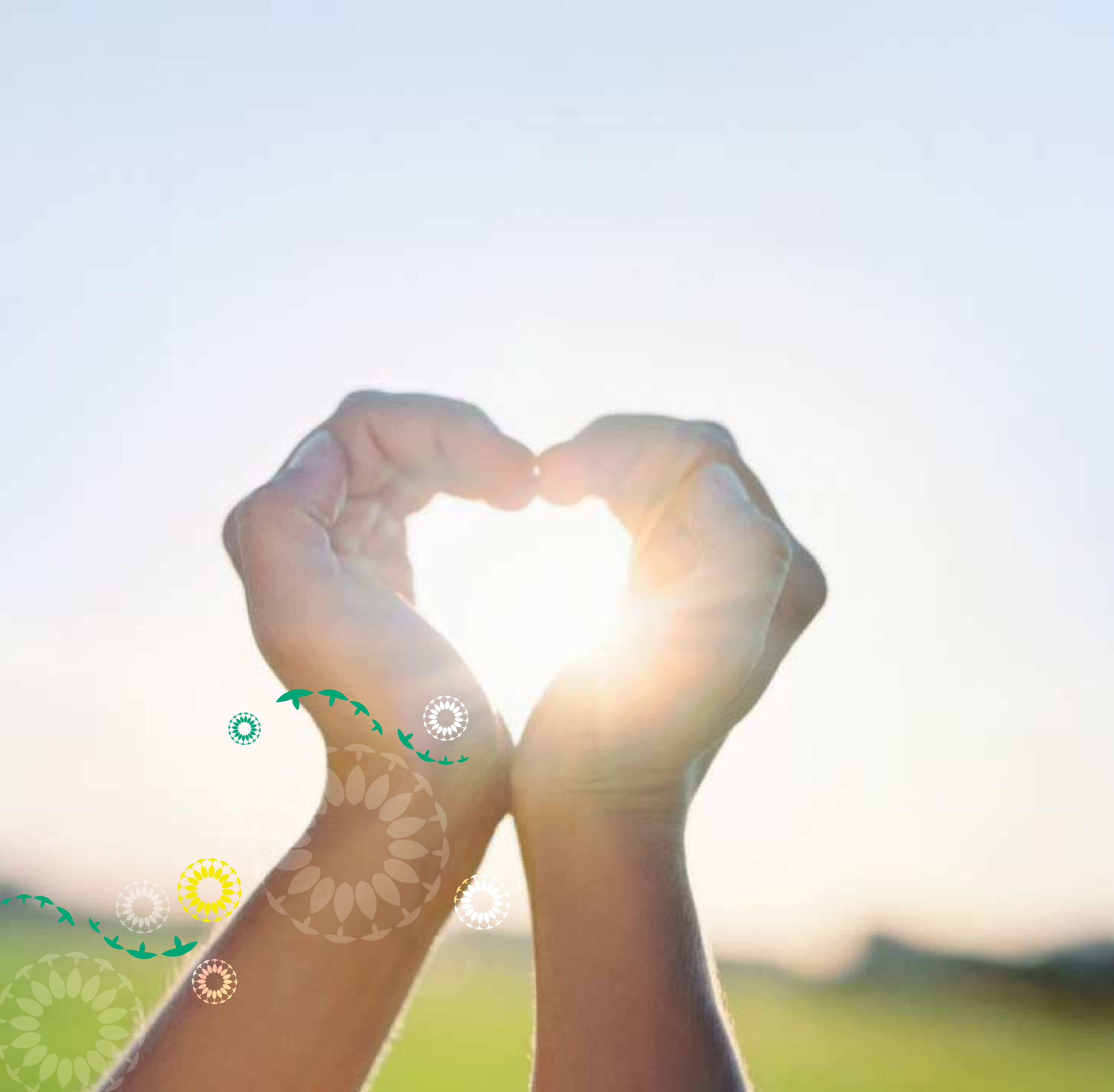

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