



THE POWER OF



Annual Report 2008

Annual Report 2008



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



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



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



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Key Objectives



- Reach a customer base of 110 million customers*
- Achieve an EBITDA of US\$ 6 Billion*
- Become the market leader in each of our operations
- Enrich the lifestyle of our global family, and combine value creation and growth from existing operations
- Create synergies across our operations
- Be daring, be first, be different and make history
- Attract the best talent and become the preferred employer across our homeland
- Build support, provide for, work with and strengthen communities wherever we go
- Become one of the top 10 mobile telecommunications companies in the world*

*by the year 2011

Growth of Zain

US\$7.4

Billion in Revenues,
a 26% increase

#1

operator in 13 out of
the 22 markets

75

million + SMS
sent daily

15

million + km² under
license or 60% larger
than USA

One Network:

- 17 countries across the Middle East and Africa
- Covering more than 500 Million people
- 2x geographic area of Europe
- 7 million + people have used the service since its introduction

17

million +
customers
in Nigeria

Kingdom of
Saudi Arabia
and Ghana
launched
commercial
services

743

million +
number of calls
made daily

560

million +
people under
license

US\$2.8 Billion EBITDA,
a 15% increase

4th largest mobile
operator in the
world in terms of
geographic footprint

63.5

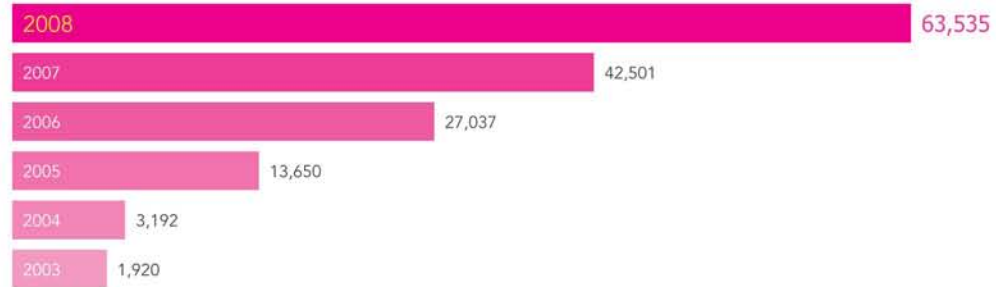
million +
customers in
22 countries

15,000+
employees,
>100 nationalities

Key Performance Indicators

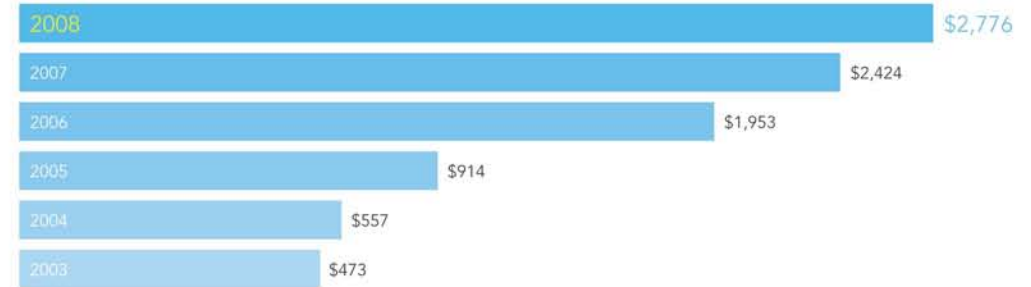
Customers (000)

CAGR 101%



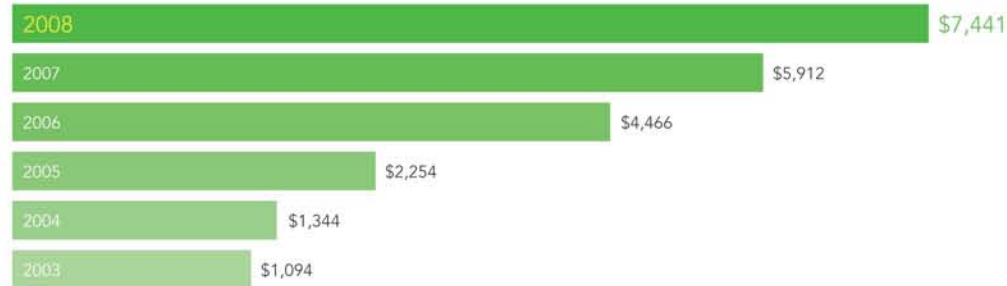
EBITDA (in million dollars)

CAGR 42%



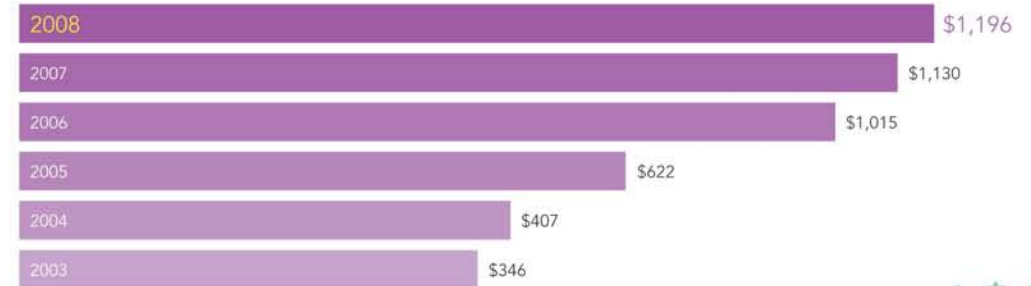
Revenues (in million dollars)

CAGR 47%



Net Income (in million dollars)

CAGR 28%



Key Milestones

“ From a national player to an emerging markets leader ”



Share Price Evolution



Zain Presence



Over 63.5 million
active customers
in 22 countries

The numbers show active customers for year-end 2008

Key Highlights

Operational events for the full year of 2008

January 5

MTC Atheer and Iraqna re-brand as Zain

The two Iraqi mobile telecommunications networks - MTC Atheer and Iraqna - change their names to Zain as both operators adopt the new corporate master brand of the Zain Group. Serving over 7 million customers, Zain in Iraq becomes the 5th Group operator to be rebranded. The re-branding follows MTC Atheer's acquisition of a 15-year, nationwide license in August 2007, for US\$ 1.25 billion and MTC Atheer's acquisition of Iraqna on December 31, 2007, for US\$ 1.2 billion.

April 14

"One Network" expands to more countries in the Middle East

Zain achieves another first by bringing its groundbreaking borderless "One Network" mobile service to four countries in the Middle East. The service, which made telecom history when it was launched in Africa, allows Zain's 14 million customers in Bahrain, Iraq, Jordan and Sudan to be part of a pan-Middle East mobile community, providing travelling Zain customers the opportunity to communicate between these countries and be treated as local customers in terms of pricing, while using their home network service.

June 27

Zain shines at London Hyde Park concert

Watched by a global TV audience of around 1 billion people, Zain introduces its new corporate master brand at a concert in London's Hyde Park as 50,000 people gather to honour and celebrate the 90th birthday of Nobel Peace Prize Laureate and former President of South Africa, Dr. Nelson Mandela.

August 1

Zain launches its new identity across Africa

Zain announces it has re-branded its entire African operations from Celtel to Zain. The move coincides with the linking of the world's first borderless mobile service "One Network" across two continents to join 15 countries with a combined population of over 450 million.

August 26

Kingdom joins "One Network" borderless service

Zain launches commercial services in the Kingdom of Saudi Arabia. With the launch, the Kingdom also connects to "One Network", taking the number of countries in which Zain customers can enjoy local rates for cross-border communications to 16.

September 20

Zain marks Kuwait history with largest capital increase

Zain successfully completes its capital increase, raising US\$ 4.49 billion (KWD1.2 billion) with 99% of all shareholders subscribing. It is the largest ever capital raise in Kuwait history. The proceeds will be used to finance future strategic expansion plans and meet financial commitments.

October 26

Zain holds ACE management meeting in Jordan

The highlight of the annual Zain management ACE meeting to discuss strategies to meet 2011 targets, held in Jordan at the Dead Sea's King Hussein Bin Talal Convention Centre, is an inspirational speech given by Neil Armstrong, who in 1969, became the first man to walk on the moon.

November 2

Zain increases stake in Iraqi network

Zain announces that it has increased its ownership stake in Zain Iraq from 30% to 71.67% through exercising a pre-agreed call option between Zain and the owners of Athir National (Bahrain), one of the three founders of Atheer Telecom Iraq Ltd. (Zain Iraq) for a total consideration of US\$ 34.477 million.

December 15

Zain launches its mobile services in Ghana

Zain announces the commencement of commercial services in Ghana with the launch of the 3.5G network and US\$ 420 million invested in network infrastructure. The launch brings the number of countries in the "One Network" operation to 17.



Board of Directors



**Mr. Asaad
Ahmed
Al-Banwan**

Chairman



**Dr. Saad
Hamad
Al-Barrak**

Deputy Chairman
Chief Executive
Officer



**Mr. Saleh
Yousef
Al Saqoubi**

Board Member



**Mr. Abdulmohsen
Ibrahim Al-Fares**

Board Member



**Sheikha Aida
Salem Al Ali
Al Sabah**

Board Member



**Sheikh Khalifa
Ali Al Khalifa
Al Sabah**

Board Member



**Mr. Abdulaziz
Yaqoub
Al-Nafisi**

Board Member



**Mr. Jamal Ahmed
Al-Kandary**

Board Member



Chairman's message

Dear Shareholders,

It gives me great pleasure to present the consolidated annual financial report - the Group's achievements, audited accounts and consolidated financial statements for the fiscal year ending December 31, 2008 - for Mobile Telecommunications Company K.S.C. - "Zain". 2008 was a year that will be remembered in the corporate history of Zain, as one full of unforgettable events.

As one of the leading mobile telecommunications companies in the Middle East and Africa, we will continue to grow to become a top-ten global player by 2011. We will achieve this by focusing on increasing shareholder value, championing customers and staff interests and being a responsible corporate citizen in supporting the communities we serve.

The Group already provides telephony services to 22 countries in the Middle East and Africa with an active customer base of more than 63.54 million, and this annual general assembly of shareholders comes at a time when Zain has taken many critical steps to realize its ambitious expansion strategy.

In 2008, Zain consolidated and extended its leadership position with an overall financial performance that showed strong growth in all key indicators. Although there is no doubt that the company's operations faced great challenges during the year, the dedication and hard work of our personnel shone through.

In August 2008, Zain launched commercial operations in Saudi Arabia, thus reinforcing Zain's presence in the Middle East by operating in one of the region's largest markets. Three months later, Zain launched commercial operations in Ghana, one of the fastest developing economies in the continent.

The strong support the company received from its shareholders has always been the stimulus on which Zain continues its expansions. This support was clearly demonstrated last September when we witnessed the results of our capital increase subscription, the largest of its kind in Kuwaiti history with proceeds of US\$ 4.49 billion, in spite of the current global economic crisis.


Furthermore, and again due to the full support it received from its shareholders and employees, Zain successfully maintained its levels of net profits in 2008. It was able to achieve this in spite of the huge investment plans the company had carried out over the last two years in Iraq, Saudi Arabia, Sudan, Ghana and Nigeria. The outlook for 2009 is equally promising.

The Group's financial indicators for 2008 reveal that our operations managed to increase their respective operational performance efficiencies. The Group's customer base reached 63.54 million at the end of 2008 compared to 42.5 million at the end of 2007, a 50% year-on-year increase. The Group's overall revenues reached US\$ 7.44 billion, an increase of 26% compared to 2007, while the Group's net profits reached US\$ 1.2 billion, an annual increase of 6%. EBITDA rose to US\$ 2.78 billion, constituting a 15% year-on-year increase, while shareholders equity reached US\$ 8.69 billion, an increase of 36% from 2007.

These impressive financial results reflect the fact that Zain has executed and fulfilled its operational goals, thanks to the enlightened planning and wise management by the Board of Directors, Executive Management and staff.

Zain's success over the years has led to increased confidence from the financial and banking institutions, especially in light of the US\$ 1.8 billion repayment in financial obligations during 2008, including the US\$ 1.2 billion for a Murabaha facility and US\$ 525 million as the first installment of the Iraqna acquisition. This reflects Zain's strong financial position, its ability to record profits and meet its financial commitments while continuing to invest heavily in its markets, even in the face of the current global economic crisis.

In parallel, Zain has continued its care for its 15,000-plus strong workforce across the Middle East and Africa. We continue to offer career development programs designed in accordance with the most up-to-date international standards as well as incentive schemes to achieve maximum levels of performance and loyalty.



Adhering to a clearly-defined strategy, the Group is looking towards the future with optimism and a clear vision. As it moves forward, Zain seeks to realize its fundamental goals, including upholding the company's determination to place the customer first and offer a comprehensive range of services. The numerous prestigious awards won by Zain and its operating companies in 2008 - including the Best Overall Mobile Telecom Operator in the Middle East and Africa - are a clear expression of this drive.

As a leading economic entity in the regional mobile telecom sector, the Zain Group has always fulfilled its corporate social responsibilities, initiating social, educational, cultural and health projects in the markets in which it operates.

I would like to extend my profound thanks and appreciation to you, our shareholders, for your precious support and trust, both of which have been our main source of motivation by creating incentives that enable us to move forward and compete with great strength. I would also like to thank our Board of Directors, whose directives have been vital in guiding us towards achieving our goals, our Executive Management, for the pivotal role they have played in advancing Zain to international levels and, last but not least, our dedicated staff at all levels for their hard work, dedication and loyalty.

Finally, I would like to express our profound gratitude and utmost respect to the government and authorities of Kuwait and all the other 22 countries in which Zain operates. Their continuous support has been critical in providing the legal and regulatory framework conducive to the efficient and profitable function of all Zain operations and the communities they serve.

Asaad Ahmed Al-Banwan
Chairman, Board of Directors



Executive Management Team



Dr. Saad H. Al Barrak
Chief Executive Officer

Dr. Saad Al Barrak was appointed to the position of Group CEO in mid 2002. Under his tutelage Zain Group has grown from a single operator in Kuwait with 600,000 customers to a conglomerate of 22 telecom operations with over 63.5 million active customers across the Middle East and Africa. Prior to his appointment with Zain, Dr. Al Barrak was Managing Director of International Turnkey Systems (ITS), one of the leading IT companies in the Middle East and North Africa region. He has served as Vice-Chairman of the Social Development Office of the Amiri Diwan in Kuwait; Chairman of Egyptian software developer IT Soft; Chairman of Arab Telecom; and a non-executive Director of Arab Management Association in Cairo.



Barrak Al-Sabeeh
Assistant Group CEO
for Business Development
& Government Relations

Barrak Al Sabeeh was appointed as Assistant Group CEO for Business Development & Government Relations in November 2008. He joined Zain in 2000 graduating through the different levels of senior management ranks of the Kuwait operation to becoming its CEO in 2005. Before joining Zain, Barrak headed several departments of various sectors in Kuwait Airways (KAC) from 1985 to 2000. In 2007 he held the position of Kuwait Airways Chairman for a 4 month stint to assist the government owned operation. Barrak is a Board Member of Alafco and Kuwait Investment Company and Chairman of MENA Investment Company.

Sam Deeb has been Chief Financial Officer since 2003 and is responsible for Zain Group's Corporate Finance Strategy. He has extensive financial management and corporate finance experience, having 24 years of experience in the mobile industry, 15 of them with Motorola. Sam is also a Member of the Board and Chairman of the Audit Committee of Zain in Nigeria.

Sam Deeb
Chief Financial Officer



Haitham Al Khaled was appointed as Chief Strategy Officer for Zain in November 2007. He joined Zain in 1985 and worked his way through various leadership positions including Engineering, Marketing and Business Development, until his most recent assignment. Prior to this appointment, Haitham was Zain's Chief Executive Officer for Middle East operations. He is also a Board Member of Arab Telecom, Al-Shall Consulting & Investment Co, Zain in Sudan and in Nigeria.

Haitham Al Khaled
Chief Strategy Officer



Executive Management Team



Khalid Al-Omar
Chief Technical Officer

Khalid Al-Omar was appointed Chief Technical Officer in November 2008. He has worked in various leading positions since joining the Company in 1986. Previous to this appointment, Khalid was Zain Kuwait's Chief Operating Officer (COO), and between 2003 - 2005, he was responsible for the implementation and launch of the Atheer project (Iraq) - establishing a mobile network in the Southern region and in Baghdad, creating the largest microwave backbone in Iraq - as well as being CTO of Zain in Kuwait where he was responsible for launching the 3G/HSPA and 14.4 networks.



Ibrahim Adel
Chief Communications Officer

Ibrahim Adel was appointed as Chief Communications Officer in January 2007. He joined Zain in December 2003 as Investor Relations Manager and shortly thereafter promoted to Director. Ibrahim has over 16 years of senior management experience and prior to joining Zain, he worked as Investor Relations and Shareholder Affairs Senior Manager at ECMS (Mobinil) in Egypt where he also acted as secretary to the Board of Directors. He also worked for Alcatel SA as General Manager of Alcatel Egypt S.A.E and was a founding shareholder and General Manager of Falcon Portfolio Management S.A.E. Ibrahim started his professional career as an Investment Banker at Drexel Burnham Lambert in Detroit, Michigan and New York.

Dr. Tony Tasca joined Zain in June 2007 as Group Chief Human Resources Officer. Prior to joining the Company, he provided Zain advice and counsel in a number of human resources and organization development initiatives. Dr Tasca brings to Zain over 35 years of experience gained in a variety of industries in human resources management, organization development and general management. He was the Chairman of Louis Allen Worldwide Inc., co-founder and CEO of Anchor Software, Inc.; Vice President of Organization Effectiveness for ORC Worldwide Inc., and held human resources positions of responsibilities at General Telephone (Verizon), General Electric and Control Data Corporation.

Dr. Tony Tasca
Chief Human Resources Officer



Tito Alai was appointed as Chief Marketing Officer of Zain Africa's operations in 2003 and then became Chief Commercial Officer of Zain Group in January 2007. He is the architect of the new Zain brand that was launched in September 2007. Tito's previous experience includes various senior international marketing roles with Eastman Kodak, African Lakes Plc and Unilever, where he was responsible for building brands in Europe, Africa, the Middle East and Latin America before joining Zain.

Tito Alai
Chief Commercial Officer



Executive Management Team



Mohammed Rafi
Chief Information Officer

Mohammed Rafi joined Zain as Chief Information Officer at the end of 2005. He has over 26 years experience in the IT

industry and Financial Payment Systems and in Systems Integration services for mainframe and non-mainframe systems and large-scale solutions. Prior to joining Zain, Mohammed was the assistant GM for Business Solutions with International Turnkey Systems (ITS) where he orchestrated the design, development and implementation of financial and telecoms systems with a special focus on customer care, billing, mediation & billing solutions for fixed and wireless services for numerous operators in the Middle East, Africa and Asia over a 15 year period.



Mohammad Shabib
Chief Regulatory Officer

Mohammad Shabib was appointed as Chief Regulatory Officer in January 2008. Prior to this

appointment he held the GM position of mtc touch Lebanon for 3 and a half years overseeing the operation under the management contract that Zain Group was awarded in May 2004. Previously Mohammad was the Regional Executive Director for Telecommunications and Regulatory Affairs of Zain's operation in Bahrain. He has an impressive experience in the Telecommunications industry over the past 39 years, in US domestic and international markets, working notably for Motorola for 19 years beginning 1983; from engineering project manager, to senior regional manager, to GM in Indonesia, and later Director of Telecommunications with MobiNil in Egypt.

Salah Al-Fouzan was appointed Chief Business Development

Salah Al-Fouzan
Chief Business Development Officer

Officer in January 2008. He has spent over 11 years in the wireless telecommunications industry at executive management levels with a specific focus on Mergers & Acquisitions and Business Development. To date, in his capacity as Zain's M&A lead executive, Salah has managed a record US\$ 15 billion worth of international M&A buy-side transactions on behalf of the Zain Group. He has also worked on a variety of equity offerings and debt financings for Zain totalling an excess of US\$ 8 billion. Salah also serves as non-Executive Director on the Boards of Kuwait Airways, and Zain's operations in Nigeria, Kenya and Ghana.



Executive Management Team



Chris Gabriel
Chief Executive Officer, Africa

Chris Gabriel was appointed Chief Executive Officer of Zain Africa in December 2007. Previous

to this appointment, he was Chief Officer of ACE, where he was accountable for defining, executing and delivering Zain's Global ACE Strategy (Accelerate, Consolidate and Expand) and targets. Prior to joining Zain, Chris has played vital roles as Interim Chief Executive, Group Chief Financial Officer and Group Chief Information Officer in several international telecom companies as well as once the Director of Finance for SingTel Optus Business in Australia. He has over 25 years experience in the Information Technology and Communications sectors holding senior executive positions with Ericsson, Unisys and ComputerLand.



Khaled Al Hajeri
CEO of Zain in Kuwait

Khaled Al Hajeri was appointed Chief Executive Officer of Zain in Kuwait in November 2008. A stalwart of the Company, he

joined Zain in 1985 and became the Group's Chief Technical Officer in 2003 where he was responsible for network planning, construction, systems operation, strategic direction and technology trends in all the 22 countries in which Zain operates. Khaled is a member of the Board of Directors in Arab Telecom Company, Kuwait, Thuraya Satellite Telecommunication Company as well as Zain operations in Sudan, Nigeria, Saudi Arabia and Tanzania.



Mahmoud Hashish
Chief Executive Officer, Middle East

Mahmoud Hashish was appointed as CEO of Zain Middle East's operations in November 2007. He joined the Company in 2002 based in Kuwait and in 2004 Mahmoud moved to Bahrain as Chief Commercial Officer where he was later appointed to General Manager/Chief Operating Officer. Before his current appointment Mahmoud was vice-president of Zain East Africa operations. He has over 25 years of Sales and Marketing management experience holding senior executive positions with ACI Worldwide (Applied Communications Inc.), International Turnkey Systems (ITS) and Al Rajhi Banking & Investment Corp.



Dr. Marwan Al Ahmadi
CEO of Zain in Saudi Arabia

Dr. Marwan was appointed as Chief Executive Officer of Zain in Saudi Arabia

in July 2007, on the Company's successful attainment of a license in the Kingdom. He joined Zain in 2004 and prior to this appointment; he served as Chief Strategy Officer of Zain Group and acted as Chief Operating Officer of Zain in Bahrain until 2006. Dr. Marwan is a nationally recognized IT expert with a proven track record of significant contributions both to the companies for which he has worked, and to broader society. He was Cisco's Country Manager for the Kingdom of Saudi Arabia and before Cisco, he worked for the Abdul Latif Jameel (ALJ) Group, prior to which he has held various senior management and senior consulting positions in prominent Saudi Arabian companies.

Management Discussion and Analysis



I am delighted to present the 2008 Annual Report for the first time under the umbrella of one identity, following the successful rebranding of all our African operations to Zain. It is equally exciting to write these words soon after the successful launch of commercial operations in the Kingdom of Saudi Arabia and Ghana.

Furthermore, despite a very challenging environment on many fronts and huge investments in network expansion, the Group was able to achieve satisfactory and realistic profit levels, a testament to the sound management practices and excellent operational performance of all 22 operations in the Middle East and Africa.

Elsewhere, while mobile communications markets are increasingly saturated in the GCC (in Kuwait, Bahrain and the Kingdom of Saudi Arabia penetration rates now hover around, or exceed, 100%), growth continues in the region through segments, such as broadband, Mobile-Internet, WIMAX and the increasingly popular seductive and customer-alluring "One Network" service. In Iraq, Sudan, Jordan and Lebanon, the penetration rates are lower and thus growth opportunities exist.

In Africa, where penetration rates average 35% across the continent, there is plenty of scope in customer growth and, with 3G technology installed in several key markets, the continent will play an instrumental role in delivering prime financial targets. Our jewel in the crown, Nigeria, with a population of more than 150 million, will be prominent in hitting these targets.

The achievements of 2008 have, without doubt, been a potent catalyst in propelling the company to our 2011 target of being a top-ten global operator.

Operational Highlights

In 2008, Zain continued its strong growth by offering relevant, affordable and quality telecommunications services across Africa and the Middle East. In 2008, the Group was adding on average 376,000 new customers per week - compared to 276,000 per week in 2007. Our customer base grew by 50%, rising from 42.5 million in 2007 to over 63.5 million by the end of 2008, while Zain's continuous efforts to expand the capacity and coverage of its networks was reflected in its ongoing capital investment program totaling US\$ 3.3 billion in 2008. This has allowed Zain, not only to significantly increase its customer base, but also to expand into areas that previously had no access to mobile telecommunication services.

MTC-Attheer & Iraqna unite as Zain

2008 started with the uniting of MTC - Attheer and Iraqna as Zain, strengthening our position in Iraq. The merger followed the acquisition by MTC - Attheer of a 15-year nationwide license several months earlier and we believe that, together as Zain, and as one larger operation utilizing the Group's resources, we will be in a better position to serve the Iraqi people.

One Network expands

The historic "One Network" has continued to expand into more countries and offer more services. In April 2008, Bahrain, Iraq, Sudan and Jordan joined the network and they were followed by Saudi Arabia and Ghana in August and December 2008 respectively. With 12 African and 5 Middle Eastern operations, 'One Network' has now been used by more than 7 million customers and has become Zain's most recognizable signature across the two continents. Madagascar, Sierra Leone and Zambia are expected to join "One Network" during 2009 and we hope to extend this platform to all our operations, subject to government regulatory approval.

The move to Zain across Africa

On August 1, 2008 all 14 Operations in Africa rebranded from Celtel to Zain in what was the biggest brand launch in the history of the continent. The Group can now leverage further synergies and financial savings on all marketing materials and commonly branded items. The move coincided with the linking of two continents to "One Network" taking this service from the west coast of Africa to the Middle East, an area larger than the United States of America.



Management Discussion and Analysis

Capital Increase

September 18, 2008 witnessed the completion of Zain's unprecedented capital increase that raised US\$ 4.49 billion (KWD 1.2 billion) with a 99% subscription rate. The number of subscribed shares exceeded 1.4 billion, bringing the total number of Zain shares to 4.28 billion and total shareholders' equity reaching US\$ 8.68 billion by year-end 2008. It was the largest capital increase in the history of Kuwait and a unanimous vote of confidence by our shareholders in Zain's management team, its performance and its strategy.

Some of the proceeds were used to meet financial commitments by reducing some of our debt obligations (Zain paid back a Murahaba facility of US\$ 1.2 billion as well as the first installment of US\$ 525 million for the purchase of Iraqna and several other financial obligations totaling US\$ 1.8 billion), while the rest will be used to finance future, value-adding expansion plans.

Going live in KSA

August 26, 2008 marked the launch of commercial services of Zain in the Kingdom of Saudi Arabia, where it offers high-speed 3.5G technology services. The move has strengthened Zain's footprint in the Middle East and we are delighted that the operation achieved over 2 million customers within the first 120 days of the commercial launch, a huge achievement for a third operator in a market with an estimated 100% penetration rate.

Launch in Ghana

In another success story, mid-December 2008 saw Zain begin commercial services in Ghana, again with a state-of-the-art 3.5G network. The operation, which brings the number of countries in which "One Network" operates to 17, attracted 270,000 customers in just two weeks, a positive indication of great opportunities in this promising nation.

Increasing stakes

Last but not least, and in line with its strategy to consolidate ownership in its operations, during 2008 Zain increased its ownership in the Niger operation from 80% to 90%, while in Iraq, Zain increased its ownership stake from 30% to 71.67% through exercising a pre-agreed call option. Both these moves will positively impact Zain Group's future financial results for the benefit of our shareholders.



Strategy

The industry continues to change at a rapid pace, as technological trends increase. Zain is committed to providing the best customer experience and becoming the leading mobile operator in every market we serve.

We embraced these challenges with our Accelerate, Consolidate, Expand, or ACE, strategy:

- **Accelerate:** We continue to target superior product offerings as a key differentiator and a catalyst to increase our revenues and strengthen our market share. In Africa, for example, we have already sold and activated more than three million low-cost handsets, thus minimizing the cost of ownership for many low-income families, while generating nearly US\$ 100 million in revenue.
- **Consolidate:** 2008 was a challenging year for all of us - staff, management and shareholders alike - yet at Zain, we found it an ideal time to focus on maximizing efficiencies and developing best practices across the Group. It was a critical time to work on synergies and to consolidate our portfolio globally by ensuring we were working efficiently as one organization. For instance, a cross-functional initiative managed between our procurement and network departments successfully renegotiated framework agreements with our main vendors, saving more than US\$ 280 million in planned capital expenditure and more than US\$ 30 million in network operating expenses.
- **Expand:** As previously mentioned, in August, we launched commercial operations in the Kingdom of Saudi Arabia and have already captured a sizeable share of this lucrative market. In December 2008, Zain commenced services in Ghana, a low mobile penetration market with high room for growth. Given the current financial crisis, we are carefully eyeing all potential opportunities to enter new markets.

Going forward in the current economic climate, Zain will adapt its strategy where it makes commercial sense and where it is economically viable to seize an attractive opportunity, such as share swapping with, and acquiring minority stake deals in, other telecom operations.

Our expansion in 2008 was not limited to increasing our geographic footprint. Through its pioneering "Zain Create" portal - in partnership with Rotana - Zain now allows its customers to download entertainment productions. Additionally, the Group now has the infrastructure to launch a comprehensive mobile banking package in Africa that will provide millions of people with access to banking for the very first time. This groundbreaking and comprehensive service is set to launch in 2009 and will turn Zain into a major player in the financial services sector.

Financial highlights

For the year ending December 31, 2008, Zain proudly served 63.54 million customers, a stellar increase of 50% compared to the previous year. The Group recorded consolidated revenues exceeding US\$ 7.44 billion, an increase of 26% compared to the previous year. Over the same period, EBITDA increased 15% to exceed more than US\$ 2.7 billion, resulting in an EBITDA margin of 37% compared to 41% in 2007. The Group's net income in 2008 reached US\$ 1.2 billion, a 6% increase compared to 2007, representing an earnings per share of US\$ 0.33.

Zain's healthy financial performance in 2008 was underpinned by steady cash-generative markets in the Middle East. Kuwait, Sudan and Jordan contributed US\$ 637.9 million, US\$ 278.5 million and US\$ 128.5 million respectively to the Group's Net Profit of US\$ 1.2 billion.

As of December 31, 2008, Zain's African operations represented 65% of the Group's total customer base, while the Middle East operations of Bahrain, Iraq, Jordan, Kuwait, Kingdom of Saudi Arabia, Lebanon and Sudan represented the remaining customers.

Management Discussion and Analysis

The regional revenue contribution of the Middle East to the Group's consolidated revenues was 44%, with Africa accounting for 56%. The regional split in EBITDA for the two regions was US\$ 1.5 billion for the Middle East and US\$ 1.2 billion for Africa, representing 56% and 44% respectively. The regional contribution of the Net Income was 88% for the Middle East and 10% for the African operations. The remaining contributions came from other sources within the Group.

Weathering the storm

Specifically, we would like to make a statement to our shareholders regarding the current global financial crisis: "Subsequent to our successful capital increase, the global economic situation deteriorated in the second half of 2008. This had an adverse impact on share prices globally, and Zain's market value has not escaped this financial downturn. Despite the climate, our attention will remain fixed on maximizing value for the benefit of our shareholders. We are well-positioned to weather the storm due to the robustness of our portfolio and the vital nature of the services we provide. Our emphasis in 2009 will be on enhancing profit margins, preserving cash, leveraging our brand through synergies between the Middle East and Africa and reaping the financial rewards of our previous CAPEX investments."

Staff

Our workforce is undergoing dynamic restructuring to tackle future challenges. Focusing on diversity in human resources, we are permanently engaged in nurturing current staff while recruiting new talent with the relevant professional experience to maintain a qualified and talented workforce, which in turn will continue to bolster Zain's competitiveness going forward.



Going Forward

2008 will be remembered as a year full of challenges and successes. Through the implementation of key strategic initiatives as well as the rebranding of Celtel operations to Zain, the Group has established solid foundations for sustainable growth. Now that we have achieved full integration and relocation of many of our Group personnel to the new head office in Bahrain, we are confident that through our commitment to achieve better results and go beyond, we can serve the markets in which we operate and realize our customers' expectations.

Once again, I would like to express thanks to our stakeholders for all their support and trust they placed in us in 2008. We look forward to better serve them in the years to come.

Dr. Saad Hamad Al-Barrak
Chief Executive Officer
Zain Group

Group Overview 2008

42,501
Active customers 2007 (000s)

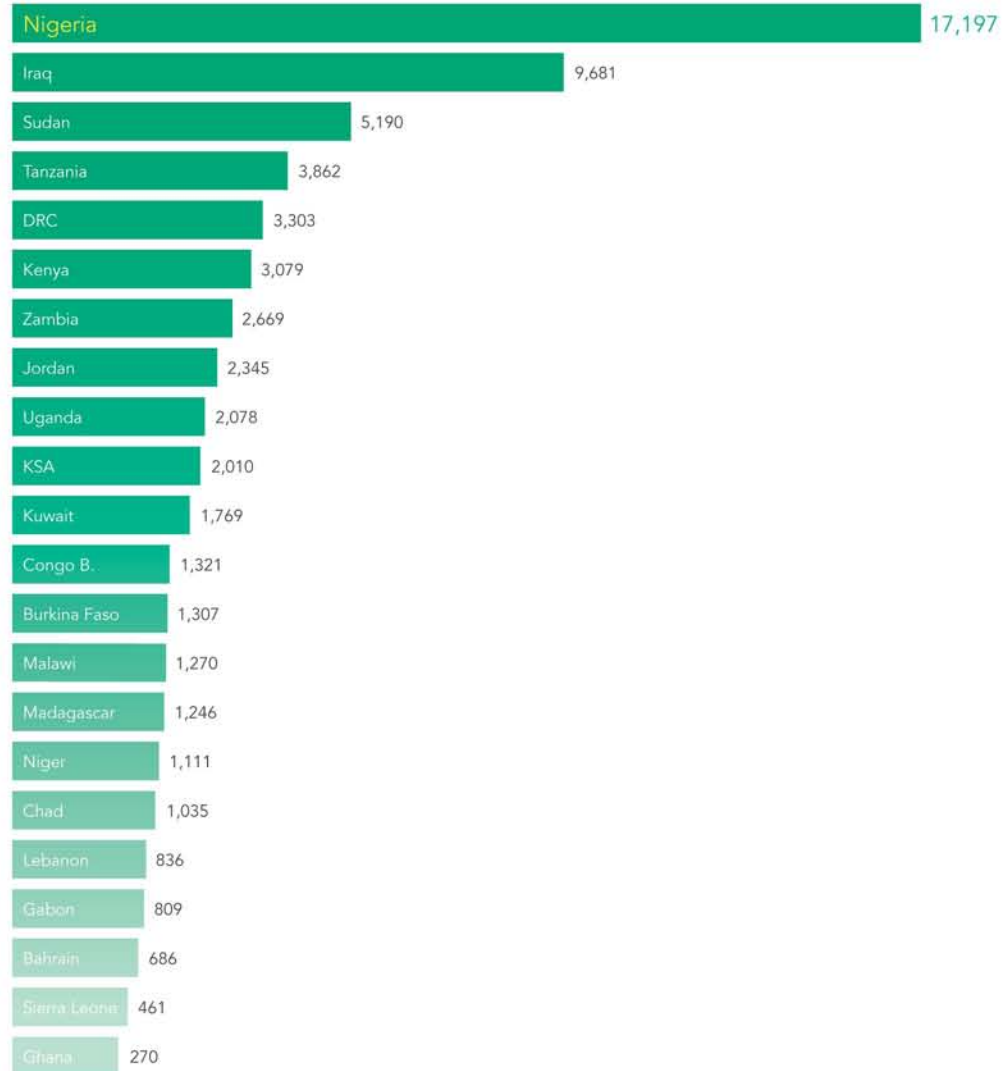
63,535
Active customers 2008 (000s)

50%
YOY growth

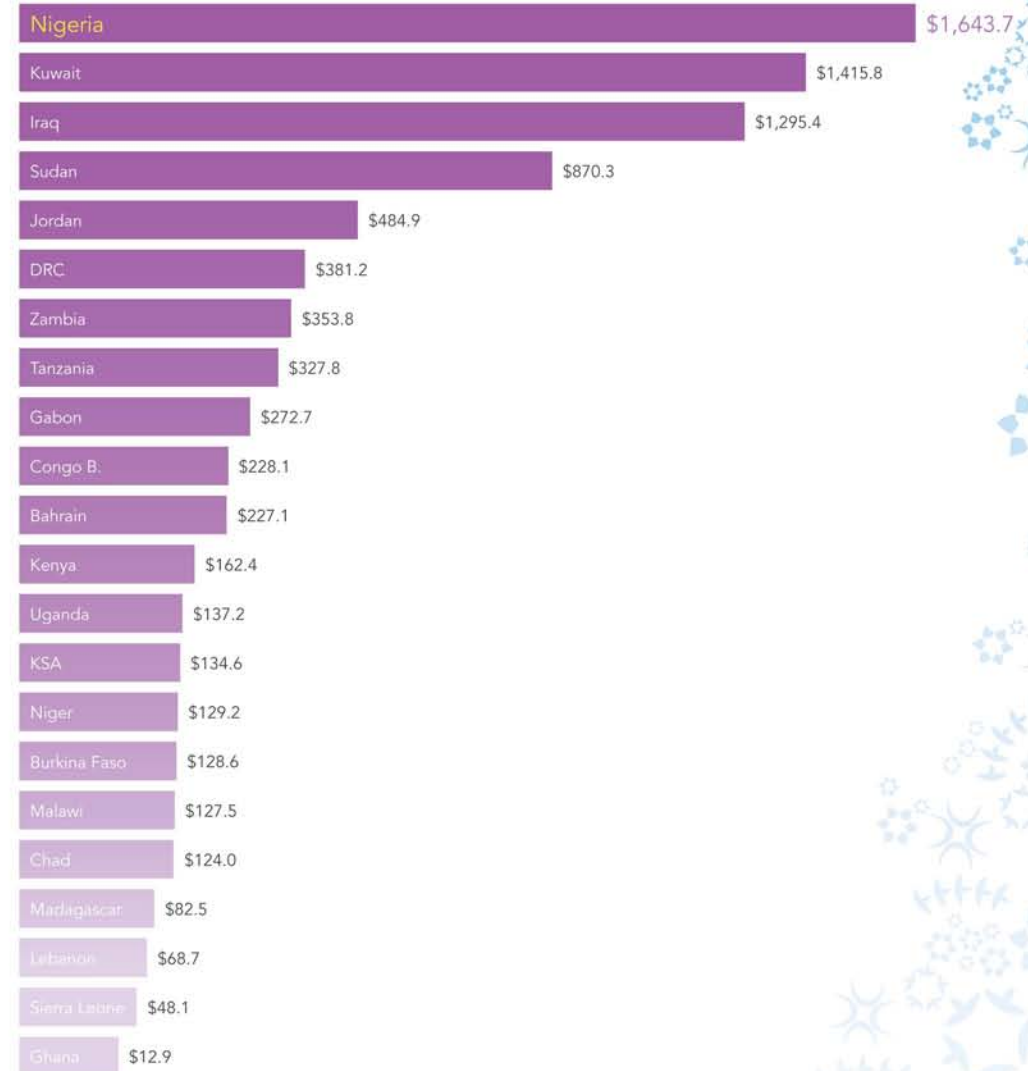


Group Overview 2008

Customers (000)

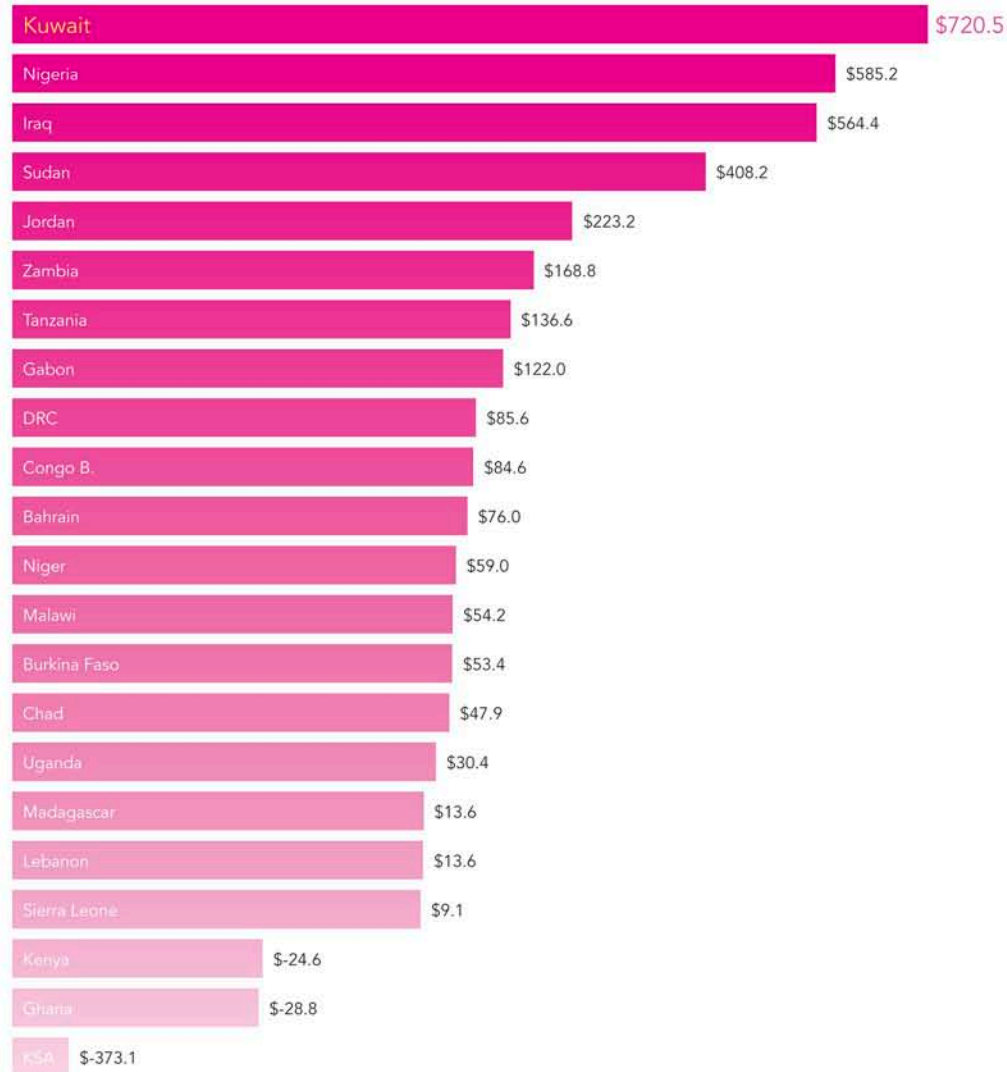


Revenues (in million dollars)

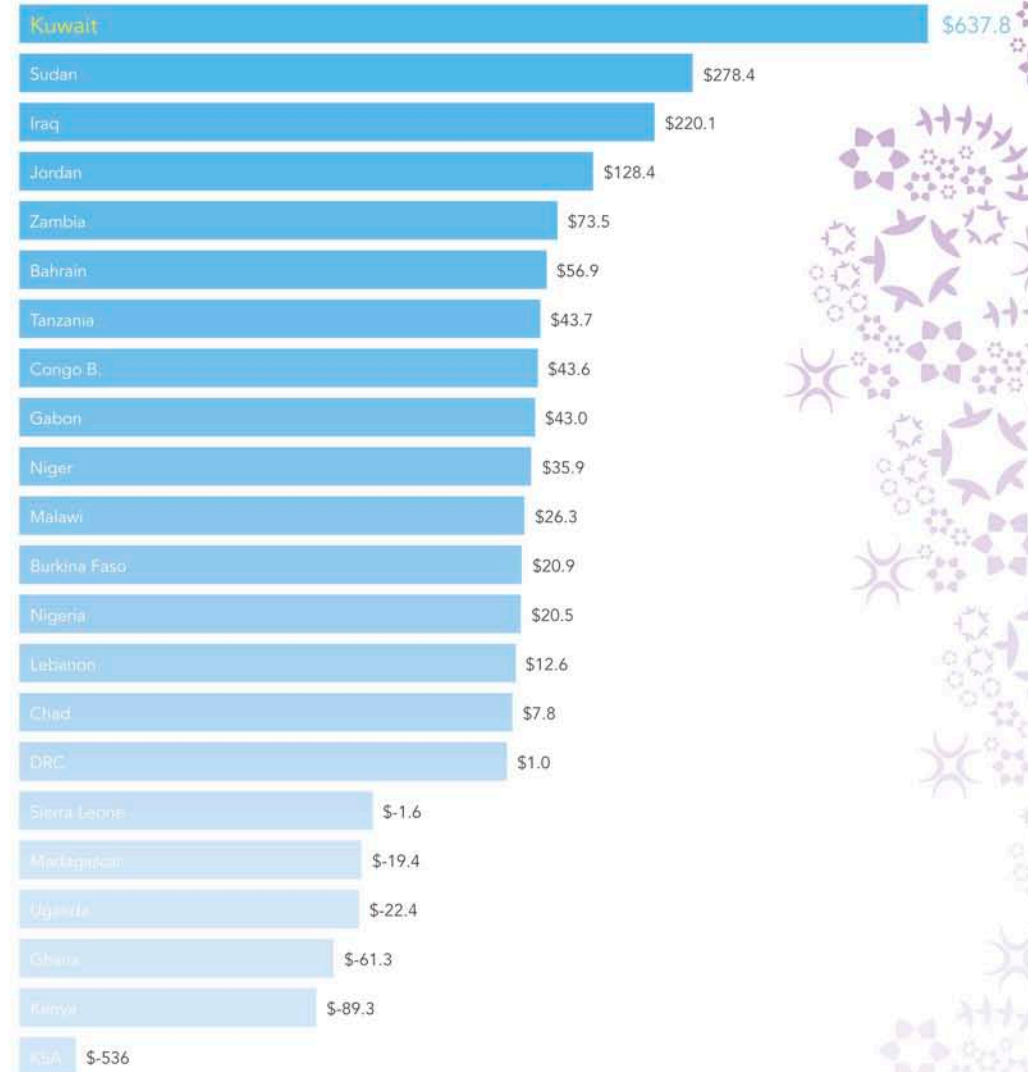


Group Overview 2008

EBITDA (in million dollars)



Net Income (in million dollars)



Operations Snapshot

Kuwait

Zain in Kuwait, formerly MTC, is the Group's flagship operation. It was established in 1983 and made history in 1994 by becoming the first telecom operator to launch commercial GSM services in the region.



Kuwait

Year of launch 1983
 Ownership 100%
 Market positioning 1
 Customer market share 55%
 ARPU (\$) 69
 Population (000s) 3,600
 Customers (000s) 1,769

The operation had more than 1.7 million customers by year-end 2008, an increase of 12% compared to 2007. Its customers accounted for 3% of Zain's total customer base.

Revenues reached US\$ 1,415.8 million in 2008, an increase of 12% compared to 2007. The operation's revenues accounted for 19% of the Group's total consolidated revenues. EBITDA increased by 13%, reaching US\$ 720.5 million. Net income reached US\$ 637.8 million, an increase of 8% compared to 2007. Zain in Kuwait had an ARPU of US\$ 69 in 2008 - the highest in the Group.

Building on a reputation of being able to deliver the latest products in the Kuwaiti market, Zain in Kuwait scored a series of "firsts", when it became the first company to introduce 3G; the first to announce plans to launch 14.4 Mbps internet and the first to provide mobile internet for the prepaid segment. These firsts were reflected in an excellent annual performance that was underpinned by a record Net Income.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	1,769	1,576	12%
Revenues (USD m)	1,415.8	1,266.7	12%
EBITDA (USD m)	720.5	635.0	13%
EBITDA margin	51%	50%	-
Net Income (USD m)	637.8	592.2	8%

Operations Snapshot Sudan

Part of "One Network"

Zain in Sudan, formerly Mobitel, which was fully acquired by the Group in February 2006, is Sudan's first mobile operator.

Khartoum 

Year of full acquisition **2006**
 Ownership **100%**
 Market positioning **1**
 Customer market share **50%**
 ARPU (\$) **16**
 Population (000s) **39,445**
 Customers (000s) **5,190**

Throughout 2008, Zain invested heavily in equipping the network with the latest technology, to enhance its position as Sudan's leading mobile provider, one with a commanding 50% customer market share.

The operation had a total of 5.19 million customers by year-end 2008, an increase of 34% compared to 2007. Its customers accounted for 8% of Zain's total customer base.

Revenues reached US\$ 870.2 million in 2008, an increase of 10% compared to 2007. Sudan's revenues accounted for 12% of the Group's total consolidated revenues. EBITDA increased by 13% to reach US\$ 408.2 million in 2008. Net Income for the same period reached US\$ 278.4 million and it had an ARPU of US\$ 16 in 2008.

The operation's focus is to provide unprecedented services to its customers, develop the community and offer the best value to all its stakeholders. Throughout 2008, it invested heavily in upgrading the network with the latest state-of-art technology, enhancing its position as a pioneering and leading provider of telecommunication services. To date, Zain covers over 600 major cities and towns, representing almost 80% of the population.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	5,190	3,883	34%
Revenues (USD m)	870.2	792.4	10%
EBITDA (USD m)	408.2	360.2	13%
EBITDA margin	47%	45%	-
Net Income (USD m)	278.4	263.1	6%

Operations Snapshot

Iraq

Part of "One Network"

Zain in Iraq, formerly MTC-Atheer, has been providing mobile services in the country since December 2003.

Baghdad 

Year of launch 2003
 Ownership 71.67%
 Market positioning 1
 ARPU (\$) 13
 Population (000s) 29,492
 Customers (000s) 9,681

After securing a 15-year license in August 2007, Zain expanded its services to now cover 90% of the population. In 2008, it achieved full integration between MTC - Atheer and Iraqna and increased its ownership stake from 30% to 71.67% to become a fully-fledged subsidiary.

The operation had more than 9.6 million customers at year-end 2008, a 33% increase compared to 2007. Its customers accounted for 15% of Zain's total customer base.

Revenues reached US\$ 1,295.3 million in 2008, a stellar increase of 131% compared to 2007. Iraq's revenue accounted for 3% for the Group's total consolidated revenue. EBITDA increased by 219% to reach US\$ 564.4 million in 2008. Net income for the same period stood at US\$ 220.1 million, an increase of 372% it had an ARPU of US\$ 13 in 2008.

The 2008 merger between MTC-Atheer and Iraqna resulted in 9.6 million customers by the end of the year, positioning the company as one of the largest private businesses in Iraq. The operation's strong performance was underpinned by robust growth in Revenues and Net Income, of 131% and 372% respectively, as well as its ability to deliver popular products, such as Blackberry, "One Network", Balance Transfers, and Electronic Vouchers.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	9,681	7,287	33%
Revenues (USD m)	1,295.3	561	131%
EBITDA (USD m)	564.4	177.0	219%
EBITDA margin	44%	32%	-
Net Income (USD m)	220.1	46.6	372%

Operations Snapshot

Jordan

Part of "One Network"

Zain in Jordan, formerly Fastlink, was the first to introduce mobile services into Jordan in 1994 and was the first company that Zain acquired when it embarked on its 3x3x3 expansion strategy in 2003.

Despite tough competition in a liberalized market, it has maintained its position as the foremost telecom operator with a 43% customer market share.

The operation had a total of 2.345 million customers, an increase of 26% compared to 2007. Its customers accounted for 4% of Zain's total customer base.

Revenues reached US\$ 484.8 million in 2008, and accounted for 6% of the Group's total consolidated revenues. EBITDA increased by 6% to reach US\$ 223.2 million. Net Income reached US\$ 128.4 million at year-end 2008, an increase of 8% and it had an ARPU of US\$ 19 in 2008.

Zain's leadership of the local sector was underscored by its many firsts, including the introduction of WAP, mobile banking and Blackberry. These services saw the company maintain its no.1 position, despite the increased competition. In addition, its CSR activities have made Zain in Jordan a pillar of the national economy.



Amman

Year of acquisition **2003**
 Ownership **96.52%**
 Market positioning **1**
 Customer market share **43%**
 ARPU (\$) **19**
 Population (000s) **6,118**
 Customers (000s) **2,345**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	2,345	1,858	26%
Revenues (USD m)	484.8	476.9	2%
EBITDA (USD m)	223.2	210.1	6%
EBITDA margin	46%	44%	-
Net Income (USD m)	128.4	119.1	8%

Operations Snapshot Zambia

Zain in Zambia, trading as Celtel Zambia, launched services in 1998.

Lusaka

Year of launch **1998**
 Ownership **78.88%**
 Market positioning **1**
 Customer market share **73%**
 ARPU (\$) **12**
 Population (000s) **12,154**
 Customers (000s) **2,669**

The year 2008 was an exciting year for the operation with the successful IPO of Celtel Zambia Plc. and its subsequent rebranding to Zain.

The operation had more than 2.6 million customers at year-end 2008, an increase of 36% as compared to 2007. Its customers accounted for 4% of Zain's total customer base.

Revenues increased by 40% to reach US\$ 353.8 million in 2008. The operation's revenues accounted for 5% of the Group's total consolidated revenues. EBITDA and Net Income for the same period reached US\$ 168.8 million and US\$ 73.5 million, an increase of 37% and 27% respectively. Zain in Zambia had an ARPU of US\$ 12 in 2008.

With a 73% customer market share, Zain's position in the Zambian market remains unassailable, despite the ongoing and aggressive marketing campaigns by the rival company.

In the Q4, the operation launched 'illyonse' flexi top-up, which allows top-ups in any denomination as low as ZMK 200. There are currently 582 sites on-air that cover 38% of the country and 72% of the population. This coverage is expected to increase further in 2009 with the installation and commissioning of 80 new sites.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	2,669	1,966	36%
Revenues (USD m)	353.8	252.1	40%
EBITDA (USD m)	168.8	123.4	37%
EBITDA margin	48%	49%	-
Net Income (USD m)	73.5	58.0	27%

Operations Snapshot Bahrain

Part of "One Network"

Zain in Bahrain, formerly MTC-Vodafone, began operations in 2003.



Since the historic introduction of the world's first nationwide 3.5G network, WIMAX and "One Network", the company has positioned itself and Bahrain firmly on the global telecom map.

The operation had a total of 686,000 customers at year-end 2008, representing a 53% increase compared to 2007. Its customers accounted for some 1% of Zain's total customer base.

Revenues reached US\$ 227.1 million in 2008 an increase of 50% compared to 2007. The operation's revenues accounted for 3% of the Group's total consolidated revenues. EBITDA for the same period increased by 62% to reach US\$ 76 million. Net Income stood at US\$ 56.9 million, a stellar increase of 94% and it had an ARPU of US\$ 29 in 2008.

Despite being the second mobile operator to enter the Bahraini market, Zain closed 2008 with a 50% customer market share and a performance driven by strong customer growth and brand loyalty, all of which resulted in a significantly higher EBITDA and Net Income growth of 62% and 94% respectively.

Year of launch **2003**
 Ownership **56.25%**
 Market positioning **2**
 Customer market share **50%**
 ARPU (\$) **29**
 Population (000s) **1,050**
 Customers (000s) **686**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	686	448	53%
Revenues (USD m)	227.1	151.1	50%
EBITDA (USD m)	76.0	46.8	62%
EBITDA margin	33%	31%	-
Net Income (USD m)	56.9	29.3	94%

Operations Snapshot Tanzania

Part of "One Network"

Zain in Tanzania, formerly Celtel, was launched in November 2001.

Dar Es Salaam

Year of launch 2001
 Ownership 60%
 Market positioning 2
 Customer market share 36%
 ARPU (\$) 9
 Population (000s) 41,464
 Customers (000s) 3,862

It was the fifth entrant into this highly competitive mobile market growing quickly to attain a close number 2 in customer market share, quite an achievement.

The operation had more than 3.8 million customers, an increase of 54% compared to 2007. Its customers accounted for 6% of Zain's total customer base.

Revenues reached US\$ 327.8 million in 2008, a 24% increase compared to 2007, accounting for 4% of the Group's total consolidated revenues. EBITDA increased by 40% to reach US\$ 136.6 million. Net Income in 2008 dropped slightly to reach US\$ 43.7 million and it had an ARPU of US\$ 9 in 2008.

Zain's customer market share was 36% at the year's end, nearly matching that of Vodacom, the market leader. This was attributed to the company's attractive range of innovative products, such as EDGE/GPRS and Blackberry to name a few. In Q4, the company introduced its own international gateway allowing the company to reduce international tariffs and remain competitive.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	3,862	2,507	54%
Revenues (USD m)	327.8	265.0	24%
EBITDA (USD m)	136.6	97.3	40%
EBITDA margin	42%	37%	-
Net Income (USD m)	43.7	52.1	(16%)

Operations Snapshot Congo Brazzaville

Part of "One Network"

Zain in Congo Brazzaville, formerly Celtel, acquired its GSM license in 1998 and launched its network in 1999. Despite the increased competition in the mobile market, it remains the market leader with a 59% customer market share.

The operation had over 1.3 million customers by year-end 2008, an increase of 30% compared to 2007. Its customers accounted for 2% of Zain's total customer base.

Revenues reached US\$ 228.1 million in 2008, an increase of 8% compared to 2007. The operation's revenues accounted for 3% of the Group's total consolidated revenues. EBITDA decreased moderately by 7% and reached US\$ 84.6 million. At year-end, Net Income reached US\$ 43.6 million and it had an ARPU of US\$ 16 in 2008.

Despite the aggressive competition, Zain remains the leading operator with a territory coverage of 85%. In 2008, it was the first operator to launch Blackberry and mobile internet.



Brazzaville

Year of launch **1999**
 Ownership **90%**
 Market positioning **1**
 Customer market share **59%**
 ARPU (\$) **16**
 Population (000s) **3,847**
 Customers (000s) **1,321**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	1,321	1,014	30%
Revenues (USD m)	228.1	211.3	8%
EBITDA (USD m)	84.6	91.2	(7%)
EBITDA margin	37%	43%	-
Net Income (USD m)	43.6	66.1	(34%)

Operations Snapshot Gabon

Part of "One Network"

Zain in Gabon, formerly Celtel, launched its services in June 2000 and grew steadily to become the market leader in 2003.

By the end of 2008 Zain's customer market share stood at 61% while the value share stood at 72%, figures that made it the undisputed telecom leader in Gabon.

The operation had a total of 809,000 customers by year-end 2008, an increase of 21% compared to 2007. Its customers accounted for 1.5% of Zain's total customer base.

Revenues reached US\$ 272.7 million in 2008, an increase of 17% compared to 2007. The operation's revenues accounted for 4% of the Group's total consolidated revenues. EBITDA reached US\$ 122.0 million for the same period. Net Income stood at US\$ 43 million in 2008 and it had an ARPU of US\$ 31 in 2008.

2008 was marked by the re-launch of Per Second Billing (PSB) and the Millennium promotion, as well as Ultra Low Cost Handsets (ULCH). Meanwhile Zain's segmented approach in the market has enhanced its position as the leading telecom provider. Zain's coverage stood at 85% of the population at year-end 2008.



Year of launch **2000**
 Ownership **90%**
 Market positioning **1**
 Customer market share **61%**
 ARPU (\$) **31**
 Population (000s) **1,350**
 Customers (000s) **809**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	809	666	21%
Revenues (USD m)	272.7	233.1	17%
EBITDA (USD m)	122.0	111.8	9%
EBITDA margin	45%	48%	-
Net Income (USD m)	43.0	52.8	(19%)

Operations Snapshot Niger

Part of "One Network"

Zain in Niger, formerly Celtel, officially began operations in October 2001. At the end of 2008 it maintained its market leadership with a 70% customer market share.

The operation had more than 1.1 million customers, an increase of 67% compared to 2007. Its customers accounted for 2% of Zain's total customer base.

Revenues increased by 40% to reach US\$ 129.2 million in 2008. Revenues in Niger accounted for 2% of the Group's total consolidated revenues. EBITDA and Net Income stood at US\$ 59.0 million and US\$ 35.9 million, an increase of 29% and 14% respectively. Zain in Niger had an ARPU of US\$ 12 in 2008.

Despite a crowded market with four operators, Zain in Niger still witnessed customer growth of 67% in 2008 due to its commitment to deliver innovative services such as Mobile Refills and Per Second Billing (PSB).

Niamey

Year of launch **2001**
 Ownership **90%**
 Market positioning **1**
 Customer market share **70%**
 ARPU (\$) **12**
 Population (000s) **14,450**
 Customers (000s) **1,111**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	1,111	666	67%
Revenues (USD m)	129.2	92.5	40%
EBITDA (USD m)	59.0	45.6	29%
EBITDA margin	46%	49%	-
Net Income (USD m)	35.9	31.4	14%

Operations Snapshot Malawi

Part of "One Network"

Zain in Malawi, formerly Celtel, started operations in October 1999, when it became the second mobile operator to enter the market. It soon overtook its competitor and today is the market leader with a 71% customer market share.



The operation had a total of 1.27 million customers at year-end 2008, representing an increase of 94% compared to 2007. Its customers accounted for 2% of Zain's total customer base.

Revenues increased by 79% to reach US\$ 127.5 million in 2008. The operation's revenues accounted for 2% of the Group's total consolidated revenues. EBITDA reached US\$ 54.2 million, an increase of 71% compared to 2007. Net Income for the period stood at US\$ 26.3 million, a 131% increase and it had an ARPU of US\$ 11 in 2008.

The positive business environment, coupled with solid brand loyalty, of the first three quarters of 2008, prevailed in Q4, and produced significantly higher EBITDA and Net Income for the year. To increase network coverage, 21 new sites were rolled-out bringing the total number of sites on-air to 262 while population and geographical coverage stood at 88% and 71% respectively.

Year of launch 1999
 Ownership 100%
 Market positioning 1
 Customer market share 71%
 ARPU (\$) 11
 Population (000s) 14,288
 Customers (000s) 1,270

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	1,270	654	94%
Revenues (USD m)	127.5	71.1	79%
EBITDA (USD m)	54.2	31.7	71%
EBITDA margin	42%	45%	-
Net Income (USD m)	26.3	11.4	131%

Operations Snapshot Nigeria

Part of "One Network"

Zain in Nigeria, formerly Celtel, made history on August 5, 2001 by becoming the first telecom operator in Nigeria to launch commercial services.

Celtel International, a fully owned Zain subsidiary acquired a majority stake in the Nigerian operation in May 2006, then with a customer base of 5.5 million.

At year-end, the operation had more than 17.1 million customers, representing an increase of 55% compared to 2007. Its customers accounted for 27% of Zain's total customer base.

Revenues reached US\$ 1,643.7 million in 2008, an increase of 40%. The operation's revenues accounted for 22% of the Group's total consolidated revenues - the Group's largest contributor. EBITDA increased by 49% to reach US\$ 585.2 million at year-end 2008. Net Income stood at US\$ 20.5 million and it had an ARPU of US\$ 9 in 2008.

The company's Net Income was affected by the Q4 devaluation of the Naira in the face of dwindling oil revenues. But even with the aggressive competition, Zain has nonetheless held onto its no.2 spot in the market.

Abuja 

Year of acquisition **2006**
 Ownership **65.70%**
 Market positioning **2**
 Customer market share **32%**
 ARPU (\$) **9**
 Population (000s) **151,478**
 Customers (000s) **17,197**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	17,197	11,096	55%
Revenues (USD m)	1,643.7	1,171.9	40%
EBITDA (USD m)	585.2	393.5	49%
EBITDA margin	36%	34%	-
Net Income (USD m)	20.5	83.2	(75%)

Operations Snapshot

Burkina Faso

Part of "One Network"

Zain in Burkina Faso, formerly Celtel, officially launched commercial services on January 1st, 2001.

As the third operator to enter the market, it quickly transitioned from a challenger to leader. Today it has a customer market share of 52%, making it Burkina Faso's preferred network.

The operation had a total of 1.307 million customers at year-end 2008, an increase of 42% compared to 2007. Its customers accounted for 2% of Zain's total customer base.

Revenues increased by 28% to reach US\$ 128.6 million in 2008. The operation's revenues accounted for 2% of the Group's total consolidated revenues. EBITDA in 2008 reached US\$ 53.4 million while Net Income stood at US\$ 20.9 million. Zain in Burkina Faso had an ARPU of US\$ 9 in 2008.

In spite of a price war marked by aggressive price discounts and recurrent top-up bonus promotions, Zain is still the market leader in Burkina Faso with a 52% customer market share. To enhance coverage, 39 new sites were rolled-out in Q4, bringing the total number of sites to date to 324.



Ougadougou

Year of launch **2001**
 Ownership **100%**
 Market positioning **1**
 Customer market share **52%**
 ARPU (\$) **9**
 Population (000s) **15,213**
 Customers (000s) **1,307**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	1,307	918	42%
Revenues (USD m)	128.6	100.5	28%
EBITDA (USD m)	53.4	46.2	16%
EBITDA margin	41%	46%	-
Net Income (USD m)	20.9	21.1	(1%)

Operations Snapshot Chad

Part of "One Network"

Zain in Chad, formerly Celtel, launched services in October 2000. A pioneer in the Chadian telecom industry through offering highly competitive services, it is the undisputed market leader with a 67% customer market share.



Year of launch 2000
 Ownership 100%
 Market positioning 1
 Customer market share 67%
 ARPU (\$) 13
 Population (000s) 11,088
 Customers (000s) 1,035

The operation had a total of 1.035 million customers, representing a 74% increase compared to 2007. Its customers accounted for 2% of Zain's total customer base.

Revenues increased by 35% to reach US\$ 124 million, accounting for 1.5% of the Group's total consolidated revenues. EBITDA for the same period reached US\$ 47.9 million, an increase of 40%. Net Income reached US\$ 7.8 million by year-end 2008, an increase of 26% and it had an ARPU of US\$ 13 in 2008.

Surveys have shown that the switch to the Zain brand in August 2008 made the company appear fresh and dynamic, resulting in customer growth of 74% for the year. Zain is also perceived as the market leader in terms of delivering competitive services such as USB modems and multiparty services as well as call forwarding and call waiting.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	1,035	595	74%
Revenues (USD m)	124	91.5	35%
EBITDA (USD m)	47.9	34.1	40%
EBITDA margin	39%	37%	-
Net Income (USD m)	7.8	6.2	26%

Operations Snapshot

Democratic Republic of Congo

Part of "One Network"

Zain in the Democratic Republic of Congo (DRC), formerly Celtel, began commercial services in December 2000. As one of the first MSI Group operations, it quickly distinguished itself as the leading operator in the country.

The operation had a total of 3.303 million customers, a 45% increase compared to 2007. Its customers accounted for 5% of Zain's total customer base.

Revenues reached US\$ 381.2 million in 2008, an increase of 28% compared to 2007. Its revenues accounted for 5% of the Group's total consolidated revenues. Net Income and EBITDA for the same period stood at US\$ 1.0 million and US\$ 85.6 million respectively. Zain in DRC had an ARPU of US\$ 11 in 2008.

Although low-cost operations continue to focus on aggressive acquisition strategies to achieve greater market share, Zain in the DRC still maintains no.1 position with a 44% customer market share - rolling out many groundbreaking services such as Me2U, Blackberry, and Zain Mobile Office.



Year of launch **2000**
 Ownership **98.5%**
 Market positioning **1**
 Customer market share **44%**
 ARPU (\$) **11**
 Population (000s) **64,704**
 Customers (000s) **3,303**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	3,303	2,273	45%
Revenues (USD m)	381.2	296.7	28%
EBITDA (USD m)	85.6	89.4	(4%)
EBITDA margin	22%	30%	-
Net Income (USD m)	1.0	25.9	(96%)

Operations Snapshot Sierra Leone

Zain in Sierra Leone, formerly Celtel, launched its services in September 2000 as the country's first mobile operator, playing an active part in enhancing communications for the national government and the British Military to resolve the civil conflict.



Year of launch **2000**
 Ownership **100%**
 Market positioning **1**
 Customer market share **46%**
 ARPU (\$) **9**
 Population (000s) **5,968**
 Customers (000s) **461**

Zain in Sierra Leone is the market leader with a 46% customer market share. The operation had a total of 461,000 customers at year-end 2008, an increase of 32% compared to 2007. Its customers accounted for some 1% of Zain's total customer base.

Revenues increased by 11% to reach US\$ 48.1 million in 2008. The operation's revenues accounted for less than 1% of the Group's total consolidated revenues. EBITDA stood at US\$ 9.1 million in 2008 while Net Income increased by 61% compared to 2007. Zain in Sierra Leone had an ARPU of US\$ 9 in 2008.

Zain has maintained its market leader position by offering a multitude of innovative products such as ULCH, a free 24-hour customer care line and low denomination recharge cards. Furthermore, Zain's ongoing efforts to increase its population coverage have resulted in a solid customer base growth and Net Income.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	461	348	32%
Revenues (USD m)	48.1	43.3	11%
EBITDA (USD m)	9.1	7.1	28%
EBITDA margin	19%	16%	-
Net Income (USD m)	(1.6)	(4.1)	61%

Operations Snapshot Madagascar

Zain in Madagascar, formerly Celtel, began services in November 1997 as Madacom, the first GSM operator in Madagascar, and joined the Group's African portfolio in 2005 and is considered one of the most innovative operators in the market.

Antananarivo

Year of acquisition **2005**
 Ownership **100%**
 Market positioning **2**
 Customer market share **37%**
 ARPU (\$) **7**
 Population (000s) **20,215**
 Customers (000s) **1,246**

The operation had more than 1.2 million customers at year-end 2008, an increase of 117% compared to 2007. Its customers accounted for 2% of Zain's total customer base.

Revenues increased by 67% to reach US\$ 82.5 million in 2008. The operation's revenues accounted for some 1% of the Group's total consolidated revenues. EBITDA for the same period reached US\$ 13.6 million, an 18% increase and it had an ARPU of US\$ 7 in 2008.

The transition to Zain took the company to a new dimension and saw the increase of its customer market share by 5 percentage points on 2007 to reach 37%. However, despite enjoying sustained customer growth, Net Income was affected by the continuous depreciation of the local currency versus the dollar.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	1,246	574	117%
Revenues (USD m)	82.5	49.3	67%
EBITDA (USD m)	13.6	11.5	18%
EBITDA margin	16%	23%	-
Net Income (USD m)	(19.4)	3.7	(624%)

Operations Snapshot Uganda

Part of "One Network"

Zain in Uganda, formerly Celtel, launched in 1995 and was the first GSM network in sub-Saharan Africa.

Despite of the presence of aggressive new entrants in this highly volatile market, Zain has held its no.2 position with a 40% customer market share.

The operation had a total of 2.078 million customers at year-end 2008, a 45% increase compared to 2007. Its customers accounted for 3% of Zain's total customer base.

Revenues increased by 50% in 2008 to reach US\$ 137.2 million. The operation contributed 2% to the Group's total consolidated revenues. EBITDA for the same period stood at US\$ 30.4 million, a 108% increase and it had an ARPU of US\$ 6 in 2008.

Q4 was marked by the completion of 28 capacity sites in a bid to reduce congestion and increase traffic capacity, and the launch in November of the Unlimited promotion, an initiative which saw Zain's customer market share grow by 6% on 2007 to reach 40%.

Kampala 

Year of launch **1995**
 Ownership **100%**
 Market positioning **2**
 Customer market share **40%**
 ARPU (\$) **6**
 Population (000s) **31,903**
 Customers (000s) **2,078**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	2,078	1,435	45%
Revenues (USD m)	137.2	91.4	50%
EBITDA (USD m)	30.4	14.6	108%
EBITDA margin	22%	16%	-
Net Income (USD m)	(22.4)	(12.6)	(78%)

Operations Snapshot Ghana

Part of "One Network"

Zain in Ghana, was the first telecom operator to introduce the 3.5G network, when it officially launched on December 15, 2008.

Celtel had previously acquired a majority stake in Westel in 2007 thus solidifying Zain's leading position in Africa.

The operation had a total of 270,000 customers at year-end 2008, quite an achievement in only two weeks. Its customers accounted for less than 1% of Zain's total customer base.

Zain Ghana's 2008 revenues stood at US\$ 12.9 million post-launch. EBITDA and Net Income were US\$ (28.8) million and US\$ (61.3) million respectively and it had an ARPU of US\$ 10.

Zain's Greenfield network was built within six months and broke records across the Group. During the pre-registration campaign, over 200,000 customers reserved their Zain '026' numbers in a campaign that was the first of its kind in Ghana, giving customers a choice of either creating their own numbers or keeping their existing number by using the 026 prefix.

Accra 

Year of acquisition **2007**
 Ownership **75%**
 ARPU (\$) **10**
 Population (000s) **23,946**
 Customers (000s) **270**

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	270	-	-
Revenues (USD m)	12.9	-	-
EBITDA (USD m)	(28.8)	-	-
EBITDA margin	(223%)	-	-
Net Income (USD m)	(61.3)	-	-

Operations Snapshot Kenya

Part of "One Network"

Zain in Kenya, formerly Celtel, was acquired by the Group in May 2004.

 Nairobi

Year of acquisition **2004**
 Ownership **80%**
 Market positioning **2**
 Customer market share **18%**
 ARPU (\$) **6**
 Population (000s) **38,549**
 Customers (000s) **3,079**

In the second half of 2008, the company underwent many structural changes with new management. It is noteworthy that Zain Group set up its African headquarters in Nairobi, underscoring the serious focus on the local market.

The operation had a total of 3.079 million customers at year-end 2008, representing an increase of 46% compared to 2007. Its customers accounted for 5% of Zain's total customer base.

Revenues reached US\$ 162.4 million in 2008, a slight decrease of 16% compared to 2007. The operation's revenues accounted for 2% of Zain's total consolidated revenues. Net Income and EBITDA stood at US\$ (89.3) million and US\$ (24.6) million respectively. Zain in Kenya had an ARPU of US\$ 6 in 2008 - the lowest in the Group.

With three mobile operators, Kenya is considered a highly competitive market with a very low ARPU. Nonetheless, Zain took the Kenyan telecommunications market by storm in October 2008 with the launch of Vuka a cross-network tariff that saw the company increase its market share by more than 5% in only three months. Furthermore, Zain enhanced its position among corporate and high ARPU customers by being the first to launch Blackberry Bold in the market.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	3,079	2,104	46%
Revenues (USD m)	162.4	194.3	(16%)
EBITDA (USD m)	(24.6)	31.9	(177%)
EBITDA margin	(15%)	16%	-
Net Income (USD m)	(89.3)	(21.7)	(311%)

Operations Snapshot Kingdom of Saudi Arabia

Part of "One Network"

Zain in the Kingdom of Saudi Arabia (KSA) launched commercial services in late August 2008.

Riyadh 

Despite the fact that there were already two operators in the Kingdom and a high penetration rate exceeding 90%, Zain succeeded in attracting more than one million customers in the first month of the launch.

The operation had a total of 2.01 million customers at year-end 2008. Its customers accounted for 3% of Zain's total customer base.

In the 4 months following the launch of KSA, Zain's revenues reached US\$ 134.5 million. The operation's revenues are not consolidated with Zain's total consolidated revenues. Additionally EBITDA and Net Income as of year-end 2008 stood at US\$ (373.1) million and US\$ (536.0) million respectively.

Following Zain's attainment of the 3rd mobile license in the Kingdom earlier in 2007, an initial public offering (IPO) was concluded successfully in February 2008. The subscription coverage of individuals reached a record 283% with 8.5 million subscribers paying roughly SR18 billion. Each individual subscriber who subscribed for more than 50 shares received 83 shares.

Year of launch 2008
 Ownership 25%
 Market positioning 3
 ARPU (\$) 25
 Population (000s) 25,293
 Customers (000s) 2,010

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	2,010	-	-
Revenues (USD m)	134.5	-	-
EBITDA (USD m)	(373.1)	-	-
EBITDA margin	(277%)	-	-
Net Income (USD m)	(536.0)	-	-

Operations Snapshot Lebanon

mtc touch began services in June 2004 with the securing of a 4 - year management contract to operate one of Lebanon's two GSM networks.



Beirut

Year of management contract award **2004**
 Ownership **Management Contract**
 Customer market share **50%**
 Population (000s) **4,142**
 Customers (000s) **836**

Zain has developed the Lebanese operation to its full potential by seeking the best in having a world-class communication solutions and cutting edge technology. The company made a successful tender to continue managing for an additional year commencing February 1, 2009, extendable for one year as per the new terms set by the Lebanese Ministry of Telecommunications.

The operation had a total of 836,000 customers at year-end 2008, an increase of 33% compared to 2007. Its customers accounted for some 1% of Zain's total customer base.

Revenues reached US\$ 68.7 million in 2008, an increase of 13%. EBITDA for the same period increased by 33% to reach US\$ 13.6 million. Net Income in 2008 increased by 33% to reach US\$ 12.6 million. The disclosed revenues are those from the management contract and not the total revenues of the operation which are collected by the Government of Lebanon.

Q4 was underpinned by the successful launch of Blackberry for all corporate and individual customers holding 'touch' post-paid lines. Throughout 2008, mtc touch achieved several first in Lebanon with the introduction of services such as Credit Transfer and roaming on aircrafts.

Operational and Financial Performance	2008	2007	YOY Growth
Customers (000s)	836	630	33%
Revenues (USD m)	68.7	60.8	13%
EBITDA (USD m)	13.6	10.2	33%
EBITDA margin	20%	17%	-
Net Income (USD m)	12.6	9.5	33%

Zain Brand



2008 Highlights

Following its successful 2007 Middle East launch, Zain became the master corporate brand in Africa in 2008, allowing its African operations to join the Middle Eastern partners in Zain's "wonderful world". Elsewhere, the rebranding and subsequent media campaigns won widespread public admiration.

There were new additions to the Zain family as the Kingdom of Saudi Arabia and Ghana joined the networks. Their inclusion will surely add to Zain's cultural wealth and is a major milestone in Zain's efforts to become a top 10 global telecom operator by 2011.

Zain was also honoured to participate in the 90th birthday celebrations of Nelson Mandela, the distinguished South African statesman.

Africa Rebranding

On August 1, 2008, the 14 African operations were rebranded from Celtel to Zain, an occasion that was celebrated with a series of spectacular parties in 14 countries across Africa and attended by over 100,000 people, including some of Africa's most senior politicians, diplomats, artists and celebrities, all of whom were treated to inspiring speeches, live music and other festivities and included an hour-long live satellite feed, the most ambitious link-up the continent has ever seen.

It was the biggest and most successful rebranding Africa has ever seen and it came less than a year after the Zain brand, the Group's master corporate brand, was successfully launched across its Middle East markets.

The move coincided with the linking of the world's first borderless mobile service "One Network" across two continents (check page 98 for more information on One Network).

On November 23, 2008, Zain was awarded the Best Marketing Campaign of the Year for the seamless launch of the Zain brand across Africa, at the inaugural AfricaCom Awards in Cape Town, South Africa.



Zain Brand

Zain Campaigns

'A wonderful world', is Zain's groundbreaking inaugural slogan that captures the energy, inspiration and diversity of the Group's customers, employees and other stakeholders. This concept sums up Zain's core values and unifies the company's operations in the Middle East and Africa.

It was inspired by Louis Armstrong's iconic ballad What a Wonderful World, a song which expressed the sentiment that anyone could make theirs a wonderful world. The spirit and theme of 'A wonderful world' is integral to all Zain's communication activities.

The initial rebranding campaign which began in 2007, was based on hope and grand ideas, and has elicited a huge emotional response since its release. Women in Sudan, inspired by the campaign, wore henna tattoos with the Zain logo. People as far away as Taiwan saw the campaign and loved it, while in Jordan it created an unprecedented wave of media interest. The campaign was even spoofed on blogs and websites such as YouTube.com.

The biggest hits in 2008 were surely the Rebranding Campaigns in Africa including the sponsorship of the Nelson Mandela's 90th birthday concert, as well as Qattoura and Ramadan TVCs in the Middle East.



Picture taken during the filming of the Zain launch TVCs in Africa



Sponsoring Nelson Mandela 90th birthday celebrations at London's Hyde Park

Sponsoring Nelson Mandela's 90th Birthday Concert

On Friday June 27, Zain sponsored a concert in London's Hyde Park, honoring statesman Dr. Nelson Mandela on his 90th birthday, raising both substantial funds for his charitable work and the profile of African artists that Zain sponsored to perform at a concert watched by a global TV audience of roughly 1 billion.

The pre-launch event for the rebranding of Celtel to Zain in Africa, saw a host of world-renowned artists and musicians led by Will Smith, gathered in honour of the Nobel Peace Prize Laureate and former President of South Africa, who turned 90, nine days earlier on July 18.

Zain gave people across Africa the chance to participate in the event by offering its mobile phone networks to well-wishers wanting to send congratulatory text messages to Dr. Mandela. All the money raised was given to the 46664 campaign, named after Dr. Mandela's prison number.

Zain was there both in body and spirit, and the values to which the company aspires and which drive its work ethic were evident in Hyde park that night for all the world to see!

Zain Brand

Zain Campaigns in Africa

Africa Rebranding Campaign

Zain is a brand that celebrates the opportunities life can offer especially to the young generation who are dynamic, driven and want to progress and achieve more in life. The world and all it offers lies ahead of them and Zain is there to help them make the most of the opportunities life presents.

Zain's range of products and services allows people to take control of their lives, to make things happen. Whether it is to arrange a get together, to get information or to close a business deal, Zain gives you the tools and the ability to turn your opportunities into achievements.

The images and stories in Zain's three TVCs, were the embodiment of this ideal: real people having fun, living their lives and fulfilling their dreams.

The first film shows the transformation of a child into a professional footballer after a talent scout spots him and sends out the word of his discovery via his cell phone. Anything is possible if you have Zain in your life! Zain empowers you to achieve greater and better things in life.

The second film is aspirational, a young lady dreams of opening a shop, and with the help of Zain, she is empowered to reach her goals and dreams. When she finds the shop that she has been dreaming of, she sends an MMS message to her business partner and closes the deal.

The third film is also aspirational and tells of a group of people who start by entertaining the crowd on top of a truck while stuck in a traffic jam. We then see them as a band performing at a massive concert. Once again, the ad shows that anything is possible with Zain.

These TVCs were shot in various parts of Africa and were broadcasted in all English and French-speaking African countries as of August 1st when the 14 African operations were rebranded to Zain.



Picture taken during the filming of the Zain launch TVCs in Africa



Qattoura, follows the journey of a water droplet in a one-minute clip

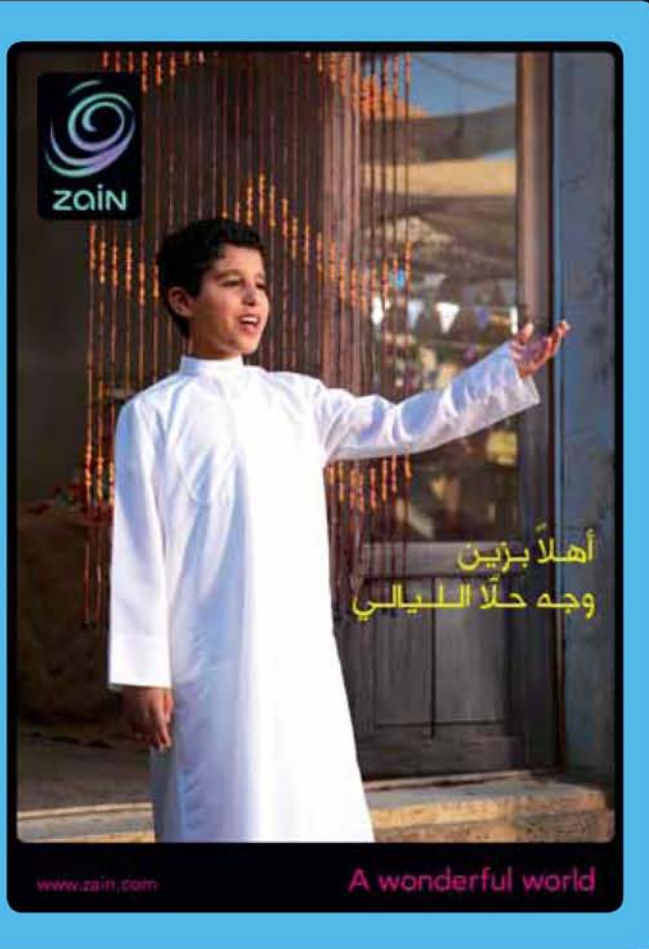
Zain Campaigns in Middle East

Qattoura TVC

As part of Zain's Corporate Social Responsibility (CSR) efforts in contributing to its promise of creating "A wonderful world", Zain wanted to raise awareness of the issue of water shortage in the region through an engaging and entertaining TV commercial that was also a call for action.

Qattoura follows the long journey of a water droplet until it finishes its journey and fulfills our needs. It was originally a 4-minute video clip that was 'soft' launched on a couple of channels. It was then decided to cut it to a one-minute clip. To this day, the company celebrates this decision, one that took Zain to a whole new level and closer to people's hearts. Now people who know Zain sing the Qattoura song. The ad is a vivid example of what Zain stands for: the freedom to explore new concepts, to trust intuition, to be different, creative and fun, and most of all to be sincere, responsible and close to our consumers.

Zain Brand



Ramadan TVC

"Wow! His voice is wow. God bless him. Zain's ads are really great and creative, all of them. Keep up the good work and thanks for posting it!"

"It's my favourite commercial. I was searching for it. I swear sometimes I kept waiting for it on MBC."

"Thanks Zain. I have become a true fan now. It's a great clip."

"Very nice! A company that touches our everyday lives."

These are just a few of the comments people posted on YouTube after watching Zain's Ramadan TVC, featuring Hammoudi, a ten-year-old boy, a beautiful song, a touching story and a warm feeling, all factors that contributed to the commercial's huge success.

In the film, Hammoudi helps a poor candy shop owner bring in more customers through a song about mercy and helping others. It was broadcasted for two weeks, and, just as it was about to be dropped, public outrage demanded it be returned to the screens. In fact, in the first week of its launch, the Ramadan commercial had made it into hundreds of blogs with thousands of positive posts. One school even added Hammoudi's song as part of its curriculum. The people had spoken!

Hammoudi, a touching story and a beautiful song celebrating the holy month of Ramadan

Zain Commercial Services

2007 marked the launch of Zain, the new corporate master brand across the Middle East. In 2008, Africa joined Zain's "wonderful world".

Unifying all the companies under Zain has resulted in strong brand equity and created synergies, as well as fulfilling the promise to deliver unique and rewarding Zain experience through the implementation of common products and services.

The past year has seen several milestones in the launching and rolling-out of several innovative mobile solutions across our operations.

One Network

Initially introduced in Africa in September 2006, "One Network" expanded into the Middle East in 2008, enabling Zain's customers from 17 countries to be part of a pan-African/pan-Middle East mobile community, one that gives customers the opportunity to move freely across geographical borders, paying local rates and retaining 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.

The service is a blend of innovative technical solutions, business processes and brand attributes consistently delivering a ground breaking service through user friendly, easy to understand and seamless customer experience.

From the customer's perspective the "One Network" service has revolutionized and replaced the concept of roaming and changed the way people communicate with friends, colleagues and family members while away from home.

- Customers can make calls and send SMS at local rates, receive incoming calls and sms texts free-of-charge. They can top up with scratch cards brought from their home country, or, more importantly, with locally-purchased scratch cards widely available in more than 1.5 million points of sales in "One Network" countries.
- Zain makes it easy for customers: there is no registration, there are no extra fees, no roaming or international access deposit, no complicated dialing formats, no need to remember to change tariffs before travelling.
- Customers always have access to their home network services (Voicemail, Customer Care - the air time transfer service, GPRS/EDGE high speed internet access, Corporate Private Networks, Blackberry e-mail, Mobile Fun Portals) no matter which "One Network" country they are in. Should they need assistance, calls to Customer Care (via home network short codes) are free of charge and are routed to their home network call centre, where they can speak to a service representative in their own language.

Over 500 million people across 17 countries are now connected across Africa and the Middle East in one borderless mobile network covering an area more than twice the size of Europe. The service has revolutionized and replaced the concept of roaming 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 and fully changed the way how people are communicating with friends, colleagues and family members while away from home. Not surprisingly more than 7 million customers have used the service at least once since it was introduced.

Independent market research conducted by Research International found "One Network" to be the second most important factor determining customer preference - ahead of price and network quality - in choosing a mobile operator.

The "One Network" is an important milestone for the Zain Group in line with the fulfilment of its ACE strategy, and the culmination of a lot of hard work by a lot of people across all facets of the organization.

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."

Countries currently not in the One Network: Kuwait, Lebanon, Madagascar, Sierra Leone, Zambia. All Zain's other operations in the Middle East and Africa will join One Network, subject to governmental and regulatory approvals.



**One Sun
One Network**

No matter how different we are, we all share one earth, sun, water, air and sky. Today, with Zain, we're also sharing One Network, a service that allows you to make outgoing calls at local rates, recharge your line using locally purchased top-up cards, and receive incoming calls for free in any of the Zain One Network countries. And since exclusion has no part in One Network, all Zain lines in the countries listed below are automatically switched to this service without the need for activation.

Countries providing this service are:
Bahrain | Burkina Faso | Chad | Republic of Congo | Democratic Republic of Congo | Gabon
Iraq | Jordan | Kenya | Malawi | Niger | Nigeria | Saudi Arabia | Sudan | Tanzania | Uganda

www.zain.com **A wonderful world**

One Network connects over 500 million people in 17 countries across Africa and the Middle East in one borderless mobile network

Zain Commercial Services

Zap

In 2005, Zain became the first mobile company to introduce phone-to-phone airtime credit transfer service (Me2U) across African and Middle East operations. Currently, more than 65% of Zain customers have used the service at least once, with over 25 Million Me2U transactions carried out monthly across all Zain Operations.

In 2008, Zain began taking the service to a new level through the integration of mobile commerce.

In Q3 2008, Zain, in partnership with Standard Chartered Bank and CitiBank, initiated a commercial pilot program for a mobile commerce service in Kenya, Tanzania and Uganda, known as Zap. It provides millions of customers with access to banking for the first time, allowing them increased security and flexibility, reducing the need to carry cash and ensuring payments between friends and family remain secure. It is Africa's most comprehensive and accessible mobile commerce package.

Mobile commerce services help in lowering the transaction costs of money transfer, increase the flow of money by making it easier to send smaller amounts and introduce those without bank accounts to a means of secure financial management. By enabling people to use their mobile phones as wallets, Zain can deliver meaningful benefits not just to its customers but to the economies of those countries where it is available.

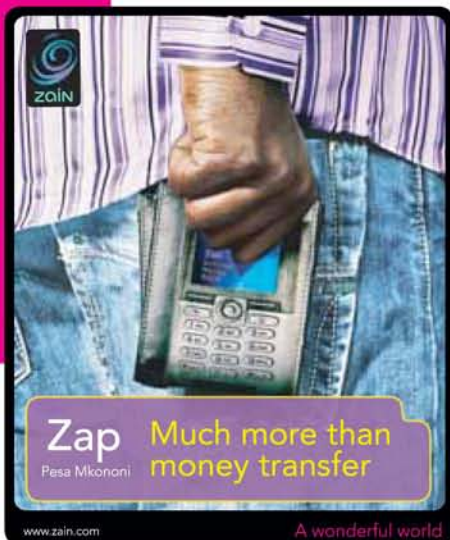
Zap represents the latest chapter in Zain's work to push the boundaries of mobile communications. With a potential customer base of over 100 million phone users in Kenya, Tanzania and Uganda, many of whom have never had access to formal financial services, Zap will play an important role in the future of banking in Africa.

Zap allows Zain customers in the three countries to use their mobile phone to:

- Pay bills and pay for goods and services
- Send and receive money to friends and family
- Send and receive money to the bank accounts
- Withdraw cash
- Top-up their own or anyone else's airtime account
- Send airtime to Zain customers in East Africa
- Manage bank accounts

Zap is fully integrated with the company's pioneering "One Network" service, allowing Zain customers to send airtime to other Zain customers across Kenya, Tanzania and Uganda as well as manage their Zap accounts while in any "One Network" country.

The service will be rolled-out in the rest of African and Middle East networks during 2009.



Zain launches its mobile commerce service, Zap, in East Africa

Blackberry Services

In 2008, Zain continued the roll-out of its Blackberry services across its operations, targeting both corporate and consumer markets with the latest handsets and applications. The service is now also available to regional agencies and institutions that operate in several markets that require customized setups and solutions.

Because of its unlimited access to Instant Messaging (IM), social networking services, and internet browsing and applications, the Blackberry has also been widely embraced by the youth segment.

Finally, the service, in coordination with "One Network", has won Zain several accounts for international and regional agencies such as the UN, other governmental groups and corporate enterprises. By early 2009 most Zain markets, will have rolled-out Blackberry services.

High Speed 3.5G Services

Zain is currently rolling-out wireless broadband across its markets with high speed 3.5G networks and services. Internet High speed connection will be provided for our customers where it is commercially and technologically viable. Successful services have been implemented in Kuwait, Bahrain and Sudan in addition to selected markets in Africa, such as Kenya, Tanzania, Nigeria and Ghana. Other markets will launch these services in 2009.

Customized solutions for private Virtual Private Networks (VPN's) for the corporate market have also been developed for the Zain network, allowing access to timely information and communication with head offices from remote locations.

Location Based Charging

Zain's operations in Africa have one of the most cutting edge billing systems in the world: Ericsson CS 3.0. This system has many blue chip features and functions that can be incorporated into special packages or offers targeted at customers. It is important for Zain to leverage this technology to give a keener competitive edge.

In line with this strategy, Congo Brazzaville and Tanzania launched the Location Based Charging (LBC) feature. The objectives of the launch were to stimulate usage and boost revenues and market share.

LBC provides customers within discounts on calls while in certain zones. In order to offer this service, all regions within a country are analyzed for site performance, network utilization and revenue contribution. The operation then appoints the zones/regions each with base transceiver stations (BTSs). Utilization is targeted based on individual BTS. The day is also split into time bands. The discount scheme is then designed to offer a particular discount within the selected zones within a given time band. Several discount schemes are defined with different levels of aggressiveness and are rotated on a weekly basis.

Supported by a robust marketing campaign, the service was well-received in the markets where it was launched. Early results indicate a 10% growth of revenue, with more revenue anticipated if discounts are optimized by zone and time band. There was also a roughly 20% increase in traffic in the LBC zones, which has led to better utilization of the radio capacity, causing no significant increase in congestion.



Zain in Congo Brazzaville and Tanzania launch the Location Based Charging (LBC) feature which provides customers with discounts on calls while in certain zones

Zain Commercial Services

Zain Create

Zain is currently piloting a new service called Zain Create, which will be rolled-out in early 2009 across all markets, allowing customers to access and download music services on the mobile handsets, devices and PC's. These include full track audio and video downloads, pre-releases, video and audio streaming in addition to ringtones and wallpapers. Music is selected from local, regional and international labels and singers and achieved through exclusive partnerships with major international labels such as Rotana.



Zain Create allows customers to access and download music services on the mobile handsets, devices and PC's

Zain continues to improve its Mobile Top Up, an innovative electronic system of topping-up phones, in Africa and rolls out the service in Iraq and Jordan.

Top Up Services

Mobile Top Up

Mobile Top Up is an innovative electronic system of topping-up phones which runs alongside physical cards, further enhancing the availability of Zain airtime and improving the efficiency of the distribution channels.

Zain has continued to improve the Mobile Top Up performance in a number of African markets at consumer, internal, and trade levels. Mobile Top Up presents many benefits to both dealers and the customers: dealers need only to have a standard handset to use the service. There is no need to transport stocks of cards (and the risk this involves) while, being electronic, the likelihood of running out of stock is also minimized. For customers, there is 24-hour availability of airtime and wide recharge availability.

As a result of these improvements, Burkina Faso, Niger, and Chad have over 50% of Mobile Top Up usage as a percentage of total volume. Burkina Faso, Niger, Sierra Leone, Chad, and the Democratic Republic of Congo have over 40% of Mobile Top Up usage as a percentage from a value perspective. The business has also observed savings on scratch card costs.

Mobile Top Up is currently being rolled-out in Iraq and Jordan.

Zain Commercial Services



Global Top Up enables customers to top-up the prepaid account of a Zain customer via a Zain-branded web interface

Global Top Up
 Another product which will act as a distribution channel extension is Global Top Up, which will enable customers to top-up the prepaid account of a Zain customer via a Zain-branded web interface and pay for it by credit card. Global Top Up, will create an additional revenue stream by allowing both Zain and non-Zain customers who live abroad to top up Zain prepaid accounts via credit card, a channel hitherto not exploited. This product has been developed in partnership with Mi-Pay (Systems are secure and PCI:DSS compliant) who will be responsible for handling the back office, reconciliation, fraud control, anti money laundering and consumer queries that cannot be handled by Zain.

For its part, Zain will concentrate on driving volume and retaining its customers. Zain's operational costs will be limited to remuneration/commission, marketing campaigns (e.g. via batch sms/sms broadcast) and promotions to subscribers and their relatives living abroad.

The product development and processes are now complete and a proof of concept commences in January 2009.



Mobile roaming services on aircrafts

On March 2008, Zain in Jordan announced that it had successfully rolled-out its mobile roaming services on Emirates Air, Air France, and Portugal's national carrier TAP. The service is available on selected aircrafts but the airlines are working on eventually equipping all their fleet with an in-flight communication service.

Nine more operations within the Zain Group have joined this service - Iraq, Bahrain, Lebanon, Tanzania, Sudan, Kenya, Uganda, KSA and Nigeria - while the other operations are still undergoing trials. The project will continue to roll-out in 2009 in partnership with further airlines and Zain operations.

With the new service, Zain will become a market leader and among first mobile operators in the world to introduce such services. Zain customers can now enjoy on-board voice calls as well as SMS services. GPRS, Blackberry Services and Push Mail will soon be available.

Zain customers can enjoy on-board voice calls as well as SMS services on board of selective airlines

Corporate Social Responsibility

Making "A wonderful world"

"Our mission is to re-humanize business, to create business romance within our community and among nations, through a commitment to Corporate Social Responsibility. We can do this by championing transparency, the fight against corruption, education and the welfare of the poor".



Dr. Saad Al-Barrak, CEO Zain Group

At Zain, Corporate Social Responsibility is about how we manage our business processes in a socially and environmentally responsible way to produce a positive impact on society and our stakeholders, now and in the future.

Our CSR initiatives are driven by issues rather than image. Empathy, respect and participation are what motivate us. And while we see CSR as a worthy social goal, we also believe that it is a sound business proposition as contributing to social and economic well-being will ultimately benefit all businesses. CSR is simply the new business reality, and at Zain we embrace it, guaranteeing sustainable success and prosperity for all.

Zain's CSR vision

- To be a regional and global CSR entity.
- To be a true partner in community and environmental development.

Zain's CSR mission

- To guide and streamline the company's business processes in a socially and environmentally responsible way.
- To produce a positive impact on society and our stakeholders, now and in the future
- To invest in these communities to help fulfill their potential.

Zain's civic and social investment priorities

Zain is committed to the social and economic development of the communities in which it operates and acknowledges that the welfare of these communities is critical to our overall success. Given Zain's business reach and our core values, the material impact of our social investment activities have a particular emphasis on education and its vital role in poverty alleviation and social cohesion. We also seek to use our resources to promote health and physical well-being, particularly through sport.

Zain's CSR strategy rests on four inter-connected and inter-dependent pillars: Workplace, Marketplace, Community and Environment. We believe that values, ambition, customer satisfaction and mission accomplishment are inseparable.

Zain and the workplace



Zain values of Heart, Radiance and Belonging

Zain is an environment in which CSR can thrive, embedded as it is in Zain's core values of Heart, Radiance and Belonging.

The Zain workplace is about

- Passion
- Ownership in the organization
- Performance-based remuneration
- Market-based pay
- Providing proper health insurance
- Learning
- Developing leadership skills
- Management and business knowledge
- Enjoying work
- Opening a dialogue between different layers of an operation
- Leveraging diverse cultures and creating an environment in which we can all excel.

Equal opportunities and diversity

We at Zain promote a working environment free from discrimination, harassment and victimization, ensuring, from the recruitment process onwards, equal opportunities for all. We employ a workforce that reflects the diverse communities in which we operate, while we comply with the local laws and regulations of the countries from which these communities are drawn.

Training and development

Zain's human resources programs are highly-integrated and designed to make Zain the workplace of choice, by meeting the needs of employees and supporting the organization's mission, vision, and values. These programs make statement about the company and the genuine partnership Zain wants with all its employees.

To help employees find a work-life balance, many programs have been implemented on an operational, and to a lesser extent, at Group level. With our Individual Development Plan (IDP), each employee develops according to his or her individual needs.

Health

The well being of our employees is a priority. Hence, all Zain operations strive to maintain a safe workplace by preventing or eliminating risk and providing all employees with appropriate safety training. Zain has established suitable mechanisms to avoid workplace accidents, injuries or disease through strict compliance with all relevant regulations and the preventive management of potential hazards.

Zain's first fully-equipped, on-site health clinic in Amman, Jordan treats employees and their families while referring more serious cases to specialists or hospitals. The clinic has medical professionals on duty during working hours and on-call after working hours and on holidays. Zain in Jordan was the pioneer in implementing this model in 2000 and one of the Group CSR objectives for 2009 is to begin implementing other on-site clinics throughout the Zain operations.

Corporate Social Responsibility

Zain and education

Africa

Build Our Nation

Education is a vital need that every country in Africa struggles to fulfill. The fact remains however that this goal is hampered by the high levels of poverty in many African countries. The 'Build Our Nation' program was funded by Zain to help millions of primary schools pupils and helps in achieving the United Nations Millennium Development Goals.

Zain in Chad constructed a new school, while Zain in DRC renovated a 50-classroom school. Zain in Sierra Leone, Niger, Kenya, Congo B and Tanzania are also building and renovating schools, while Zain in Kenya has commissioned a training workshop for the City Primary School for Autistic and Mentally Handicapped Children to train more than 70 pupils, aged between 3 and 17.

All Zain Africa operations have contributed to the program with over \$ 1,700,000 in donations. Contributions ranged from the building and renovation of classrooms and schools to donations of desks, books, computers, other supplies and equipment.

Zain Africa Challenge

This is a very popular televised quiz show featuring university student teams from Ghana, Kenya, Malawi, Nigeria, Sierra Leone, Tanzania, Uganda and Zambia which is watched by a large audience. The questions in this fast-paced quiz program cover a wide range of topic areas including: history, science, African culture, geography, literature, music and current events. The students win grants for themselves and their university with the amount won depending on how far they progress in the knock out competition. More than 5,000 students across Africa competed to be selected in their university team. The program is part of Zain's corporate social responsibility efforts targeting education. The Ministries of Education in each country along with the Inter-University Council for East Africa (IUCEA) are key educational partners in the program.



Build Our Nation Program provides school books to children across Africa



F.U.N. Team, a youth development entity for university students

The Middle East

The Future University Network (F.U.N.)

The Future University Network or F.U.N. began in Jordan in 2005. It is a youth development entity made up of university students who invest in themselves under the wings of Zain in order to feed their minds and sculpt their professional skills through teamwork, collaboration, training and practical field work. F.U.N. believes in enhancing entrepreneurial and leadership skills among university students, by creating a suitable corporate environment and offering revenue-generating opportunities, which will positively impact both Zain and the global community.

In 2006, the team was introduced to a self-management concept whereby teams and team leaders were nominated and voted-in by F.U.N. members. In 2007, F.U.N. was registered as a Zain Jordan company, part-owned and run by students and managed by a Zain MD. The F.U.N. team, which is a logistics provider for Zain Jordan events, has office space in the operation where the young members are exposed to the corporate environment and where they are invited to in-house training sessions. In 2008, F.U.N.'s Headquarters was established within the Zain Group with the main responsibility of initiating F.U.N. within Zain Operations. So far, F.U.N. International has been adopted by Zain operations in KSA, Sudan, Uganda and Zambia.



Corporate Social Responsibility

Zain and education

Kuwait

Educate the Nation initiative

In June 2008, Zain announced its collaboration with Cisco and Kuwait University to train over 90 instructors from schools across Kuwait, as part of the Cisco® Network Academy's "Train the Trainer" program, an initiative that aims to address the IT skill-gap, a global issue that is recognized by government, businesses and educational establishments alike. Participants in the program will become officially certified CISCO instructors who are then expected to train more than 600 students within the next 12 months. Through this collaboration, a number of Zain employees will also get a chance to become Cisco-certified in a more advanced program.

LOYAC

Zain has been in partnership with the Lothan Youth Achievement Center (LOYAC) since its inception, covering its various cultural, life-skills, and summer internships programs. Under this partnership, Zain supports LOYAC's various activities and organizes internship programs within its various departments for more than 100 youths.

Kingdom of Saudi Arabia

New Ideas for 'A wonderful world'

Zain has launched New Ideas for 'A wonderful world', a business incubator competition for King Abdulaziz University students, with the aim of generating new telecom ideas that can be incubated till they become successful business projects.

Mobile Learning Solutions

Zain KSA has also implemented Mobile Learning Solutions for King Abdulaziz University, by which the students and staff can access university services anytime and in anyplace. Furthermore, Zain has signed an agreement with King Saud University (KSU) to cooperate in research in the telecom sector and offer internship programs to its students.

Alnahda Down Syndrome Schools

In leveraging our management style, we are supporting Alnahda Down Syndrome Schools to build a sustainable business model including restructuring the school's organization, enhancing the communication process, providing effective financial control, governance, and future expansion strategy.



Zain in Kuwait partners with the Lothan Youth Achievement to introduce the youth to a professional business environment



Zain in Jordan Mobile Maintenance Center creates job opportunities for high school graduates

Bahrain

Among the annual roster of worthy causes supported by Zain in Bahrain is the Schoolbag Distribution Project in which over 20,000 schoolbags and supplies are distributed to Bahraini students of all levels at the start of every academic year.

Lebanon

As part of its Ramadan activities, mtc touch distributed 4,000 school bags for 10 major associations across the country.

Jordan

In supporting the education sector, the Zain Education Fund was created in 2004. It offers 44 scholarships to above-average, yet underprivileged students, as well as students who are physically challenged. Zain in Jordan has also "adopted" ten public schools in underprivileged areas around Jordan and is a main sponsor of the 'Madrasati' initiative launched by HM Queen Rania Al Abdallah.

Furthermore, the first Mobile Maintenance Center was launched to provide free training for students on the maintenance of mobile devices and equipment to create job opportunities for high school graduates. Zain in Jordan also set up the first Mobile Telecommunications Lab at the Jordan University of Science and Technology (JUST).

Sudan

Zain in Sudan has provided a number of South Sudan States with educational facilities and equipment.

Corporate Social Responsibility

Zain and the community

Creating 'A wonderful world' is not just about providing exceptional telecommunication services. We also want to improve people's lives by building supporting, strengthening and working for the community.

Millennium Villages' project

The Millennium Villages' Project at Columbia University's Earth Institute aims to lift rural villages out of the poverty trap that afflicts more than a billion people worldwide. In 2007, Zain, Ericsson, and the Earth Institute announced a partnership to provide mobile communications and internet connectivity to the Millennium Village's Project, covering up to 400,000 people in ten sub-Saharan African countries. This initiative is directly in line with Zain's commitment to Africa and the belief that affordable and reliable communication services can ultimately help the continent achieve its Millennium Development Goals - global targets for reducing extreme poverty and hunger by half and improving education, health, gender equality and environmental sustainability - by 2015.

We have developed a comprehensive end-to-end telecommunication strategy initially for the villages of Dertu in Kenya, Ruhira in Uganda, and Molla in Tanzania. In Kenya, Zain and Ericsson deployed a mobile network providing service to 5,000 people in Dertu and built a green-powered site using a combination of wind and solar power, identifying and addressing operating costs and power supply reliability as the two key deterrents to building telecommunication infrastructure in remote areas.

It is estimated that this solution will run at 80% increased efficiency over traditional diesel-powered mobile sites. The build-out of voice and data communications based on GSM/3G improves access to education, health, small business development and agriculture, as well as helping family members to stay in touch. Internet is a priority for health clinics, schools and community centers, while broadband applications reduce time-consuming travel and allow buyers and sellers to check prices of goods elsewhere in the area.

Dertu is now a mini-economic hub where people who live in neighboring villages now visit to make or receive calls. Furthermore, thousands of lives have been saved as it is an area where many women suffer complications during childbirth and where there is a high incidence of snake bites and malaria. "The people of Dertu say the arrival of the mobile network was the day Dertu was reborn", said Ahmed Mohamed, Science Coordinator for the Millennium Villages project in Dertu. "There is no greater support you can give a community than that".

In Tanzania and Uganda, Zain's GSM network was upgraded to EDGE, improving coverage and network reach. Using a combination of fixed-wireless terminals, mobile internet connectivity will be provided to schools and health centers. Plans are also in place to extend coverage to all 73,000 inhabitants in both village clusters. Sony Ericsson and Ericsson have also provided handsets to community and health workers and piloted new healthcare applications for mobile learning purposes, as well as basic household data collection. For its part, Zain has provided SIM cards and established emergency numbers to improve access to healthcare and emergency services.

With the same goal in mind but on a smaller scale, Zain operations are partnering with local authorities to facilitate connections in nearby communities.



Chris Gabriel, CEO of Zain Africa, offers technical assistance to a school teacher, working on a mobile internet connected computer for the first time

Lake Victoria initiative

In 2007, Zain partnered with Ericsson and the GSMA to extend mobile coverage across Lake Victoria, the world's second largest inland lake, to provide better communication for the 30 million people in Tanzania, Kenya and Uganda who live in its immediate vicinity. This joint initiative will fuel economic development and save lives on the lake, which sees around 5,000 deaths each year from fishing related accidents and piracy. About 800,000 people rely on the lake for their livelihood, including 150,000 fishermen and their dependents.



Lake Victoria initiative extends mobile coverage across the lake

Corporate Social Responsibility

Zain and health

Africa has a perennial problem with clean water and storage facilities. Supporting the United Nations Millennium Development Goals of sustainable, safe drinking water, Zain operations in Sierra Leone, Zambia, Kenya, Nigeria, Chad and Sudan have provided tanks, water towers and funded water boreholes to a number of communities. This life-saving program has a great impact on public health.

Every Zain operation is involved in sponsoring health-related programs either through printing and distributing material, active participation or funding. We have also developed several SMS campaigns for both donations and health awareness issues. Many initiatives to support or sponsor health institutions were implemented across the Middle East and Africa.

- Zain in Burkina Faso offered 10,000 meningitis vaccines to the Health Ministry.
- Zain in DRC offered test for kidney-related diseases.
- Zain in Iraq, has established two mobile medical outpatient clinics that offer free medical services to thousands of people around the country. The company has also sent 16 patients with serious illnesses or conflict-related injuries overseas for medical treatment, covering all travel and medical related expenses. Finally, Zain in Iraq supported the AMAR Health Program (www.amarfoundation.org) which cares for over 10,000 patients each month at their fully-equipped medical facilities and educational institutes for the elderly and through their team of midwives across Iraq.
- Zain in Jordan has a free pediatric mobile clinic that services remote areas in coordination with the Ministry of Health.
- Zain in Nigeria has been collaborating with the National Agency for the Control of AIDS (NACA) since 2005 by providing four toll-free lines for guidance and counseling on HIV/AIDS.
- Zain in Sudan has distributed 3,000 National Insurance Certificates in partnership with the National Health Insurance fund.
- Elsewhere, a hospital was built in Sudan and another refurbished in Kenya. Donations of medical equipment, supplies and emergency treatments were disbursed in Kenya, Malawi, Congo B, Niger, DRC, Zambia, Gabon, Sudan and Iraq, while hygiene and disease awareness campaigns and donations to health organizations were carried out in Madagascar, Saudi Arabia, Nigeria, Jordan, Lebanon, Kuwait, Bahrain, Burkina Faso and Tanzania.



Zain in Iraq supports AMAR Health Program which cares for over 10,000 Iraqi patients each month



Zain in Zambia provides water borehole in rural area



Zain in Jordan pediatric mobile clinic provides free services to remote areas

Zain and charity



mtc touch (Zain subsidiary in Lebanon) distributes Christmas gifts to orphans

Zain and responsible sponsorship



Zain in Iraq sponsors the national Symphony Orchestra

All Zain operations have given to charity in their respective countries. They have built orphanages, donated food and other basic material. At Christmas and during Ramadan, operations distribute meals and gifts and host celebrations in orphanages and homes for the elderly.

Sport

In 2002, Zain formed a basketball club in Jordan, primarily to interact with the community and promote the company in the country and the region. Three years later, the team was winning local, regional and international tournaments. The club's management also recognized the importance of developing youth groups and there are now 120 children registered at Zain's mini-basketball school.

Sport plays a big role across our operations, many of which have formed sports teams to compete with other companies. To date, Zain has sponsored football, tennis, golf, bowling, fencing, basketball, kickboxing and athletics, including marathons.

Culture

Zain's determination to support culture is translated through its support of various events in the countries where it is present across Africa and the Middle East. They include the Zain Mama Africa Circus (Tanzania), the Iraqi Symphony Orchestra, the Malawi Music Crossroads, the Junadriah Traditional Festival (KSA), the African Textile Event (Zambia) and the Gabao Hip Hop Festival (Gabon). They also include concerts that promote CSR initiatives, such as that given by African singing sensation Youssou N'dour to highlight the Birima Project for Micro-credit in the DRC.

Human Rights

Zain understands that its activities have the potential to impact human rights in many ways. Recently, Zain has participated in the World Day Against Child Labor, in partnership with the Madagascar Ministry of Labor and the International Labor Organization (ILO).

Corporate Social Responsibility

Zain and the market place

An ethical approach to business is a key component of Zain's progress and our corporate governance focuses on ensuring a positive image of Zain wherever we operate. We operate as a professional, responsible organization in the markets we serve and strive to exceed the expectations of both internal and external stakeholders. We are transparent and ensure our dealings with our strategic partners, suppliers and customers are fair and ethically correct. We expect all our employees and suppliers to comply with the law and act ethically in all matters.

Zain is continuously developing sustainability models to encourage self-sustenance and alleviate poverty. We have created several projects in which we employ less fortunate members of the communities in which we operate. One such initiative was developed in Saudi Arabia targeting 10,000 needy women in which Zain provided training, equipment and tools to enable them to start their own business selling Zain products and services.



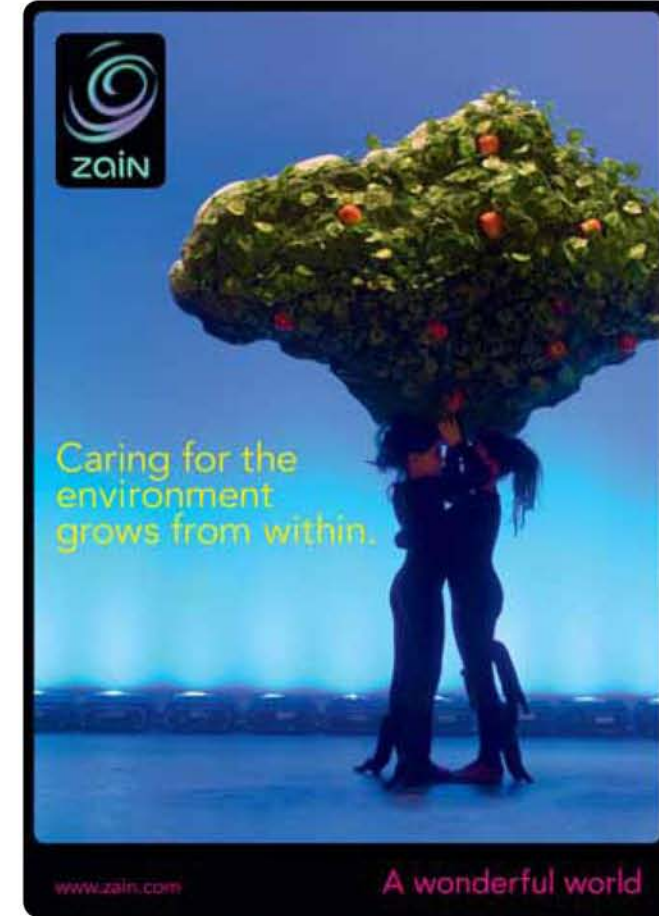
Zain in Saudi Arabia provided needy women with the necessary training, equipment and tools to start their business

Responsible Advertising

In today's world, many important issues, such as human rights and the environment, are often not given the attention they deserve. Successful and responsible advertising can play a part in ensuring that they are. With a strong message from a company with values and integrity, real change can happen, benefiting both the business sector and the wider community.

Zain's drive to make a difference in the Middle East through "Qattoura", our water-saving campaign is just one example of this. Using a school play to explain the life-cycle of a water droplet allowed us to raise awareness about the importance of this natural resource and encourage children and adults alike to preserve it. "Qattoura" proved an instant success and was picked up by other media outlets that spread the message further, demonstrating the power of responsible advertising.

From the outset, Zain's rebranding campaign was based on hope, embracing diversity with its many cultural faces, and treating our environment like we treat our homes. Our campaigns have broken new ground because they embody a philosophy of life that reinforces our commitment as a socially responsible organization and one that contributes to our promise of creating "A wonderful world".



Qattoura campaign addresses the water scarcity problem in the Middle East



Corporate Social Responsibility

Zain and the environment

At Zain, we are committed to managing our operations in a way that minimizes our environmental impact. We work to reduce our energy consumption and waste production, respecting the environment of the countries in which we operate.

We believe that a focus on strong environmental management as an integral part of the way we manage our business, will strengthen performance and ensure a sustainable future for our stakeholders, whether they are employees, customers, suppliers, shareholders or communities.

Ensuring responsible usage of resources, developing alternative energy sources and implementing recycling programs are all part of Zain's environmental efforts.

Zain has adopted ISO 14001, an international standard for an environmental management system that helps organizations minimize environmental damage. ISO 14001 requires the establishment of an appropriate environmental policy and the identification of the environmental aspects arising from the operation's past, existing or future activities, products and services, in order to determine significant environmental impacts. To date, ISO 14001 has been implemented in Bahrain, Jordan, Kuwait and Lebanon.

A comprehensive Environmental and Social Management Plan (EMSP) has been updated by Group Regulatory Affairs and will be adhered to by all of our 15 African Operations. The document is being reviewed by the Middle East Operations and will hopefully be adopted by the end of 2009. The EMSP is designed to minimize potential environmental, social and cultural impacts associated with the expansion and operation of Zain's cellular communications network and also provides internal monitoring measures for tracking environmental performance at the corporate level.

The green power generating system plays a significant part in reducing Zain's carbon footprint, thus supporting the fight against global warming. Zain is looking at alternative energy sources such as solar energy and wind turbines. At this stage, Zain is piloting projects such as Madagascar's wind turbine initiative that aims to replace cell site diesel fuel generators with wind turbines, a non-fuel based power-generating alternative energy system. As with all new initiatives, we have a philosophy of leveraging best practice across the organization. If a successful initiative is developed in one country, it is rolled-out in other countries.

As part of its continuous support for protecting the environment, Zain in Kuwait has forged a long-term partnership with the Kuwait Diving Team of the Kuwaiti Society to protect and save marine life in Kuwaiti waters. The program involves the participation of Zain employees in the team's cleaning missions. It also involves the training of a number of Zain employees to become certified divers.

Zain in Jordan has adopted a forest in the north of the Kingdom, in which employees planted 400 seedlings on Arbor Day. The Zain forest aims to maintain Jordan's forest landscape in the North.



Zain in Kuwait staff participate with Kuwait Diving Team in maritime cleaning missions

Recognition and continuity



His Excellency Mr Jassem Mohammad Al-Khorafi presents Zain in Kuwait CSR Award to Mr Asaad Al Banwan, Chairman of the Board of Directors of Zain

Awards

In 2008, Zain in Kuwait won the prestigious Corporate Social Responsibility (CSR) award in the telecommunication sector at a ceremony held under the auspices of the Kuwait National Assembly Speaker, His Excellency Mr Jassem Mohammad Al-Khorafi, who presented the Award to Mr Asaad Al Banwan, Zain Chairman of the Board of Directors.

Zain is here to create a world where technology, customer care and corporate social responsibility come together to create "A wonderful world" for our stakeholders. A world that is fun, colorful, spirited, strong and imaginative.

Way Forward

At Zain we plan to further measure and reduce the environmental harmful impact of our operations both internally and externally.

We plan to measure and reduce our carbon footprint as the first step towards becoming carbon neutral and in parallel, we are looking into using alternative sources of energy such as wind and solar power.

We seek to continue improving "Environmental Marketing" and we are still working towards the gradual implementation of the United Nations Global Compact.

We are also working to adhere to the Global Reporting Initiative (GRI) for benchmarking sustainability reporting.



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Independent Auditors' Report to the Shareholders

Mobile Telecommunications Company KSC, Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company KSC ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of 31 December 2008, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; 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 2008, 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 2008 that might have had a material effect on the business of the Group or on its consolidated financial position.

Bader & Co.
PricewaterhouseCoopers

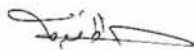
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Nasser Abdullah Al Muqait
Licence No.9A
Al-Ahli Bureau

Kuwait 01 March 2009



Consolidated Balance Sheet

for the year ended 31 December 2008

(in thousand KD)

Notes	2008	2007
ASSETS		
Current assets		
Cash and bank balances	367,871	261,263
Trade and other receivables	293,903	246,276
Loan to an associate	79,673	-
Inventories	30,427	22,047
Investment securities at fair value through profit or loss	16,676	23,002
Total current assets	788,550	552,588
Non-current assets		
Deferred tax assets	88,805	64,724
Investment securities available for sale	96,904	179,468
Investment in associates	216,389	259,640
Loan to an associate	-	170,875
Property and equipment	2,026,790	1,495,602
Intangible assets	2,234,423	1,637,255
Other financial assets	2,378	6,850
Total assets	4,665,689	3,814,414
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	908,773	557,889
Due to banks	231,138	453,747
Due to non controlling interest holders	-	18,509
	1,139,911	1,030,145
Non-current liabilities		
Due to banks	1,670,788	1,531,512
Deferred tax liabilities	30,283	31,763
Other non-current liabilities	212,128	25,276
	1,913,199	1,588,551
EQUITY		
Attributable to Parent Company's shareholders		
Share capital	427,240	189,398
Share premium	1,690,772	624,465
Treasury shares	(567,834)	(15,576)
Legal reserve	127,788	94,699
Voluntary reserve	63,091	63,091
Foreign currency translation reserve	(97,692)	(26,014)
Treasury shares reserve	1,967	-
Equity issue transaction cost of associate	(1,746)	-
Investment fair valuation reserve	(9,201)	67,704
Share based compensation reserve	20,395	12,222
Hedge reserve	(60,382)	-
Retained earnings	625,014	571,938
	2,219,412	1,581,927
Non-controlling interests	181,717	166,379
Total equity	2,401,129	1,748,306
Total Liabilities and Equity	5,454,239	4,367,002

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

Asaad Ahmed Al Banwan
Chairman

Dr. Saad Hamad Al Barrak
Managing Director - Deputy Chairman

Consolidated Statement of Income

for the year ended 31 December 2008

(in thousand KD)

Notes	2008	2007
Revenue	2,003,080	1,677,270
Cost of sales	(461,070)	(381,206)
Gross profit	1,542,010	1,296,064
Distribution, marketing & operating expenses	(577,348)	(461,655)
General and administrative expenses	(210,749)	(142,873)
Depreciation and amortization	(303,363)	(236,062)
Impairment losses - Goodwill	(63,262)	-
Provision for impairment - trade and other receivables	(6,587)	(3,832)
Operating profit	380,701	451,642
Interest income	31,489	26,289
Investment income	(599)	21,537
Share of loss of associates (net)	(20,659)	(3,135)
Fair value gain on the previously held equity interest in a subsidiary	152,413	-
Other income	21,470	6,092
Finance cost	(128,002)	(123,586)
(Loss) / gain from currency revaluation	(37,091)	13,144
Board of Directors' remuneration	(32)	(28)
Contribution to Kuwait Foundation for Advancement of Sciences	(2,978)	(2,973)
National Labour Support Tax and Zakat	(5,877)	(5,447)
Profit for the year before income tax	390,835	383,535
Income tax expense of subsidiaries	(53,720)	(40,874)
Profit for the year	337,115	342,661
Attributable to		
Shareholders of the Parent Company	322,002	320,455
Non-controlling interests	15,113	22,206
	337,115	342,661
	Fils	Fils
Basic earnings per share	88	96
Diluted earnings per share	87	96

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

Statement of Changes in Shareholders' Equity

for the year ended 31 December 2008

(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 2008	189,398	624,465	(15,576)	94,699	63,091	(26,014)	-	-	67,704	12,222	-	571,938	166,379	1,748,306
Net exchange differences	-	-	-	-	-	(71,678)	-	-	-	-	-	-	(937)	(72,615)
Equity issue transaction cost of associate	-	-	-	-	-	-	-	(1,746)	-	-	-	-	-	(1,746)
Realised gain on available-for-sale investments (net of impairment losses)	-	-	-	-	-	-	-	-	(1,603)	-	-	-	-	(1,603)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	-	(75,302)	-	-	-	-	(75,302)
Loss from changes in fair value - cash flow hedge (Note 31)	-	-	-	-	-	-	-	-	-	(60,382)	-	-	-	(60,382)
Profit on sale of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	26,682	-	26,682
Share based compensation (Note 25)	-	-	-	-	-	-	-	-	-	8,173	-	-	-	8,173
Profit on sale of treasury shares	-	-	-	-	-	-	1,967	-	-	-	-	-	-	1,967
Net income / (expense) recognised directly in equity	-	-	-	-	-	(71,678)	1,967	(1,746)	(76,905)	8,173	(60,382)	26,682	(937)	(174,826)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	322,002	15,113	337,115
Total recognized income / (loss) for the period	-	-	-	-	-	(71,678)	1,967	(1,746)	(76,905)	8,173	(60,382)	348,684	14,176	162,289
Transfer to reserves	-	-	-	33,089	-	-	-	-	-	-	-	(33,089)	-	-
Issue of share capital	142,174	1,066,307	-	-	-	-	-	-	-	-	-	-	-	1,208,481
Purchase of treasury shares	-	-	(552,258)	-	-	-	-	-	-	-	-	-	-	(552,258)
On business combination (Note 28)	-	-	-	-	-	-	-	-	-	-	-	-	21,467	21,467
Adjustment to non-controlling interest share	-	-	-	-	-	-	-	-	-	-	-	-	(16,140)	(16,140)
Sale / purchase of shares to / from non-controlling interests (net)	-	-	-	-	-	-	-	-	-	-	-	-	(1,526)	(1,526)
Exercise of employee share options	885	-	-	-	-	-	-	-	-	-	-	(301)	-	584
Issue of bonus shares (2007)	94,783	-	-	-	-	-	-	-	-	-	-	(94,783)	-	-
Cash dividends (2007)	-	-	-	-	-	-	-	-	-	-	-	(167,435)	(2,639)	(170,074)
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
Balance at 1 January 2007	126,182	624,465	(15,576)	63,091	63,091	(24,390)	-	-	41,778	5,736	-	470,055	146,002	1,500,434
Net exchange differences	-	-	-	-	-	(1,624)	-	-	-	-	-	-	368	(1,256)
Realised gain on available-for-sale investments (net)	-	-	-	-	-	-	-	-	(11,789)	-	-	-	-	(11,789)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	-	37,715	-	-	-	-	37,715
Share based compensation (Note 25)	-	-	-	-	-	-	-	-	-	6,486	-	-	-	6,486
Net income / (expense) recognised directly in equity	-	-	-	-	-	(1,624)	-	-	25,926	6,486	-	-	368	31,156
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	320,455	22,206	342,661
Total recognized income / (loss) for the period	-	-	-	-	-	(1,624)	-	-	25,926	6,486	-	320,455	22,574	373,817
Transfer to reserves	-	-	-	31,608	-	-	-	-	-	-	-	(31,608)	-	-
Capital contribution	-	-	-	-	-	-	-	-	-	-	-	-	1,582	1,582
Adjustment to non-controlling interest share	-	-	-	-	-	-	-	-	-	-	-	-	(363)	(363)
Sale / purchase of shares to / from non-controlling interests (net)	-	-	-	-	-	-	-	-	-	-	-	-	(2,445)	(2,445)
Share of put option liability	-	-	-	-	-	-	-	-	-	-	-	-	1,822	1,822
Exercise of employee share options	125	-	-	-	-	-	-	-	-	-	-	(42)	-	83
Issue of bonus shares (2006)	63,091	-	-	-	-	-	-	-	-	-	-	(63,091)	-	-
Cash dividends (2006)	-	-	-	-	-	-	-	-	-	-	-	(123,831)	(2,793)	(126,624)
Balance at 31 December 2007	189,398	624,465	(15,576)	94,699	63,091	(26,014)	-	-	67,704	12,222	-	571,938	166,379	1,748,306

Consolidated Statement of Cash Flow

for the year ended 31 December 2008

(in thousand KD)

	2008	2007
Cash flows from operating activities		
Profit for the year before income tax	390,835	383,535
Adjustments for		
Depreciation, amortization and goodwill written off	366,625	236,062
Interest income	(31,489)	(26,289)
Investment income	599	(21,537)
Share of loss of associates	20,659	3,135
Fair value gain on the previously held equity interest in a subsidiary	(152,413)	-
Finance cost	128,002	123,586
Loss on sale of property and equipment	424	170
Gain from currency revaluation	37,091	(13,144)
Operating profit before working capital changes	760,333	685,518
Increase in trade and other receivables	(29,252)	(67,024)
Increase in inventories	(6,426)	(7,835)
(Decrease) / increase in trade and other payables	(13,993)	90,547
Increase in other non-current liabilities	2,197	12,319
Cash generated from operations	712,859	713,525
Payments		
Income tax	(36,161)	(36,895)
Board of Directors' remuneration	(28)	(28)
Kuwait Foundation for Advancement of Sciences	(3,004)	-
National Labour Support Tax and Zakat	(5,414)	(4,320)
Net cash from operating activities	672,282	672,282

	2008	2007
Cash flows from investing activities		
Proceeds from sale of investment securities	8,022	1,275
Investments in securities	(1,779)	(4,677)
Investments in subsidiaries	13,005	(60,920)
Sale of shares in a subsidiary	50,154	-
Investments in associates	(15,796)	(269,306)
Acquisition of property and equipment (net)	(651,873)	(586,700)
Acquisition of intangible assets	(141,957)	(166,645)
Interest received	36,933	26,269
Dividend received	6,141	5,033
Net cash used in investing activities	(697,150)	(1,055,671)
Cash flows from financing activities		
(Repayments) / proceeds from bank borrowings (net)	(149,267)	603,421
Loan to an associate	(76,688)	(170,875)
Proceeds from issue of share capital	1,194,809	83
Non-controlling interest's capital contribution - Bahraini subsidiary	-	1,527
Purchase of treasury shares	(540,577)	-
Sale of treasury shares	4,539	-
Dividends paid	(166,763)	(123,588)
Dividends paid to non-controlling interests	(2,654)	(2,875)
Finance cost paid	(128,488)	(123,436)
Net cash from financing activities	134,911	184,257
Net increase / (decrease) in cash and cash equivalents	106,013	(199,132)
Effects of exchange rate changes on cash and cash equivalents	595	(13,927)
Cash and cash equivalents at beginning of year	261,263	474,322
Cash and cash equivalents at end of year (Note 4)	367,871	261,263

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

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

1. Incorporation and activities

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

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 21 other countries (2007: Kuwait and 20 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

In March 2008, a joint stock company Saudi Mobile Telecommunications Company (SMTC) with a share capital of SAR 14 billion, was formed in the Kingdom of Saudi Arabia to hold the Group's mobile telecommunication licence in that country. The Parent Company holds 25% of SMTC's voting shares amounting to SAR 3.5 billion, other promoters hold 25% amounting to SAR 3.5 billion and the general public subscribed to the balance 50% amounting to SAR 7 billion during the mandatory initial public offering in February 2008 which was fully subscribed to. SMTC commenced commercial operations in August 2008.

In 2007, the Group began re-branding its trade name to "Zain" starting with the Middle East and Sudan and during the year has completely re branded all other operations.

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 1 March 2009 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

2.1.1 These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "at fair value through profit or loss" or "available for sale" and 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 financial statements are disclosed in Note 34.

2.1.2 The Group's associate in the Kingdom of Saudi Arabia Saudi Mobile Telecommunications Company (SMTC) obtained a waiver related to the breach of some of the covenants attached to certain loan facilities but has so far not been able to re-negotiate or obtain replacement financing arrangements. SMTC's current liabilities (which includes due to banks and shareholder loans amounting to KD 834 million) also exceed its current assets by KD 1 billion. The financial statements of the associate, which is in the start up phase, has been prepared on a going concern basis as Group and SMTC management are

continuing to negotiate the borrowing terms and are of the opinion that the existing facilities will be refinanced on commercially viable terms. The carrying amount of the Group's investment in SMTC including loans and receivables is KD 334.596 million. The Group is also contingently liable for a guarantee of KD 110 million relating to a loan availed by SMTC.

2.2 Changes in accounting policies

The accounting policies are consistent with those used in the previous year except that the Group has early adopted the revised IFRS 3 - Business Combinations and the amended International Accounting Standard IAS 27 - Consolidated and Separate Financial Statements issued in 2008. These revised standards have been applied to business combinations during the year (Note 3).

IFRS 3 - Business Combinations (revised)

Revised IFRS 3 - Business Combinations, is prospectively applicable to business combinations for which the acquisition date falls in the annual reporting periods beginning on or after 1 July 2009 but can be early adopted.

This revised standard continues to apply the acquisition method to business combinations, with some significant changes as follows:

- Consideration transferred (including contingent consideration) in a business combination to be recorded at the acquisition-date fair value;
- An option to measure non-controlling interest (minority interest) in an acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets;
- Account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received;
- In a business combination achieved in stages (step acquisition), re-measure the previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss in the statement of income.

IAS 27 - Consolidated and separate financial statements (amended)

As the Group has early adopted the revised IFRS 3 during the year, it is required to early adopt the amended IAS 27 at the same time. This revised standard requires the effects of all transactions with non-controlling interests, even if this results in the non-controlling interests having a deficit balance. This standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured at fair value and a gain or loss is recognized in the statement of income.

The amended IAS 27 was applied to acquisitions and disposals of business combinations during the year (Note 3).

Due to the early adoption of IFRS 3 (revised) and IAS 27 (amended), the Group has also early adopted certain consequential amendments to other accounting standards.

New accounting standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group:

- IAS 1 - (amended) - Presentation of Financial Statements (effective from 1 January 2009)
- IFRS 8 - Operating Segments (effective from 1 January 2009)
- IAS 16 - (Amendments) - Property, Plant and Equipment (effective 1 January 2009)
- IAS 19 - (Amendments) - Employee Benefits (effective from 1 January 2009)
- IAS 28 - (Amendments) - Investments in Associates (effective from 1 January 2009)
- IAS 36 - (Amendments) - Impairment of Assets (effective from 1 January 2009)
- IAS 38 - (Amendments) - Intangible assets (effective from 1 January 2009)
- IFRIC 13 - Customer Loyalty Programmes (effective from 1 July 2009)

The adoption of IAS 1 and IFRS 8 will result in amendments to the presentation of the consolidated financial statements of the Group.

The Group will adopt these new standards and amendments to other standards from their effective date. Their adoption is not expected to have a material impact on the consolidated financial statements of the Group.

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

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 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 recognised 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 balance sheet and statement of 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 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 / de-recognition

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

A financial liability is derecognised 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 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 amortised cost using the effective yield method.

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

Available for sale

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

Financial liabilities / equity

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

Financial guarantees

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

Fair values

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

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

Derivative financial instruments and hedging activities

Derivatives are initially recognised 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 (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the balance sheet. 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 statement of income. The method of recognising 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 recognised 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 recognised in "Other assets" or "Other liabilities" and in the 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 recognised in the 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 amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the 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 recognised directly in equity and the ineffective portion is recognised in the 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 recognised when the hedged forecast transaction is ultimately recognised in the 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 statement of income.

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

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

2.6 Cash and cash equivalents

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

2.7 Inventories

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

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

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 balance sheet date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

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

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

2.9 Investments in associates

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

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

2.10 Property and equipment

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

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

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

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

2.11 Intangible assets and goodwill

Identifiable non-monetary assets acquired in 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 amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortised on a straight line basis over the life of the license. Key money and software rights are amortized on a straight line basis over a period of five years for software rights and over the lease period for operating leases. Customer contracts and relationships are amortised 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 recognised directly in the 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.

2.12 Provisions for liabilities

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

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

2.13 Share-based payment transactions

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

2.14 Post employment benefits

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

2.15 Treasury shares

The cost of the Parent Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends. 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.

2.16 Accounting for leases

Where the Group is the lessee

Operating leases

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

Finance leases

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

2.17 Revenue

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 recognised 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 recognised 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 recognised when incurred, i.e. upfront while the airtime costs are recognised as and when the revenue is being recognised. Prepaid income collected in advance is deferred and recognised 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.

2.18 Borrowing costs

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

2.19 Foreign currencies

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

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

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

2.20 Discontinued operations

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

2.21 Contingencies

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

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

3. Subsidiaries and Associates

The principal subsidiaries and associates are:

Subsidiary	Country of Incorporation	Percentage of Ownership	
		2008	2007
Zain International B.V. (formerly Mobile Telecommunications Company International B.V.) - "ZIBV"	The Netherlands	100%	100%
Company International B.V.) - "ZIBV"	Jordan	96.516%	96.516%
MTC Vodafone 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%	30%
Athir National Co. W.L.L. "ANC"	Bahrain	100%	-
Associate			
Saudi Mobile Telecommunications Company (SMTC)	Saudi Arabia	25%	-
Mada Leletisalat LLC	Saudi Arabia	-	50%

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 (2007 - 15) countries in Africa.

Subsidiary	Country of Incorporation	Percentage of Ownership	
		2008	2007
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	80%	80%
CelTel Malawi Limited	Malawi	100%	100%
CelTel Niger S.A	Niger	90%	80%
CelTel (S.L) Limited	Sierra Leone	100%	100%
CelTel Limited Uganda	Uganda	100%	100%
CelTel Zambia Limited	Zambia	78.88%	88.88%
CelTel Tanzania Limited	Tanzania	60%	60%
CelTel Madagascar SA	Madagascar	100%	100%
CelTel Nigeria Limited	Nigeria	65.702%	65.702%
Western Telesystems Limited (Ghana)	Ghana	75%	75%

Special Purpose Entity

Stichting CelTel International	Netherlands
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Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC - "JMTC".

JMTC, 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.

Atheer Telecom Iraq Limited - "Atheer"

In October 2008 the Group increased its voting equity interest in Atheer from 30% to 40% and then to 71.667% (by acquiring all of the shares of ANC Bahrain) to obtain control. As a result of this Atheer became a subsidiary from 31 October 2008. The total purchase consideration for these acquisitions was US\$ 91 million (approximately KD 25 million). Details of this transaction are disclosed in Note 28.

The financial statements of Atheer, whose working capital is in deficit, have been prepared on a going concern basis as the Group is committed to provide financial support.

CelTel Niger S.A.

During the year, the Group acquired additional 10% equity interest each in CelTel Niger S.A for a consideration of US\$ 16.20 million (approximately KD 4.36 million) and in CelTel Zambia Plc for a consideration of US\$ 99.24 million (approximately KD 27.42 million)

CelTel Zambia Limited

The Group has offered and sold 20% of the shares in CelTel Zambia Plc ("CZ") via an Initial Public Offering ("IPO") on the Lusaka Stock Exchange (Zambia) as at 11 June 2008. The net cash proceeds received from the IPO was KD 51.58 million. The gain of KD 26.68 million (2007 - Nil) has been directly reported in equity attributable to the Parent Company's shareholders.

The Group acquired 10% interest in CelTel Zambia from one of its local partners (also a shareholder in CelTel Zambia) who one day after the IPO exercised the put option granted by the Group. The exercise of the put option, although a separate transaction from the IPO, was triggered by the IPO as this was the end of the exercise period of the option (Note 16).

Western Telesystems Limited (Ghana)

The initial accounting of the business acquisitions of Zain Ghana was carried out in 2007 using provisional values of identifiable assets, liabilities and contingent liabilities and the purchase price allocation (PPA) was completed during the year.

Saudi Mobile Telecommunications Company (SMTC)

The third mobile telecommunications license for a twenty five year period, in the Kingdom of Saudi Arabia was won by a consortium led by the Parent Company for an upfront fee of Saudi Riyals 22.91 billion (equivalent KD 1.77 billion) in March 2007. All assets and liabilities of the Special Purpose Entity, Mada Leletisalat LLC that was incorporated to manage the procedures were transferred to SMTC (Note 1) on its formation. SMTC commenced commercial operation in August 2008.

4. Cash and bank balances

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

(in thousand KD)

	2008	2007
Cash on hand and at banks	171,140	148,226
Short-term deposits with banks with original maturities of less than three months	196,731	113,037
Cash and bank balances	367,871	261,263

The effective interest rate on short-term deposits as of 31 December 2008 was 3.02% to 6.13% per annum (2007 - 5.25% to 7.38%).

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

5. Trade and other receivables

(in thousand KD)

	2008	2007
Trade receivables		
Customers	64,785	39,145
Distributors	37,161	54,943
Other operators (Interconnect)	75,535	68,397
Roaming partners	17,678	8,233
Provision for impairment	(50,014)	(42,870)
	145,145	127,848
Accrued income	8,336	11,664
Staff	5,808	3,915
Due from associates	68,775	33,958
Prepayments, advances and deposits	65,839	68,891
	293,903	246,276

As of 31 December 2008, trade receivables of KD 80,623,000 (2007 - KD 70,028,000) 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)

	2008	2007
Up to 3 months	23,129	31,429
3 - 6 months	14,452	14,609
6 - 12 months	14,087	7,570
More than 12 months	28,955	16,420
	80,623	70,028

As of 31 December 2008, trade receivables of KD 53,756,000 (2007 - KD 70,090,000) were impaired against which the Group carries a provision of KD 50,014,000 as of 31 December 2008 (2007 - KD 42,870,000). 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:

	2008	2007
Kuwaiti dinar	37,803	36,152
US dollar	81,574	93,454
Euro	29,928	11,111
Bahraini dinar	22,023	12,327
Sudanese pound	28,049	25,884
Jordanian dinar	13,639	43,337
Others	80,887	24,011
	293,903	246,276

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

(in thousand KD)

	2008	2007
Opening balance - 1 January	42,870	39,038
On acquisition of subsidiary	6,542	-
Recoveries / write back of provisions	(5,985)	-
Charge for the year	6,587	3,832
Closing balance - 31 December	50,014	42,870

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. Loan to an associate

This represents a shareholder loan of SAR 1.082 billion to SMTC and is carried at amortised cost. This loan is subordinate to the associate's borrowings from banks.

7. Inventories

(in thousand KD)

	2008	2007
Handsets and accessories	32,402	23,628
Provision for obsolescence	(1,975)	(1,581)
	30,427	22,047

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

8. Investment securities

(in thousand KD)

	2008	2007
Current investments		
Investment securities at fair value through profit or loss		
Quoted equities	9,872	16,487
Funds	6,804	6,515
	16,676	23,002
Non current investments		
Available for sale		
Quoted equities	58,094	113,839
Funds	28,560	43,211
Unquoted equities	15,913	24,110
Impairment loss	(5,663)	(1,692)
	96,904	179,468

Investment securities are denominated in the following currencies:

	2008	2007
Kuwaiti dinar	76,280	149,208
US dollar	26,195	35,163
Other currencies	11,105	18,099
	113,580	202,470

Available for sale investments include unlisted securities with original cost of KD 5,674,000 (2007 - KD 7,558,000) carried at cost less impairment since it is not possible to reliably measure their fair value.

During the year the Group recognized an unrealized loss of KD 75,302,000 (2007 - unrealized gain of KD 37,715,000) in investment fair valuation reserve arising from fair valuation of "available for sale" investments and transferred a gain of KD 5,574,000 (2007 - KD 11,789,000) from investment fair valuation reserve to the statement of income, arising from disposals. The Group also recognized an impairment loss of KD 3,971,000 (2007 - Nil) in the statement of income by transferring the loss from the investment fair valuation reserve.

9. Deferred tax assets / liabilities

(in thousand KD)

	2008	2007
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	79,284	64,542
Deferred tax assets to be recovered within 12 months	9,521	182
	88,805	64,724
Deferred tax liabilities		
Deferred tax liability payable after more than 12 months	25,892	30,666
Deferred tax liability payable within 12 months	4,391	1,097
	30,283	31,763

10. Investments in associates

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

(in thousand KD)

	2008	2007
Opening balance	259,640	8,026
Capital contribution during the year	608	269,306
Share of loss for the year (See below)	(20,659)	(3,135)
Acquisition of additional shares	15,152	-
Cost of IPO (Saudi)	(1,746)	-
Foreign currency translation adjustment	1,276	(14,557)
Adjustment - Atheer (Note 3)	(37,882)	-
Closing balance	216,389	259,640

Capital contribution during the year 2007 represents Saudi Riyals 3.5 billion deposited in an escrow account as the Parent Company's 25% share of the authorized capital of SMTC.

Under the Murabaha financing agreement, SMTC can make or declare any dividend or other distribution in cash or in kind, any amendment to, variation or waiver of the terms of any shareholder loan agreement or any payment under a shareholder loan agreement, only with the prior written consent of the lenders.

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

The Group's share of the associates' assets, liabilities, revenue and profit is as follows:
(in thousand KD)

	2008	2007
Assets	493,571	152,018
Liabilities	277,182	147,975
Revenue	9,056	47,788
Net (loss) / profit for the year:		
Atheer, Iraq	12,704	3,264
SMTC, Saudi Arabia	(32,877)	(6,399)
Others	(486)	-
	(20,659)	(3,135)

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

11. Property and equipment

(in thousand KD)

	Land and Buildings	Cellular and Other Equipment	Projects in Progress	Total
Cost				
As at 31 December 2006	74,258	1,311,354	319,601	1,705,213
Additions	5,788	491,471	154,503	651,762
On acquisition of subsidiaries	19	2,048	3	2,070
Transfers and adjustments	1,334	120,494	(121,822)	6
Disposals	(217)	(12,967)	(24)	(13,208)
Exchange adjustment	(1,213)	(67,481)	(3,693)	(72,387)
As at 31 December 2007	79,969	1,844,919	348,568	2,273,456
Additions	7,619	391,705	308,512	707,836
On acquisition of subsidiary	-	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
Accumulated depreciation				
As at 31 December 2006	28,025	545,999	-	574,024
Charge for the year	6,881	203,260	-	210,141
On disposals	(233)	(7,388)	-	(7,621)
On acquisition of subsidiaries	12	1,736	-	1,748
Exchange adjustment	(1,388)	950	-	(438)
As at 31 December 2007	33,297	744,557	-	777,854
Charge for the year	3,977	269,255	-	273,232
On disposals	(174)	(5,510)	-	(5,684)
On acquisition of subsidiary	-	107,705	-	107,705
Exchange adjustment	190	(45,369)	-	(45,179)
As at 31 December 2008	37,290	1,070,638	-	1,107,928
Net Book Value				
As at 31 December 2008	60,053	1,510,210	456,527	2,026,790
As at 31 December 2007	46,672	1,100,362	348,568	1,495,602

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

Property and equipment include vehicles with a net book value of KD 52,000 (2007 - KD 173,000) and KD 1,431,000 (2007 - KD 572,000) acquired under finance lease by JMITS - Jordan and Mobitel Sudan respectively. It also includes buildings with a net book value equivalent to KD 788,000 (2007 - KD 782,000) acquired under a finance lease by MTCB Bahrain. Projects in progress comprise of cellular and other equipment amounting to KD 444,895,000 (2007 - KD 328,145,000) and buildings amounting to KD 11,632,000 (2007 - KD 20,423,000).



Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

12. Intangible assets

(in thousand KD)

	Goodwill	Licence Fees	Others	Total
Cost				
At 31 December 2006	1,315,032	189,836	44,924	1,549,792
Additions	57,291	152,713	1,197	211,201
On subsidiaries acquired	40,951	539	-	41,490
Exchange adjustments	(49,499)	(15,720)	(2,373)	(67,592)
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
Adjustment to identifiable asset	(4,336)	-	4,336	-
Exchange adjustment	(4,543)	5,933	575	1,965
As at 31 December 2008	1,735,706	654,161	49,987	2,439,854
Accumulated amortization and impairment losses				
At 31 December 2006	12,274	50,288	9,673	72,235
Of subsidiaries acquired	-	243	-	243
Charge for the year	-	19,030	6,891	25,921
Exchange adjustment	(333)	353	(783)	(763)
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 adjustment	1,680	7,001	353	9,034
As at 31 December 2008	76,883	104,800	23,748	205,431
Net Book Value				
As at 31 December 2008	1,658,823	549,361	26,239	2,234,423
As at 31 December 2007	1,351,834	257,454	27,967	1,637,255

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

Goodwill has been allocated to each country of operation as that is the Cash Generating Unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

The addition to goodwill during the year arises from the step up acquisition in Atheer (2007 - Westel Ghana and other step up acquisitions in Celtel Gabon S.A, Celtel Kenya Ltd, Celtel Burkina Faso S.A. and Celtel Zambia Limited).

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

(in thousand KD)

	License Validity	2008	2007
Pella Investment Company, Jordan	February 2021	79,516	79,516
MTC Vodafone Bahrain B.S.C (Closed), Bahrain	April 2018	-	-
Celtel Burkina Faso S.A	May 2010	27,876	27,735
Celtel Tchad S.A	October 2009	27,030	26,741
Celtel Congo (DRC) SARL	December 2019	103,192	102,090
Celtel Congo S.A	December 2013	66,418	65,081
Celtel Gabon S.A	April 2017	91,302	90,887
Celtel Kenya Limited	January 2015	57,836	130,221
Celtel Malawi Limited	February 2014	21,425	21,254
Celtel Niger S.A	December 2015	23,661	23,363
Celtel (S.L) Limited	November 2013	39,853	39,427
Celtel Limited Uganda	October 2013	7,224	7,147
Celtel Zambia Limited	May 2013	52,315	74,616
Celtel Tanzania	November 2032	14,895	17,289
Celtel, Madagascar	September 2015	28,505	28,623
Celtel, Nigeria	February 2016	113,548	126,254
Sudanese Mobile Telephone Company Limited (Zain, Sudan)	February 2029	456,510	452,126
Westel Ghana	October 2021	34,867	39,464
Atheer Telecom Iraq Limited, Cayman Islands	September 2022	412,850	-
		1,658,823	1,351,834

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.

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

Key Assumption	Basis Used to Determine Value to Be Assigned to Key Assumption
Growth rate	Average market share in the period immediately before budget period increased each year for anticipated growth in market share of upto 7% (2007 - 13%). Value assigned reflects past experience and changes in economic environment. Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth in market penetration but excluding that from improving or enhancing the asset's performance. Cash flows beyond the five year period have been extrapolated using a growth rate ranging from 3% to 5% (2007 - 3% to 5%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operate.
Exchange rate	Average market forward rate over the budget period. Value assigned is consistent with external source of information.
Discount rate	Discount rates range from 12% to 19.5% per annum (2007 - 12% to 17.3%). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired.

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amount so obtained was significantly above the carrying amount of the CGUs, except in Kenya where the fair value less costs to sell is lower.

During the year, the Group has recognized an impairment loss of KD 63,262,000 (2007 - Nil) in goodwill allocated to the Group's mobile operation in Kenya since its recoverable value computed as the fair value less costs to sell is below its carrying value. This amount is disclosed in the statement of income as impairment losses. Fair value less cost to sell was determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region. There was no change in the basis of aggregating the assets of the Kenya operations since the previous estimate of its recoverable value.

The license in Chad expires in October 2009 and was extended for a further period of 10 years from that date in 2006 on payment of an additional license fee US\$ 3.2 million at that time and a decree to that effect was issued. In August 2008 a decree was issued canceling the post October 2009 license and refund of US\$ 3.2 million. The Group is currently seeking its reinstatement through legal and other measures. The recoverability of the carrying amount of the Chad operation of KD 46,546,000 is contingent on its renewal beyond October 2009. The Group has determined that it is highly probable that the October 2009 to October 2019 license extension will be reinstated and it is appropriate to report the operations in Chad as a going concern; and no impairment loss provision is required.

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

13. Other financial assets

(in thousand KD)

	2008	2007
Cash held in a restricted foundation account - due to be settled after 12 months	-	3,135
Import duties recoverable	2,378	3,470
Others	-	245
	2,378	6,850

14. Trade and other payables

(in thousand KD)

	2008	2007
Trade payables	149,878	142,587
Deferred revenue	83,659	63,152
Due to roaming partners	9,003	7,998
Due to other operators (interconnect)	18,295	12,809
Due to Government of Jordan	12,862	14,598
Provision for income taxes - foreign subsidiaries	80,567	60,094
Kuwait Foundation for the Advancement of Sciences	5,848	5,843
National Labour Support Tax and Zakat	5,914	5,449
Dividend payable	6,192	8,616
Accrued expenses	253,812	150,618
Directors' remuneration	32	28
Due to non controlling interest holders (Note 16)	-	8,485
Deferred purchase consideration (See note below)	196,064	-
Licence fee payable (Note 17)	57,573	-
Other payables	29,074	77,612
	908,773	557,889

Deferred purchase consideration is the amount payable by Atheer for the acquisition of Iraqna Company for Mobile Services Limited (Iraqna) in 2007. This is an interest free liability and is due for payment on 31 December 2009.

15. Due to banks

(in thousand KD)

	2008	2007
MTC (the Parent Company)		
Short term loans - unsecured	21,855	16,427
Long term loans - unsecured	5,166	21,538
	27,021	37,965
JMTS - Jordan		
Long term loans	31,200	30,928
Notes payable	311	249
Finance lease obligations	142	251
	31,653	31,428
MTCB - Bahrain		
Short term loan	5,972	-
Long term loans	6,397	17,789
Finance lease obligations	427	520
	12,796	18,309
CelTel - The Netherlands		
Short term loan	146,809	102,959
Long term loan	405,718	333,900
	552,527	436,859
Zain - Sudan		
Long term loan	106,055	108,727
Finance lease obligations	979	572
	107,034	109,299
Atheer - Iraq		
Short term loan	55,270	-
ZIBV - The Netherlands		
Islamic finance (Murabaha)	-	328,080
Long term loan	1,115,625	1,023,319
	1,115,625	1,351,399
	1,901,926	1,985,259

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

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

(in thousand KD)

	2008	2007
Less than 6 months	138,911	1,382,102
6 - 12 months	80,104	83,918
1 - 5 years	1,607,584	398,038
Over 5 years	48,307	81,891
Fixed rate borrowings	27,020	39,310
	1,901,926	1,985,259

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

	2008	2007
US dollar	1,461,747	1,705,394
Euro	106,055	108,727
Bahraini dinar	12,796	18,309
Jordanian dinar	31,653	32,000
Other currencies	289,675	120,829
	1,901,926	1,985,259

The effective interest rate as at 31 December 2008 was 3.91% to 7.68% (2007 - 4% to 7.38%) per annum.

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

JMTS

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

MTCB

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

ZABV - Netherlands

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.

Zain - Sudan

This represents 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 after 36 months and carries an interest rate of 2.5% above 3 month EURIBOR. The effective rate of interest as of 31 December 2008 was 5.39% (2007 - 7.38%). 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.

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 the Parent Company and JMTS. Financial covenants stipulate maximum net borrowings of 4 times consolidated EBITDA and ratio of annualized consolidated EBITDA of not less than 3 times annualized consolidated net interest payable.

The US\$ 1.2 billion (KD 323 million) islamic murabaha financing obtained by ZIBV in December 2006 was fully repaid during the year.

16. Due to non controlling interests

As of 31 December 2007, ZABV had an obligation to acquire a further 10% interest in Celtel Zambia Ltd. Up to this date the Group accounted for this put option as if it had acquired the 10% interest. The equity instruments held by the non-controlling interest share holders (that were acquired during the year - Note 3) were classified as financial liabilities, rather than equity, since there was an irrevocable obligation to deliver cash to settle the non-controlling interest.

17. Other non-current liabilities

(in thousand KD)

	2008	2007
Customer deposits	8,160	4,419
Post employment benefits	13,712	8,661
Licence fee payable (See note below)	115,146	-
Derivative liability (Note 31)	60,382	-
Refundable deposit	14,728	12,196
	212,128	25,276

Licence fee payable represents the deferred payment of Atheer's telecom license fee to the telecom regulatory authority of Iraq. The license fee which was due for payment on 31 March 2008 was deferred and is now payable in three equal installments on 1 March 2009, 1 March 2010 and 1 March 2011. This carries a finance cost of 8% per annum on the outstanding balance.

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Notes for the year ended 31 December 2008

18. Share capital and reserves

Share capital (par value of KD 0.100 per share)

	2008 No of Shares	2007 No of Shares
Authorised		
Opening balance	1,895,655,826	1,261,819,591
Bonus shares	947,827,913	630,909,795
Rights issue	1,421,741,869	-
Shares approved for Employee Share Option Plan (ESOP)	15,081,114	2,926,440
	4,280,306,722	1,895,655,826
Issued and fully paid up		
Opening balance	1,893,979,581	1,261,819,591
Bonus shares	947,827,913	630,909,795
Rights issue	1,421,741,869	-
Shares issued for 2006 ESOP	3,183,805	1,250,195
Shares issued for 2007 ESOP	5,672,135	-
	4,272,405,303	1,893,979,581

Rights issue

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.

Treasury shares

	2008	2007
Number of shares	425,711,648	35,269,169
Percentage of issued shares	9.96%	1.86%
Market value (KD '000)	378,883	134,728
Cost (KD '000)	567,834	15,576

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

Legal reserve

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 (2007: KD 8,229,000). There is no restriction on distribution of this reserve.

Dividend - 2007

The annual general meeting of shareholders held on 8 March 2008 approved distribution of cash dividends of 90 fils per share and bonus shares of 50 shares for every 100 shares.

Proposed dividend

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 50 fils per share (2007 - 90 fils per share) to the registered shareholders as of the date of the Annual General Meeting. The Board of Directors has not recommended distribution of bonus shares (2007 - 50 shares for every 100 shares).

19. Revenue

(in thousand KD)

	2008	2007
Airtime and subscription	1,965,193	1,659,629
Trading income	37,887	17,641
	2,003,080	1,677,270

20. Investment income

(in thousand KD)

	2008	2007
Loss on investments at fair value through profit or loss	(7,071)	4,611
Realised gains from available for sale investments	331	11,893
Dividend income	6,141	5,033
	(599)	21,537

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.

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Notes for the year ended 31 December 2008

22. Income tax expense of subsidiaries

(in thousand KD)

	2008	2007
JMTS	11,981	11,340
MTCL	661	516
Mobitel	13,082	1,568
CelTel	24,848	27,450
Atheer	3,148	-
	53,720	40,874

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:

	2008	2007
Net profit for the year (in thousand KD)	322,002	320,455
	Shares	Shares
Weighted average number of shares in issue	3,656,617,078	3,328,503,708
Effect of dilution (ESOP - Note 25)	36,307,021	24,413,651
Weighted average number of shares in issue outstanding during the year adjusted for the effect of dilution	3,692,924,099	3,352,917,359
	Fils	Fils
Basic earnings per share	88	96
Diluted earnings per share	87	96

Basic and diluted earnings per share from operations reported for the previous year were 172 fils and 171 fils respectively, before retroactive adjustment for bonus and rights shares issued in 2008.

24. Staff costs

(in thousand KD)

	2008	2007
Wages and salaries	176,896	141,361
Share based compensation granted to employees	8,143	7,422
Post employment benefits	4,757	5,064
	189,796	153,847

This is allocated as follows:

(in thousand KD)

	2008	2007
Distribution, marketing & operating expenses	102,632	89,170
General and administrative expenses	87,164	64,677
	189,796	153,847

25. 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.

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

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:

(in thousand KD)

	2006 Plan		2007 Plan		2008 Plan	
	Numbers	Weighted Average Exercise Price	Numbers	Weighted Average Exercise Price	Numbers	Weighted Average Exercise Price
		KD		KD		KD
Granted	2,956,000	0.100	14,271,038	0.100	14,179,440	1.084
Adjustment for bonus shares	1,478,000		-		-	
Total	4,434,000	0.067	14,271,038	0.065	14,179,440	1.084
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	-	
Adjustment for bonus shares	1,378,582		7,549,379		-	
Total	4,562,387		21,820,417		-	
Exercised in 2008	1,676,245	0.067	7,179,695	0.065	-	
Stock options forfeited	89,592		43,874		-	
Stock options outstanding at 31 Dec 2008	2,796,550	0.034	14,596,848	0.065	14,179,440	1.084
Stock options exercisable at the end of the year	2,796,550	0.034	7,135,632	0.065	4,692,599	1.084
Weighted average remaining contractual life (in years)	-		2		3	
Weighted average share price of options exercised during the year	4.056		2.024		-	

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 2008 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%.

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 recognised total expenses of KD 8,173,000 (2007 - KD 6,486,000) 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 2008 was KD 2.024 (2007 - KD 4.056)

2008 Plan

The exercise price of the granted options is 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 Parent Company granted 14,179,440 shares at an exercise price of KD 1.084 per share. 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%.

26. Segment information

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

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Notes for the year ended 31 December 2008

(in thousand KD)

	31 December, 2008							
	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	171,716	45,759	15,728	3,914	89,948	37,070	28,634	392,769
<i>Unallocated items</i>								
Interest income								31,489
Investment income								(599)
Share of loss of associates								(33,363)
Fair value gain on the previously held equity interest in a subsidiary								152,413
Finance cost								(128,002)
Income tax expense								(53,720)
Others								(23,872)
Profit for the year								337,115
Segment assets	254,120	267,534	70,875	6,143	857,723	1,009,262	2,482,642	4,948,299
<i>Unallocated items</i>								
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								5,454,239
Segment liabilities	78,650	37,057	19,896	3,312	111,194	462,464	393,085	1,105,658
<i>Unallocated items</i>								
Due to banks								1,901,926
Deferred tax liabilities								30,283
Others								15,243
Consolidated liabilities								3,053,110
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.

(in thousand KD)

	31 December, 2007							
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq*	Sub-Saharan Africa	Total
Segment revenues	359,386	135,317	42,862	17,248	224,823	-	897,634	1,677,270
Net profit	165,245	43,629	8,646	3,035	73,975	-	153,182	447,712
<i>Unallocated items</i>								
Interest income								26,289
Investment income								21,537
Share of loss of associates								(3,135)
Finance cost								(123,586)
Income tax expense								(40,874)
Others								14,718
Profit for the year								342,661
Segment assets	253,158	268,280	57,952	5,526	793,858	-	2,288,581	3,667,355
<i>Unallocated items</i>								
Investment securities at fair value through profit or loss								23,002
Deferred tax assets								64,724
Investment securities available for sale								179,468
Investment in associates								259,640
Loan to an associate								170,875
Others								1,938
Consolidated assets								4,367,002
Segment liabilities	72,146	57,093	17,434	3,399	127,186	-	322,335	599,593
<i>Unallocated items</i>								
Due to banks								1,985,259
Deferred tax liabilities								31,763
Others								2,081
Consolidated liabilities								2,618,696
Net consolidated assets								1,748,306
Capital expenditure incurred during the year	37,017	5,365	9,728	13	97,193	-	431,655	580,971
Unallocated								5,729
Total capital expenditure								586,700
Depreciation and amortization	22,755	18,965	4,898	9	18,281	-	170,754	235,662
Unallocated								400
Total depreciation and amortization								236,062

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Notes for the year ended 31 December 2008

27. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

(in thousand KD)

	2008	2007
Transactions		
Management fees (included in other income)	10,322	4,775
Balances		
Trade and other receivables	4,015	34,103
Trade and other payables	3,000	608
Due to banks	42,577	43,865
Key management compensation		
Salaries and other short term employee benefits	5,396	3,243
Post-employment benefits	685	277
Share based payments	4,071	3,243

28. Business combinations

In October 2008 the Group acquired control over Atheer's through a step up acquisition of an additional 31.667% equity interest in Atheer. This is accounted in accordance with the revised IFRS 3 as follows:

(in thousand KD)

Consideration transferred in cash	9,251
Non-controlling interest share	21,467
Acquisition date fair value of the previously held equity interest	190,295
Total	221,013
Less	
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	18,647
Trade and other receivables	35,234
Inventories	1,961
Property, plant and equipment	207,868
Intangible assets	567,947
Trade and other payables	(587,380)
Due to banks	(6,060)
Loan from a related party	(167,701)
Total identifiable net assets	70,516
Goodwill arising from business combination	150,497

Atheer

The initial accounting for the business combination is provisional due to its complexity, and will be adjusted retrospectively when the final purchase price allocation is completed during the one year measurement period from the acquisition date.

The above goodwill is attributable to Atheer's profitability and the significant synergies expected to arise from the acquisition and from the synergies of Atheer's acquisition of Iraqna earlier in the year. Iraqna was one of the initial mobile services providers in Iraq, along with Atheer, but its telecom license was not renewed after 31 December 2007. Atheer took control of Iraqna's telecom assets including its customer and manpower base, with effect from 1 January 2008. Atheer recognized goodwill of KD 262,353,000 attributable to the synergies expected from combining Iraqna's telecom assets, customers and manpower base with its own.

The acquisition date fair value of the Group's 40% voting equity interest in Atheer that it held immediately before the acquisition date was estimated at KD 190,295,000. Since the business combination was achieved in stages, the Group re-measured the previously held 40% equity holding at fair value and recognized the resultant gain of KD 152,413,000 in the statement of income. This amount is reported in the statement of income as gain on revaluation at fair value of previously held equity interest in a subsidiary.

The gross contractual amount of the acquired trade and other receivables is KD 41,728,000 of which an amount of KD 6,494,000 is the Group management's



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best estimate of the uncollectible receivables. The fair value of the net trade and other receivables approximates their book value of KD 35,234,000 as they are short term in nature.

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. If the acquisition had taken place on 1 January 2008, the Group revenue and net profits would have been higher by KD 288,808,000 and KD 42,809,000 respectively.

29. Commitments and contingencies

(in thousand KD)

	2008	2007
Capital commitments	355,999	489,249
Capital commitments - share of associates	37,921	82,899
Uncalled share capital of investee companies	396	7,558
Letters of credit	61,142	5,288
Letters of guarantee	233,900	184,485

JMTS is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 114,000 (2007 - KD 425,000). Legal proceedings have been initiated by and against some of the other subsidiaries in a number of jurisdictions. On the basis of information currently available, and having taken counsel with legal advisers, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated operations of the Group.

The Parent Company is defendant in a claim filed by the Ministry of Communications (MoC) seeking a fixed payment of KD 1 per month for each prepaid line. In April 2006 the Commercial Civil court issued a verdict in favour of MoC, but the Parent Company won an appeal against the verdict in September 2007. Pending the outcome of the appeal filed by MoC in the Supreme Court, the Parent Company's management is of the opinion that the above claim will not materially affect the Group's financial statements.

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

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

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

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

	2008	2007
Not later than 1 year	9,724	5,868
Later than 1 year and no later than 5 years	32,399	25,646
Later than 5 years	3,840	8,685
	45,963	40,199

Financial guarantees

The Parent Company is a guarantor for a credit facility of US\$ 404 million (KD 110 million) granted to a fellow member of the Saudi consortium that won the third telecom license in Saudi Arabia. The Parent Company holds a cash collateral of US\$ 38,641,000, approximately KD 10,678,000 (2007 - US\$ 44,608,000 (approximately KD 12,196,000) to cover interest payable by the borrower.

30. 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 2008			
Cash and bank balances	367,871	-	-
Trade and other receivables	293,903	-	-
Investment securities	-	16,676	96,904
Loan to an associate	79,673	-	-
Other financial assets	2,378	-	-
Total	743,825	16,676	96,904
31 December 2007			
Cash and bank balances	261,263	-	-
Trade and other receivables	246,276	-	-
Investment securities	-	23,002	179,468
Loan to an associate	170,875	-	-
Other financial assets	6,850	-	-
Total	685,264	23,002	179,468

All financial liabilities as of 31 December 2008 and 31 December 2007 are categorized as "other than at fair value through profit or loss".

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Notes for the year ended 31 December 2008

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:

Market risk

a. Foreign exchange risk

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

The management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains / losses on translation of foreign currency denominated assets and liabilities such as trade and other receivables, trade and other payables and due to banks.

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

	2008	2007
US Dollar	5,012	2,573
Euro	13,548	15,039

b. 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 balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments are primarily quoted on the Kuwait Stock Exchange. The effect on profit as a result of changes in fair value of equity instruments classified as "at fair value through profit or loss" and the effect on equity of equity instruments classified as "available for sale" arising from a 5% increase / decrease in equity market index, with all other variables held constant is as follows:

(in thousand KD)

	2008		2007	
Market indices	Impact on net profit	Effect on equity	Impact on net profit	Effect on equity
Kuwait Stock Exchange	494	4,845	825	7,145

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.

c. 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 2008 and 2007, the Group's borrowings at variable rate were denominated in US Dollar and Euro. The fair value impact of fixed rate borrowings as at 31 December 2008 and 2007 is not material.

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

At 31 December 2008, 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 8,892,000 (2007 - KD 5,880,000).

Credit risk

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

Liquidity risk

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

The Group has committed to provide working capital and other financial support to Atheer and Celtel Kenya.

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

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

(in thousand KD)

	Less Than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
At 31 December 2008				
Bank borrowings	299,704	265,200	1,357,702	89,100
Trade and other payables	922,590	-	-	-
Derivative financial instruments-cash flow hedge	-	-	60,382	-
Customer deposits	-	8,160	-	-
Refundable deposit	-	14,728	-	-
Licence fee payable	-	66,785	62,179	-
Commitments	295,042	-	-	-
At 31 December 2007				
Bank borrowings	624,810	247,245	1,459,350	2,357
Trade and other payables	557,889	-	-	-
Due to non controlling interest holders	18,509	-	-	-
Customer deposits	-	4,419	-	-
Refundable deposit	-	12,196	-	-
Commitments	189,773	-	-	-

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

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

(in thousand KD)

At 31 December 2008	Notional Amounts by Term to Maturity			Within 3 Months	3 -12 Months	Over 1 Year
	Positive Fair Value	Negative Fair Value	Notional Amount Total			
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

As of 31 December 2007 the Group had no derivative financial instrument.

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 of the derivatives held for trading is recognised in the statement of income and the fair valuation loss of the derivatives held for hedging (cash flow hedge) is recognized in "Hedge reserve account" in equity.

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

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

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

The gearing ratios at 31 December 2008 and at 31 December 2007 were as follows:
(in thousand KD)

	2008	2007
Total borrowings	1,901,926	1,985,259
Less: cash and cash equivalents (Note 4)	367,871	261,263
Net debt	1,534,055	1,723,996
Total equity	2,401,129	1,748,306
Total capital	3,935,184	3,472,302
Gearing ratio	39%	50%

33. Fair value of financial instruments

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

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

As disclosed in Note 8 "Available for sale investments" includes unlisted securities with original cost of KD 5,674,000 (2007 - KD 7,558,000) carried at cost less impairment since it is not possible to reliably measure their fair value.

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

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

34. 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 balance sheet date, management assesses, whether there is any indication that inventories, property and equipment, goodwill and intangible assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed 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.

Notes for the Consolidated Financial Statements

Notes for the year ended 31 December 2008

Taxes

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

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

Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units are determined based on value-in-use calculations or at fair value less costs to sell. These calculations require the use of estimates and the input factors most sensitive to change have been disclosed in Note 12.

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.

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 next generation of mobile communication systems. It offers enhanced services, such as multimedia and video. The main 3G technologies include UMTS 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 channels. Data intended for a specific channel is modulated with that channels 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 subscribed 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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