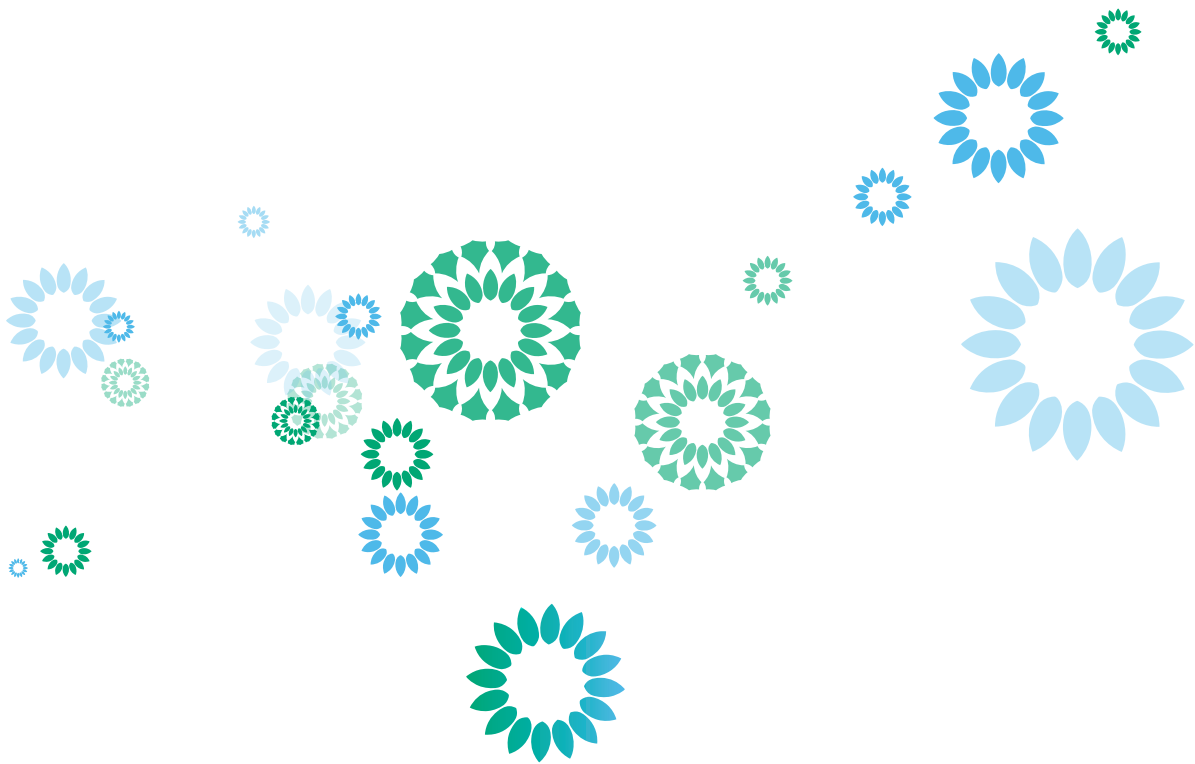


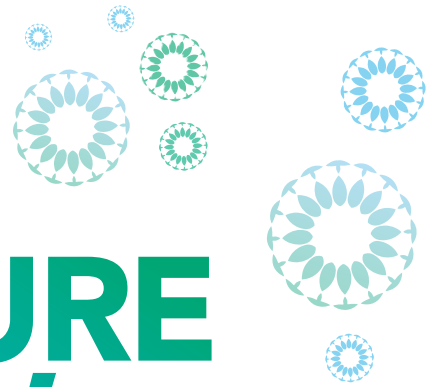
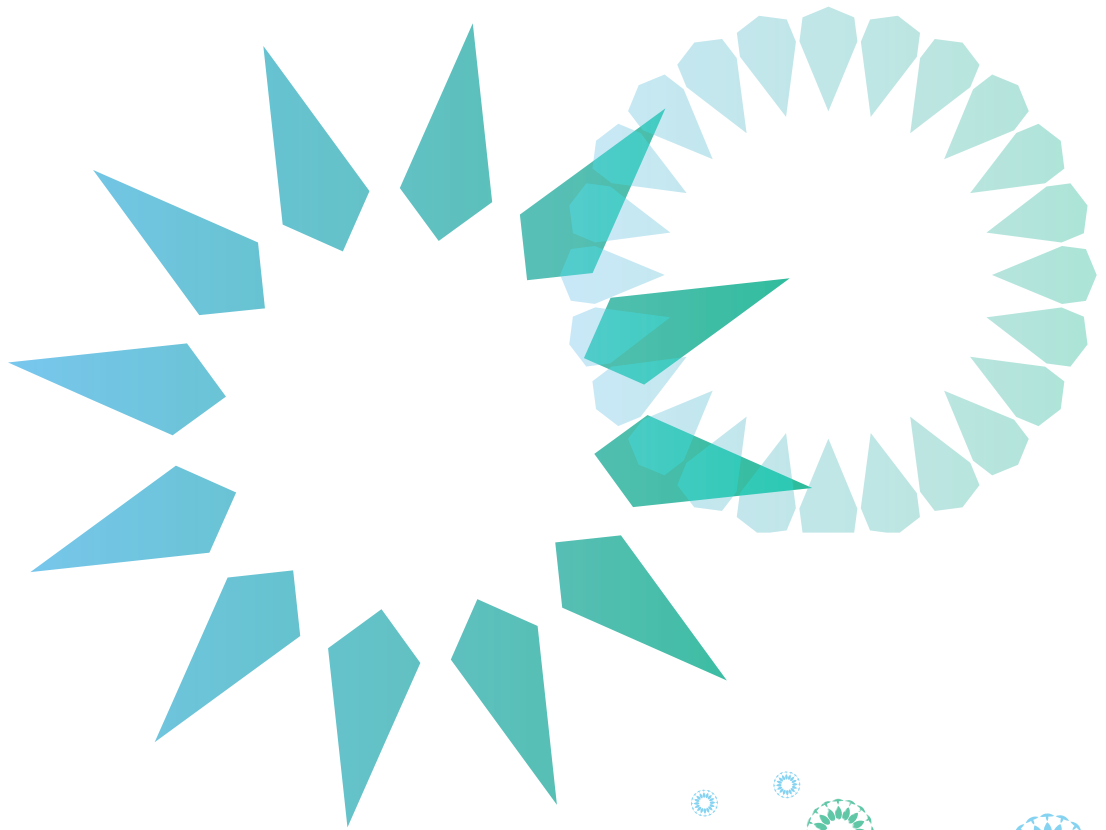


THE FUTURE IS NOW



ZAIN ANNUAL REPORT 2015





**THE FUTURE
IS NOW**





**H.H. SHEIKH SABAH AL-AHMAD
AL-JABER AL-SABAH**

AMIR OF THE STATE OF KUWAIT



**H.H. SHEIKH NAWAF AL-AHMAD
AL-JABER AL-SABAH**

CROWN PRINCE



**H.H. SHEIKH JABER AL-MUBARAK
AL-HAMAD AL-SABAH**

PRIME MINISTER

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COMMERCIAL

BOARD OF DIRECTORS

**MR. ASAAD AHMED
AL BANWAN**

CHAIRMAN



**MS. SHAIKHA KHALED
AL BAHAR**

BOARD MEMBER



**MR. ABDULMOHSEN
IBRAHIM AL FARES**

BOARD MEMBER



**MR. JAMAL AHMED
AL KANDARY**

BOARD MEMBER





**MR. BADER NASSER
AL KHARAFI**

VICE CHAIRMAN



**MR. WALEED ABDULLAH
AL ROUDAN**

BOARD MEMBER



**MR. ABDULAZIZ
YAQOUB AL NAFISI**

BOARD MEMBER



**MR. JAMAL SHAKER
AL KAZEMI**

BOARD MEMBER



CHAIRMAN'S MESSAGE

On behalf of my fellow members of the Board of Directors, it gives me great pleasure to welcome our honorable shareholders to the annual general assembly and review the financial results of Zain Group's operations for the year ending 31 December, 2015. I will also look to highlight a number of important accomplishments that were achieved during the course of the year.

Mobile telecom services witnessed a number of positive developments in the region during 2015; where customer growth rates were positive and continued demand for mobile broadband services and corresponding smartphone boom persisted. This was coupled with the expansion of the digital economy, though at a macro-economic level, the Middle East region suffered the negative impact from the sharp decline in oil prices, as well as the threat of escalating political tensions and social unrest.

Zain Group was not immune to these political tensions, and the resulting security risks, which in turn influenced the region's social conditions, and factors such as human displacement in several of our markets impeded Zain's operational progress.

Based on these challenges, Zain Group reviewed its operating procedures, and adapted them accordingly in order to maintain its leading market position in most of our markets growing the customer base by 3% in 2015 to reach 45.6 million.



CREATING A SUSTAINABLE DIGITAL COMPANY

Today, the telecom industry is facing higher operational costs. As a consequence of this, profit levels are under increasing pressure, driven primarily by the need to invest further in networks and applications, as well as maintaining physical security of infrastructure. Therefore, the traditional core telecom business is facing real challenges, with Zain Group investing heavily in future-proofing its networks. In 2015 the company invested USD 797 million (excluding Zain Saudi Arabia) in CAPEX, reflecting Zain's increasing commitment to improving the customer experience.

Amidst the relatively high penetration rates and fierce competitive nature of the region's telecom market, Zain Group has continued to adopt its strategy, which is based on creating a sustainable digital telecom company that caters to the needs of both individuals and the business sector alike. The Group has already achieved substantial progress in its strategic goals, also investing in digital applications and partnering with successful third parties to ensure high quality delivery of its traditional services; further helping the company become one of the most effective service providers in the region.

One of our main goals is to become a leading mobile service provider with respect to operational efficiency. This has led Zain Group to concentrate on initiatives relating to its OPEX and CAPEX optimization. These initiatives have helped the Group maintain healthy financial results, as the management focused on operational alignment and cost optimization efforts. Zain has proactively reduced the costs related to international connectivity and network maintenance, among other things.

FINANCIAL INDICATORS

Our major financial indicators at Zain Group were impacted by the political and security challenges in the region, as well as extremes in currency exchange rate fluctuations and intense price competition across our footprint. Performance was further affected by an erosion and a sharp decline in traditional revenue due to the presence of OTT messaging and VoIP players capturing a large part of the market. Notably, additional amortization on both Zain Iraq's 3G license fee and Zain Jordan's additional 3G and newly acquired 4G spectrum license fees impacted the bottom line by USD 52 million.

Accordingly, Zain Group's net income amounted to KD 154 million (USD 513 million) for the fiscal year 2015; with earnings per share amounting to 40 fils. The Group achieved consolidated net profit of KD 1.14 billion (USD 3.78 billion) compared to consolidated net profit of KD 1.21 billion (USD 4.27 billion) in 2014.

Zain's earnings before interest, taxes, depreciation and amortization (EBITDA) reached KD 499 million (USD 1.66 billion), down from KD 507 million (USD 1.78 billion) a year earlier.

Our operational performance for this challenging fiscal year was characterized by Zain's ability to address the difficulties it faced competently, as the company managed to reinforce both its competitive positions in data related services. Data revenues (excluding SMS and value added services) witnessed a 15% growth rate in 2015, ending the period representing 20% of total revenues.

OPERATION'S PERFORMANCE

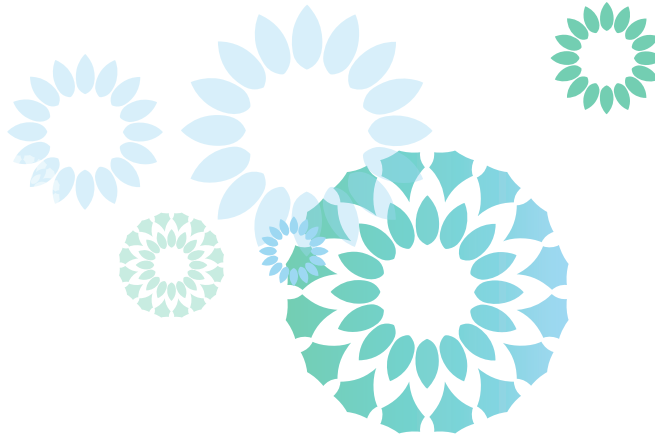
Focusing on our customers' needs represented a top priority for the Group's operations as each operating company catered to the needs and aspirations of its respective customer bases. This was achieved by offering customers flexible, bundled options in addition to providing them with state-of-the-art telecom technologies. Accordingly, Zain's operations in Saudi Arabia, Sudan, Jordan and Bahrain saw significant operational gains in 2015.

Zain Group's flagship operation in Kuwait continues to maintain its leadership position in terms of market share and revenues having grown its customer base by 9% during the year to serve 2.9 million customers. The healthy EBITDA margin of 49% for the year reflects the efficiency drive implemented by the operation, with Zain Kuwait's nationwide 4G LTE network which saw data revenues grow 8% for the year.

Zain's operation in Iraq maintained its leading market position in 2015, serving 11.1 million customers, despite very difficult social circumstances. For example, there has been widespread relocation and displacement of civilians across the country and portions of the operator's network suffered from service outages. The introduction of a 20% sales tax on mobile services and many other items in the country had a drastic impact on consumption habits of the people, with telecom revenues being affected. Nevertheless, the operation's efficiency drive saw its EBITDA margin increase to 39%, and with the launch of 3.9G services at the beginning of the year, data related revenue grew by 34%.

Zain Sudan continued to achieve positive results in 2015, as all its major financial indicators pointed to very impressive growth rates both in US dollars and in local SDG currency, serving 11.9 million customers. Data related revenues grew an impressive 91% in USD terms in Sudan and with the expected granting of a 4G license in 2016, we expect further growth in this area.

Similarly, Zain Saudi Arabia's financial results witnessed marked improvement as the operation continues to



implement its transformation plan. The operator successfully reduced its net loss for 2015 by 23% to reach USD 259 million, serving 11.9 million customers, with data related revenues growing an impressive 58%.

Zain Jordan continued to maintain its leadership position in one of the most competitive telecom ecosystems in the Middle East. In 2015, the company managed to grow its customer base by 6% year-on-year to serve 4.1 million, with the launch of 4G services early in the year contributing to 18% growth in data revenues.

Furthermore, Zain Bahrain's annual fiscal results were encouraging as they reflected a healthy EBITDA margin of 39%. The totally revamped 4G network in which Zain Bahrain has invested in excess of USD 134 million over the last two years resulting in data revenues increase by 11%.

CORPORATE GOVERNANCE

The success of Zain Group in achieving its goals rests in the company's ability to understand the nature of the environment and deal with the challenges in which it operates, while aiming to achieve profitable growth. Given its forward-looking nature, Zain was one of the first companies in Kuwait to embrace new reporting regulations issued by the Kuwait Capital Markets Authority, which oversees and defends the interest of all stakeholders and Zain will continue to operate in a transparent manner and champion the principles of good corporate governance.

The commitment to the company's Code of Conduct is the responsibility of every employee in the Zain Group, and through these values and principles, the company looks to make a positive impact on the telecommunications sector, and in the communities in which it operates.

CORPORATE SUSTAINABILITY

2015 was an important year for Group corporate sustainability and social responsibility initiatives, and it was unfortunate that conflicts in the region continue to affect so many lives and businesses. In early 2015 the Group became a Strategic Partner Associate at the World Economic Forum as we see our contribution and related participation fundamental towards the region's growth. Across our operations, we launched several initiatives that focused on capacity-building skills in order to address societal deficits and supporting the communities we serve. We also published our annual sustainability report, which highlighted the role the ICT sector can and does play in helping create knowledge-based economies, reflecting our key role in supporting the socio-economic development of the region we operate in.

OUR PEOPLE

Zain's ambition is to inspire its employees to achieve excellence through active engagement and motivation. The Group is intent on encouraging all its employees to embrace and support every aspect of the strategy through engagement and key initiatives to substantiate 'Talent Development'; which is one of Zain Group's core strategic pillars.

Zain's people are critical to the success of the organization and under the theme TOGETHER, the company put in place a meaningful framework by which people could relate to the organization and make sense of the employment dynamic.

We realize that the company's vision alone will not build its future. Employees are central to the success of delivering on the strategy, and during the year Zain launched its first ever employee value proposition initiative, known as 'The Promise', which looks to 'Build the Best Zain Team Together'.

Furthermore, Zain has built a central learning and development hub that is set to build capacity and ensure our people utilize value adding development opportunities, with the focus being to link the learning and development activities directly to the strategic objectives and core competencies of the organization.

APPRECIATION

In conclusion, I would like to express my genuine appreciation for the trust given to us by our shareholders, who have always given us support throughout our journey. Let me also extend my sincere thanks and appreciation to my fellow Board members and the executive management team for the commendable efforts they exerted in the face of considerable challenges.

On behalf of all my fellow members of the Board of Directors and the executive management, as well as all employees of the Group, I would like to offer our deepest gratitude and appreciation to His Highness the Amir of Kuwait, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah; His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah; His Highness the Prime Minister Sheikh Jaber Al-Mubarak Al-Sabah; and to the esteemed members of our Government for their continued support of Kuwait's national organizations and institutions.

Asaad Ahmad Al-Banwan
Chairman, Board of Directors

2015 AT A GLANCE

45.6
MILLION
ACTIVE
CUSTOMERS

\$3.8
BILLION
IN REVENUES

\$1.7
BILLION
IN EBITDA

\$513
MILLION
IN NET INCOME

5.2
MILLION
KM2 UNDER
LICENSE

131
MILLION
PEOPLE UNDER
LICENSE

BEST TELECOM BRAND
IN THE MIDDLE EAST

MARKET
LEADER
IN KUWAIT, IRAQ,
SUDAN, JORDAN
AND LEBANON

4G LTE
NETWORK
IN SAUDI ARABIA, KUWAIT,
BAHRAIN, LEBANON
AND JORDAN
THE LARGEST
IN THE REGION

6,400+
EMPLOYEES

2,796 TB
OF DAILY DATA
TRAFFIC

KEY MILESTONES

Established Mobile Telecommunications Company (MTC) in Kuwait

1983

Awarded management agreement in Lebanon

2004

Acquired the remaining 61% of Mobitel in Sudan
Acquired 65% of V-mobile in Nigeria

2006

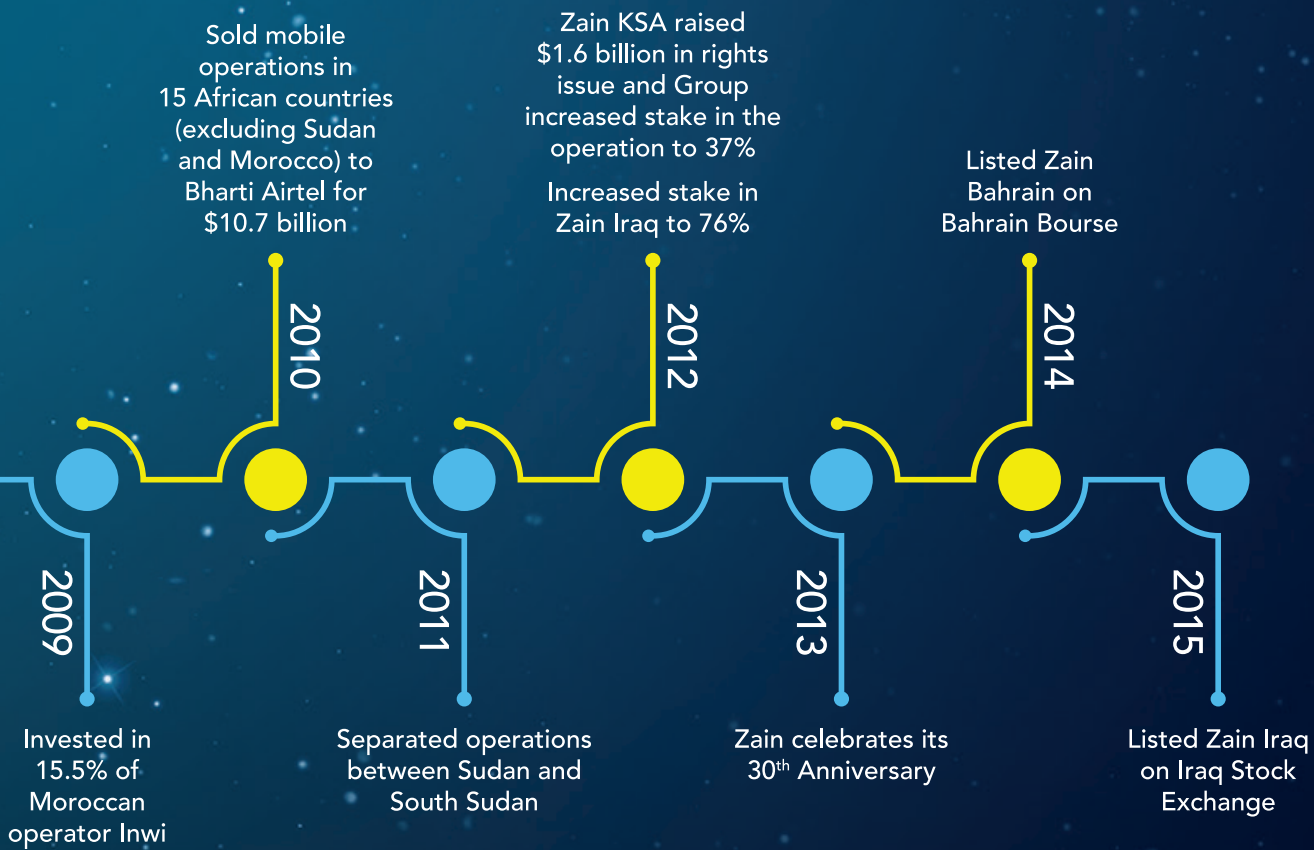
Merged MTC Atheer, and Iraqna, and rebranded to Zain
Rebranded from Celtel to Zain in all African operations
Commenced operations in KSA
Commenced operations in Ghana

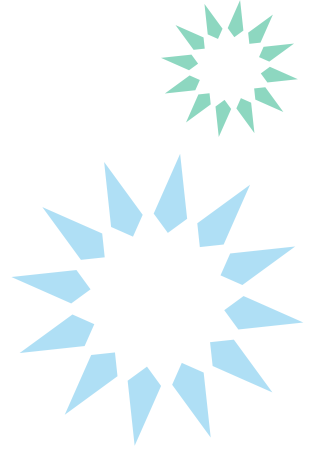
2008

2003
Acquired Fastlink in Jordan
Awarded 2nd GSM license in Bahrain
Awarded GSM license in Iraq

2005
Acquired Celtel in 13 African nations
Acquired Madacom in Madagascar

2007
Won bid for 3rd GSM license in KSA
Rebranded to Zain in 4 markets
Acquired a 15-year nationwide license in Iraq
Acquired 75% of Westel Ghana
Acquired Iraqna in Iraq



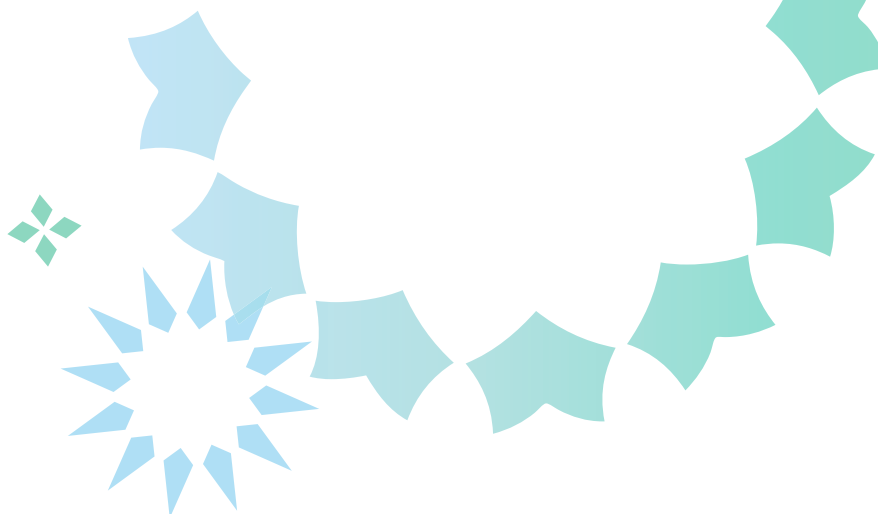


CEO STATEMENT

SCOTT GEGENHEIMER REVIEWS 2015 RESULTS, OPERATIONAL CHALLENGES AND THE FUTURE STRATEGIC DIRECTION OF ZAIN

SUMMARY OF KEY POINTS

- ✦ Zain Group is on a journey to solidify fundamentals and build future revenue streams. 2015 was another significant step in this direction
- ✦ Year highlighted by healthy growth in Sudan, Saudi Arabia, Jordan and Bahrain
- ✦ Intense competition and social unrest in several key markets impacted overall financial performance, as did appreciation of USD against Kuwait Dinar
- ✦ Substantial investment in networks coupled with data monetization initiatives yielding robust growth in data revenues
- ✦ Efficiency and optimization drive producing tangible positive results reflected in improving EBITDA margin



ZAIN 2015 KEY FINANCIAL RESULTS AND OPERATIONAL HIGHLIGHTS

CUSTOMER BASE REACHED 45.6 MILLION AT THE END OF 2015, REFLECTING A 3% INCREASE Y-O-Y.

FOR THE FULL-YEAR 2015, ZAIN GROUP GENERATED CONSOLIDATED REVENUES OF KD 1.14 BILLION (USD 3.78 BILLION), DOWN 6% Y-O-Y, WHILE CONSOLIDATED EBITDA FOR THE PERIOD REACHED KD 499 MILLION (USD 1.66 BILLION), REFLECTING A HEALTHY EBITDA MARGIN OF 44%. CONSOLIDATED NET INCOME REACHED KD 154 MILLION (USD 513 MILLION), DOWN 21% REFLECTING AN EPS OF 40 FILS (USD 0.13).

THE COMPANY'S OVERALL TWELVE-MONTH FINANCIAL RESULTS WERE AFFECTED BY CURRENCY TRANSLATION IMPACTS MAINLY DUE TO THE APPRECIATION OF THE USD AGAINST THE KD, WHICH COST THE COMPANY USD 218 MILLION ON REVENUE, USD 95 MILLION ON EBITDA AND USD 30 MILLION ON NET INCOME FOR THE YEAR 2015.

THE CONTINUED INSTABILITY IN IRAQ DURING 2015 COUPLED WITH HEIGHTENED LEVELS OF PRICE COMPETITION AND IMPLEMENTATION OF A NEW 20% SALES TAX ON MOBILE SERVICES AS WELL AS WIDE-RANGING TAX INCREASES ON OTHER SECTORS IN IRAQ THAT IMPACTED SPENDING ON MOBILE SERVICES, ALL CONTRIBUTED TO A NEGATIVE EFFECT ON ZAIN IRAQ'S FINANCIAL METRICS. THIS CONSEQUENTLY AFFECTED ZAIN GROUP'S OVERALL KEY FINANCIAL METRICS (24% DECLINE IN REVENUES RECORDED AT ZAIN IRAQ AND A 52% DECLINE IN NET INCOME AT THE OPERATION).

ADDITIONAL AMORTIZATION ON BOTH ZAIN IRAQ'S 3G LICENCE FEE AND ZAIN JORDAN'S ADDITIONAL 3G AND NEWLY ACQUIRED 4G SPECTRUM LICENCE FEES IMPACTED THE BOTTOM LINE BY USD 52 MILLION.

BAHRAIN, JORDAN, SAUDI ARABIA AND SUDAN OPERATIONS ALL REFLECT ROBUST GROWTH FOR THE YEAR, WITH ZAIN KUWAIT'S PERFORMANCE IMPACTED BY INTENSE PRICE COMPETITION DESPITE CUSTOMER GROWTH.

HEAVY INVESTMENT IN 3G & 4G NETWORK EXPANSION UPGRADES ACROSS OPERATIONS SAW CAPEX SPEND FOR THE YEAR AMOUNT TO USD 797 MILLION (EXCLUDING SAUDI ARABIA), REFLECTING 21% OF GROUP REVENUES.

NETWORK INVESTMENTS COUPLED WITH DATA MONETIZATION INITIATIVES CONTINUE TO PAY OFF AS GROUP DATA REVENUES (EXCLUDING SMS AND VAS) SURGED BY AN IMPRESSIVE 15% DURING 2015, REPRESENTING 20% OF THE GROUP'S CONSOLIDATED REVENUES.

INTRODUCTION

Zain Group continues to operate in the midst of highly complex and dynamic environment in a number of markets, and the company's adaptability to rapid and often drastic changes in socio-political and economic conditions is what defines it as a successful, sustainable entity.

During the course of 2015 the Middle East and North Africa region witnessed the destabilization and mass migration of huge populations of people. The global economy also came under sustained pressure as economic output in key markets such as China slowed, and the price for commodities, primarily oil-based ones, decreased dramatically, driving local governments to seek alternative income sources including additional telecom taxes and fees.

Local currencies in most countries across emerging markets weakened in comparison to the US dollar, making imports more expensive, and driving up inflation forecasts. It is unfortunate that these factors outside of our control have impacted overall performance for the year considering the sound operational progress and transformation we have undertaken across all our markets.

Despite these macro-economic developments, Zain Group maintained a steady course in 2015, committed to our strategy that will take advantage of our competencies, including our people, brand, impressive customer experience, cutting edge innovations and geographic coverage. We shall also continue on the path towards implementing operational efficiency initiatives, looking to develop new business areas and becoming a diversified and innovative digital lifestyle operator.

HOW WOULD YOU DESCRIBE ZAIN GROUP'S PERFORMANCE IN 2015?

I would describe Zain Group as being on a journey to solidify business fundamentals whilst focusing on creating future revenue streams, and that 2015 was another significant step in that direction. As you might note, in 2014 Zain outlined its focused five-year strategy to create a strong and sustainable platform for growth against a backdrop of higher mobile penetration, increasing competition, unique externalities, challenging operational performance, and accelerating adoption of over-the-top (OTT) solutions. Our five-year strategy has the vision of building a sustainable digital communications company serving consumers and enterprises with a rich lifestyle experience and during 2015 we focused on strategy execution across all of our strategic pillars.

MIGHT YOU GIVE SOME INSIGHT INTO THE MAIN PILLARS OF THE FIVE-YEAR TRANSFORMATIONAL STRATEGY AT ZAIN?

Zain's strategy is premised on six transformational initiatives:

- ✦ **Customer Experience** – Putting the customer at the heart of everything we do and allowing customers to feel a connection to Zain.
- ✦ **Operational Effectiveness** – Enhancing the bottom line through operational efficiency initiatives, looking to run our business differently and enabling additional group-wide synergy benefits.
- ✦ **Value Management** – Establishing the building blocks to create more value, focusing in particular on data monetization and keeping our core products relevant to our customers.
- ✦ **B2B** – Leading the ICT market in the Middle East, delivering a world class enterprise service, transforming Zain from being a consumer centric mobile operator to a full telecom operator providing enterprise services.
- ✦ **Digital Frontier and Innovation** – Become a regional trendsetter in the digital space, focusing on identifying additional verticals for Zain in the digital value chain.
- ✦ **Talent Development** - Inspiring employees to achieve excellence through engagement, and transforming our workforce to be future ready with required new skills and competencies.

These initiatives are more relevant today – given the way global and regional markets are evolving and the impact major trends are having on the ICT industry. In particular, Zain is focused on sustaining value in its core business of voice, messaging and mobile broadband, as well as exploiting fully new revenue streams in the lucrative, but regionally-fragmented B2B segment. In addition, Zain is seeking to build scale in the emerging regional digital landscape covering areas such as e-Commerce, digital content, mobile advertising and gaming, smart cities and mobile application development. Zain is enhancing its competitive positioning by expanding its role in the value chain of new business areas beyond connectivity.

WHAT STRIDES WERE TAKEN DURING THE COURSE OF THE YEAR TO BRING ZAIN CLOSER TO ITS FIVE-YEAR STRATEGY, AND DO YOU BELIEVE YOU ARE ON TRACK TO MEETING YOUR TIMELINE?

During the course of the year Zain made significant progress in achieving its vision, having identified internally that it cannot do everything it wants to do in the digital space alone, so a big proponent is finding and cooperating with value-creating partnerships.

The strategic collaboration with NeXgen Group, a leading smart city advisory and consulting services provider based in the UAE is an example of such. This cooperation enables Zain to advise governments and mega real estate developers facilitating the deployment of smart city solutions across the region. The two companies have recognized the value the other brings in this respect and plans are afoot to solidify the relationship even further.

We also invested in three venture capital funds – MEVP, Wamda and Earlybird - that are focused on early-stage and growth-stage digital opportunities in Central and Eastern Europe, Turkey, the Middle East, and Africa.

Earlier in 2015, we announced the expansion of our existing Partner Market Agreement with Vodafone, to deliver M2M services to enterprise and government sectors across the region, with our operations in Kuwait, Bahrain, Jordan and Saudi Arabia at the forefront of this initiative.

More recently, Zain has tied up with leading technology and content companies including UBER and global games developer, Zeptolab, in order to bring to market a number of popular applications, in many cases under some pretty unique and pioneering circumstances. Our efforts appear to be resonating as our agreement with UBER was recognised by global research company Ovum, as its most innovative service for November 2015, from a selection of 82 innovative services launched by network providers around the world.

HOW IMPORTANT IS TAILORING THE USER EXPERIENCE TO YOUR CUSTOMERS' NEEDS TO ZAIN?

Customer Experience is one of the buzz words in the service industry and everyone is talking about how important the customer is. However at Zain we believe that customer experience is driven by our actions, not our words. It's critical to make sure that we listen to our customers' feedback and act accordingly while running our business.

We take it very seriously at Zain, and during the course of 2015 we further enhanced customer experience across all touch points in the customer journey by utilizing customer feedback, developing a thorough understanding of customer needs, and by linking frontline performance with rewards to drive relevance, simplification, and optimization in all customer interactions. Across our footprint, the Group continued to roll-out its Voice of the Customer (VoC) platform to provide real-time monitoring and analytics of customer feedback.

Zain has standardized Transactional net promoter score (TNPS), Customer Effort Score (CES) and Customer Satisfaction (CSAT) metrics across all markets and now utilizes a broad range of KPIs to assess the effectiveness of channels and make sure we haven't missed important customer feedback.

The "Voice of the Customer Day" program, which enables senior executives to take on the role of front-line agents in retail shops and contact centers helps to develop a first-hand understanding of customer pain-points, and has further helped to institutionalize customer experience management across the Group.

HOW DO YOU EXPECT DIGITAL DEVELOPMENTS IN THE TELCO SPACE TO ADVANCE IN 2016, AND WHAT WILL ZAIN GROUP'S APPROACH TO SUCH BE?

Zain Group will continue along its path of identifying opportunities in the digital space, and partnering with strong and innovative digital service players.

Overall, Zain is focusing on the future verticals, be that e-Commerce, education, next generation TV services or digital advertising. Our goal is to utilize our unique regional presence and common brand to push development of the digital economy and our role in the business environment of the future.

We will also focus on aligning our network investments to ensure we continue to lead our markets and enable future revenue streams. We believe the richness of content being delivered over mobile devices will continue to increase and drive even more applications to come to market, with commensurate investment in infrastructure required to support such.

MIGHT YOU TOUCH ON WHAT VALUE MANAGEMENT RELATES TO AT ZAIN, GIVEN THIS AREA IS A KEY STRATEGIC PILLAR?

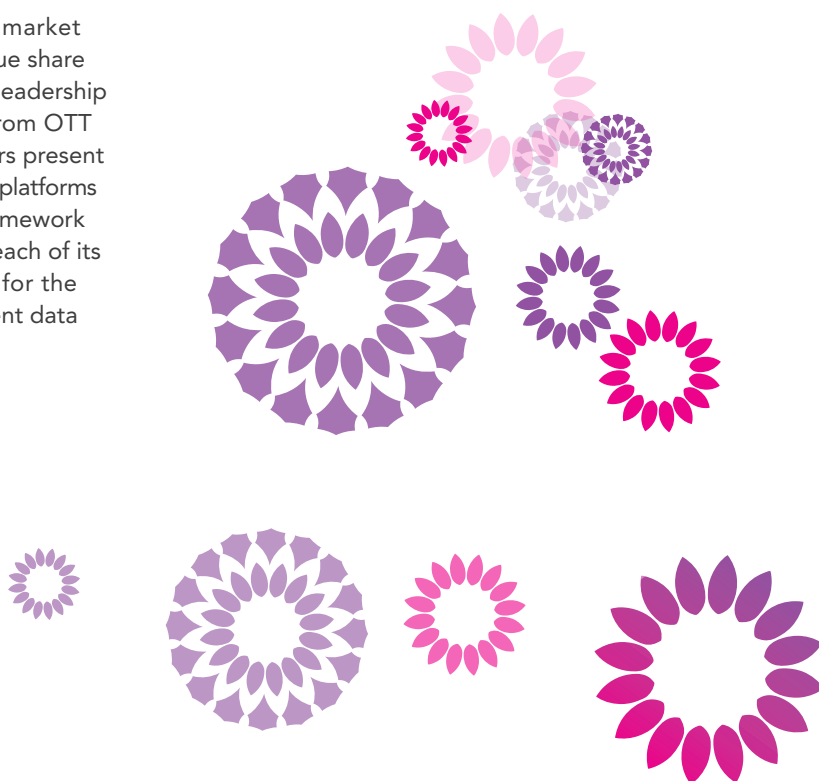
With respect to value management, Zain is the market leader in most of its markets, both in terms of value share and market share. Our objective is to sustain our leadership position and to counter market erosion threats from OTT players and aggressive competition from operators present in our markets. Zain utilizes its business intelligence platforms to build a strong customer value management framework premised on well-defined customer segments in each of its markets. Data monetization is another key area for the company and initiatives are underway to implement data centric pricing across our footprint.

CAN YOU ALSO ELABORATE ON TALENT DEVELOPMENT AS ANOTHER STRATEGIC PILLAR?

As for talent management, we believe the best employers successfully align their people practices with company strategy and create a high performing environment. During the course of the year we introduced initiatives focused on improving employee engagement and empowerment, as well as learning and development programs to adapt to and encourage employee regional mobility. New technologies and digital services require our workforce competencies to stay at leading levels and we are investing accordingly. Furthermore, as a testament to the strength of the management of the company and focus on succession planning, several key management positions were filled with internal resources, such as the appointment of Zain Group stalwart Mrs. Eaman Al Roudhan, who was promoted to become the CEO of Zain Kuwait.

WHAT ARE ZAIN'S ASPIRATIONS FOR THE CURRENT PERIOD AND THE YEAR AHEAD?

In 2016, we are set to continue strategic executions reinforced by employee engagement, empowerment and leverage our leading technology, presence and strong brand. Going forward Zain Group and its operating entities are looking to remain vigilant and agile to market opportunities. We are all well aware that the telco industry is changing rapidly, and as one of the leading service providers in the region, we believe it is imperative for us to embrace these changes and be forward-looking in our approach. These are exciting times for all stakeholders in the ICT value chain, traditional as well as new, and opportunities abound for the creation of significant value for all participants should they be agile enough to grasp them.



KEY PERFORMANCE INDICATORS



CUSTOMERS (000s) CAGR: 3.2%

2015	2014	2013	2012	2011
45,634	44,288	46,102	42,714	40,263

REVENUES (USD m)* CAGR: (5.7%)

2015	2014	2013	2012	2011
3,783	4,268	4,376	4,584	4,791

EBITDA (USD m) CAGR: (6.6%)

2015	2014	2013	2012	2011
1,657	1,783	1,898	2,041	2,176

NET INCOME (USD m) CAGR: (16.1%)

2015	2014	2013	2012	2011
513	685	764	902	1,033

*Zain Saudi Arabia is an associate company (not consolidated).

GROUP OVERVIEW

CUSTOMERS (000s)

KSA	SUDAN	IRAQ	JORDAN	KUWAIT	LEBANON	BAHRAIN	S.SUDAN
11,888	11,869	11,093	4,070	2,918	2,273	795	728

REVENUES (USD m)

KSA	IRAQ	KUWAIT	SUDAN	JORDAN	BAHRAIN	S.SUDAN
1,858	1,219	1,074	717	459	191	67

EBITDA (USD m)

KUWAIT	IRAQ	KSA	SUDAN	JORDAN	BAHRAIN	S.SUDAN
526	480	434	311	251	75	(8)

NET INCOME (USD m)

KUWAIT	SUDAN	IRAQ	JORDAN	BAHRAIN	KSA	S.SUDAN
314	163	122	122	14	(259)	(403)

A YEAR IN REVIEW





JANUARY



- ✦ Zain Iraq launches 3.9G services, with the first video call made to the country's Telecom Minister.
- ✦ Zain South Sudan wins three awards at the prestigious annual Chambers Quality Awards 2014 organized by the South Sudan Chamber of Commerce Investment and Agriculture (SSCCIA). The operator was singled out as the Best Telecom Company; the Best Internet Provider; and conducting the Best Innovative Campaign.

FEBRUARY



- ✦ A first in the Kingdom, Zain Jordan launches 4G LTE high-speed services.
- ✦ HRH Prince of Wales visits Zain Innovation Campus in Jordan, in support of the Kingdom's youth development.
- ✦ Zain participates in the 2015 EFG Sailing Arabia - The Tour sailing race and finishes a remarkable third-place overall.
- ✦ Zain Bahrain launches the first personalized home broadband packages, "The Big Gigs Family", which feature ultra-fast 4G LTE technology, generous data thresholds, along with free international calls.

MARCH



- ✦ Zain Group agrees to extend GSMA's Mobile Connect digital identity initiative across the Middle East. The service will enable customers to create and manage a universal identity that will securely authenticate them for banking, health, recreational and e-government portals and access services.
 - ✦ Zain Saudi Arabia, in cooperation with Huawei, deploys the industry's first 3G and 4G indoor commercial network – LampSite, resolving indoor network problems and providing high capacity connectivity. The technology also supports multiple technologies, enhancing network performance and improving the mobile broadband customer experience.
 - ✦ Zain Group ties up with NeXgen Group to take advantage of the smart city revolution in the region. The cooperation will see both entities advise governments and mega real estate developers in facilitating the deployment of smart city solutions across the region.
- ✦ A first in Kuwait; Zain launches 'Microsoft Office 365' innovative solutions.
 - ✦ Zain Group joins REFUNITE, the International Rescue Committee and Ericsson to use mobile technology to reconnect separated families in South Sudan.
 - ✦ Zain participates in Etisalat UAE's SmartHub, the largest capacity, content, Internet and data hub in the Middle East.
 - ✦ Zain partners with Datamena to bring higher quality connectivity to customers.



APRIL

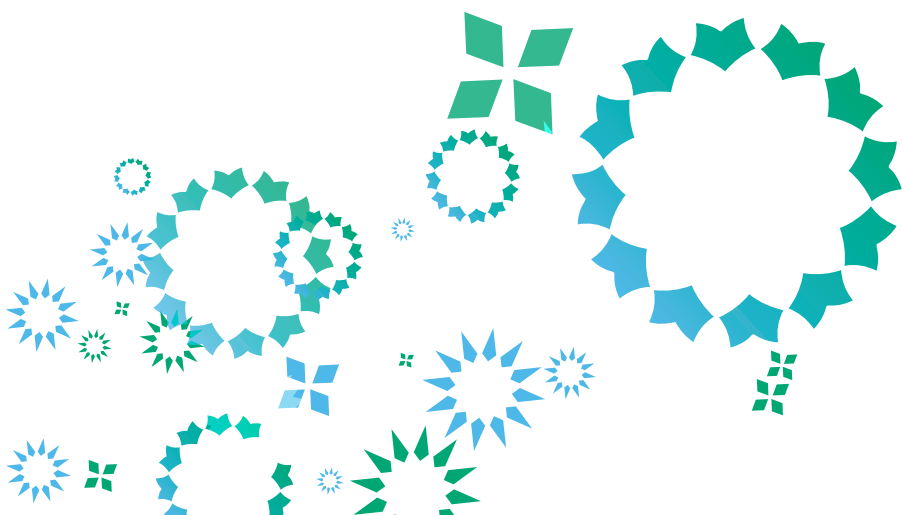


- ✦ Zain Group makes strategic investment with Middle East Venture Partners (MEVP).
- ✦ In collaboration with Refugees United (REFUNITE) and Ericsson, Zain Group published a thought-leadership report entitled, "Connecting Separated Families: Providing Hope Through Connectivity", which chronicles the inherent potential of a collaborative approach to using technology as a means to empower and liberate displaced people.
- ✦ Winning teams from Lebanon, Jordan, Saudi Arabia, Egypt, Morocco and UAE announced at the Zain-sponsored MIT Enterprise Forum Pan Arab startup competition.
- ✦ Zain Bahrain deploys Ericsson's Radio Dot System in the Kingdom to cater for the fast-growing demand for data traffic of the consumers.

MAY



- ✦ Zain Group invests in Wamda Capital's Venture Fund.
- ✦ Zain Group partners World Economic Forum's "New Vision for Arab Employment Initiative" to create 100,000 jobs by 2017.
- ✦ Three major prizes awarded to Zain at prestigious Global Telecoms Business event in London. The Consumer Innovation award was presented jointly to Zain Kuwait, Zain Jordan, and Zain Bahrain for the launch of Direct Operator Billing; Zain Jordan's Innovation Campus (ZINC) picked up the Business Service Innovation award; and Lebanon's 'touch', managed by Zain, received a Consumer Innovation award for its Lebkeys service.
- ✦ RCN (Regional Cable Network), a consortium comprising of Etisalat (UAE), Zain Jordan, Turkcell, Superonline (Turkey), Mobily (Saudi Arabia), Orange Jordan and Syrian Telecom launches a high-capacity terrestrial fiber network that will run from Fujairah to Riyadh, and then to Amman during the initial phase.
- ✦ Vodafone and Zain extend Partner Agreement to include Machine-To-Machine services.

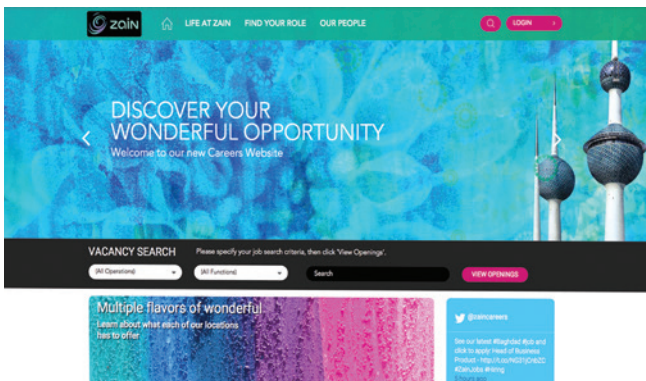


JUNE



- ✦ Peter Kaliaropoulos appointed CEO for Zain in Lebanon and Vice Chairman & GM of 'touch' Lebanon.
- ✦ 'Al-Khatem', Zain's joint stock company in Iraq, lists on Iraqi Stock Exchange.
- ✦ Zain Group lends its support to global Business Backs Education Framework, which seeks the support of the private sector for educational initiatives.

JULY



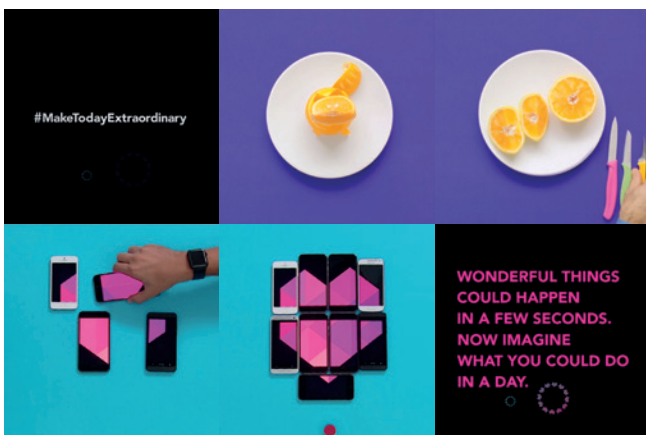
- ✦ Inspiring new Zain careers website unveiled: www.careers.zain.com.

AUGUST



- ✦ Zain Group makes strategic investment in Earlybird's Digital East Fund.

SEPTEMBER



- ✦ Zain Group participates in 'Global Goals for Sustainable Development' awareness campaign.
- ✦ Instagram and Zain partner for the launch of the advertising platform in the region.
- ✦ 'Best Telecom Brand' accolade bestowed on Zain at Telecom World Middle East Awards 2015.
- ✦ Uber and Zain announce ground-breaking strategic partnership across the Middle East.
- ✦ For the second consecutive year, Zain Iraq sponsors TEDx Baghdad, reflecting the company's staunch belief in the potential of Iraqi youth.

OCTOBER



- Community Jameel and Zain Group partner for the ninth edition of the MIT Enterprise Forum Arab Startup Competition.

NOVEMBER



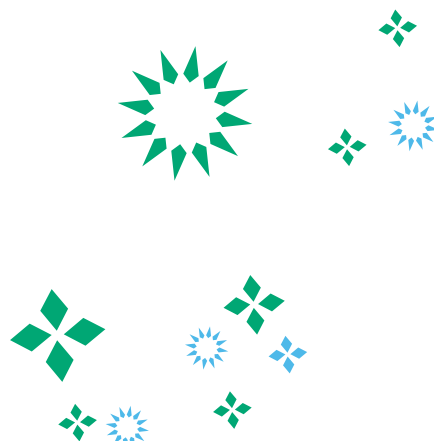
- Fifth Zain Technology Conference (#ZTC2015) is held in Bahrain under the theme "Transforming Our World". The packed three-day event was one of the biggest technology exhibitions held in the Kingdom, with over 65 global technology providers and vendors participating and showcasing their latest in digital innovation and technology.

- Research firm Ovum recognizes Zain-Uber partnership as the most innovative service across the globe out of 82 other candidates for the month of November 2015.
- Zain scoops three prestigious prizes at the CommsMEA awards: CSR Initiative of the Year award for its Family Reconnect Program in partnership with Ericsson, Refugees United and International Rescue Committee; Industry Service award for Zain Jordan's Innovative Campus (ZINC); Best Marketing Campaign for touch Lebanon Tawasol prepaid line offer.
- Eaman Al Roudhan appointed CEO of Zain Kuwait.

DECEMBER



- Leading the mobile evolution, Zain Kuwait in cooperation with Huawei successfully tests region's first 4.5G mobile broadband technology over its network.
- Zain announces group-wide gaming partnership with global games developer, Zeptolab and launches Zain branded 'Cut The Rope Magic'.



THE WORLD OF ZAIN

1• KUWAIT

100%
OWNERSHIP

REVENUES: \$1,074 m
CUSTOMERS: 2.9 m
PREPAID: 74%
MARKET SHARE: 38%

2• IRAQ

76%
OWNERSHIP

REVENUES: \$1,219 m
CUSTOMERS: 11.1 m
PREPAID: 99%
MARKET SHARE: 39%

3• SUDAN

100%
OWNERSHIP

REVENUES: \$717 m
CUSTOMERS: 11.9 m
PREPAID: 99%
MARKET SHARE: 42%

4• KSA

37%
OWNERSHIP

REVENUES: \$1,858 m
CUSTOMERS: 11.9 m
PREPAID: 94%
MARKET SHARE: 20%

5• JORDAN

96.52%
OWNERSHIP

REVENUES: \$459 m
CUSTOMERS: 4.1 m
PREPAID: 84%
MARKET SHARE: 36%

6• BAHRAIN

54.78%
OWNERSHIP

REVENUES: \$191 m
CUSTOMERS: 795 k
PREPAID: 73%

7• SOUTH SUDAN

100%
OWNERSHIP

REVENUES: \$67 m
CUSTOMERS: 728 k
PREPAID: 99%

8• LEBANON

MANAGEMENT
CONTRACT (MC)

CUSTOMERS: 2.3 m
PREPAID: 86%
MARKET SHARE: 54%

9• MOROCCO

15.5%
OWNERSHIP



9

8

2

5

1

6

4

3

7

OPERATIONS SNAPSHOT





ZAIN KUWAIT

Mobile Telecommunications Company 'Zain' was founded in 1983 in Kuwait. The Group's flagship operation has enjoyed a proud history of achievements since then, including in 1994 when it became the first telecom operator to launch a commercial GSM service in the region. Listed on the Kuwait Stock Exchange since 1985, Zain Group had a market capitalization circa USD 5 billion closing at fils 350 as of 31 December, 2015.

Eaman Al Roudhan appointed CEO of Zain Kuwait effective December 1, 2015 having formerly been the Chief Regulatory Officer of Zain Group.

With a leading customer market share in Kuwait of 38% as of 31 December, 2015, the operator was able to improve its market position reporting Y-o-Y customer growth of 9% in 2015 to reach 2.9 million. This number contributed 6% to the Group's total customer base.

The postpaid segment accounted for 26% of Zain Kuwait's customers at the end of 2015, with prepaid users accounting for the remainder. The operator continues to have one of the highest ARPU's in the Group's portfolio, standing at USD 30, which in turn generated total revenue of KD 323 million (USD 1.1 billion) and EBITDA of KD 158 million (USD 526 million). Net income for the year stood at KD 94 million (USD 314 million).

Notably, for the full-year 2015, data revenues (excluding SMS & VAS) formed 36% of total revenues, reflecting an annual growth of 8% (up 2% in USD terms). Zain's nationwide 4G LTE network covered the entire population through 1,894 network sites.

Throughout the course of the year, Zain introduced a wide array of appealing offers on all popular smartphone devices. One such promotion was a six month complimentary internet with data device, which offers corporate customers devices

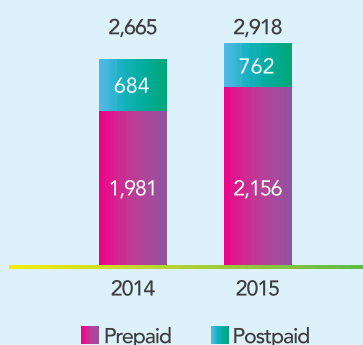
with 4G speed for an 18-month commitment. Another offer was the implementation of the group-wide deal with Uber that was announced in September 2015, whereby Zain Kuwait offered customers travelling to USA/UAE/UK the opportunity to submit a Uber promo code to enjoy a free ride of up to \$25 - AED120 - £20.

Zain Kuwait has also introduced revamped post-paid plans to coincide with the introduction of a variety of new entertainment services (Anghami, OSN GO, IC Flix and Ridlee).

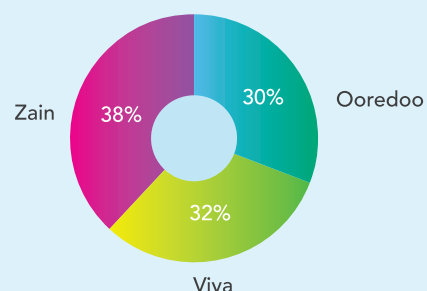
In late December 2015, Zain Kuwait announced the successful testing of the Middle East's first 4.5G mobile broadband technology on its advanced network. The test, achieved in partnership with Huawei, saw the operator's network reach high speeds of 1 gigabyte per second (1 Gbps). Serving the largest customer base in the country, Zain expects this latest technology to spearhead the next phase of the mobile evolution by enabling individuals, corporate and government entities to enjoy increasingly faster connected and intelligent services.

Looking ahead, Zain Kuwait is following several strategic objectives, namely to consistently exceed customer expectations while focusing on attracting and retaining customers at all touch points, and further enhancing its 4G LTE networks nationwide with the view to improving the user experience.

OPCO CUSTOMERS (000S)



MARKET SHARE





OPERATIONAL & FINANCIAL PERFORMANCE	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Customers (000s)	2,918	2,665	2,525	9%
Revenues (USD m)	1,074	1,218	1,199	(12%)
EBITDA (USD m)	526	583	580	(10%)
EBITDA %	49%	48%	48%	-
Net Profit (USD m)	314	389	378	(19%)
ARPU	\$30	\$36	\$39	-
Capex (USD m)	153	137	94	12%

FINANCIALS: P&L (USD M)	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Gross Revenues	1,074	1,218	1,199	(12%)
Cost of Sales	302	338	339	10%
Gross Margin	772	880	860	(12%)
Opex	246	297	280	17%
EBITDA	526	583	580	(10%)
Net Profit/(Loss)	314	389	378	(19%)

CAPEX BREAKDOWN (USD M)	2015	2014
Network	118	104
IT	33	32
Others	2	1
Capex	153	137

NETWORK KPIs	
Daily Data Volume (TB)	604
2G Population Coverage	100%
3G Population Coverage	100%
LTE Population Coverage	100%
Contact Centre Availability	100%

ZAIN IRAQ

Zain has been providing mobile services in Iraq since December 2003. After securing a 15-year license in August 2007, the company acquired Iraqna's network, becoming the largest mobile operator in the country. Zain Group subsequently increased its ownership from 30% to 76%.

On 1 January, 2015, Zain Iraq launched 3.9G voice and data services across the country, following the attainment of a 3G spectrum in November 2014.

On 23 June, 2015 Zain Iraq completed its operating license requirement of listing on the Iraq Stock Exchange, offering 25% of the company's equity to the public. By the end of December 2015 Zain Iraq share price closed at IQD 3.1, representing a market capitalization of more than USD 5 billion.

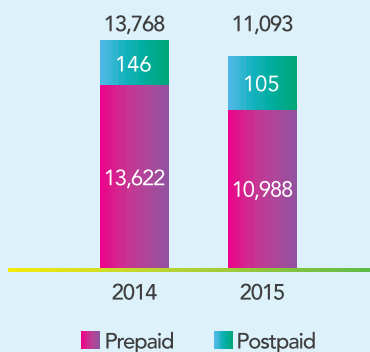
The operator maintained a leading 39% market share in the local market, counting 11.1 million customers. This base represents 24% of the Group's total customer base at the end of December 2015. Zain Iraq's prepaid segment accounted for 99% of the operator's total customer base in 2015, with just 1% accounted for by the post-paid segment.

The continued political instability in Iraq during the year saw several million people displaced internally with Zain Iraq enduring frequent temporary network interruptions and associated higher network operational costs.

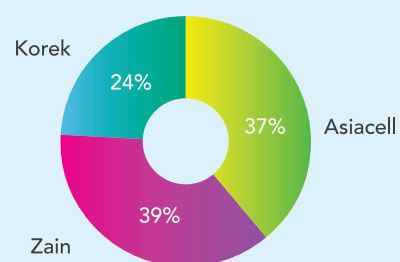
These unavoidable occurrences coupled with heightened levels of price competition and implementation of a new 20% sales tax on mobile services, together with wide-ranging tax increases on other sectors in the country that impacted spending on mobile services, all contributed to a negative effect on Zain Iraq's key financial metrics. Revenues for the year reached USD 1.2 billion, down by 24% Y-o-Y, with EBITDA amounting to USD 480 million, down 17% and net income amounting to USD 122 million, down 52% Y-o-Y. However, Zain Iraq's revenue represented a valuable 33% of Zain Group's total consolidated revenues for the year.

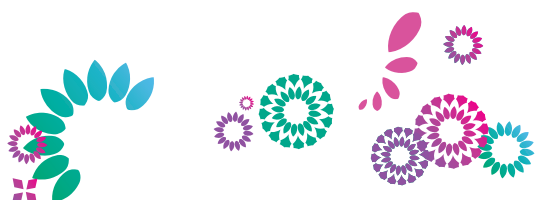
Zain Iraq is also actively working to increase its geographical presence, coverage and capacity in the country. The operator invested USD 212 million in CAPEX during the course of the year, mainly in the network expansion of the northern region in Iraq. Zain Iraq counted 4,280 sites across Iraq, with population coverage of 98%. Data revenues (excluding SMS & VAS) represent 7% of total revenues, reflecting an annual growth of 34%, a reflection of the introduction of 3.9G services into the country.

OPCO CUSTOMERS (000S)



MARKET SHARE





OPERATIONAL & FINANCIAL PERFORMANCE	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Customers (000s)	11,093	13,768	15,882	(19%)
Revenues (USD m)	1,219	1,601	1,744	(24%)
EBITDA (USD m)	480	578	714	(17%)
EBITDA %	39%	36%	41%	-
Net Profit (USD m)	122	256	361	(52%)
ARPU	\$8	\$9	\$10	-
Capex (USD m)	212	208	294	2%

FINANCIALS: P&L (USD M)	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Gross Revenues	1,219	1,601	1,744	(24%)
Cost of Sales	360	541	566	(34%)
Gross Margin	859	1,060	1,178	(19%)
Opex	379	482	463	(21%)
EBITDA	480	578	714	(17%)
Net Profit/(Loss)	122	256	361	(52%)

CAPEX BREAKDOWN (USD M)	2015	2014
Network	172	197
IT	40	9
Others	0.4	2
Capex	212	208

NETWORK KPIs	
Daily Data Volume (TB)	14
2G Population Coverage	98%
3G Population Coverage	55%
Contact Centre Availability	98.78%

ZAIN SUDAN

In February 2006, Zain acquired an outstanding 61% stake of Mobitel, Sudan's first mobile operator, in a deal valued at USD 1.33 billion. The company was rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.

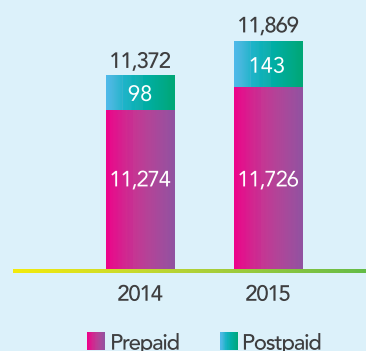
Although aggressive competitive campaigns and price cuts are a factor within the Sudan mobile market, Zain has continued to be the dominant mobile operator in the country, enjoying a 42% market share, with 99% of its base comprised of prepaid customers. This base is the second largest within the Group, numbering 11.9 million at the end of 2015. This represented 26% of Zain Group's total customer base, while Zain Sudan contributed 19% of the Group's overall revenues in 2015 with an ARPU of USD 5.

Zain Sudan performed exceptionally well in both USD and local currency (SDG) terms, where revenues increased by 7% Y-o-Y to reach USD 717 million (up 13% in SDG terms), mainly on account of an increase in data revenues. EBITDA increased by 15% to reach USD 311 million (up 22% in SDG terms), mainly due to its efficiency drive and top line performance. Net income for the year soared by 67% to reach USD 163 million up from USD 98 million in 2014 (up 77% in SDG terms).

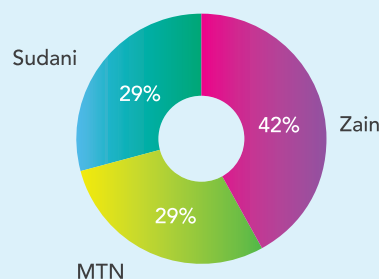
Mobile Number Portability (MNP) was introduced in November 2015, and Zain Sudan improved its network in order to welcome the new customers and focused on ensuring ported customers enjoy the same level of services that current customers do.

By the end of 2015, the operator covered 89% of the population through a total of 2,494 network sites. Data revenues (excluding SMS and VAS) formed 11% of total revenues, with a remarkable growth of 91% Y-o-Y (up 102% in SDG terms), and data revenues are expected to continue growing in the future years with the expected granting of 4G spectrum in 2016.

OPCO CUSTOMERS (000S)



MARKET SHARE



IN USD

OPERATIONAL & FINANCIAL PERFORMANCE	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Customers (000s)	11,869	11,372	11,702	4%
Revenues (USD m)	717	669	623	7%
EBITDA (USD m)	311	269	253	15%
EBITDA %	43%	40%	41%	-
Net Profit (USD m)	163	98	103	67%
ARPU	\$5	\$5	\$4	-
Capex (USD m)	237	183	103	30%

FINANCIALS: P&L (USD M)	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Gross Revenues	717	669	623	7%
Cost of Sales	166	154	134	8%
Gross Margin	551	515	489	7%
Opex	240	246	235	(2%)
EBITDA	311	269	253	15%
Net Profit/(Loss)	163	98	103	67%

CAPEX BREAKDOWN (USD M)	2015	2014
Network	207	142
IT	16	4
Others	14	37
Capex	237	183

IN LOCAL CURRENCY TERMS (SDG)

OPERATIONAL & FINANCIAL PERFORMANCE	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Customers (000s)	11,869	11,372	11,702	4%
Revenues (SDG m)	4,558	4,025	3,538	13%
EBITDA (SDG m)	1,977	1,619	1,439	22%
EBITDA %	43%	40%	41%	-
Net Profit (SDG m)	1,038	586	580	77%

FINANCIALS: P&L (SDG M)	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Gross Revenues	4,558	4,025	3,538	13%
Cost of Sales	1,055	925	764	14%
Gross Margin	3,504	3,100	2,774	13%
Opex	1,527	1,480	1,335	3%
EBITDA	1,977	1,619	1,439	22%
Net Profit/(Loss)	1,038	586	580	77%

NETWORK KPIs

Daily Data Volume (TB)	131
2G Population Coverage	89.5%
3G Population Coverage	45.7%
Contact Centre Availability	99.9%

ZAIN KSA

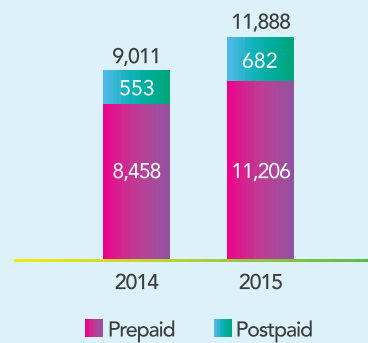
Zain launched commercial operations in the Kingdom of Saudi Arabia on 26 August, 2008, a year after it was awarded its mobile license. The Group holds a 37% equity stake in the operation, while the remaining ownership is distributed between a Saudi consortium, which owns 21% and 42% that is free floating on the Tadawul Stock Exchange. Zain KSA is listed on the Saudi Tadawul Stock Exchange (MTC KSA, 7030) with a market capitalization circa USD 1.3 billion (share price SAR 8.4) as of 31 December, 2015.

Zain KSA witnessed the highest customer growth rate among the Group operations in 2015, reporting an impressive 32% increase Y-o-Y. The operator served more than 11.9 million customers at the end of 2015, representing 26% of total Group customer base. The operator managed to increase its market share to 20% in 2015 up from 17% in 2014, with overall ARPU standing at USD 14 at the end of the year.

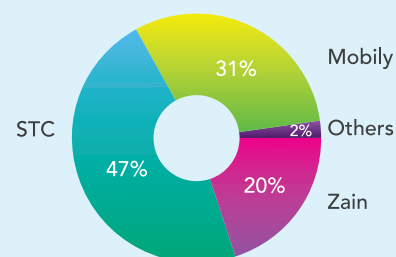
For the full-year 2015, Zain KSA posted improved financial results, recording an 8% increase in revenues to USD 1.9 billion, mainly due to the increase in mobile broadband revenues. EBITDA for the year jumped significantly by 48% to reach USD 434 million, with an EBITDA margin a 23.4% compared to 17.1% last year. Net losses for the year decreased by 23% to reach USD 259 million as compared with USD 339 million in 2014.

The operator also witnessed a 58% rise in data revenues (excluding SMS & VAS) Y-o-Y, which represents 25% of total revenues as the company expands its state-of-the-art 4G LTE network that currently covers 94% of the population through 6,861 network sites.

OPCO CUSTOMERS (000S)



MARKET SHARE



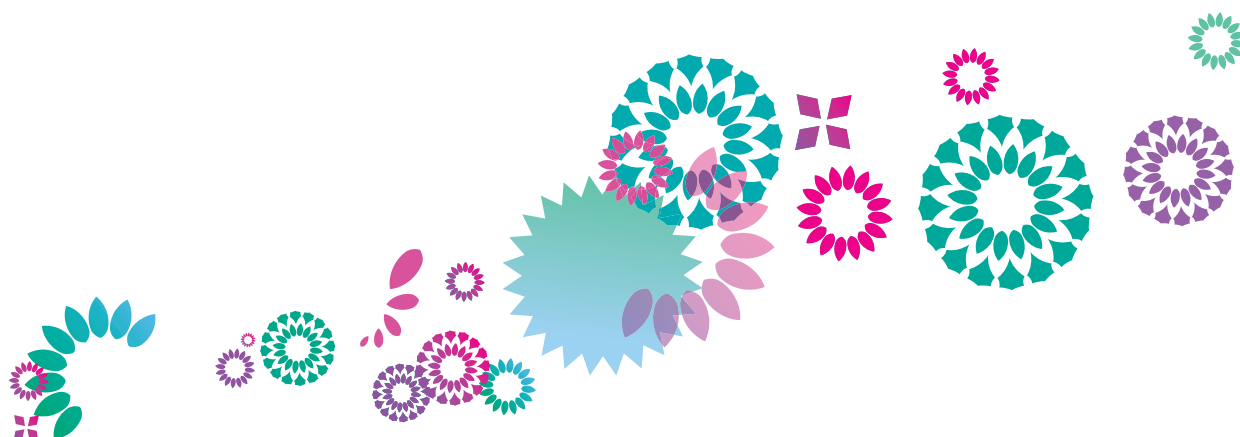


OPERATIONAL & FINANCIAL PERFORMANCE	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Customers (000s)	11,888	9,011	8,461	32%
Revenues (USD m)	1,858	1,715	1,800	8%
EBITDA (USD m)	434	293	237	48%
EBITDA %	23%	17%	13%	-
Net Loss (USD m)	(259)	(339)	(440)	23%
ARPU	\$14	\$16	\$18	-
Capex (USD m)	487	211	245	130%

CAPEX BREAKDOWN (USD M)	2015	2014
Network	433	170
IT	34	26
Others	20	15
Capex	487	211

NETWORK KPIs

Daily Data Volume (TB)	1,546
2G Population Coverage	94%
3G Population Coverage	88%
LTE Population Coverage	81%
Contact Centre Availability	99.96%



ZAIN JORDAN

In 1994, Zain Jordan revolutionized the telecom sector in the Kingdom by becoming the first operator to introduce mobile services (as Fastlink). In 2003, the operator became the first to join Zain Group's Middle East portfolio and despite intense competition in this liberalized market, Zain Jordan has remained the leading telecom operator in the country.

Zain Jordan officially launched 4G LTE services on 14 February, 2015, making it the first and only operator in the Kingdom to do so. The launch marked the fifth country that Zain has launched 4G LTE services across the region and the ninth country to introduce the technology in the Arab world.

Significant price competition and falling voice prices characterize the telecom market in Jordan, though Zain maintained its market share leadership with a 36% share by the end of 2015. The operator served 4.1 million customers, which grew by 6% Y-o-Y, representing 9% of Zain's total customer base at the end of 2015.

For the full-year 2015, revenues were slightly down by 2% Y-o-Y, to reach USD 459 million as compared to USD 469 million in 2014. However, EBITDA increased dramatically by 30% Y-o-Y to reach USD 251 million with an impressive EBITDA margin of 55%, mainly due to improved gross margins. Net income for the year increased by 7% to reach USD 122 million, mainly due to better EBITDA performance.

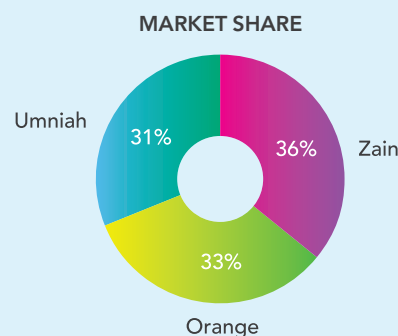
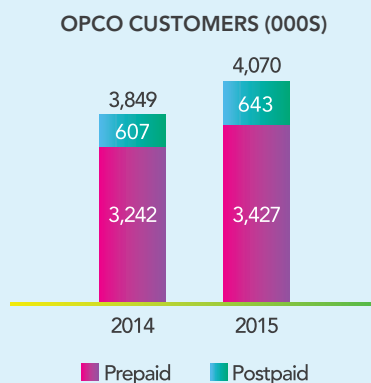
Data revenues (excluding SMS & VAS) represented 29% of total revenues, and grew by 18% as compared with 2014.

Zain's strategy is to become a one-stop-shop for its customers, where all communication services can be purchased. This is being done by creating products accompanied with lifestyle benefits, such as Zain Camera, and Zain Track; therefore it is important to educate customers about such services that are offered at Zain shops across the country.

The fourth quarter witnessed the launch of many promotions including Z-Smart line for the post-paid segment; Mega Promo, a collaboration with Hala FM Radio (Khaleek Zain Show), where Zain customers have the chance to win daily prizes by participating in the competition.

Zain Jordan's Innovation center (ZINC) celebrated its one year anniversary in December 2015, highlighting a very successful year for the Kingdoms leading incubation hub for start-ups and young aspiring entrepreneurs.

Zain Jordan's network covered the entire population, increasing its total number of network sites to 2,672.





OPERATIONAL & FINANCIAL PERFORMANCE	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Customers (000s)	4,070	3,849	3,900	6%
Revenues (USD m)	459	469	494	(2%)
EBITDA (USD m)	251	193	211	30%
EBITDA %	55%	41%	43%	-
Net Profit (USD m)	122	114	120	7%
ARPU	\$9	\$9	\$10	-
Capex (USD m)	50	59	107	(14%)

FINANCIALS: P&L (USD M)	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Gross Revenues	459	469	494	(2%)
Cost of Sales	93	111	127	(16%)
Gross Margin	366	358	368	2%
Opex	115	165	157	(30%)
EBITDA	251	193	211	30%
Net Profit/(Loss)	122	114	120	7%

CAPEX BREAKDOWN (USD M)	2015	2014
Network	45	53
IT	-	-
Others	6	5
Capex	50	59

NETWORK KPIs	
Daily Data Volume (TB)	275
2G Population Coverage	99.9%
3G Population Coverage	99%
LTE Population Coverage	80%
Contact Centre Availability	100%

ZAIN BAHRAIN

Zain Bahrain began commercial operations in the Kingdom in December 2003, then known as MTC Vodafone. With its historic introduction of 3.5G, WiMAX and most recently 4G LTE, Zain has tapped into a rich history of telecommunication records, placing it and Bahrain on the global telecom map. With competition on the rise in this dynamic mobile market, coupled with competitive price promotions, Zain Bahrain's ARPU reached USD 19 for the year-end 2015. Zain Bahrain is listed on the Bahrain bourse (ZAINBH) with a market capitalization circa USD 176 million (share price BD 0.180) as of 31 December, 2015.

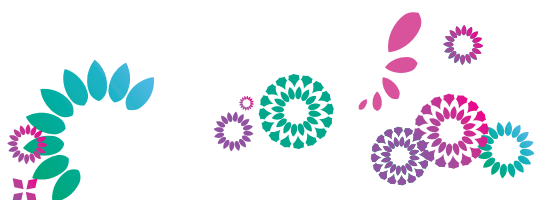
During the course of 2015, Zain Bahrain's customer base grew 1% to reach 795,000 despite the 188% mobile penetration rate in the Kingdom, with its customer base representing 2% of the Group's overall base.

For the full-year 2015, Zain Bahrain generated revenues of USD 191 million, relatively stable as compared with USD 194 million in 2014. EBITDA for the period increased by 4% to reach USD 75 million, reflecting an EBITDA margin of 39%, mainly due to improved gross margin. Net income for the year increased by 24% Y-o-Y to USD 14 million, a result of the healthy EBITDA performance. Earnings per share increased to fils 14 for the twelve months ending 31 December, 2015 (fils 13 in 2014).

Data revenues (excluding SMS & VAS) represented 33% of overall revenues, which grew by 11% Y-o-Y supported by the company's USD 33 million investment in overhauling the network. The operator's network currently covers the entire population, with a total of 489 network sites.

To better deal with head-on competition, Zain Bahrain introduced a range of tailored services that include free international minutes on new post-paid plans; 'Dangerous' (prepaid plan) and 'Big Gigs Campaign' targeting the home broadband segment.





OPERATIONAL & FINANCIAL PERFORMANCE	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Customers (000s)	795	788	772	1%
Revenues (USD m)	191	194	213	(2%)
EBITDA (USD m)	75	72	78	4%
EBITDA %	39%	37%	37%	-
Net Profit (USD m)	14	11	14	24%
ARPU	\$19	\$19	\$23	-
Capex (USD m)	33	101	49	(56%)

FINANCIALS: P&L (USD M)	2015	2014	2013	YOY GROWTH (2015 VS 2014)
Gross Revenues	191	194	213	(2%)
Cost of Sales	32	42	49	(23%)
Gross Margin	159	153	164	4%
Opex	84	81	86	4%
EBITDA	75	72	78	5%
Net Profit/(Loss)	14	11	14	24%

CAPEX BREAKDOWN (USD M)	2015	2014
Network	26	83
IT	7	16
Others	0.4	2
Capex	33	101

NETWORK KPIs	
Daily Data Volume (TB)	184
2G Population Coverage	99.9%
3G Population Coverage	99.5%
LTE Population Coverage	99.8%
Contact Centre Availability	99.9%

ZAIN SOUTH SUDAN

In June 2011, the Republic of South Sudan and the Republic of Sudan successfully completed their separation process. Accordingly, Zain Group commenced separating its operations into two entities by having different networks, financial statements, and organizational structures.

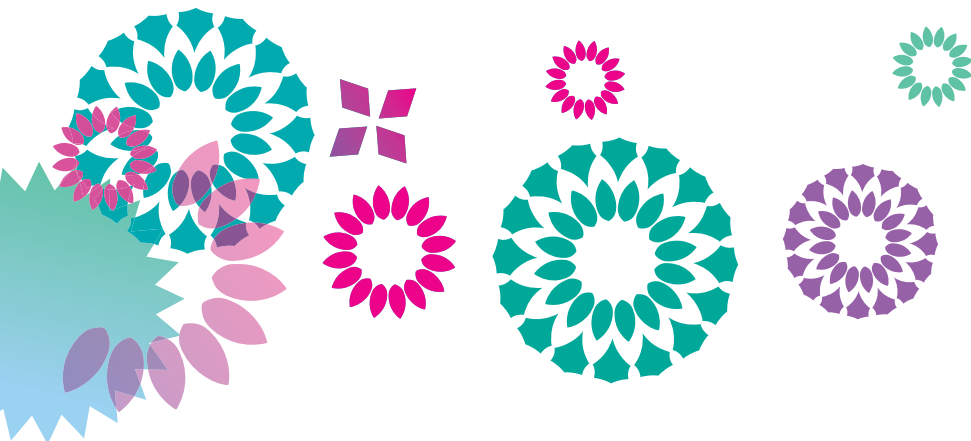
Zain operates in South Sudan as per a Memorandum of Understanding between the Republic of South Sudan and the Republic of Sudan until South Sudan issues its own license requirements. The Ministry of Telecom & Postal Services is working tirelessly to establish a Telecom Regulatory Authority in the country.

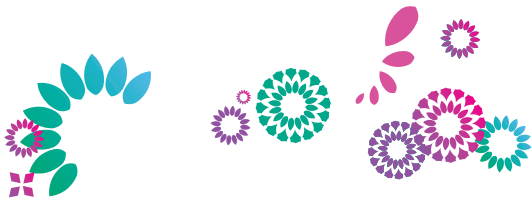
South Sudan witnessed particularly adverse economic conditions during 2015, which saw the local currency (SSP) devalued by over 600% against the USD. This impacted the market, leading to an increase by more than 200% in fuel prices in the capital city Juba, and triggered a massive inflationary spiral on all goods. This led customers

to prioritize spending on food at the expense of other goods and services, including communications.

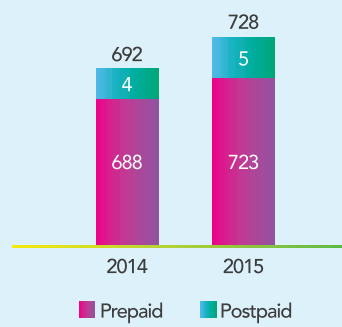
Zain South Sudan managed to increase its customer base by 5% to reach 728,000 customers, supported by the increase in its data revenues, which is a preferred service in South Sudan where data revenues (excluding SMS & VAS) continue to grow significantly by 61% Y-o-Y. Data revenues represented 17% of total revenues for the full-year 2015.

As of 31 December 2015, the operation had a total of 288 network sites covering 50% of the population, representing the widest in the country.





OPCO CUSTOMERS (000S)



NETWORK KPIs

Daily Data Volume (TB)	1
2G Population Coverage	50%
3G Population Coverage	20%
Contact Centre Availability	100%



TOUCH LEBANON

In June 2004, Zain Group won a four-year management contract to operate one of Lebanon's two GSM networks. The operation is branded 'touch', and Zain has developed the Lebanese operation to a high level by providing unprecedented world-class services.

At the end of 2015, touch counted around 2.3 million customers – an increase of 6% Y-o-Y, accounting for 5% of the Group's total customer base. With 1,292 network sites, the operator covers all the populated areas of Lebanon.

In June 2015, Peter Kaliaropoulos was appointed CEO for Zain in Lebanon.

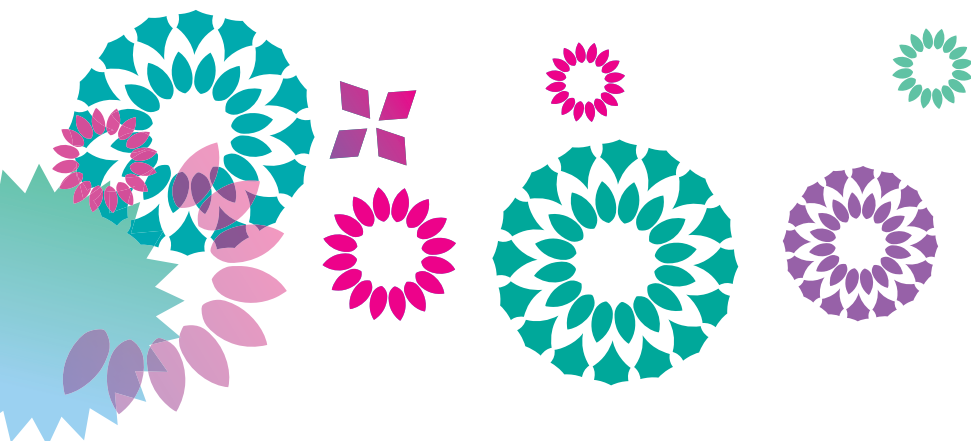
Touch's strategy is to consistently exceed customers' expectations, diversifying its product portfolio, and monetize data to strengthen its leadership position while maintaining revenues.

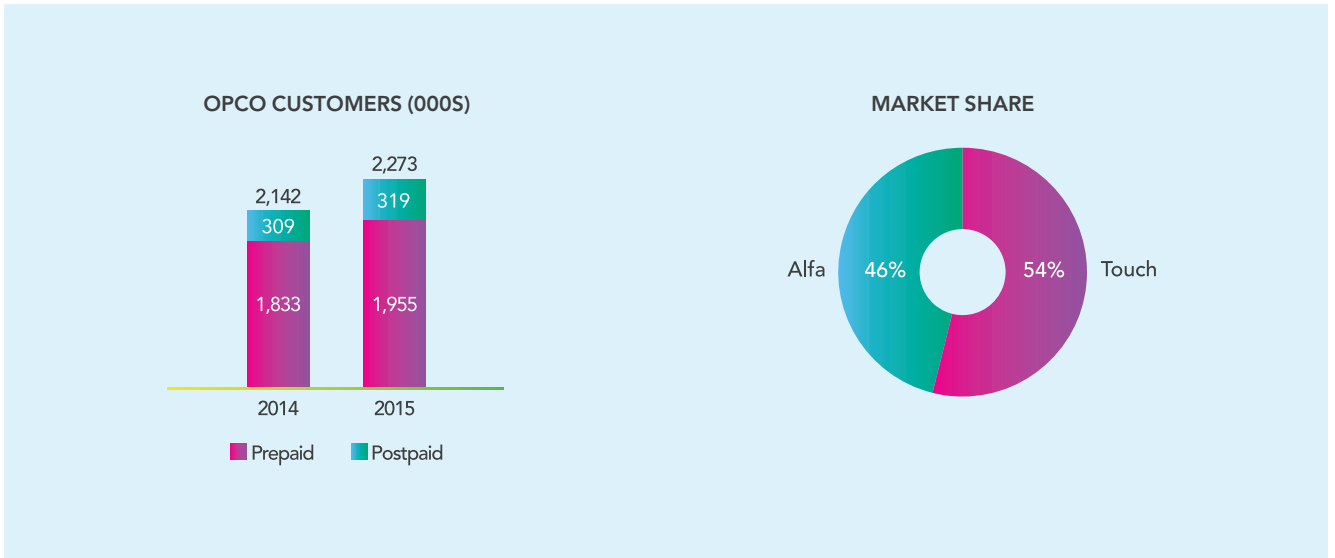
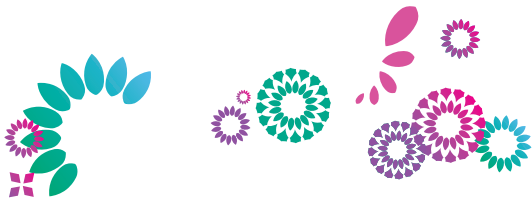
One of touch's objectives is to become a significant digital player in Lebanon, where it will focus on innovation and future services by enabling a digital lifestyle experience for touch customers, developing enterprise application and entering the e-market (E-health, E-education, smart cities, etc.).

During 2015, touch won numerous awards and recognitions, namely, Golden Medallion Excellence and Quality at the 10th edition of TATWEEJ for Arab business leaders and leading organizations in the Arab region; Best Marketing Campaign award for its "Tawasol Line" at the 10th annual CommsMEA Awards, and the Golden EFFIE MENA Award for Best Use of Corporate Social Responsibility.

Throughout the course of the year, touch introduced a range of appealing offers and promotions that included iPhone 6s Promo; Independence Day Promo, and touch Uber Promo, where touch customers can benefit from two free rides worth USD 10 each by using the promo code on the Uber app.

In close cooperation with the Lebanon Ministry of Telecommunications, Zain is unequivocally committed to the further development of the mobile sector in the country.





NETWORK KPIs

Daily Data Volume (TB)	42
2G Population Coverage	99.4%
3G Population Coverage	96.4%
LTE Population Coverage	31%
Contact Centre Availability	100 %



MARKET OVERVIEW





TELECOMMUNICATIONS INDUSTRY TODAY

THE NEW NORMAL

The mobile, information technology, and digital industries have continued to reinforce their central positions in the transformation we now know as the fourth industrial revolution, which is expected to see networked connections of people, process, data, and things grow to 26 billion by 2020 globally. The world is moving at an accelerated pace towards becoming a truly connected society. According to GSMA's Wireless Intelligence Report, 2015 witnessed a 4.7% increase in the number of SIM connections (including cellular M2M) relative to the 7.28 billion¹ connections at the end of 2014, bringing the worldwide base to 7.63 billion by the end of 2015. Smartphone penetration stood at 44.5% or 3.4 billion devices at the end of 2015, up 30.8% year-over-year from 2.6 billion in 2014. ITU's statistics² reflect that the number of individuals using the internet was estimated to have reached 3.2 billion at the end of 2015, up 8.1% from 2.9 billion a year earlier. Of this number, mobile internet constituted 85% of all connections, totaling 2.7 billion.

Technologies that drive faster connections are on the rise. WCDMA/HSPA/LTE

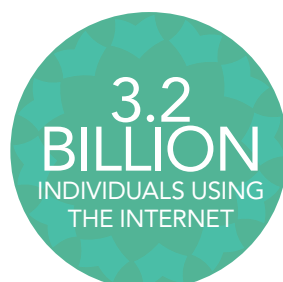
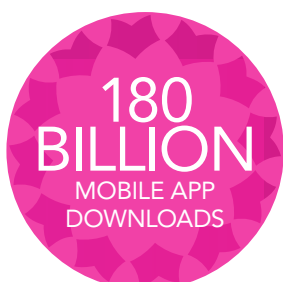
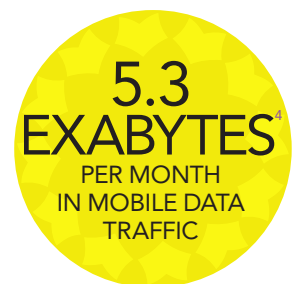
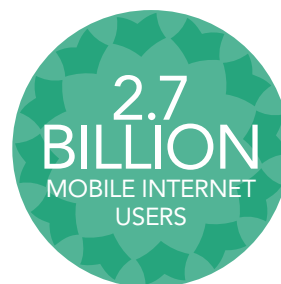
connections constitute over 3.2 billion or approximately 42% of all connections, with LTE alone constituting a total of 1 billion connections or 13%³. HSPA variants with speeds up to 63 Mbps have been deployed. As of October 2015, HSPA 42Mb/s had been deployed in 190 countries and two of these deployments also supported HSPA 63 Mb/s. Similarly, LTE-Advanced is being deployed in 95 commercial LTE-A Cat 4 (150 Mbps data rate) networks launched in 48 countries, 85% of which support LTE-A Cat 6 networks (300 Mbps data rate) as well.

Mobile data traffic is forecast to continue to grow rapidly across all geographies, at a faster rate in fact than that of mobile connections. Already, mobile data traffic has reached 5.3 Exabytes (EB) per month, up 65.6% from 3.2 EB per month in 2014. Data consumption increased exponentially in 2015 driven largely by rapidly evolving high-growth areas such as cloud computing in the form of software as a service (SaaS), platform as a service (PaaS), Infrastructure as a service (IaaS) and Business Process-as-a-Service (BPaaS) – now collectively termed everything-as-a-service (XaaS). Cybersecurity, data analytics, over-the-

top communications, digital content, e-Commerce, social media as well as IP voice and messaging services all contributed to the growth in mobile data usage and traffic, driven by mobile applications that can be downloaded onto smartphones and tablets.

Concurrently, the telecommunications industry is facing significant cost and, consequently, profitability pressures primarily driven by the need to increase network investments to support rising mobile traffic, applications and enhanced security. Ultimately, traditional core telecommunications business continues to be affected. Operators are not immune to the economic slowdown in most markets and the geopolitical tensions in a number of regions. Operators now have to rethink business processes, customer relationships, voice and data pricing models, and adapt to a dynamic and disruptive telecommunications landscape as well as a restructuring of the economic order. Innovation, adaptability and agility lies at the very heart of the transformation that operators must undertake to remain relevant.

MOBILE INDUSTRY WORLDWIDE STATS BY THE END OF 2015



¹ Wireless intelligence

² ICT Facts and Figures 2015

³ Ericsson Mobility Report, November 2015

⁴ Exabytes: 10 to the power 18 bytes

IMPACT ON THE REGION

In 2015, the markets in the MENA region⁵ faced up to the realities of low oil prices, and increased geopolitical tensions as well as human displacements. However, the telecommunications industry witnessed a number of positive developments reflected in the growth of mobile connections, increased internet and smartphone penetration and a new drive region-wide to expand the digital economy.

Mobile connections in the Middle East at the end of 2015 amounted to 421 million, which constituted 5.5% of the global connections worldwide.

Internet penetration⁶ is currently at 44.4% with a total of 167 million internet users. Of this number, 68.4% (or 114 million) are mobile internet users. With the exception of Palestine, all markets currently have WCDMA/HSPA networks in place and 23 live LTE networks are in place in 12 countries. LTE connections represent a total of approximately 6 million subscribers, representing just over 1.5% penetration across markets whilst HSPA connections represent 44% with a total of 165 million subscribers. HD-Voice has been deployed in nine countries, mainly over HSPA, in the Middle East and North Africa⁷. GCC states are also rolling out LTE Advanced and VoLTE.

Smartphone adoption across the

Middle East (149 million) is high, particularly in the GCC. As of 2015, smartphone connections represented 35.3% of all connections and 40% of the population in the MENA region, with smartphone penetration figures exceeding 100% of population in all six GCC countries.

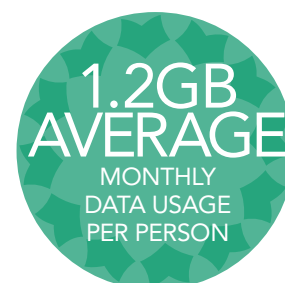
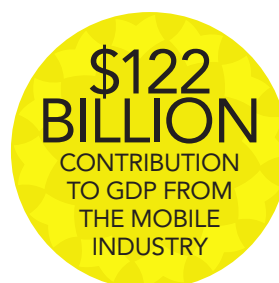
Growing mobile broadband and smartphone usage is driving an explosion in mobile data across the region. According to Ericsson⁸, mobile data traffic will grow 16-fold from 2015 to 2021 across the broader MENA region at a CAGR of 5%. The amount of data used monthly by each active smartphone will increase substantially from an average of 1.2 GB in 2015, to around 10 GB in 2021. Video consumption is fundamentally driving this growth in data – Saudi Arabia is one of the most active video-viewing nations globally and 49% of video viewing is spent on smartphones.

The region has also been faced with increased competition, deteriorating security and political situations in a number of countries as well as cannibalization of traditional revenues by IP messaging and voice over IP platforms. Despite the increase in subscriber numbers (2.53% year-over-year), low data pricing in most markets and challenging monetization of the strong data traffic growth has contributed to revenue decline. Aggregate annual

revenues in 2015 (USD 48 billion) dropped by close to USD 1 billion relative to 2013 numbers (USD 49 billion). Nevertheless, the economic impact of the mobile industry is expected to continue to increase in both absolute and relative terms. In 2015, the contribution to GDP is estimated at USD 122 billion, up 6.1% from USD 115 billion generated in 2014.

Although still an emerging landscape, the demand for digital services and technologies is becoming more prominent in the MENA region and investors, start-ups, and established businesses are beginning to identify opportunities for growth in the region. Several verticals including e-commerce, social networking, social gaming, financial services, e-Government, and digital content are all building scale. Mobile telecommunications is contributing to the economic and social development through digital inclusion of disconnected or displaced populations, financial inclusion to the un-banked and innovative services to subscribers. In the more developed markets in the region, mobile operators are launching advanced services around initiatives such as smart cities and digital societies.

MOBILE INDUSTRY MENA REGION STATS BY END OF 2015



⁵ MENA Region includes Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen.

⁶ Internet World Statistics (IWS)

⁷ Global mobile Suppliers Association, "Mobile HD voice: Global Update report", December 15th 2015

⁸ Ericsson Mobility Report

MAJOR TRENDS – GLOBAL AND REGIONAL

The following growth projections reflect the potential size of the telecommunications industry over the next 3 – 5 years:

- (1) Connections will continue to witness growth due to Internet of Things (IoT) and M2M:** Mobile subscriptions are expected to continue to grow to reach up to 9.8 billion by 2020. A total of 26 billion connected devices will be in place largely dominated by M2M and consumer electronic devices (up to 15 billion). LTE will constitute the largest proportion of all mobile connections by 2020, amounting to 2.2 billion. Other reports⁹ project an even higher LTE+5G take-up at 3.6 billion. Smartphone subscriptions are expected to reach 3.3 billion, equivalent to a penetration rate of 44.9%. 90% of mobile data traffic will come from smartphones. In the Middle East, by 2020, GSMA forecasts a total of 516 million connections including cellular M2M. In 2020, the number of M2M connections is expected to grow to 20 million, with nearly half of this number coming from Saudi Arabia and United Arab Emirates. The focus for M2M will be on smart cities, automotive, smart metering and security.
- (2) Device Affordability:** Devices are becoming increasingly affordable and wireless penetration is indeed set to grow with the introduction of entry-tier and ultra-low tier smartphones into the market. In Asia, the average price of a standard smartphone has dropped by just under 40% from USD 329 in 2008 to USD 200 in 2014 and this is set to go as low as USD 23 for ultra-low tier smartphones¹⁰. In some markets, sub-USD 100 handsets currently account for over 40% of the total smartphone sales. Lower prices will eliminate the need for handset subsidies and will be a significant factor in bringing mobile services to lower income segments.

- (3) Data Growth:** Video will constitute 70% of all mobile data traffic by 2020, representing a 14x growth relative to video traffic levels in 2015. Wi-Fi will continue to play a major role in data offload and in voice in the form of voice-over-Wi-Fi. In 2015, 46% of mobile data traffic was offloaded from dual-mode mobile devices – excluding laptops – that support both cellular and Wi-Fi coverage. This will continue to rise, reaching 54% in 2019 and subsequently higher in 2020. By 2019, VoWiFi is expected to account for 53% of all mobile IP voice traffic.

- (4) Mobile Apps:** Total number of mobile app downloads has reached 180 billion in 2015, generating USD 45 billion in market revenue and is expected to grow to 272 billion downloads by 2017, generating USD 77 billion in market revenues. 85% of time spent on smartphones is being spent working on mobile applications that offer a contextualized, task-oriented experience that consumers need on mobile devices when they are short on time yet need to get something done¹¹. Millennials' app usage time is dominated by games, social networking, video, music, maps/navigation and communications. 93% of downloads from mobile app stores are free applications with developers relying primarily on in-app purchases (55% of apps) and mobile advertising (42.5% of apps) to generate revenues¹². Tomorrow's world will be premised on an *"app for every task imaginable"*.

- (5) Cloud Technology:** The key benefits of migrating to cloud services – self-service provisioning of storage and computing power, elasticity and the ability to scale workload on-demand as well as pay-per-use and the consequential return on investment - are very well publicized and this is increasingly becoming a staple platform for developers, digital content providers, and distribution companies. Innovation and development are now shifting to

"mobile-first" and *"cloud-first"*.

The availability of several large scale leading public cloud providers such as Amazon Web Services, Microsoft Azure and IBM/SoftLayer will guarantee that cloud technology will gather significant momentum. In 2015 alone, spending on cloud IT infrastructure reached USD 32.8 billion¹³. But revenues from the global cloud computing services market is estimated to reach as high as USD 127 billion by 2017¹⁴. The use of cloud computing is not limited to end-user applications alone – network operators are exploring software defined networks (SDN) and network function virtualization (NFV), which will leverage cloud architectures to support increased virtualization, standardization and automation. According to Gartner, the public cloud services market in 2015 in the MENA region amounted to USD 851 million with SaaS contributing 24%. By 2018, public cloud services are expected to reach USD 1.5 billion with SaaS accounting for 28.3% of the market.

- (6) Smart Cities:** Urbanization is growing. Today, the global average urbanization is just under 55% with a number of countries already exceeding 80%¹⁵. This trend, which is set to continue to grow, will place additional pressure on the use of energy, water and natural resources, transportation and waste disposal. Several governments are launching smart city initiatives that leverage mobile networks, information and communications technology, intelligently connected infrastructure, and Big Data analytics to enable millions of people to live together successfully in small geographic areas.

⁹ Ericsson Mobility Report, November 2015

¹⁰ GSMA Report, Building Digital Societies in Asia, June 2015

¹¹ Forrester

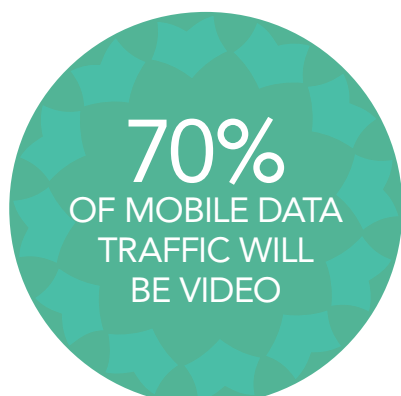
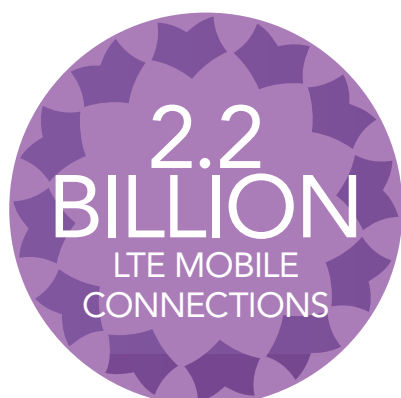
¹² KPMG Mobile Applications and Video, August 12th 2015

¹³ IDC – "Cloud environments will account for a third of Worldwide Spending on Enterprise IT infrastructure..."

¹⁴ Global Industry Analysts

¹⁵ The World Bank

MAJOR TRENDS BY 2020



The global mobile addressable market in smart cities, transport, utilities and intelligent buildings is expected to amount to USD 67.1 billion in 2020¹⁶. Mobile operators can play a role in managed connectivity, data aggregation and analysis, service delivery and customer interfaces.

(7) Digital Commerce: Digital commerce is a significant growth area. Whilst globally e-commerce revenues reached USD 995 billion in 2015, there are clear prospects for revenues approaching USD 1.5 trillion by 2018. A variety of wide-ranging annual revenue numbers reflect a rise in digital commerce in the Middle East, from USD 7 billion in 2014¹⁷ to USD 15 billion in 2015. Top e-commerce markets include United Arab Emirates, Egypt and Saudi Arabia. In the GCC, more than half of the population purchase goods through their smartphones with top purchases being airline fares, app store products and consumer electronics. M-commerce is of the order of USD 3 billion. For now, the challenges that need to be circumvented to enable mobile commerce to reach full potential include: addressing cyber-security challenges, increasing penetration of mobile payment models to address the low credit card penetration and high demand for cash-on-delivery.

(8) Infrastructure Sharing: Many operators are engaging in passive and active infrastructure sharing to enhance population coverage and to free up cash for the development of their networks, to improve deployment economics and to finance potential 4G or 5G roll-outs. The options adopted vary by market; some operators have elected to sell off 100% of their tower assets to tower management companies whilst others have elected to simply transfer the management of owned tower assets to joint ventures established between the operator and tower management companies. In China for example, the three mobile operators have created China

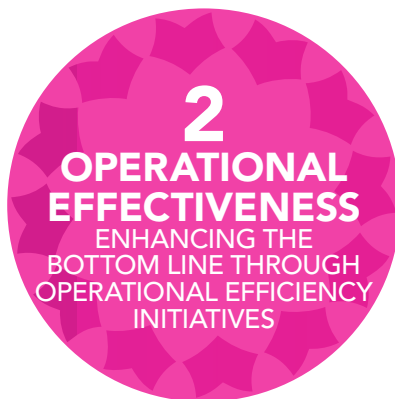
Tower, a joint-venture tower management firm. All three operators announced they had completed the handover of their tower assets to the entity in November 2015. As mobile data traffic grows, operators will increasingly look towards network sharing as a fundamental approach to keeping capital expenditure and operational costs under control. Regulatory Authorities in many countries are scrutinizing infrastructure sharing deals to mitigate any anticompetitive behavior by mobile network operators. In the Middle East and Africa, regulators have also been supporting infrastructure sharing in order to lower barriers to entry for new telecom players as well as to help reduce the environmental impact of networks.

(9) Omni Channel Digital Experience: Consumers are turning into digital social consumers, digital communicators and prime agents of change in a digital transformation that is sweeping the ICT sector. While the blurring of lines between the physical and digital world is creating new economic opportunities, it is also raising a host of new social questions and challenges for regulators. Consumers are at risk of losing control of their privacy and personal information. Regulators are studying policies and regulatory measures in addition to co-regulatory and self-regulatory solutions and initiatives geared at educating and empowering consumers. This process is essential to providing frameworks that will stimulate investment and innovation while simultaneously protecting the rights of all users in an open, transparent and inclusive digital world.

¹⁶ GSMA and Machina Research

¹⁷ PayFort – State of Payments 2015

ZAIN'S STRATEGY IS PREMISED ON SIX TRANSFORMATIONAL INITIATIVES



OUR STRATEGY

In 2014, Zain outlined its focused five-year strategy to create a strong and sustainable platform for growth against a backdrop of higher mobile penetration, increasing competition, unique externalities, challenging operational performance, and accelerating adoption of OTT solutions. Our five-year strategy has the vision of building a sustainable digital communications company serving consumers and enterprises with a rich lifestyle experience.

These transformational initiatives are more relevant today – given how global and regional markets are evolving and the impact major trends have on the ICT industry. In particular, Zain is focused on sustaining value in its core business of voice, message and mobile broadband and to fully exploit new revenue streams in the lucrative, but regionally-fragmented B2B segment. In addition, Zain is seeking to build scale in the emerging regional digital landscape covering areas such as e-Commerce, digital content, advertising, gaming and mobile application development. Zain is enhancing its competitive positioning by expanding its role in the value chain of new business areas beyond connectivity.

2015 marked the continued transformation of the Group. As an organization, we embraced our new strategic direction and the six transformational initiatives that form the core of our strategy. We made significant and encouraging progress across each of the initiatives, laying the foundations for continued success in the years to come.

CUSTOMER EXPERIENCE:

During the course of 2015, Zain further enhanced customer experience across all touch points in the customer journey by utilizing customer feedback, developing a thorough understanding of customer needs, and linking frontline performance with rewards to drive relevance, simplification, and optimization in all customer interactions. Across its footprint, the Group continued to broaden the scope of its transactional net promoter score (TNPS) and Voice of the Customer (VoC) platforms to provide real-time monitoring and analytics of customer feedback. Zain has standardized Customer Effort Score (CES) and Customer Satisfaction (CSAT) metrics across all markets and now utilizes a broad range of metrics including first call resolution (FCR), average holding time (AHT) and next best action (NBA) to assess the effectiveness of channels. The “Voice

of the Customer Day” program, which enables senior executives to take on the role of front-line agents in retail shops and contact centers helps to develop a first-hand understanding of customer pain-points, and has further helped to institutionalize Customer Experience management across the Group.

The digital transformation of all contact channels is underway and Zain has stepped up efforts across social care, building communities, mobile apps, smart kiosks, self-service portal and IVR – all with the goal of delivering a superior experience to its customers.

OPERATIONAL EFFECTIVENESS:

Zain’s goal is to become one of the most cost efficient providers globally. We are focused on reducing total cost of ownership (TCO) through a broad range of OPEX and CAPEX

optimization initiatives combined with enhanced procurement processes. These will help to drive efficiencies and maintain our healthy EBITDA margins. Optimizing TCO is the main lever for net income sustainability: with service revenues under threat, lower mobile data ROI, TCO optimization is the primary means of guaranteeing sustainable net income. In pursuit of operational effectiveness and excellence, in 2015 Zain drove several initiatives covering operational alignment, revamped procurement processes, optimized and value-based CAPEX planning and cost optimization in each of the operating companies. Initiatives at the operating company level included optimization of international connectivity costs, and network maintenance. Furthermore, Zain is investigating optimal approaches to divest passive infrastructure in Kuwait and Saudi Arabia.



VALUE MANAGEMENT:

Today, Zain is the market leader in five markets (Kuwait, Sudan, Jordan, Iraq and Lebanon) both in terms of value share and market share. Our objective is to sustain our leadership position and to counter market erosion threats from over-the-top (OTT) players and aggressive competition from operators present in our markets. Zain is utilizing its business intelligence platforms to build a strong customer value management framework premised on well-defined customer segments in each of its markets. Data monetization is another key area for the company and initiatives are underway to implement data centric pricing in our markets.



MORE ON VALUE MANAGEMENT ON PAGE 72

B2B:

Zain's ambitions within the B2B space focus on building scale in enterprise mobility, fixed-mobile convergence solutions, connectivity, machine-to-machine (M2M) as well as hosted and managed services including personal and corporate cloud services and applications. Zain is also expanding its wholesale infrastructure to support content delivery networks. This portfolio of services and assets is to be offered to governmental customers and verticals including oil and gas companies, automotive, transportation and logistics businesses, utilities and banking. Through a strategic partnership with Vodafone, Zain deployed M2M services in Kuwait in 2015, with plans to launch similar services in Bahrain and Saudi Arabia in 2016. Applications include telemetry systems, smart metering, wireless security, cameras and fleet management.



MORE ON OUR COMMERCIAL INITIATIVES ON PAGE 70

DIGITAL FRONTIER AND INNOVATION:

Zain Group established its Zain Digital Frontier and Innovation unit (ZDFI) in 2014, tasked with cementing the Group's position within the digital space. ZDFI focuses on the areas of innovation, digital services, corporate venturing and smart cities.

ZDFI's mandate is to undertake the following:

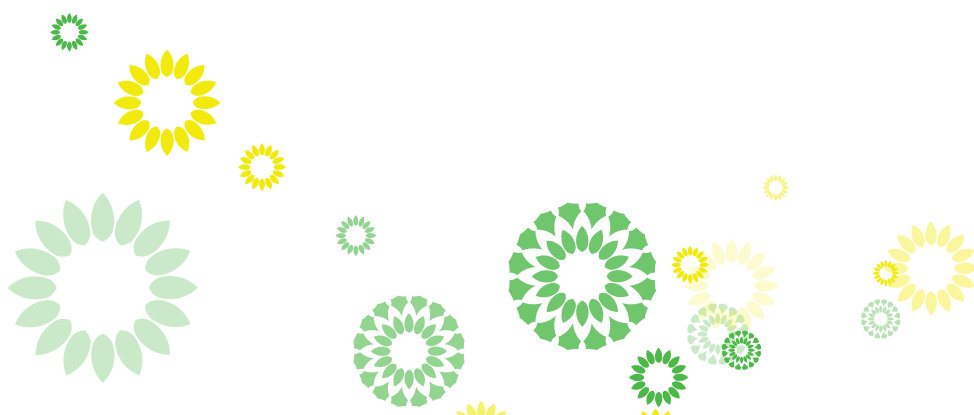
- ✦ Determine **innovative trends** to lead regional implementation
- ✦ Exploit new **digital opportunities** in **key verticals**
- ✦ Participate in regional **ICT venture capitalist funds** focused on **early stage companies**
- ✦ Leverage **VC capabilities** to navigate the **digital ecosystem**
- ✦ Build **smart cities** eco-system and develop go-to-market approach

Ultimately, ZDFI aims to identify new business areas, value-adding strategic partnerships, accretive acquisition opportunities and synergistic corporate venturing investments which, collectively, will create new revenue streams to fully exploit the Group's high-speed broadband networks, customer assets, network intelligence and payment and billing infrastructure. Within the digital services and innovation space, ZDFI is focused on identifying opportunities in the m-advertising, m-health, OTT communications m-payments and financial-technology services domains. The ultimate goal of ZDFI is to drive the organization towards innovation, agility and adaptability, aiming to build an innovation culture both within Zain and the communities we serve. The company is also looking to be viewed as one of the leading trendsetters in the digital revolution engulfing the region.

ZDFI achieved measurable progress in 2015. Early in the year, through ZDFI, Zain entered into a strategic collaboration with NexGen Group, a leading advisory and consulting services company in the area of smart cities and next generation technologies. NexGen is focused on delivering services under Smart ICT, Smart Living, Smart Safety / Security, Smart Mobility, Smart Education and Smart Healthcare banners. Kuwait and Saudi Arabia have been identified as the key focus markets, with the medium-term objective of the business being to expand into smart city operations and an expansion of the product portfolio is underway.

In February 2015, the Group's first-ever Digital Services and Innovation forum was held at the Zain Innovation Campus (ZINC) in Jordan, bringing together executives from across the Group to exchange insights and ideas on digital products. In March, Zain sponsored the 8th Pan Arab MITEF Enterprise Forum start-up competition in a bid to promote innovation and engage aspiring entrepreneurs in mentorship, networking and development.

As of June, ZDFI had invested in three venture capital funds focused on regional early-stage and growth-stage companies in the premium content, e-Commerce, B2B, financial services, and e-Health areas. These funds included Middle East Venture Partners' MEVF II fund, WAMDA Capital's MENA Ventures I fund and Earlybird Capital's Digital East Fund 2013 SICAR. ZDFI's goal in undertaking these investments is not only for financial returns. By deploying limited smart capital and leveraging the extensive screening and evaluation experience of fund managers with a rich pipeline of MENA-based



opportunities and the right investment theses, Zain is aiming to secure access to a rich portfolio of underlying companies that can add value to Zain, establish senior-level contacts in relevant digital businesses to better understand business models, and engage in commercial collaboration before contemplating acquisition of these businesses. The investments have provided ZDFI with access to approximately 350 companies.

In September, ZDFI entered into a strategic partnership with Uber, the digital technology company focused on transportation, with Zain acting as the mobile launch partner and main service provider to Uber in Bahrain, Jordan, Saudi Arabia and Kuwait. In December, ZDFI entered into a group-wide gaming application partnership with Zeptolab to launch the popular game "Cut the Rope: Magic" across Zain's footprint.

ZDFI will continue to expand its reach with prospective acquisitions of digital businesses in the mobile application development space in the pipeline. Ultimately, ZDFI's goal is to build scale and become a leading enabler of digital businesses in the Middle East.

TALENT DEVELOPMENT:

The best employers successfully align their people practices with company strategy and create a high performing environment with trusted leadership that produces positive employee experiences, higher employer brand and strong business results. These thought processes underpin Zain's employee value proposition which focuses on:

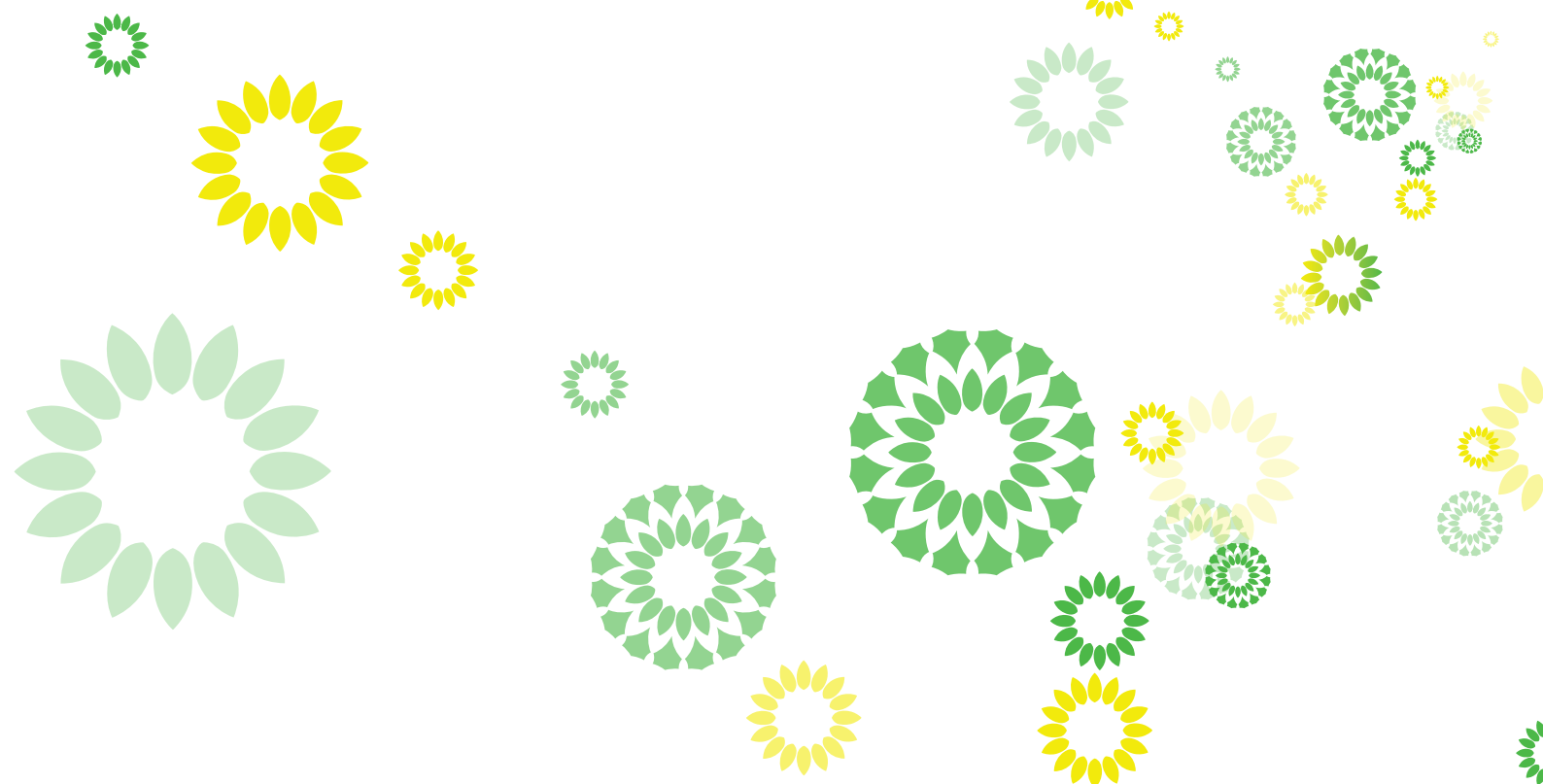
- ✦ Developing and implementing a 'caring' engagement and retention strategy
- ✦ Building efficient and timely measurements to see organizational health such as pulse surveys
- ✦ Establishing Group-wide processes and frameworks for HR excellence
- ✦ Learning, development and re-skilling to create an innovation culture

Zain also launched initiatives focused on improving employee engagement and empowerment during 2015, as well as learning and development programs to adapt to and encourage employee regional mobility. Furthermore, as a testament to the strength of the management of the company, several key management positions were filled with internal resources.

In 2016, we are set to continue strategic executions reinforced by employee engagement and empowerment and leverage our leading technology, presence and strong brand.

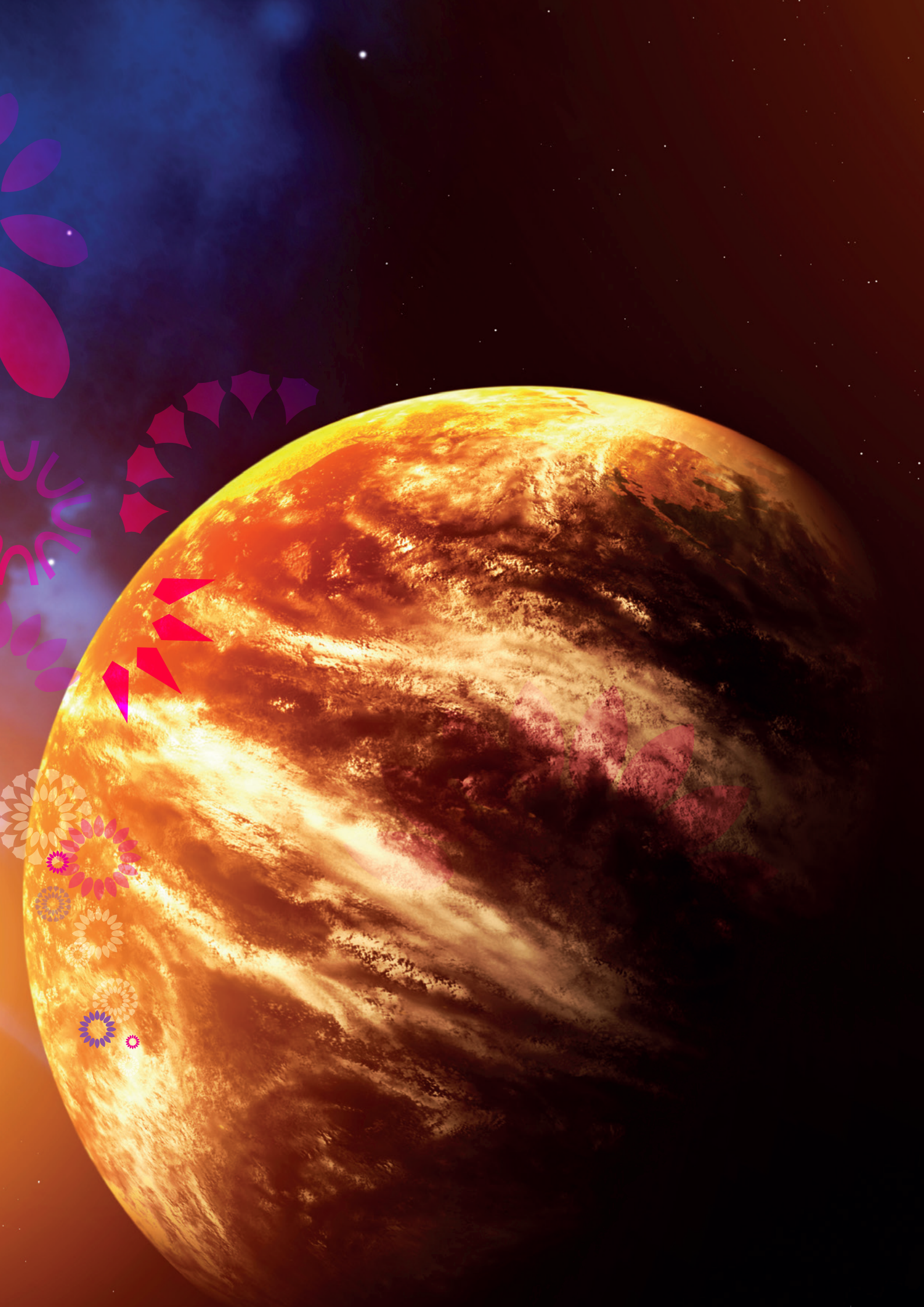


**MORE ON TALENT DEVELOPMENT
ON PAGE 60**



TOGETHER
WE ARE ZAIN





Zain Group's ambition is to inspire employees to pursue excellence through active engagement and motivation.


In 2015 the company recruited approximately 800 new staff members, bringing the total number of employees to 6,415 by the end of the year. Zain is keen for all employees to buy into and support every aspect of the strategy through engagement and key initiatives to substantiate 'Talent Development'; which is one of Zain Group's core strategic pillars.

Zain's people are critical to the success of the organization and under the theme TOGETHER, the company was able to provide a meaningful framework by which people could relate to the organization and make sense of the employment dynamic.

EMPLOYEE ENGAGEMENT

Each year all employees are invited to participate in an annual engagement survey that allows the company to measure the success of such activities. In 2015, all operations worked towards one unified goal, which was to increase response rates and engagement. The 'Zainer' spirit came to the fore during the 2015 Engagement Survey and with an overall response rate of over 90%, the overall engagement score was 76% compared to the Telecom industry average of 69%. As a group of operations, a communal communications plan was created to ensure the dissemination of consistent messages through various mediums such as the company's intranet, blogs, instant messaging, town halls and videos. Also created was a unified 'champions' initiative in which saw the recruitment of Zainers with a passion to see a change. These champions were the driving force behind the fantastic engagement results and in appreciation of their efforts a number of them were sent to London Business School to expand their leadership knowledge.






THE FIRST STEP TO A WONDERFUL WORLD IS ACHIEVEMENT

800
NEW HIRES

88,807
TRAINING HOURS

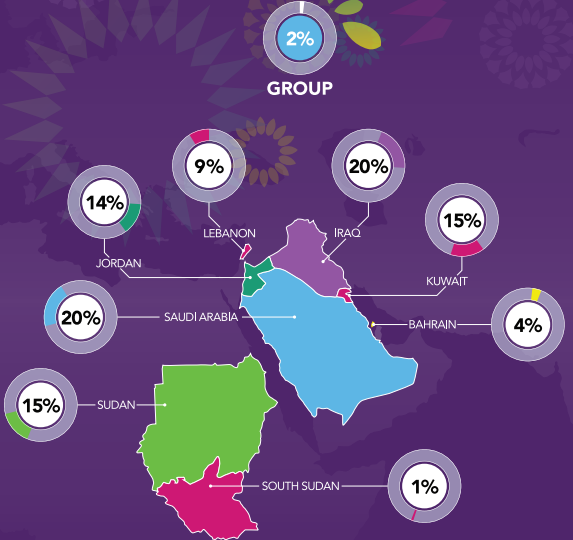
1,000
EMPLOYEES PROMOTED WITHIN THEIR ROLES IN 2015




76%
OVERALL EMPLOYEE ENGAGEMENT SCORE


6,415
FULL TIME EMPLOYEES AT YEAR END

EMPLOYEES BY LOCATION






LAUNCHED "TO LOVE WHAT YOU DO" OUR SECOND CAREERS VIDEO



SELECTED AMONG THE TOP 100 MOST IN DEMAND EMPLOYERS IN MENA



REVAMPED CAREERS SITE FOR A BETTER CANDIDATE EXPERIENCE

www.careers.zain.com @ZainCareers Zain

EMPLOYER VALUE PROPOSITION

Zain realizes that its vision alone will not build its future. Employees are central to the success of delivering on the strategy, and therefore in 2015 the company launched its first ever employee value proposition initiative, known as 'The Promise'. The Promise looks to 'Build the Best Zain Team Together':

The Promise has six key areas of focus, which are:



TOGETHER WE

WE ARE CARING
We are socially and environmentally responsible.
We are committed to ethical business practices and conduct.
We will take risks to be innovative while maintaining our reputation on being ethically, socially, and environmentally responsible.
We ensure our policies and procedures meet customers' needs.



TOGETHER WE

WE ARE... LEARNING AND INNOVATING
We want to foster and support a culture of learning that will make our people more dynamic and able to capitalize upon opportunities for innovation.
We aim to respond quickly to change in the market place.
We encourage people to come up with better ways of doing things.



TOGETHER WE

WE ARE PERFORMING
We set our goals and know how they are connected to the company's business strategy.
We believe that our individual efforts combined lead to Zain's success.



TOGETHER WE

WE ARE RESOURCING
We acquire the right talent to achieve our goal.
We create a positive candidate experience throughout the recruitment process, leaving our candidates with a taste of the Zain culture.



TOGETHER WE

WE ARE CONNECTING
We promote open and honest two-way communication.
As a Group we can deliver more than as individual OpCos.
We share our people, knowledge and ideas for the benefit of the organisation.



TOGETHER WE

WE ARE AWARDING
We are reinforcing a culture that awards achievers and drives exceptional performance.
We believe in recognising outstanding performance and behaviour.



INNOVATION

As part of supporting the company's overall strategic direction, Zain Jordan launched a business unit that will focus on activating and boosting the entrepreneurial ecosystem in Jordan and across the MENA region through its Zain Innovation Center (ZINC) initiative. ZINC will also look to feed the internal innovation of the organization and build programs in collaboration with the Human Resources department, which is aimed at boosting untapped employee innovation. The business unit's mission is to build corporate culture practices that support and ignite innovation and creativity from within, and allows space, opportunity and development to emerge and help others grow.

Also during the year, Zain Sudan introduced the Zain Oscars Program to enhance innovation and strengthen the group's radiance value, which was also viewed as a real milestone towards moving closer to achieving the company's people-centric culture, increasing employee engagement, and retention.

AIM OF THE OSCARS PROGRAM

Direct impact to business outputs:

- ✦ Generating revenues
- ✦ Cost optimization

Indirect impact to business outputs:

- ✦ Employee engagement
- ✦ Recognition
- ✦ Retention

*The positive response to the Zain Oscars has turned it into an official annual event celebrating the best and most innovative value added ideas, while also creating positive staff interaction.



TALENT ACQUISITION

TALENTED TOGETHER PROGRAM

Zain's focus has always been its people, their development and the multitude of ways in which their professional lives could be enriched by different opportunities and challenges. Based on this focus and aligning with the

Strategic Initiatives of Operational Effectiveness and Talent Development, Zain Group launched a fully-fledged mobility program called "Talented Together" in December 2015.

The program is divided into long or short-term business critical or developmental assignments. Business critical



assignments provide immediate solutions to talent shortages and business gaps via temporarily relocating subject matter experts to operating companies where their skills and knowledge is required.

Developmental assignments are aimed at employees who want to hone their skills and gain international experience, be it in Kuwait, Bahrain, Iraq, Saudi Arabia, Jordan, Lebanon, South Sudan or Sudan. With over 6,400 employees across its operating companies, Zain already has a huge talent pool within its organization, ready to be tapped into.

GROUP GRADUATE PROGRAM

Providing meaningful employment prospects is a key recruitment goal at Zain Group, especially for young local graduates. Zain believes in the future of young local talent and will always provide them with opportunities to develop and grow. Based on this, the company launched its first Graduate Program aimed at young Kuwaiti graduates. This program, which is restricted to high achievers, is a year-long rotation-based program. At the end of the year, graduates



would have worked in multiple divisions at Zain Group, and would have also received a holistic view of the business.

Understanding the importance of mentorship and its impact, especially at the beginning of an employee’s career, each graduate chooses a mentor from the Zain Group management team who they can return to for advice and support. Group Human Resources provides both mentor and mentee with strong support and quarterly follow ups.

Once the graduates complete the year, their performance is assessed and those who have performed well will be offered permanent positions.



CAREERS VIDEO

In 2015, Zain launched its second careers video, which is based on the company’s engagement and professional relationship with employees. Accordingly, the video titled ‘To love what you do’ was launched in December across all social media channels and to date has received over three million views.

SOCIAL HR

During 2015, Zain introduced a series of innovative solutions to bring the company closer to passive and active candidates, by identifying the requirement to reach out to passive candidates in their own environment, and establish the company’s brand within this community. As such, two podcasts were launched on topics related to candidate experience and what the company looks for when it hires, with a business-to-business focus.

Also, Zain hosted a number of live tweet sessions and published a number of blogs through LinkedIn, all in line with the utilization of the two dedicated Human Resources channels related to social media activities, which are @ ZainCareers Twitter account and the Zain page on LinkedIn.

Both channels were leveraged successfully to showcase life at Zain, offer interview tips and career guidance, as well as promote job vacancies across the Group. These combined efforts managing Human Resources requirements on social media were well rewarded come the end of the year, as Zain was identified as one of the top 100 employers in the MENA region by LinkedIn.

CAREERS SITE

The company introduced an enhanced careers site during the course of the year. The objective was to focus on the diversity across Zain’s footprint. The theme behind the careers site is ‘multiple flavors of wonderful’, and has been enhanced to provide a better user experience and accessibility. Zain has since surveyed over 30,000 applicants to determine their feedback on the careers site and are using that feedback to further improve the site.



PERFORMANCE MANAGEMENT

Zain Group has introduced a competency framework that identifies core and leadership competencies that support the company's strategic initiatives and provide a standard by which to measure present performance and identify the kind of activity is needed to have in the future.

The business objectives set out 'what' is needed to achieve over the year and the competency framework sets out 'how' people need to work to achieve these objectives.

The core and leadership competencies outlined in the framework point to the behavior all Zainers are encouraged to demonstrate in order to perform their roles effectively. They reflect Zain's current priorities and a benchmark for best practice.

The competency framework will provide a foundation for many Human Resources practices including: recruitment, learning and development, performance management, talent mobility, succession management, as well as career path planning.

The company is also excited about the possibilities presented by online learning to help employees study any relevant subject, anywhere, without boundaries. The unlimited access to video courses will support the development of the skills needed in today's rapidly changing environment.



TRAINING

To move from a traditional approach of training to a corporate academy approach, Zain has built a central learning and development hub that is set to build capacity and ensure Zainers utilize value adding development opportunities. The focus is to link the learning and development activities directly to the strategic objectives and core competencies of the organization.

The Zain District Academy is currently live in Zain Jordan. This model affords employees the opportunity to be responsible for their own development by enrolling in courses they see fit, without restricting their options.

The learning methodology inside the academy is similar to university-based learning and Zainers can register through the company's internal portal or Human Resources application in any learning district they believe they might benefit from.

Zain Kuwait has partnered with leading training and development companies in the MENA region to provide world-class development opportunities to employees.

Throughout the course of the year, leadership and management development programs were offered through the "Zain Leadership Academy," focusing on equipping Zain Kuwait leaders with the necessary competencies, skills, knowledge, and tools to better lead their teams and foster the Zain culture.

The Zain Knowledge Conference was produced for the third year, hosting world-renowned speakers, trainers, and authors including Scott Friedman (former President of the American Speakers Association, author, and motivational speaker), John Mattone (one of the world's leading authorities on leadership, talent, and culture), and Marshall Goldsmith (a sought-after leadership coach). A total of eight seminars and workshops were offered to employees from different management levels in the company, which provided an exceptional opportunity for participants to gain a wealth of knowledge.



The Zain Foundation Academy offered recently hired Zain staff with up to two years of experience at Zain Kuwait with customized development opportunities that would prepare them for their career at the company. The knowledge and skills they gain through the workshops and trainings are specifically designed to help them with their work and life challenges.

Throughout 2015, Zain Kuwait invested in its employees at all levels in order to achieve the best quality of customer experience in the market.

Learning & Development (L&D) achieved huge progress during the course of the year in Zain Iraq.

Starting with the launch of the first e-learning system in the country, which paved the way for the creation of a self-motivating learning culture, L&D was able to encourage employee accountability in taking responsibility for remote learning. L&D was thus able to offer more than **900** learning opportunities for Zain Iraq staff in more than **26** different learning courses.

Furthermore, L&D decided to extend the learning experience, this time utilizing internal resources to enrich the culture of knowledge sharing. This was achieved by delivering an internal training calendar in which different employee levels participated. This exercise allowed more than **300** employees to receive training in over 12 subjects, with a satisfaction rate of over **80%**.

Finally, in a bid to touch base with all employees, and because Zain believes in leadership excellence, L&D launched a significant leadership program that was delivered to mid-management level. This program covered all aspects of being a role model to others and how to inspire teams. More than **60** leaders participated in the program over the course of 11 days.

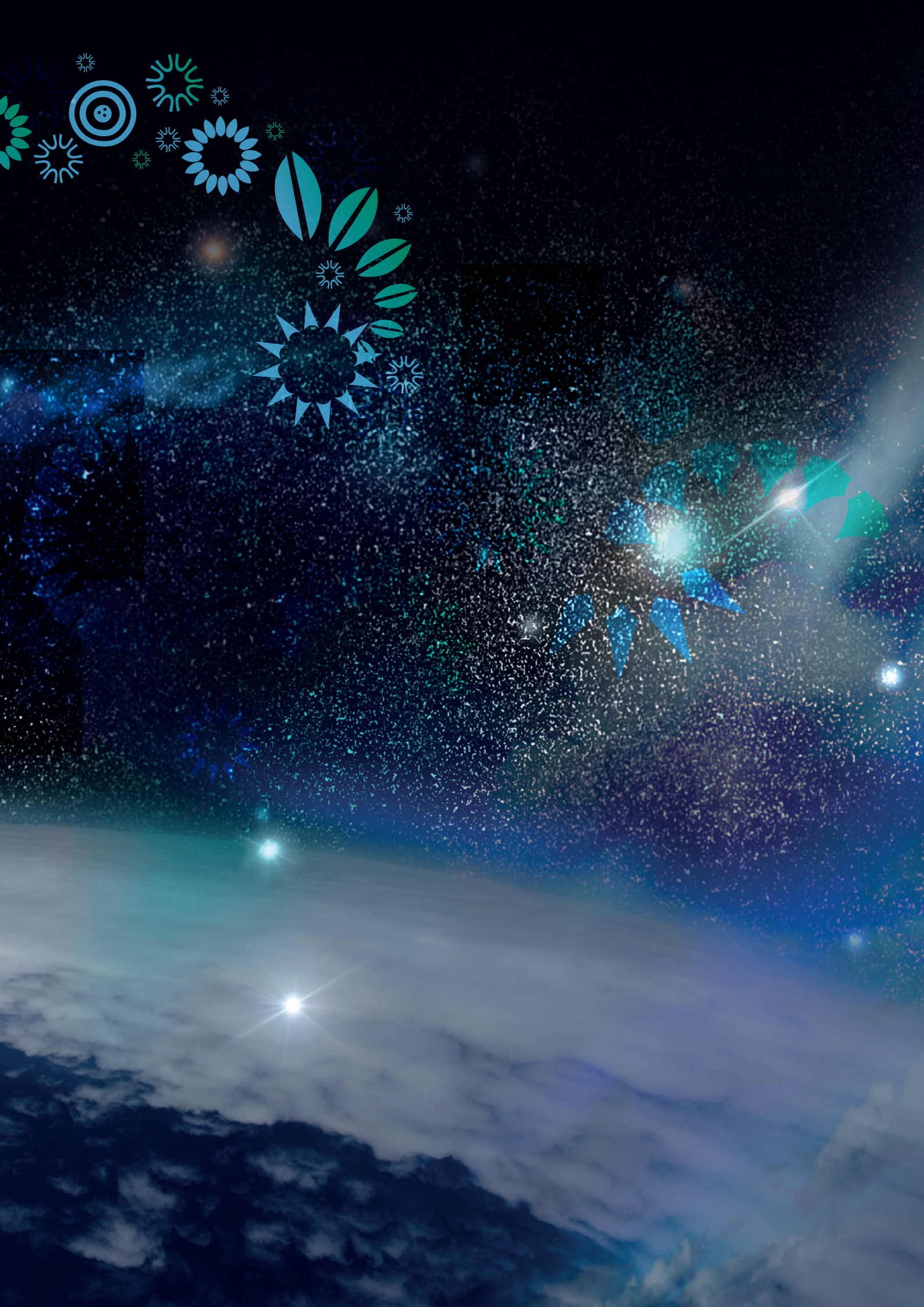
Last but not least, L&D delivered over **88%** of Zain Iraq's training requirements to staff.

In summary:





TECHNOLOGY



CONVERGENCE BILLING

In the highly competitive telecom environment Zain operates in, focusing on the needs of customers is priority. Customers demand choices in how they are charged; what payment options are available to them such as prepaid or postpaid; and on the ability to choose a product based on their lifestyle. They are also keen to have various options with respect to how they combine and share their data and voice offerings with their family, friends or at work.

Zain has listened and responded to the requirements of its customer base by empowering them with cutting edge technology. The company successfully commissioned and installed a state-of-the-art converged billing and charging platform that replaces legacy infrastructure with a modern, unified charging, billing and CRM solution. This system is capable of effectively handling all services and customer types, bringing a fluidity between services including voice and data, billing options, and customer segment offerings. The time-to-market from concept to product has also been dramatically reduced.

All this occurs in real-time and allows Zain to respond to its customers instantaneously, providing credit control, rapid fraud detection, as well as preventing over usage and bill shock to customers.

The first phases of the converged billing rollout have been completed and this has contributed significantly to the product differentiation of respective Zain operations and each individual operation's success in launching new and innovative offerings to customers.

Converged billing across Zain's footprint including Sudan, South Sudan, Saudi Arabia, Jordan, Iraq, Bahrain and Kuwait is also being developed. The initial phase of the roll out is now completed and live, while the complete system will be concluded by 2017 at the latest.

OPERATIONAL ALIGNMENT (OPAL)

Operational alignment or OPAL is a three-year project that aims at enhancing Zain's overall operations through an improved operating model (OM). It administers and aligns the best fit model across Zain operating company technology to achieve a better service delivery; improve time-to-market; and reduce global total cost of ownership. This is achieved through a defined common operating model and an associated End-to End (E2E) process framework. OPAL streamlines the technical organization of both network and IT in all Zain operations, and aligns cross functional processes to achieve a better standard of compliance with industry standards, while enhancing service delivery, and improving internal customer satisfaction.

The design principles used to shape the OPAL OM include:

- ✘ **Technology Agnostic Structure** to increase compatibility between technologies and virtualization of technology components
- ✘ **Executional Excellence** to enhance time-to-market and ensure that internal processes and ways of working should not impede operators' responsiveness to external demand
- ✘ **Strategy & Planning Empowerment** for a greater role of technology to support the business strategy in development and operationalization through annual business plans
- ✘ **Service Development and Delivery Focus** to develop and push advanced services to enable competition with OTT services
- ✘ **Digitization Enablement** through building the right horizontal capabilities (cloud, managed services etc.) as well as provision for the collaboration with ICT partners on developing new digital capabilities
- ✘ **Customer Experience Elevation** to provide omni-channel customer services and facilitate the support and maintenance of complex products and services

Aiming at achieving the above-mentioned design principles, three key elements of operating companies' technology OM were redesigned to form the main pillars of OPAL OM based on technology trends, benchmarking and best practices, in addition to diagnosis of Zain operations. The enactment of the target OPAL OM will be achieved in a time-phased approach based on the needs and readiness of Zain operations aligning with their priorities.

The three key elements of OPAL OM are:

OPAL OPERATING MODEL, THREE EXECUTION PHASES APPROACH



ORGANIZATION

A process oriented structure on the mid to long term that allows the organization to better drive convergence and service centricity. The proposed setup has touched different organizational imperatives that include but not limited to demand management, Service Quality Assurance, Business Intelligence & Big Data, and Convergence.



GOVERNANCE

A formalized Decision Making entity was introduced or enhanced in some operations that involve several/diverse stakeholders to endure alignment among different functions within Zain OpCos and Group. Associated decision rights was formalized across the different operations to provided transparency for process execution and facilitate delegation of responsibilities.



PROCESSES

A set of Key end-to-end processes have been defined that span the technology value chain: PLAN-BUILD-RUN-RETIRE have been formalized covering crucial areas and capabilities based on industry standards. These Processes were driven by operational needs and are based on market maturity and new market demand on digitization.

BUSINESS INTELLIGENCE - BI (VALUE MANAGEMENT PILLAR)

Business Intelligence (BI) is a business-driven technology that provides analytical tools, reporting mechanisms, and management dashboards that enable corporate executives, business managers, and other end-users to make more informed business decisions.

Zain Group is taking ownership of managing its transformation program, while replacing the existing solutions with best practice, state-of-the-art technology derived from enterprise data warehousing and BI.

The project objectives of the BI program are as follows;

- ✦ Improve time to market
- ✦ Enhance the customer experience
- ✦ Enrich data monetization
- ✦ Enable platform for Zain digital and innovation initiatives

Zain's BI strategy is set to create greater synergy by knowledge and experience sharing across all operating countries. While standardizing the implementation, Zain will develop data models, standard KPIs definitions, and analytical reports, making the information more beneficial to stakeholders who need it to make necessary business decisions and actions.

The project has been completed in KSA, Iraq and Sudan. It will be implemented across all the operations by the end of 2016.

Zain's BI roadmap is aligned with its digital innovation and Internet of Things revolution, looking to expand the BI into big data platform to analyze more structured and unstructured data and perform real-time analysis of large volumes and variety of data. Big data will fundamentally change business processes, create new business models, and drive innovation.

DATA USAGE INSIGHT

In 2015, we continued to see tremendous growth in data traffic in all Zain networks of 144% compared to Dec 2014. This growth was mainly driven by network strategic initiatives such as 3G launch in Iraq, LTE launch in Jordan, several modernization and optimization activities in KSA that improved customer experience and many more.

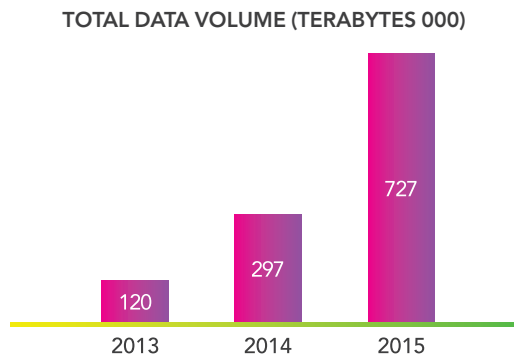


Figure 1 - Total Data Volume carried across all Zain Networks for the year

In Bahrain, Kuwait, KSA and touch, there was focus on data usage analytics to better enable us in understanding usage behavior, improve customer experience and also identify top services and top applications driving data revenue as shown in figure 2 below.

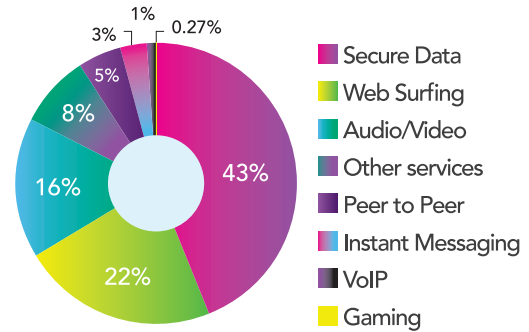


Figure 2 - Data Traffic distribution per service type (among Zain BH, KW and KSA)

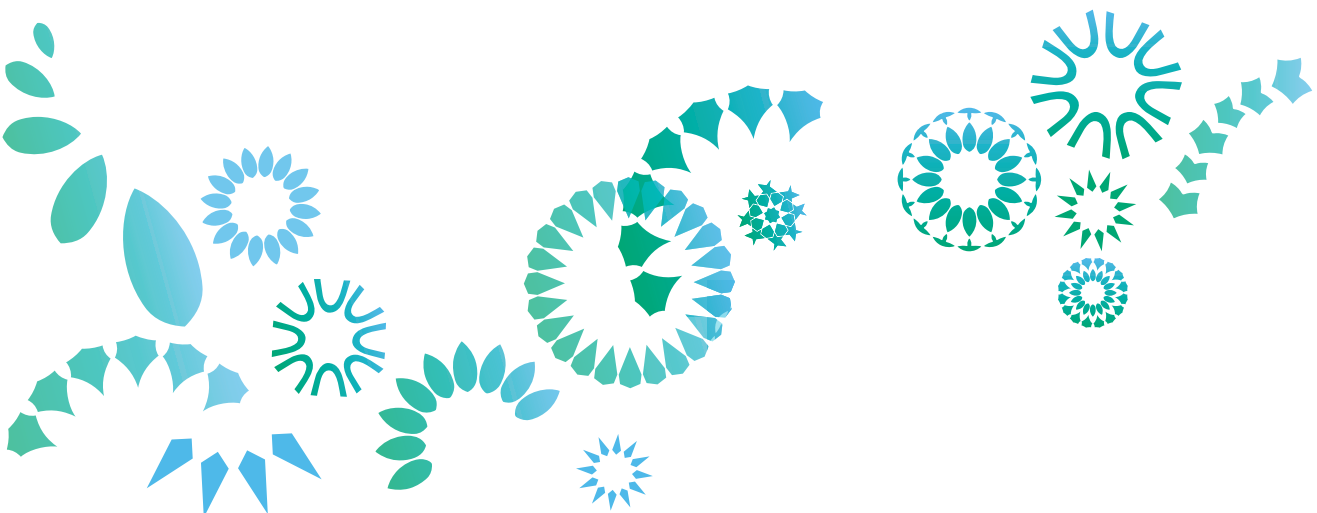
ENERGY EFFICIENCY AND ENVIRONMENTAL IMPACT REDUCTION

Keeping to the company's promise of 'Building the Best Zain Together', the team has successfully implemented several energy efficiency and infrastructure optimization initiatives that have led to significant reductions of environmental impact. In 2015, Zain has focused on the deployment of energy efficient power solutions ranging from free cooling systems to power hybrid solutions.

The need to reduce the premise footprint of radio base station equipment while being environmentally friendly has guided the massive implementation of smaller cabinets outdoors instead of large shelters, in markets including Saudi Arabia, Sudan, Iraq, Kuwait and South Sudan during 2015. This resulted in the deployment of smaller size diesel generators for better energy efficiency and reduction in CO2 emissions.

In 2015, Zain continued its partnership with the GSMA's "Mobile Energy Efficiency (MEE)" benchmarking initiative. Five operations (Bahrain, Iraq, Kuwait, South Sudan and Sudan) participated in the MEE, with recommendations having been provided by GSMA to these five operations for better energy efficiency in the future.

More details regarding Zain's energy efficiency initiatives are shared in the company's Corporate Sustainability and Social Responsibility report.



ZAIN TECHNOLOGY CONFERENCE

Zain Group hosted its fifth annual Zain Technology Conference (ZTC), 30 November to 2 December, 2015 in the economic friendly city of Manama, Bahrain. The theme for the conference was 'Transforming Our World', reflecting Zain's strategic aspirations of delivering a compelling digital lifestyle to its customers.

This year's ZTC was held in the presence and under the patronage of His Excellency Engineer Kamal Bin Ahmed Mohammed, Minister of Transportation and Telecommunications for the Kingdom of Bahrain and attended by Zain Bahrain Chairman, Sheikh Ahmed Bin Ali Al Khalifa, Zain Group CEO Scott Gegenheimer, Zain Bahrain CEO Mohammed Zainalabedin and Zain Group CTO Hisham Allam amongst a host of Zain personnel. Notably the opening session of the three-day event saw a keynote presentation from Dr. Jean Pierre Scerri, Director of Legal Affairs from Bahrain's Telecom Regulatory Authority.

For some time now, Zain has recognized the enormous growth opportunities available in the B2B, enterprise, and smart city spaces, and these sectors have become major areas of focus for the company, requiring the full support of all its partners to convert into viable revenue streams. Demand for mobility, broadband, and cloud services are drivers for transformation in the modern ICT space, and Zain is on a perennial mission to deliver cutting-edge apps, services, and devices to support these mega-trends.

With more than 60 technology providers and vendors having participated in and showcased their latest technologies at this year's event, ZTC 2015 was one of Zain's most impressive conferences to date. Relevant technology and business topics that were discussed over the three days of intensive interactions included: Access Plus; Core Evolution; Business Enablement Solutions; Enterprise IT Enablement & Transformation; Quality of Experience; Services Innovation; Energy Efficiency, and Site Optimization.

Keynote presentations were made by three of Zain's main global technology solutions providers, namely Ericsson, Huawei and Nokia as well as a presentation by global information technology research and advisory firm Gartner.



The background is a vibrant blue space scene. At the top left, a bright starburst with multiple points radiates light. Several curved streaks of light, resembling comet trails or data paths, sweep across the upper right. The bottom of the image shows the curved horizon of a planet with a dark, textured surface. Scattered throughout the scene are various blue geometric and organic patterns, including circles, spirals, and leaf-like shapes, some appearing as faint overlays and others as solid elements.

COMMERCIAL



As Zain executes on its vision to become an integrated Digital Lifestyle provider; 2015 saw the company spend a great deal of time listening to customers. The focus was not only to listen to how Zain is currently delivering, and to seek areas for improvement; but also to discover insights on how the company can draw closer to its customers and play a bigger role in enriching their day-to-day lives.

The company's close interactions with its customer base continues to highlight how it can best leverage its assets to move beyond the offer of traditional communications services and provide a platform where customers can seize opportunities to Grow, Enjoy and Share. An example of this is by using Zain's fast 4G networks along with innovations in e-learning, customers are able to benefit from education programs delivered remotely, making the most of their time and allowing them to grow through development.

In focus groups undertaken by Zain, the importance of a 'worry-free' customer experience was also highlighted. With this in mind, Zain continues to simplify its offerings, and actively improve its service experience.

Our network coverage and reliability is central to the success of our business. We continue to invest in quality and coverage by deploying higher-speed services through the introduction of 3G and 4G/LTE networks.

Increased smartphone penetration, convergence, and data consumption continue to be trends driving today's telco industry. Zain's investments in the latest networks and technologies have continued to help meet the needs of our customers, enabling all operations to introduce a data monetization program internally, with a view to increasing revenues being generated from smartphones and additional data devices.

The company is focusing on delivering high-speed data connectivity and customer experiences that all customers will benefit from. This program covers the entire spectrum of data experiences - from 'walk-out surfing' in retail stores, to offering integrated value bundles that increase rewards based on commitment levels.

In parallel, Zain increased its competitiveness through segmented offers – which are both relevant to the customer, and offer 'much more for more' pricing. Through listening to customers, country operations were able to design and offer bundled packages tailored to different market segments and catering to each segment's connectivity needs whether it be through voice or data, including customized packages for specific segments such as students, women, and underserved refugees. This approach has been underpinned by the enhancement of capabilities within charging and campaign management systems.

Manage your business from anywhere with Microsoft Office 365

Access the cloud based service of Microsoft Office 365 across all your devices such as smartphones, tablets, and PC starting at KD 1.5 monthly.

- Easy access to work e-mail, Microsoft Office applications, documents, and more.
- 24/7 technical support.

Grow your business with Zain

B2B

Zain is investing in dedicated B2B teams (also known as Enterprise), including more technical sales capabilities. Several country operations have successfully launched new propositions that start to re-position Zain as an integrated service provider. Examples of some of the plays Zain has made in the B2B space include the launch of cloud-based Office 365 in Saudi Arabia and Kuwait, and the introduction of the Vodafone M2M platform in Kuwait. This M2M platform is already being used extensively worldwide and offers managed connectivity in many industry verticals, including in Smart Meters, Asset Tracking, and Fleet Management.

VALUE MANAGEMENT

As well as increasing offerings of much more for more pricing, country operations have continued to reward customers for their loyalty through our Zain Signature program, and through segmented offers that provide value that is relevant to the Customer. In terms of increasing the scope of value management, Zain recently launched mobile money services in Iraq and Jordan, to great success.

Other country operations have expanded their Carrier Billing credentials to include more partners – delivering the latest content with respect to music, games, and value added services, coupled with the most convenient payment method.

Mobile money and Carrier Billing placed the mobile at the heart of E-commerce for Zain operations, where the SIM became a mobile wallet. Zain also ventured into the field of personal insurance by offering life cover micro-insurance services in Lebanon.



BRAND

Since its introduction in 2007, the inspiring Zain brand has been identified as the best telecom brand on numerous occasions. Impressively in 2015, and for a second consecutive year, the brand had the honor of being selected as the 'Best Brand' bestowed on it by a panel of judges at the annual Telecoms World Middle East Conference and Awards held at a gala event in Dubai in September 2015.

This year's branding success was driven by the tangible developments occurring at the company, where heavy investment in network upgrades, and technology innovation is positively impacting customer experience. Additionally, Zain's Corporate Sustainability programs and inspiring marketing campaigns have captured the attention of the whole region, reflecting the company's aspirations of fostering 'A Wonderful World'.

RAMADAN

The Holy Month of Ramadan saw Zain unveil an advertising campaign based on a television commercial that spread a message of love and generosity to those who needed it most to make their world a wonderful one. Zain's Ramadan campaign focused on humanitarianism, aimed at bringing joy to children who have been robbed of their happiness and innocence due to their dire circumstances.

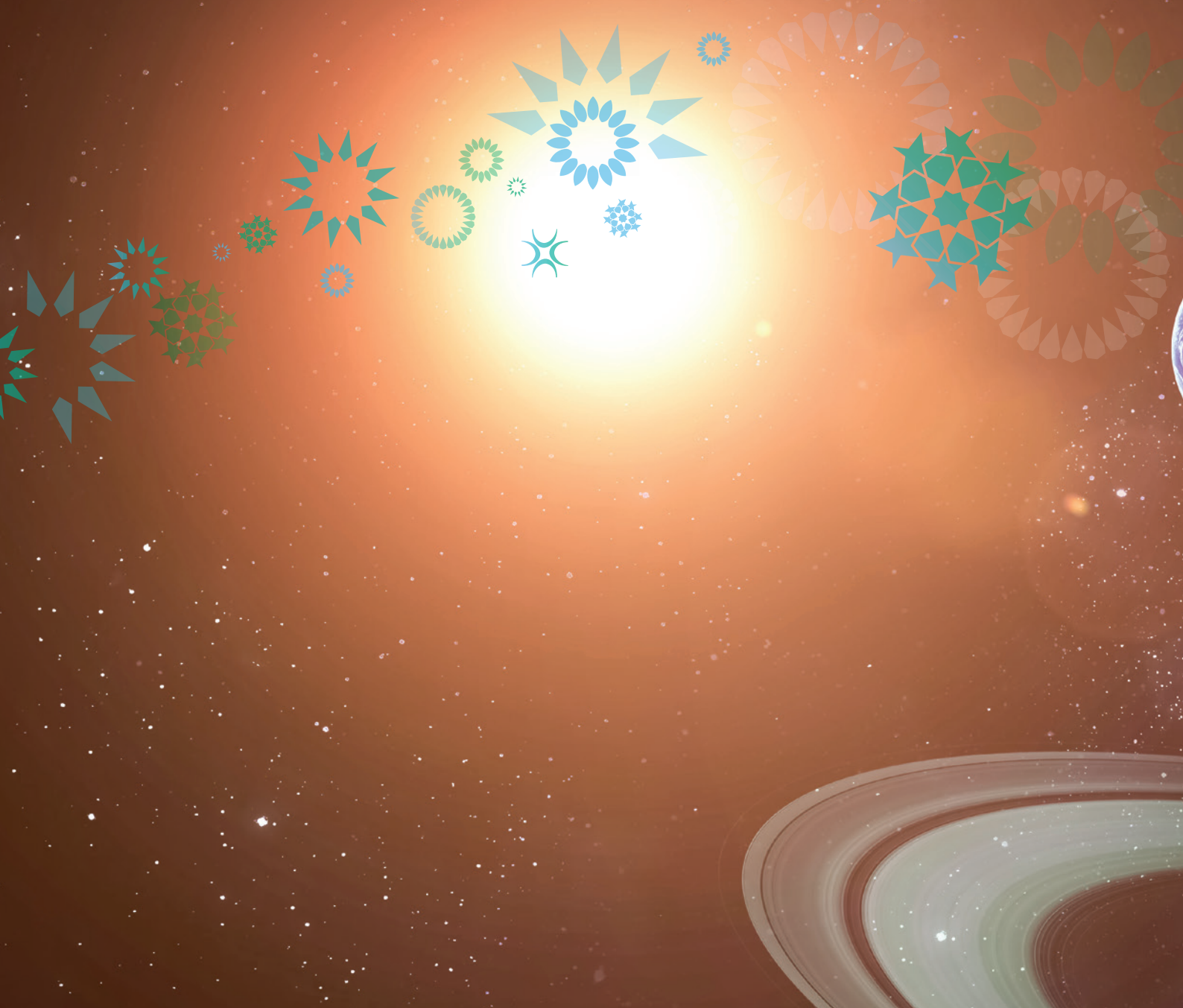
The headline themes of the accompanying print campaign were, "If you're happy, we are happy", "Dream so I can achieve", and "Have a place in our hearts".

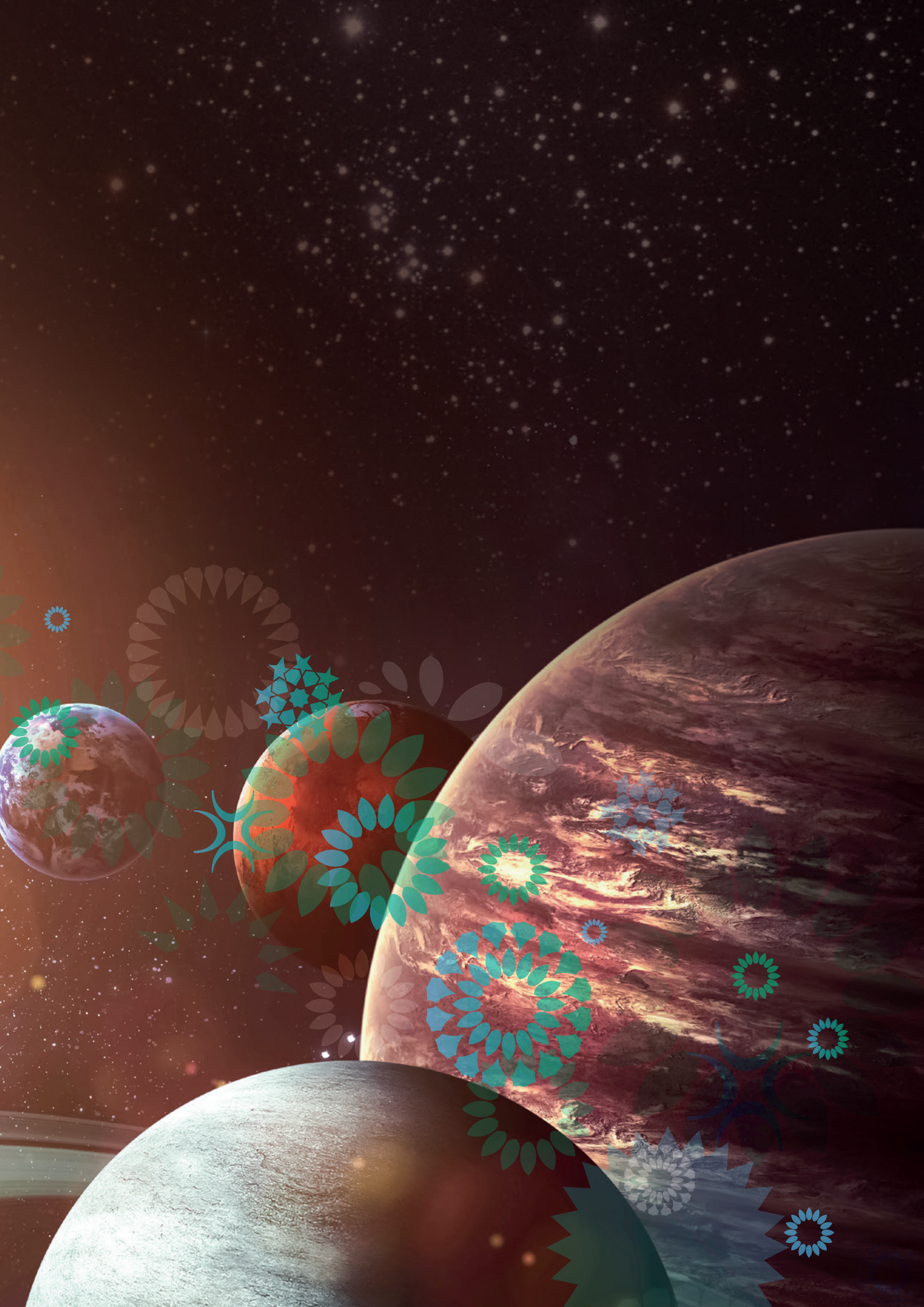
Ten famous Arab artists from countries that Zain operates in and one media personality shot the television commercial on location in a refugee camp in Jordan. Given the significant amount of instability across the region at this time, which has resulted in wide-scale displacement and suffering of large portions of the population, Zain felt compelled to produce a commercial that spoke about hope and the search for happiness even in challenging times.

The success of this Ramadan television commercial is reflected in the impressive eight million views on Zain's YouTube channel since its launch in July 2015.



CUSTOMER EXPERIENCE





CUSTOMER EXPERIENCE: PUTTING THE CUSTOMER AT THE HEART OF EVERYTHING WE DO

Innovation alone does not guarantee competitive success for telcos into the future, and as Zain Group continues to undertake its transformation to become a digital lifestyle provider, managing the customer experience has been articulated as one of the company's strategic pillars.

The importance and benefits of customer experience management (CEM) are multi-faceted as it is widely accepted that customer retention efforts are much more cost effective as compared to efforts to attract new customers.

CEM has therefore propelled operating support systems (OSS), business support systems (BSS), and other analytics tools to better understand customer behavior in a bid to build a composite picture of customer user patterns that can be utilized to pro-actively offer the end-user the best quality of service. This in turn raises their satisfaction, making them less likely to churn.

During 2015, Zain Group and its country operations introduced a series of analytical tools and activities aimed at heightening customer satisfaction levels, and a number of these have been cited below:



CUSTOMER WEEK

This initiative forms part of Zain Group's ongoing commitment to delivering the best-in-class customer experience, and was conducted across all markets simultaneously.

All Zain staff - Zainers – including business chiefs, directors, managers,

and general staff interacted closely with customers during the week through different activities arranged in conjunction with the local customer experience teams.

The program has two main objectives; the first being its contribution to the

accessibility of business chiefs directly to customers and front-line Zain staff; and the second being that the program has generated a number of positive initiatives that have been implemented by the very business chiefs and managers who participated in them.



CUSTOMER DAY

Every quarter, Zain Group conducts customer-related activities taking place in each of its markets, where management teams participate in activities including serving in retail, answering calls in contact centers, social media chats, corporate customer visits, on-site base station visits with engineers, and more.

At the end of each session, management teams meet to discuss their observations and a list of actions are created to determine what needs improvement and what needs to be done differently. As a result of this, the company has seen the implementation of quick wins that have been rolled out in its markets and improved the service offered to customers.

Across its markets Zain has approximately 150-200 members from its management participating in Customer Day (Voice of the Customer) activities each quarter.

CUSTOMER FEEDBACK TOOL

Zain's internal customer survey feedback platform has continued to be rolled out across markets, providing deep insights from customers on key interactions. When customers interact with the company through various touchpoints, they soon thereafter receive an SMS based survey that addresses questions related to satisfaction with the interaction, effort required to handle their request, agent knowledge to deal with their interaction and more. These real-time insights have enabled the operations to continue shaping their plans to drive the right results ultimately aimed at reducing customer effort and increasing both customer satisfaction and net promoter score. The real-time tool has now launched in five markets, with the remaining markets due to go live in Q1 2016.



GLOBAL CEM CERTIFICATION

Members of the Customer Care and Customer Experience community across Zain participated in the Global CEM accreditation training as part of bi-annual forums undertaken by the company. The interactive training was aimed at continuing to develop capabilities and skills related to customer experience and required participants to submit an examination assignment in order to be accredited. As a result, many of Zain's community members are now certified in Global CEM.

CUSTOMER EXPERIENCE WORKSHOPS

Proactively, Zain Group designed a Customer Experience Workshop internally that has now been piloted in Jordan, Bahrain, Kuwait and Sudan resulting in approximately 80 participants so far. The feedback has been extremely positive and the plan for 2016 is to roll this out across all markets. The workshop covers areas such as brand, customer experience strategy, measurement, journey design, change management, and customer centricity.

ZAIN KNOWLEDGE WEEK IN BAHRAIN

Zain Group Customer Care and Experience team assisted in delivering twelve, three-hour training modules related to customer experience topics. There were over 400 participants from across all divisions within the Bahrain operation. Attendee feedback was extremely positive and the week was deemed to be a huge success according to the Bahrain senior management team.

AWARDS

Zain's Customer Experience team in Bahrain won two awards judged by an international panel, "Middle East Customer Experience Program of The Year" and "Best Customer Experience Brand Strategy" at the Middle East CX 2015 Conference, held by Insights in Dubai in December 2015. The annual Customer Experience (CX) conference represented from a wide range of industries encompassing Finance, Telecom, IT, Utilities, Education and Motors, focused on how to drive real customer experience programs backed by the latest thinking and a multitude of international Customer Experience experts in attendance.

Additionally, Zain Jordan was awarded 'Best Customer Experience' service at the prestigious Telecoms World Middle East Awards organized by Terrapin held in Dubai, September 2015.

MIDDLE EAST
CUSTOMER
EXPERIENCE
PROGRAM OF
THE YEAR

BEST
CUSTOMER
EXPERIENCE

BEST
CUSTOMER
EXPERIENCE
BRAND
STRATEGY



CORPORATE SUSTAINABILITY AND SOCIAL RESPONSIBILITY

2015 was a significant year for the well-being of humanity. World leaders unanimously agreed on a development agenda governed under the 17 Sustainable Development Goals (SDGs) in order to ensure that future generations can have a prosperous life. In addition to the SDGs, at the COP21 meeting in Paris during December, world leaders also agreed on a historic agreement on climate change. Both milestones demonstrate the need to have a unified approach to the world's development challenges. Unfortunately, conflict continued to be prominent in our region with negative repercussions across some of our markets. In spite of the various inhibiting conditions, the various operating companies continued pushing forward the development agenda. In early 2015 the Group became a Strategic Partner Associate at the World Economic Forum as we see our contribution and related participation fundamental towards the region's growth. Consequently, key initiatives in our markets centered on capacity building skills in order to address societal deficits.



Early in the year, the Group launched the Enterprise Forum Competition in partnership with Massachusetts Institute of Technology Enterprise Forum (MITEF) and Abdul Latif Jameel (ALJ) in order to promote entrepreneurship activities across the MENA region. Through the competition, aspiring entrepreneurs are given the opportunity to present their ideas to expert judging panels, and receive exposure to training workshops, forums and lectures to develop their capabilities. The competition has grown steadily since its launch, and this year, bolstered by Zain's involvement in marketing through social media and other channels, a record 12,000 entrepreneurs from 21 countries around the region applied to take part.

Contestants are judged on the quality of their ideas and their potential for success, and also on their potential to add value to society. This year, competition winners shared total prize money amounting to \$135,000.

At Zain, we continue to emphasize the company's role in fostering socioeconomic development in our operating markets. This year, we articulated this commitment by adopting the UN Post-2015 SDGs, which are aimed at ending poverty, supporting socioeconomic equality and inclusivity and combating climate change. By aligning our business activities with the SDGs, we can further the sustainability of the organization while continuing to foster sustainable development in our areas of operation.

As a leading organization we realize that we need to continue providing transformative solutions to some of our challenges. We recognize the multiplier effect that access to ICT has on progress as a whole and as such significant initiatives now center on the use of ICT.

We will continue pushing the development agenda forward in order to reach new levels of development while simultaneously aligning to internationally recognized standards in the areas of sustainability and social responsibility.

Following is a snapshot of activities across our markets. For a comprehensive view please visit our Sustainability Report on www.zain.com



ZAIN BAHRAIN

DRIVING A MORE KNOWLEDGE-BASED ECONOMY: ZAIN BAHRAIN'S KNOWLEDGE FORUMS

In 2015, Zain Bahrain organized several Knowledge Forums with the aim of developing students' understanding of ICT-related fields. The purpose of the program is to promote the country's transition towards a knowledge-based economy. The forums involved more than 5,000 students throughout the year.

SUPPORTING PUBLIC EDUCATION: THE BACK TO SCHOOL PROGRAM

The Back to School Program, launched in 2003, continues to support students in public schools across the country through the distribution of essential school supplies. Since its establishment, more than 240,000 students have benefited through Zain Bahrain's Back to School Program. In this year alone, supplies were distributed to around 20,000 students.

ZAIN IRAQ

EMPOWERING IRAQI ENTREPRENEURS: THE INNOVATION FOR DEVELOPMENT PROGRAM



In 2015, Zain Iraq partnered with the UNDP to establish the Innovation for Development Program, a startup competition established with the purpose of cultivating a stronger knowledge-based entrepreneurial ecosystem in the country. The program offers participants with training across a range of topics related to entrepreneurship, as well as seed money and networking opportunities for the winning contestants. The Innovation for Development Program involved the participation of 170 entrepreneurs, with 17 reaching the final stages of the competition.

PROVIDING RELIEF FOR THE DISPLACED: THE IDP ASSISTANCE PROJECT

To address the ongoing crisis of human displacement in the country, Zain Iraq established the Internally Displaced Person (IDP) Assistance Program. Through the program, Zain Iraq distributed essential items including food and clothing that impacted more than 19,700 IDPs. Zain Iraq also collaborated with the UNHCR to establish the AhlNa Campaign, through which 100 Refugee Housing Units (RHUs) were constructed that provide shelter to around 500 IDPs. The RHUs offer housing through an innovative design that includes solar energy systems for phone and lamp charging within each shelter.

ZAIN JORDAN

SUPPORTING EDUCATION BY LEVERAGING ICT: THE ZAIN JORDAN SMART SCHOOLS PROJECT

This year, Zain Jordan began the pilot phase of its Smart Schools Initiative, which it launched in three public schools. Developed in collaboration with Integrated Technology Group (ITG) and the Modern Scientific Electronics Company (MOSECO), the initiative adapts school curriculums in digital formats through the use of ICT and other advanced solutions. By incorporating ICT

into the learning environment of Jordanian students, Zain Jordan is more adequately preparing the youth to drive the country towards a knowledge-based economy.

CULTIVATING THE INNOVATION AND STARTUP ECOSYSTEM IN JORDAN: THE ZAIN INNOVATION CAMPUS



The Zain Innovation Campus (ZINC) is a physical space intended to serve as an entrepreneurship and innovation hub that cultivates the national startup ecosystem of the country. ZINC offers a platform for entrepreneurs and interested youth to connect, meet, work, interact and engage with one another, and hosts lectures and forums with notable mentors and investors from around the world. Events hosted by ZINC in 2015 attracted around 25,000 people, and more than 500 people received training through various ZINC programs.

ZAIN KUWAIT

EMPOWERING ASPIRING KUWAITI ENTREPRENEURS: THE ZAIN GREAT IDEA PROGRAM



The Zain Great Idea (ZGI) Program was developed by Zain Kuwait in collaboration with the local startup accelerator firm Brilliant Lab. The goal of ZGI is to nurture the startup concepts of Kuwaiti entrepreneurs and enable them to transform those concepts into viable, sustainable businesses. Participants of ZGI attend an intensive bootcamp where they receive training in a range of topics related to entrepreneurship. Participants are then shortlisted based on a series of

judging panels, and the winning entrepreneurs qualify to attend mentorship programs in Silicon Valley, as well as the opportunity to meet with potential investors. This year, 12 participants qualified for the final stages of ZGI, and previous years resulted in the establishment of 14 viable businesses.

UTILIZING TECHNOLOGY TO SUPPORT EDUCATION: THE TAALEB E-LEARNING PROJECT

For its third consecutive year, Zain Kuwait supported the Taaleb E-Learning Project, an online educational portal that links students, parents and teachers through a digital platform to enhance communication and ultimately improve the educational experience of students. The incorporation of ICT through the Taaleb platform provides tangible benefits such as access to electronic teaching aids for registered students. Today, more than 650,000 people are registered in the Taaleb E-Learning Portal.

ZAIN KSA

ENCOURAGING YOUTH INVOLVEMENT IN SCIENCE AND TECHNOLOGY: ZAIN KSA'S SUPPORT FOR ISEF PARTICIPANTS



Following the outstanding achievement of the Saudi Arabian delegation of high school and university students that participated in the Intel International Science and Engineering Fair (ISEF) Competition, Zain KSA rewarded all participants with Mac laptops, MiFi devices and a one-year free data subscription. Support for the delegation, which received fourth place in four categories and first place in one category, is part of Zain KSA's effort to encourage greater youth involvement in technology-related fields.

TOUCH LEBANON

SUPPORTING ENTREPRENEURSHIP IN LEBANON: THE IDEAL BUSINESS COMPETITION



Touch collaborated with the American University of Beirut to launch the 'Innovation and Development of Academic-Industry Partnerships through Efficient Research Administration in Lebanon' (IDEAL) Business Competition. The IDEAL Competition brought together students from six Lebanese universities that are seeking to convert startup concepts into businesses, with selected finalists gaining professional advice and exposure to potential investors.

INNOVATIVE SOLUTIONS TO ASSIST CANCER PATIENTS: THE TOUCH 'LIGHT A CANDLE' INITIATIVE



This year, touch developed an innovative application that enables the public to directly donate money towards the assistance and treatment of cancer patients in Lebanon. Developed in collaboration with the Children Cancer Center of Lebanon (CCCL) the Light a Candle app facilitates the process of providing donations, enabling users to light a virtual candle and donate a specified amount directly to the center. In the eight months since its launch, \$50,000 was raised through use of the app.

ZAIN SUDAN

PROVIDING INCLUSIVE ACCESS TO HEALTHCARE: THE SUBA INTENSIVE CARE UNIT



This year, Zain Sudan completed the construction of the Suba Intensive Care Unit (ICU). Located in the Suba Hospital, the ICU will provide essential treatment for the 16,000 patients that visit the hospital every year, and furthers Zain Sudan's commitment to support inclusive healthcare access to Sudan's population. The ICU will serve an estimated 600-800 patients per year and will also increase job opportunities for surgeons and other medical staff that will be needed to operate the unit.

GIVING REMOTE COMMUNITIES ACCESS TO CLEAN DRINKING WATER: THE AL JAFEEL WATER PROJECT



In response to the difficulties that some Sudanese face in accessing clean water, Zain Sudan developed the Al Jafeel Water Project. Located in the North Kordofan State, the project links three villages that lack direct access to clean water with an artesian well located eight kilometers away. Al Jafeel ensures that more than 7,000 villagers have access to clean water, thereby reducing their vulnerability to various water-borne diseases.

ZAIN SOUTH SUDAN

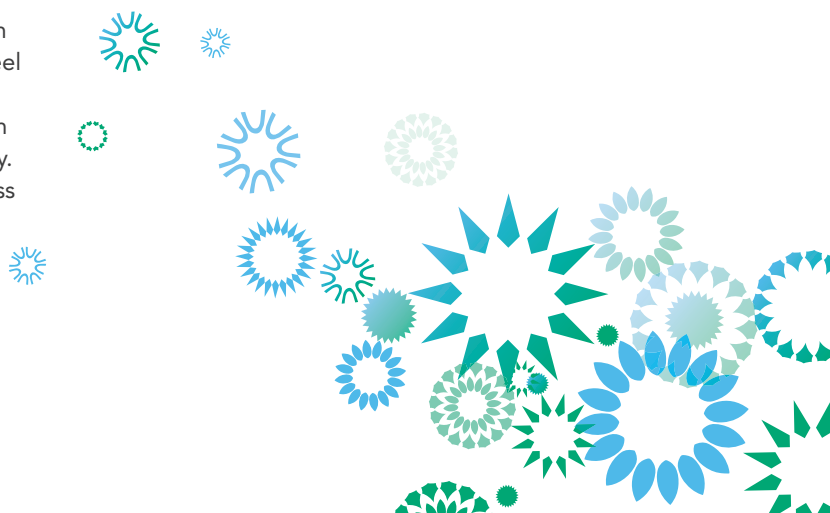
EMPOWERMENT THROUGH CONNECTIVITY: THE ZAIN HUAWEI CONNECTIVITY PROJECT

The Zain-Huawei Connectivity Project, established in 2014, provides connectivity and its associated benefits to South Sudanese students. The project utilizes excess energy from Zain's base stations and diverts it to nearby schools where it is used to power computer stations that serve 3,000 students. Zain's role in the project, which remains ongoing in 2015, is to provide the power, connectivity and dongles, while Huawei provides the equipment and the maintenance of the computer stations, as well as the necessary training for staff to run the station and teach the children.

PROVIDING EDUCATION, RECONCILIATION AND CAPACITY-BUILDING: THE WHITAKER PEACE AND DEVELOPMENT INITIATIVE

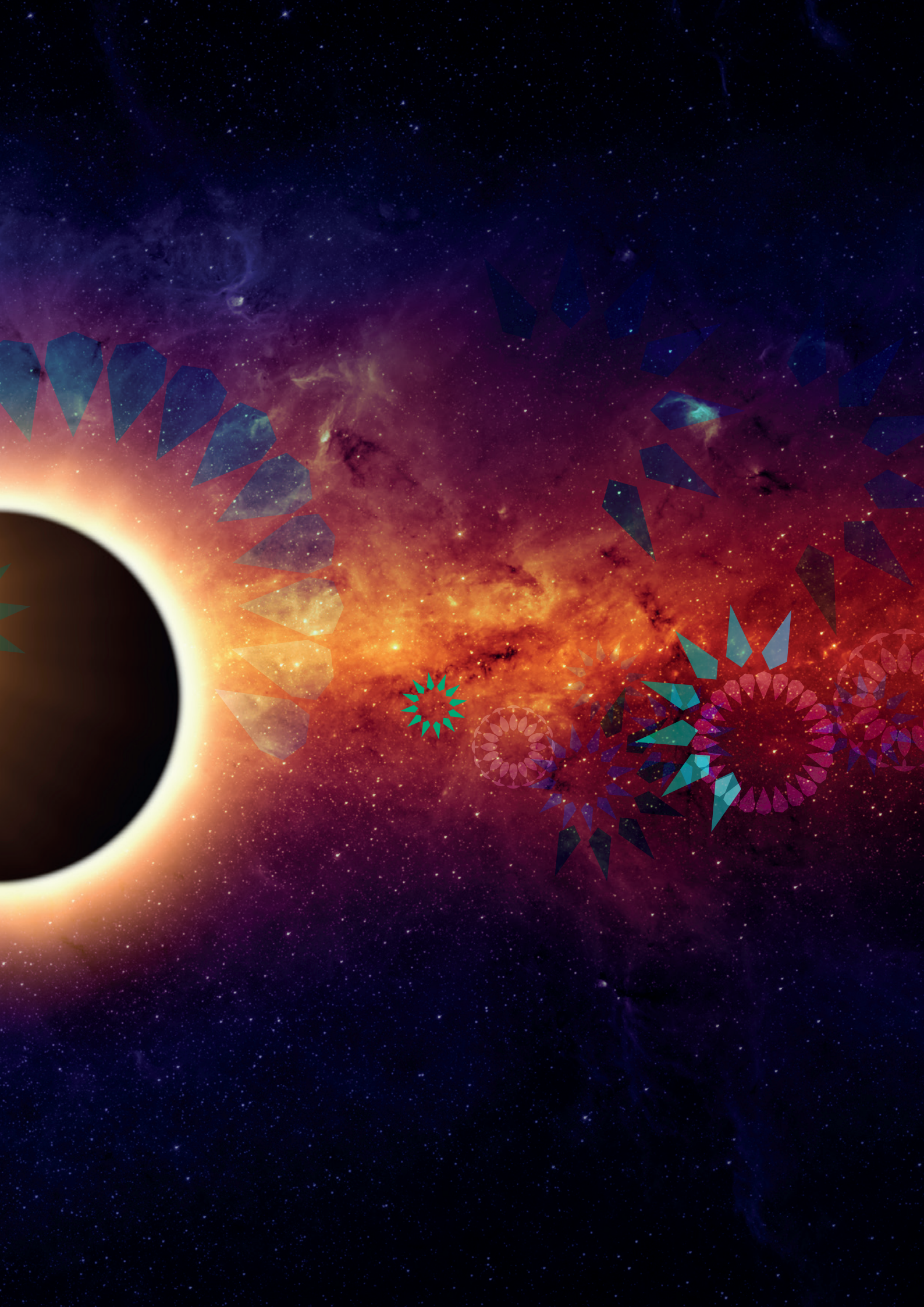


The Whitaker Peace and Development Initiative (WPDI) was established in 2012 as a collaborative effort between Zain South Sudan, Ericsson, UNESCO and renowned actor and UNESCO Goodwill Ambassador Forest Whitaker. The WPDI promotes peacebuilding, reconciliation and capacity-building for youth across South Sudan. This year, with financial support from the MasterCard Foundation, three more learning centers were established. The centers are powered by solar panels that will enable the provision of ICT, educational resources and literacy classes to remote communities.



CORPORATE GOVERNANCE





1. GOVERNANCE AT ZAIN

Zain's success is dependent on its willingness to understand the environment in which it operates while aiming to achieve profitable growth. The company views this economic instability as being challenging, though opportunities still exist. Unflinching governance principles ensure the effectiveness of the Board and are key to maintaining the trust of investors. In 2015, Zain was an early adopter of the new governance regulations issued by the Capital Markets Authority (CMA) in Kuwait, which oversees and defends the interest of all stakeholders. The company has and shall continue to drive the accountable, value-driven management through its transparent system of corporate governance.

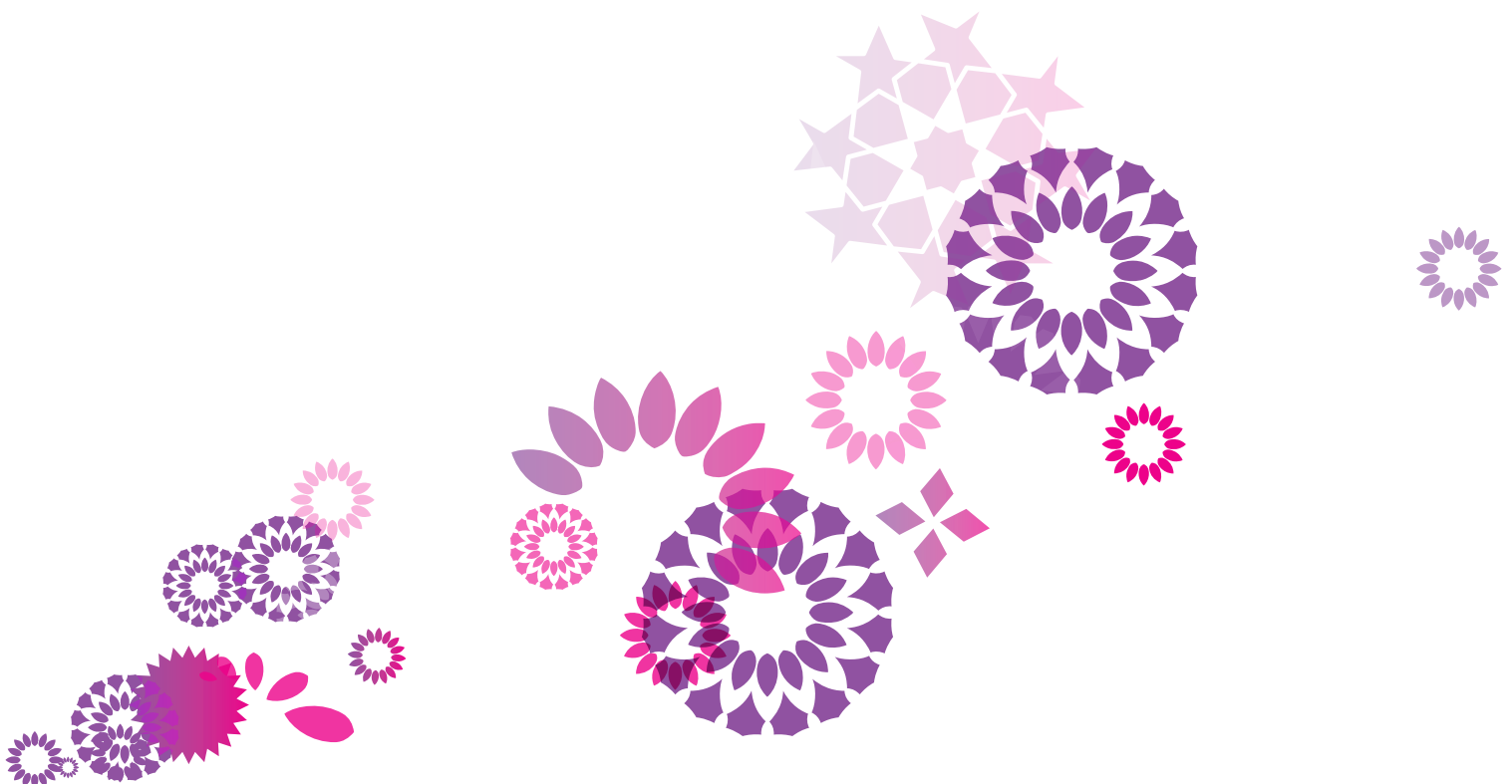
2. REGULATORY ENVIRONMENT IN KUWAIT

In the past few years, the Board has been heavily involved in updating and refining the corporate governance framework in response to changes in legislation in Kuwait. Zain continues to engage in dynamic communications with investors and encourage all shareholders to vote and help preserve the long-term goals as set out in the company's Articles of Association.

In 2015, CMA issued a set of regulations as part of the updated executive bylaw that replaced a number of previous decisions and regulations. Accordingly, the Board adopted the revised regulations and revised internal policies and charters to reflect the legislative changes. These and other documents that define the Corporate Governance framework, such as the Code of Conduct, are available on Zain Group's corporate website under the section entitled "About Zain/Governance".

3. BOARD RESPONSIBILITIES

The Board of Directors provides oversight of the company's affairs and consistently works to improve and build on Zain's strong corporate governance practices. The Board is responsible for ensuring the company is managed in such a way to preserve long-term financial returns and the success of the business overall, which will also assure the company's longevity for its customers, employees and other stakeholders. The Board of Directors at Zain are committed to business success through the maintenance of high standards of governance and ethics.



4. BOARD COMMITTEES

The company has four standing committees. The purpose and responsibilities of each of these committees are outlined in the committee charters adopted by the Board. According to the regulatory requirements of the CMA, Board committees have been revised and reformed to comply with regulatory requirements. The current Board committees at Zain extend to:

A. AUDIT

The Audit Committee is responsible for assisting the Board in fulfilling its responsibilities relating to the oversight of

- (1) the quality and integrity of the accounting, auditing, internal control, and financial reporting practices at Zain Group,
- (2) the performance and qualifications of the independent registered public accounting firm (external auditors),
- (3) the company's relationship with its external auditors,
- (4) performance of the company's Internal Audit Function, and
- (5) the company's compliance with legal and regulatory requirements.

B. CORPORATE GOVERNANCE

Corporate Governance Committee is appointed to assist the Board in

- (1) overseeing the development and the regular assessment of Zain Group's approach to corporate governance issues,
- (2) ensuring that such an approach supports the effective functioning of Zain Group with a view to the best interests of the company's shareholders and effective communication between the Board and Executive Management, and
- (3) overseeing the process, structure and effective system of accountability by management to the Board of Directors and by the Board to the shareholders, in accordance with applicable laws, regulations and industry standards for good governance practices.

C. NOMINATION AND REMUNERATION

The main responsibilities of this committee are as follows:

- a. Identify candidates qualified to serve as members of the Board of Directors and identify candidates to be appointed as members of the Executive Management.
- b. Recommend candidates to be nominated by the Board of Directors for election by shareholders.
- c. Oversee the annual performance evaluation of the Board and Executive Management.
- d. Evaluate the compensation of the members of the Board and Executive Management, which support the long-term objectives of Zain Group.

D. RISK

The Risk Committee aims at promoting effective Board supervision of significant transactions within Zain. The Committee is responsible for all aspects of enterprise risk management including, but not restricted to strategic risk, market risk, compliance risk, the company's risk tolerance, and operational risk. The committee reviews the policies on all risk issues and maintains oversight of all company risks.

5. ROLE OF THE CHAIRMAN

The role of the Chairman of the Board is to lead and manage the business of the Board and to provide direction and focus, while ensuring that there is a clear structure for the effective operation of the Board and its Committees. He sets the agenda for Board discussions to promote effective and constructive debate and to support a sound decision-making process, ensuring that the Board receives accurate, timely and clear information, in particular about the company's performance. The Chairman works closely with the Chief Executive Officer, to ensure that the strategies and actions agreed by the Board are effectively implemented.

6. BOARD MEETINGS

FREQUENCY OF MEETINGS

There are a minimum of six regularly scheduled meetings of the Board each year with at least one meeting held each quarter, as per the CMA regulations.

AGENDA

The Chairman of the Board prepares the agenda of items to be considered by the Board at each of its regular meetings. Board members are invited to suggest inclusion of items on the agenda as required during the course of business.

SUPPORTING DOCUMENTS

Materials and documents related to the topics as per the agenda are distributed in advance of the meeting, providing adequate time for prior review by the directors.

7. STAKEHOLDERS: INTERNAL AND EXTERNAL

Zain's Board and Management decisions can significantly influence actions and expectations made by many stakeholders - including customers, suppliers, dealers, employees, regulatory authorities, investors and others. For this reason, the company has created a variety of channels to communicate with each type of stakeholder. This has promoted a better understanding of stakeholder expectations, helping to address their specific requirements efficiently.

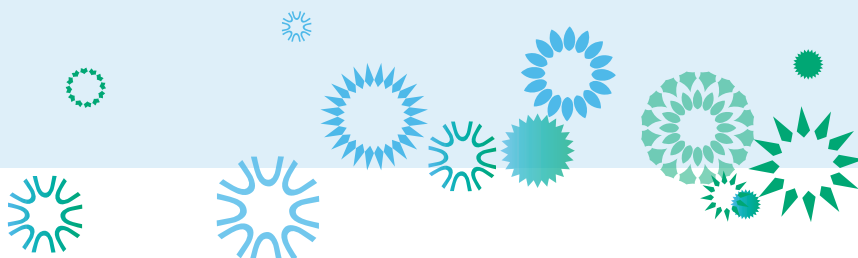
The Board and Management are responsible for the protection of stakeholders' rights and ensure that the changes in the laws, bylaws and instructions issued by regulatory entities have been reflected in the company's internal policies and corporate culture. An effective Board oversight and supervisory role is the backbone of a sound corporate governance framework.

8. TAKING TRANSPARENCY TO THE NEXT LEVEL

The company's goal is to enable more effective communication methods with all stakeholders, and to provide conclusive and informative reports. These objectives are in line with Zain's goal to become more transparent. During 2015 the company updated its governance webpage to include essential information for stakeholders and to guarantee easy access at all times. One of the key aspects of the Corporate Governance section is the disclosures archive, which includes all disclosures to the Kuwait Stock Exchange over the past five years, in compliance with CMA requirements. Zain believes that transparency and disclosure are fundamental to the way it does business striving at all times to ensure that investors, customers, employees, suppliers and all parties with whom it conducts business can rely on the company to operate in a responsible and ethical manner. Please refer to the Corporate Governance page of the Group website www.zain.com for the relevant documents.

9. MAJOR SHAREHOLDERS

NAME	PERCENTAGE %
Kuwait Investment Authority	24.6
Al Khair National for Stocks and Real Estate	15.5
Treasury	9.8



10. ETHICS AND CODE OF BUSINESS

The ethical guidelines of the Code of Conduct exist to guide and to empower the Board and Management to make the right choices — as individuals and as a company. Adhering to the Code of Conduct is the responsibility of each and every employee in Zain Group and across the operating companies. By doing so Zain can have a positive impact in the industry, communities in which it operates, and beyond — and build a company all can be proud of, where corporate responsibility is a key competitive advantage.

There are a number of pillars to the Code of Conduct, and these include:

INTEGRITY

Zain's Code of Conduct requires that any business dealings are to be undertaken with the upmost honesty, integrity and fairness. To uphold this, Zain, its suppliers, business partners, intermediaries and agents are expected to carry on business with the highest levels of integrity, honesty, fairness and responsibility. Zain's Code of Conduct also requires that these stakeholders ensure they have adopted a similar approach to conducting their businesses. Zain recognizes that its Code of Conduct will evolve over time to reflect the changes in the legislative and corporate environment. Accordingly, the company has developed a policy of ongoing review and revision of the document that will allow it to continually improve Zain's ability to conduct business in compliance with the highest standards of honesty, fairness, transparency and integrity.

CONFLICT OF INTEREST

Zain is committed to professionally managing potential conflicts of interest that may arise, and is dedicated to meeting the company's obligations to maintain and operate effective organizational and administrative arrangements. Existing policies ensure that appropriate procedures and measures are in place to identify and effectively manage any relevant or material conflict of interest. These policies also guarantee that the Board appropriately deals with actual, potential and perceived conflict of interest and all decisions are made in the best interests of the company.

CONFIDENTIALITY

Members of the Board and the Executive Management as well as all employees must maintain the confidentiality of information entrusted to them, except when disclosure is authorized by an appropriate legal officer of the company or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors or harmful to the company or its customers if disclosed. It also includes information that suppliers and customers have entrusted to Zain. The obligation to preserve confidential information continues even after employment ends.

COMPLIANCE WITH THE LAW AND REGULATIONS

Directors, management, employees and other parties shall comply with all laws, rules and regulations applicable to their capacity as part of Zain, including, among others, the disclosure and transparency of material information.

WHISTLEBLOWING

A whistleblowing framework is an essential best-practice, operational procedures to build a responsible, ethical organizational culture, requiring solid Board and Management support. Zain is committed to the highest standards of good governance, transparency, honesty, integrity and accountability. The company has developed its Whistleblowing policy, which sets out the guiding principles and procedures for reporting any misconduct to the designated authorities within the company so that appropriate corrective actions will be taken. This policy addresses the commitment of Zain to integrity and ethical behavior by helping to foster and maintain an environment where employees, officers and directors can act appropriately without fear of recrimination. The purpose of this policy is to provide reassurance and support to employees when raising concerns within the company. It caters for an effective and confidential investigation tool, prior to seeking resolution outside the company.



MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P KUWAIT

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

31 DECEMBER 2015

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MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P KUWAIT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company K.S.C.P. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 consolidated 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 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.

BASIS FOR QUALIFIED OPINION

As disclosed in note 2.1 to the consolidated financial statements, the Group has excluded the effects reported therein, of applying International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies, that we believe should have been recorded in these consolidated financial statements with respect to its subsidiaries in Sudan, to conform with that standard.

QUALIFIED OPINION

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 3 to the consolidated financial statements, which describes the effects on the subsidiary in Iraq due to the current security situation in Iraq.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the 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 the information that is required by the Companies Law No. 25 of 2012, as amended, and its Executive Regulations and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business of the Company or on its consolidated financial position.

Kuwait, 10 February 2016

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Member of Baker Tilly International

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		2015	2014
ASSETS	NOTE	KD '000	
Current assets			
Cash and bank balances	4	359,799	343,570
Trade and other receivables	5	406,581	358,377
Inventories	6	27,593	16,836
Investment securities at fair value through profit or loss	7	1,164	1,941
		795,137	720,724
Non-current assets			
Investment securities available for sale	7	26,598	37,717
Investments in associates and joint ventures	8,9	219,902	238,977
Dues from associates	10	350,673	309,298
Other assets	11	15,880	22,772
Property and equipment	12	901,679	852,590
Intangible assets and goodwill	13	1,185,312	1,094,985
		2,700,044	2,556,339
Total Assets		3,495,181	3,277,063
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	761,758	656,064
Due to banks	15	213,310	171,616
		975,068	827,680
Non-current liabilities			
Due to banks	15	751,569	616,645
Other non-current liabilities	16	40,454	38,769
		792,023	655,414
Equity			
Attributable to Company's shareholders			
Share capital	17	432,706	432,706
Share premium		1,707,164	1,707,164
Treasury shares	17	(567,834)	(567,834)
Legal reserve	17	216,353	216,353
Foreign currency translation reserve	17	(756,643)	(677,007)
Treasury shares reserve		1,967	1,967
Investment fair valuation reserve		(1,446)	1,205
Hedge reserve		(216)	(1,931)
Retained earnings		510,641	512,780
		1,542,692	1,625,403
Non-controlling interests		185,398	168,566
Total equity		1,728,090	1,793,969
Total Liabilities and Equity		3,495,181	3,277,063

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



Asaad Ahmed Al Banwan
Chairman



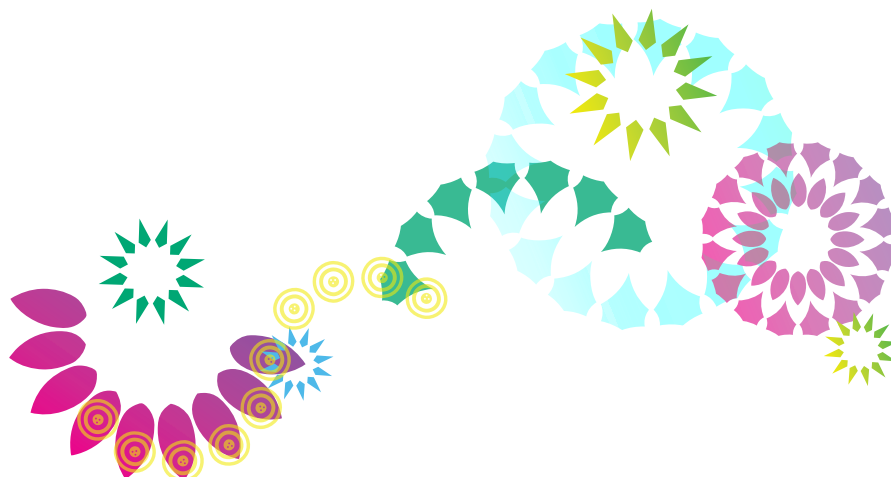
M. Scott Gegenheimer
Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2015

	NOTE	2015 KD '000	2014
Revenue	18	1,137,547	1,213,229
Cost of sales		(288,065)	(336,029)
Gross profit		849,482	877,200
Operating and administrative expenses	19	(345,677)	(359,728)
Depreciation and amortization	12,13	(212,751)	(171,749)
Provision for impairment – trade and other receivables	5	(5,303)	(10,657)
Operating profit		285,751	335,066
Interest income		7,243	18,691
Investment income	20	(5,863)	(1,906)
Share of results of associates and joint ventures	8,9	(29,297)	(34,092)
Other (expense)/income		(4,832)	(3,200)
Finance costs		(29,029)	(26,283)
Loss from currency revaluation		(22,119)	(43,358)
Board of Directors' remuneration		(275)	(344)
Contribution to Kuwait Foundation for Advancement of Sciences		(715)	(1,296)
National Labour Support Tax and Zakat	21	(7,231)	(5,580)
Profit for the year before income tax		193,633	237,698
Income tax expenses	22	(27,515)	(23,543)
Profit for the year		166,118	214,155
Attributable to:			
Shareholders of the Company		154,314	194,301
Non-controlling interests		11,804	19,854
		166,118	214,155
Earnings per share (EPS)	23		
Basic – Fils		40	50
Diluted – Fils		40	50

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



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	2015	2014
	KD '000	
Profit for the year	166,118	214,155
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(73,395)	13,449
Net unrealised loss on available-for-sale investments	(5,269)	(4,605)
Net loss transferred to consolidated statement of profit or loss on sale of available-for-sale investments (net of impairment losses)	2,618	3,365
Cash flow hedges	1,715	(767)
Total comprehensive income for the year	91,787	225,597
Total comprehensive income attributable to:		
Shareholders of the Company	73,742	200,003
Non-controlling interests	18,045	25,594
	91,787	225,597

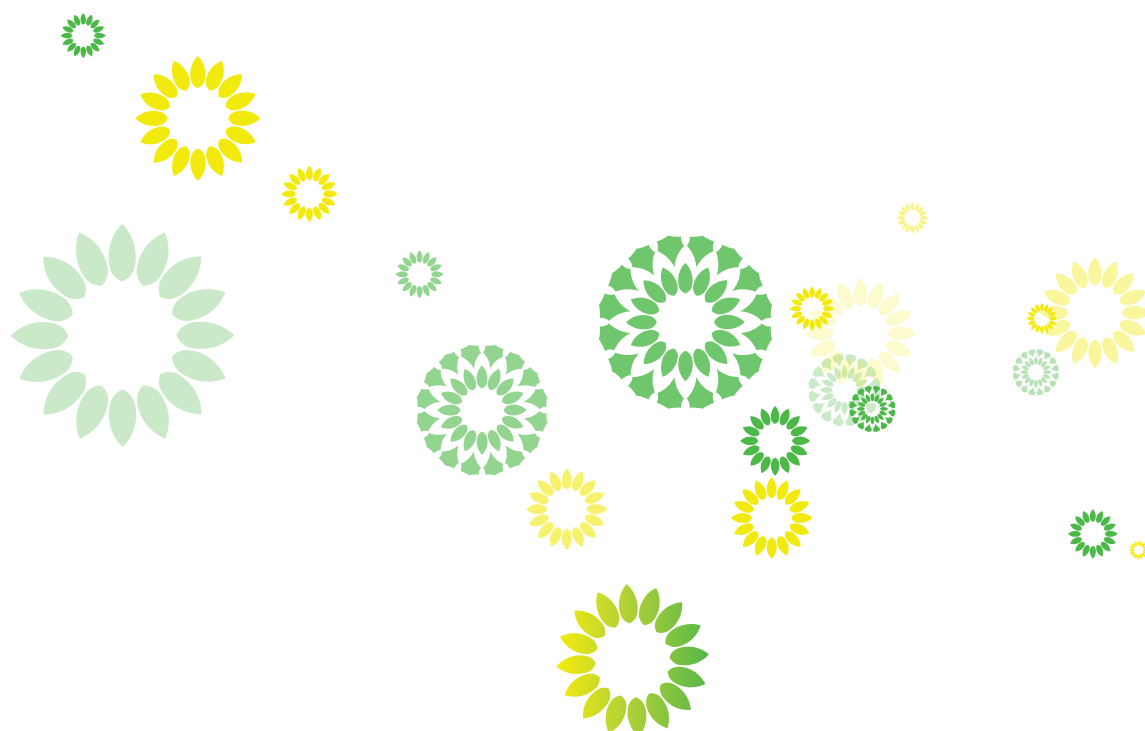
The accompanying notes are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

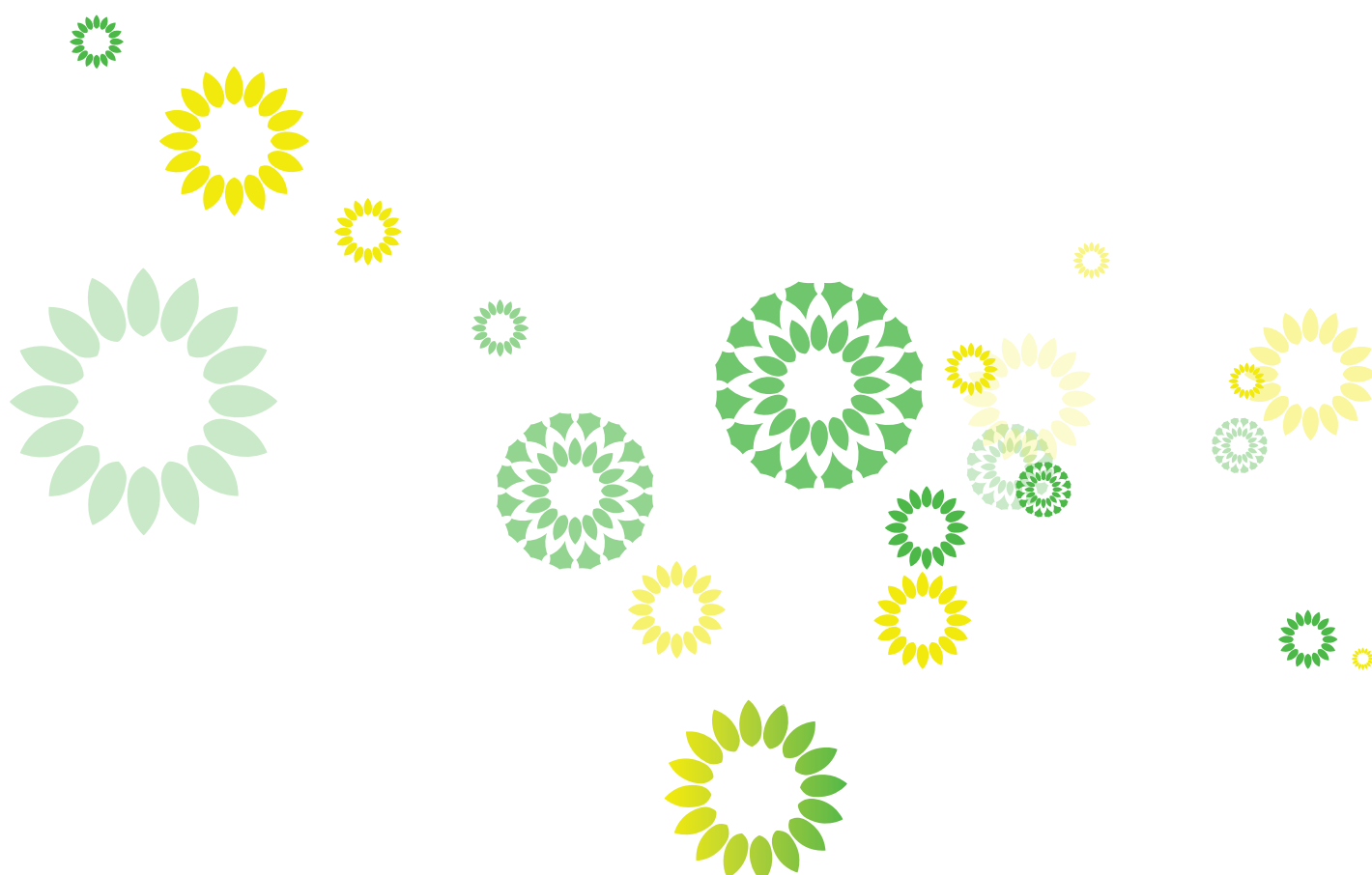
	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	LEGAL RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TREASURY SHARES RESERVE
KD '000						
Balance at 1 January 2015	432,706	1,707,164	(567,834)	216,353	(677,007)	1,967
On acquisition of subsidiaries	-	-	-	-	-	-
Effect of dilution of ownership interest	-	-	-	-	-	-
Cash dividends (2014)	-	-	-	-	-	-
Equity issue transaction costs	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(79,636)	-
Balance at 31 December 2015	432,706	1,707,164	(567,834)	216,353	(756,643)	1,967
Balance at 1 January 2014	432,268	1,706,779	(567,834)	216,134	(684,716)	1,967
Purchase of non-controlling interest (note 3)	-	-	-	-	-	-
Capital contribution	-	-	-	-	-	-
Effect of dilution of ownership interest	-	-	-	-	-	-
Transfer to reserves	-	-	-	219	-	-
Exercise of share options	438	385	-	-	-	-
Cash dividends (2013)	-	-	-	-	-	-
Equity issue transaction costs	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	7,709	-
Balance at 31 December 2014	432,706	1,707,164	(567,834)	216,353	(677,007)	1,967

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



YEAR ENDED 31 DECEMBER 2015

EQUITY ISSUE TRANSACTION COSTS	INVESTMENT FAIR VALUATION RESERVE	SHARE BASED COMPENSATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	TOTAL
KD '000						
-	1,205	-	(1,931)	512,780	168,566	1,793,969
-	-	-	-	-	690	690
-	-	-	-	129	106	235
-	-	-	-	(156,053)	(1,843)	(157,896)
(529)	-	-	-	-	(166)	(695)
529	-	-	-	(529)	-	-
-	(2,651)	-	1,715	154,314	18,045	91,787
-	(1,446)	-	(216)	510,641	185,398	1,728,090
-	2,445	5,482	(1,164)	509,296	142,545	1,763,202
-	-	-	-	(971)	(2,751)	(3,722)
-	-	-	-	-	7,062	7,062
-	-	-	-	514	(751)	(237)
-	-	-	-	(219)	-	-
-	-	-	-	-	-	823
-	-	-	-	(195,033)	(2,646)	(197,679)
(590)	-	-	-	-	(487)	(1,077)
590	-	(5,482)	-	4,892	-	-
-	(1,240)	-	(767)	194,301	25,594	225,597
-	1,205	-	(1,931)	512,780	168,566	1,793,969



CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	2015	2014
	KD '000	
Cash flows from operating activities		
Profit for the year before income tax	193,633	237,698
Adjustments for:		
Depreciation and amortization	212,751	171,749
Interest income	(7,243)	(18,691)
Investment income	5,863	1,906
Share of results of associates and joint ventures	29,297	34,092
Finance costs	29,029	26,283
Loss from currency revaluation	22,119	43,358
Gain on sale of property and equipment	(290)	(2,788)
Operating profit before working capital changes	485,159	493,607
Increase in trade and other receivables	(55,721)	(15,744)
Increase in inventories	(11,844)	(1,549)
Provisions used (net)	(3,734)	(109)
Increase in trade and other payables	44,547	14,828
Cash generated from operations	458,407	491,033
Payments:		
Income tax	(14,874)	(14,532)
Kuwait Foundation for Advancement of Sciences (KFAS)	(700)	(3,949)
National Labour Support Tax and Zakat	(3,403)	(3,807)
Net cash from operating activities	439,430	468,745
Cash flows from investing activities		
Deposits maturing after three months and bank balances blocked (note 4)	(8,984)	(5,994)
Investments in subsidiaries	(4,330)	(3,513)
Proceeds from sale of investment securities	3,302	4,888
Investments in securities	(2,368)	(750)
Acquisition of property and equipment (net)	(217,058)	(172,465)
Acquisition of intangible assets	(148,124)	(140,584)
Interest received	6,817	9,152
Dividends received	1,111	608
Net cash used in investing activities	(369,634)	(308,658)
Cash flows from financing activities		
Proceeds from bank borrowings	606,912	459,107
Repayment of bank borrowings	(462,320)	(455,050)
Loan to associates	(23,300)	(22,876)
Capital contribution including share premium – employees stock option	-	823
Proceeds from share issue of a subsidiary (net) (note 3)	-	5,985
Dividends paid	(155,956)	(195,184)
Dividends paid to non-controlling interests	(1,788)	(3,206)
Finance costs paid	(24,443)	(18,510)
Net cash used in financing activities	(60,895)	(228,911)
Net increase/(decrease) in cash and cash equivalents	8,901	(68,824)
Effects of exchange rate changes on cash and cash equivalents	(1,656)	7,158
Cash and cash equivalents at beginning of year	221,021	282,687
Cash and cash equivalents at end of year (note 4)	228,266	221,021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2014 - Kuwait and 8 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.

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Company on 10 February 2016 and are subject to approval of the shareholders at their forthcoming Annual General Meeting.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "at fair value through profit or loss", "available for sale" and "derivative financial instruments".

These consolidated financial statements have been presented in Kuwaiti Dinars, rounded to the nearest thousand.

The Group notes that the economy of the Republic of Sudan, where the Group has subsidiaries may be hyperinflationary based on the general price index showing the cumulative three-year rate of inflation exceeding 100%. However, the Group did not adopt and apply International Accounting Standard; IAS 29: Financial Reporting in Hyperinflationary Economies, from the beginning of the current year, as it was noted that IAS 29 explicitly states that it does not establish an absolute rate at which hyperinflation is deemed to arise and that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. It also clearly states that:

Hyperinflation is indicated by characteristics of the economic environment of a country, which include, but are not limited to, the following:

- (a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
- (b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- (c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- (d) interest rates, wages and prices are linked to a price index; and
- (e) the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Except for item e) above, none of the other characteristics indicate hyperinflation in Sudan. Furthermore, the Group has obtained information to

show that, earlier this year, a committee representing the Council of Ministers of the Republic of Sudan, also concluded that apart from the three year cumulative rate of inflation, all of the other characteristics mentioned in IAS 29 for a country to be deemed to be hyperinflationary, do not exist and, accordingly, their recommendation is to not apply IAS 29.

The Group also took account of the financial performance of its subsidiary in Sudan, Zain Sudan during the last three financial years, which shows that the three year cumulative cost growth rate of 60% and revenue growth rate of 39% were both significantly below 100%. In addition, the Group noted that in the International Monetary Fund Sudan country report of December 2014 the cumulative three year inflation rate outlook for Sudan in 2016 is around 57% and thus applying IAS 29 now may entail going in and out of hyperinflation within a short period of time. Based on the above matters, the Group is of the opinion that there is no definitive basis to apply IAS 29 at this time and will review it on an ongoing basis.

Had IAS 29 been applied, and the opening retained earnings as at 1 January 2015 been restated, it would have been higher by approximately KD 324 million; the net profit for the period lower by KD 37 million (mainly due to higher depreciation and amortisation); and non-monetary assets comprising of Group's Property and Equipment, Intangible assets and Capital WIP higher by KD 287 million as at 31 December 2015. This would then require the Group to test the restated carrying value of its investment in Zain Sudan as at 31 December 2015 and the related goodwill of KD 179 million for impairment losses, if any, to be recognized in the consolidated statement of profit or loss for the year ended 31 December 2015. The Group notes that, even if this results in goodwill being determined as fully impaired, the net overall impact on the

Group's consolidated statement of financial position is that the Group's net equity and the above non-monetary assets related to Zain Sudan as of 31 December 2015, would both be higher by KD 108 million. There is no material effect on the Group's EBITDA for the year ended 31 December 2015.

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 these consolidated financial statements are disclosed in note 32.

2.2 NEW AND REVISED ACCOUNTING STANDARDS

EFFECTIVE FOR THE CURRENT YEAR

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the following new and amended IASB Standards during the year:

IFRS 3 Business Combinations (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value at each reporting date whether or not they fall within the scope of IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognized in the statement of income. The adoption of these amendments has had no impact on the financial position or performance of the Group.

IFRS 8 Operating Segments (Effective for annual periods beginning on or after 1 July 2014)

The amendments are applied retrospectively and clarify that:

- ✦ An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- ✦ The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The adoption of these amendments has had no impact on the financial position or performance of the Group.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The adoption of these amendments has had no impact on the financial position or performance of the Group.

IAS 24 Related Party Disclosures (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a

management entity is required to disclose the expenses incurred for management services. The adoption of these amendments has had no impact on the financial position or performance of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9: Financial Instruments

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this Standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The impact of this Standard on the initial application in 2018 is not reasonably estimable at the present time.

IFRS 15 – Revenue from Contracts with customers

IFRS 15 was issued by IASB in May 2014 is effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The

Group is currently assessing the impact of this Standard.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The Standard is not expected to have any impact on the financial position or performance of the Group.

IFRS 16 Leases

The Standard is effective for annual periods beginning on or after 1 January 2019 and specifies how an IFRS reporter will recognise, measure, present and disclose leases. The Standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Group is currently evaluating its effect and does not expect that its adoption will have a significant impact.

Adoption of other new or amended Standards are not expected to have material effect on the consolidated financial position or financial performance of the Group. Additional disclosures will be made in the consolidated financial statements when these Standards become effective.

2.3 BUSINESS COMBINATIONS

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the

exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

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

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

2.4 CONSOLIDATION

The Group consolidates the financial statements of the Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

- ✦ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- ✦ Exposure, or rights, to variable returns from its involvement with the investee, and
- ✦ The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ✦ The contractual arrangement with the other vote holders of the investee;
- ✦ Rights arising from other contractual arrangements;
- ✦ Voting rights and potential voting rights;

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 in the recognized amounts 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. Total comprehensive income is 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 Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and profit or loss. The non-controlling interests are 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 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. Intragroup losses that indicate an impairment is recognized in the consolidated financial statements.

When the Company 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 equity is transferred to the consolidated statement of profit or loss.

2.5 FINANCIAL INSTRUMENTS

CLASSIFICATION

In the normal course of business the Group uses financial instruments, principally cash, deposits, receivables, investments, payables, due to banks and derivatives. In accordance with International Accounting Standard (IAS) 39, the Group classifies financial assets as "at fair value through profit or loss", "loans and receivables" or

"available for sale". All financial liabilities are classified as "other than at fair value through profit or loss".

RECOGNITION/DERECOGNITION

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

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

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

MEASUREMENT

Financial instruments

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

Financial assets at fair value through profit or loss

Financial assets classified as "at fair value through profit or loss" are divided into two sub categories: financial assets held for trading, and those designated at fair value through statement of profit or loss 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 risk management or 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.

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 the consolidated statement of comprehensive income. When the "available for sale" asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of profit or loss 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 present value of the amount required to settle any financial obligation arising as a result of the guarantee.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives with positive fair values (unrealised gains) are included in other receivables and derivatives with negative fair values (unrealised losses) are included in other payables in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for "held for trading" derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of profit or loss. For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

Fair value hedge

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

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 derecognized, the unamortised fair value adjustment is recognized immediately in the consolidated statement of profit or loss.

Cash flow hedge

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

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

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

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

IMPAIRMENT

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the consolidated statement of profit or loss. 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.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying consolidated statement of financial position when a legally enforceable right to set off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.6 CASH AND CASH EQUIVALENTS

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

2.7 INVENTORIES

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

2.8 INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Group has significant influence but not control, generally accompanying a direct or indirect shareholding of more than 20% 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 consolidated statement of profit or loss, 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.

2.9 INTERESTS IN JOINT VENTURES

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interests in joint ventures as an investment and accounts for it using the equity method.

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 and leasehold improvements	8 - 50
Cellular and other equipment	3 - 20
Aircraft	8 - 10
Furniture and fixtures	5

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

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, Indefeasible Rights of Use (IRU), key money and software rights.

INTANGIBLE ASSETS

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. To the extent handsets are provided below cost as part of the telecom service connection, it is treated as a subscriber acquisition cost and recognized as an intangible asset and amortised over the period of the contract.

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

GOODWILL

Goodwill arising in a business combination is computed as the excess of the aggregate of: the consideration transferred; the non-controlling interests proportionate share in the recognized amounts of the acquiree's net identifiable assets at the acquisition date, if any; and in a business combination achieved in stages the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Any deficit is a gain

from a bargain purchase and is recognized directly in the consolidated statement of profit or loss.

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 an entity include the carrying amount of goodwill relating to the entity or the portion sold.

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

If there is an indication that the carrying value of non-financial assets such as property, plant and equipment or intangible assets with a definite useful life is greater than its recoverable amount, it is tested for impairment and the asset is written down to its recoverable amount. Goodwill and intangible assets with indefinite useful lives are tested, at least annually, for impairment.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In that case, they 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 property, plant and equipment and intangible assets as well as goodwill.

The 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 four to 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 four to 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.

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. An impairment loss is recognized immediately in the consolidated profit or loss unless the relevant assets are carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previously recognized revaluation gain.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss. That relating to goodwill cannot be reversed in a subsequent period.

2.13 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 and tax rates in each jurisdiction that have been enacted or substantively enacted by the end of statement of financial position date.

Deferred income tax is provided using the liability method on all temporary differences, at the statement of financial position date, between the tax

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

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

Deferred tax assets are recognized for all deductible 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 deductible temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

2.14 PROVISIONS FOR LIABILITIES

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

2.15 SHARE-BASED PAYMENT TRANSACTIONS

The Group operates an equity 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 of these options excludes non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest. The fair value is expensed over the vesting period with recognition of a corresponding adjustment in the consolidated statement of equity.

It recognizes the impact of the revision to the original estimates, if any in the consolidated statement of profit or loss, with a corresponding increase or decrease in the consolidated statement of equity.

2.16 POST EMPLOYMENT BENEFITS

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

2.17 TREASURY SHARES

The cost of the 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.

2.18 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 consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Finance leases

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

2.19 REVENUE

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

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 recognized as and when the revenue is being recognised. Prepaid income collected in advance is deferred and recognized based on actual usage or upon expiration of the usage period, whichever comes first.

Specific customer acquisition costs other than those recognised as intangible assets are charged to the consolidated statement of profit or loss 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.

2.20 GOVERNMENT GRANTS

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to operating activities of the entity.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long term assets. Other conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held. Government grants relating to assets are deducted against the carrying amount of the assets.

2.21 BORROWING COSTS

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. Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalised.

2.22 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 Company it is the Kuwaiti Dinar and in the case of subsidiaries it is their respective national currencies or the applicable foreign currency. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of profit or loss.

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 Company's reporting currency at average exchange rates for the year and their statement of financial position are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill, long term receivables or loans and fair value adjustments arising on business combinations) are taken to the consolidated statement of

comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of profit or loss as part of the gain or loss on sale.

2.23 CONTINGENCIES

Contingent assets are not recognized 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.

3. SUBSIDIARIES AND ASSOCIATES

The principal subsidiaries and associates are:

SUBSIDIARY	COUNTRY OF INCORPORATION	2015	2014
		PERCENTAGE OF OWNERSHIP	
Zain International B.V. – "ZIBV"	The Netherlands	100%	100%
Pella Investment Company – "Pella"	Jordan	96.516%	96.516%
Zain Bahrain B.S.C - "MTCB"	Bahrain	54.78%	54.78%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. -"MTCL"	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited "Zain Sudan"	Sudan	100%	100%
Kuwaiti Sudanese Holding Company	Sudan	100%	100%
South Sudanese Mobile Telephone (Zain) Company Limited -"Zain South Sudan"	South Sudan	100%	100%
Al Khatem Telecoms Company –"Al Khatem"	Iraq	76%	76%
Atheer Telecom Iraq Limited – "Atheer"	Cayman Islands	76%	76%
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat	Jordan	99.1%	99.1%
Nexgen Advisory Group FZ LLC- "Nexgen"	UAE	60%	-
ASSOCIATE			
Mobile Telecommunications Company ("SMTC")	Saudi Arabia	37.045%	37.045%
Wana Corporate S.A (associate of a joint venture, Zain Al Ajial S.A)	Morocco	15.5%	15.5%

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

JMTC, MTCB, Zain Sudan, Zain South Sudan and Atheer operate the cellular mobile telecommunications network in Jordan, Bahrain, Sudan, South Sudan and Iraq respectively. MTCL manages the state owned cellular mobile telecommunications network in Lebanon. Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat provides WiMAX services in Jordan.

AL KHATEM/ATHEER

Al Khatem Telecom Company, the direct parent company of Atheer was listed on the Iraqi Stock Exchange on 23 June 2015. Atheer has thus, complied with the terms of the telecom license agreement with the Iraqi telecom regulator CMC to make an initial public offer (IPO) of at least 25% of the aggregate number of its qualifying shares in their Iraqi operations and list on the Iraqi Stock Exchange.

The unrest in Iraq since June 2014 has

had an impact on the Group's operations and has resulted in forced shut down of or restricted access to some sites with the result that Atheer may be unable to exercise effective control over assets with a net book value of approximately KD 8.279 million. While noting the general uncertainty on this matter, the Group currently, does not expect that it could materially affect the Group's operations or effective control over its property and equipment in the foreseeable future.

ZAIN SOUTH SUDAN

The Group provides telecom services in South Sudan through Zain South Sudan and is awaiting the issue of a formal telecom license. Zain South Sudan is consolidated based on management accounts for the year.

ZAIN BAHRAIN

Zain Bahrain made an initial public offering (IPO) of its shares in Bahrain

during September 2014 to fulfil the terms of its telecom license agreement. The IPO was for 48 million new ordinary shares of par value of BD 0.100 per share at an offer price of BHD 0.190 per share and was fully subscribed to by 30 September 2014. The allotment was completed during first week of October 2014 and its shares were

listed on the Bahrain Stock Exchange in December 2014.

FINANCIAL SUPPORT TO GROUP COMPANIES

The Group has committed to provide working capital and other financial support to certain subsidiaries including SMTC and Zain South Sudan whose

working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

4. CASH AND BANK BALANCES

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

	2015	2014
	KD '000	
Cash on hand and at banks	264,651	225,175
Short-term deposits with banks	94,519	117,899
Government certificates of deposits held by subsidiaries	629	496
	359,799	343,570
Less:		
Bank balances blocked (refer note 27)	(128,818)	(121,583)
Cash at bank under lien	(2,086)	(470)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(629)	(496)
	228,266	221,021

5. TRADE AND OTHER RECEIVABLES

	2015	2014
	KD '000	
Trade receivables:		
Customers	93,694	89,335
Distributors	9,982	7,809
Other operators (interconnect)	35,857	39,420
Roaming partners	17,887	10,737
Provision for impairment	(53,740)	(49,581)
	103,680	97,720
Other receivables:		
Accrued income	3,640	3,965
Staff	1,718	2,610
Prepayments, advances and other deposits	154,990	116,119
Others (refer note below)	143,572	138,554
Provision for impairment	(1,019)	(591)
	302,901	260,657
	406,581	358,377

In 2011, the Group paid US\$ 473 million to settle the guarantees provided by the Company to lending banks for loans to a founding shareholder of SMTC. The Group is pursuing legal action for its recovery. This amount is secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC, which is currently pledged to the murabaha lenders of SMTC, and the shareholder loan in SMTC owed to the founding shareholder.

As of 31 December 2015, trade receivables of KD 37,098,000 (2014 - KD 44,223,000) were neither past due nor impaired. Trade receivables of KD 66,582,000 (2014 - KD 53,497,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. These trade receivables are uncollateralized and are due as follows:

	2015	2014
	KD '000	
Up to 3 months	24,236	17,272
3 - 6 months	12,841	14,492
6 - 12 months	13,155	3,661
More than 12 months	16,350	18,072
	66,582	53,497

As of 31 December 2015, trade receivables of KD 53,740,000 (2014 - KD 49,581,000) were impaired against which the Group carries a provision of KD 53,740,000 (2014 - KD 49,581,000). The individually impaired receivables mainly relate to post paid customers. It has been 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:

	2015	2014
	KD '000	
Kuwaiti dinar	51,346	50,581
US dollar	215,960	200,322
Bahraini dinar	14,297	12,901
Sudanese pound	17,759	12,123
Jordanian dinar	17,989	18,026
Iraqi Dinars	86,070	57,270
Others	3,160	7,154
	406,581	358,377

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

	2015	2014
	KD '000	
Opening balance - 1 January	50,172	41,436
On acquisition of a subsidiary	31	-
Write off (net)	(747)	(1,921)
Charge for the year	5,303	10,657
Closing balance - 31 December	54,759	50,172

6. INVENTORIES

	2015	2014
	KD '000	
Handsets and accessories	30,744	18,729
Provision for obsolescence	(3,151)	(1,893)
	27,593	16,836

7. INVESTMENT SECURITIES

	2015	2014
	KD '000	
Current investments at Fair Value through profit or loss		
Quoted equities	1,164	1,941
Non-current investments available for sale		
Quoted equities	17,250	27,018
Funds	7,138	6,635
Unquoted equities	2,210	4,064
	26,598	37,717

Investment securities are denominated in the following currencies:

	2015	2014
	KD '000	
Kuwaiti dinar	20,032	27,547
US dollar	3,631	3,697
Other currencies	4,099	8,414
	27,762	39,658

Available for sale investments include unlisted securities amounting to KD 2.210 million (2014 - KD 4.064 million) carried at cost less impairment since it is not possible to reliably measure their fair value.

8. INVESTMENTS IN ASSOCIATES

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

SUMMARIZED FINANCIAL INFORMATION OF SMTC:	2015	2014
	KD '000	
Current assets	331,111	303,289
Non-current assets	1,774,626	1,714,217
Current liabilities	525,339	304,008
Non-current liabilities	1,212,441	1,287,304
Net asset of SMTC	367,957	426,194
Revenue	544,973	485,778
Loss	(77,868)	(96,206)
Total comprehensive income	4,630	(2,071)
Proportion Group's ownership interest in SMTC	37.045%	37.045%
Group's share of SMTC's net assets	136,310	157,884
Goodwill	12,429	11,994
Carrying amount of Group' interest in SMTC	148,739	169,878

As at 31 December 2015 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 146.317 million (2014 - KD 201.303 million).

Goodwill arises from the acquisition in 2012 of additional 12.045% equity shares during the rights issue and capital restructuring.

The Company's shareholding and that of the other founding shareholders, in SMTC are pledged to the associate's murabaha lenders as continuing security for the payment and discharge in full by SMTC of the US\$ 2.3 billion syndicated murabaha debt that fully matures in 2018. Under the murabaha financing agreement, SMTC must also obtain prior written consent of the lenders to declare any dividend or other distribution in cash or in kind to shareholders, modify any shareholder loan agreement or to make any payment under a shareholder loan agreement.

SMTC's independent auditor's review report dated 20 January 2016, has, without qualifying their conclusion, drawn attention to:

- ✦ its loss for the period, accumulated losses and to management's negotiation with the financing banks to reset the covenants based on the new business plan approved by its Board of Directors in January 2015;
- ✦ a claim of SAR 2.2 billion (KD 177.848 million) plus penalties raised by Etihad Etisalat Company (Mobily) against it, arising on the service agreement entered into by the parties in May 2008 and that this is under arbitration since 20 December 2014; and whose ultimate outcome and the resultant effect, if any, on its accounts cannot be reliably determined at this stage;
- ✦ appeal filed against a claim received from Department of Zakat and Income Tax (DZIT) demanding additional payments amounting to SAR 620 million (KD 50.121 million) for Zakat, withholding tax and delay penalties for the years 2009 to 2011 and whose ultimate outcome and the resultant effect, if any, on its accounts cannot be reliably determined at this stage.

9. INTEREST IN A JOINT VENTURE

This represents the Group's KD 71.163 million (31 December 2014 - KD 69.099 million) interest in the joint venture, Zain Al Ajial S.A. which owns 31% of the equity shares and voting rights of Wana Corporate, (a Moroccan joint stock company which is specialized in the telecom sector in that country). The Group's share of loss for the year in the joint venture amounting to KD 451,000 (2014 – share of profit of KD 1,548,000) has been recognized in the consolidated statement of profit or loss. The carrying value of this joint venture and its results for the year are determined by Group management using the equity method based on management information provided by Wana Corporate.

10. DUES FROM ASSOCIATES

	2015	2014
	KD '000	
Loans	228,625	199,079
Others	122,048	110,219
	350,673	309,298

These amounts are due from SMTC and are subordinate to its borrowings from banks (refer note 8). The loans comprise a US\$ loan of US\$ 632.327 million (KD 191.785 million) (2014: US \$ 554.284 million - KD 162.239 million) and KD 36.839 million (2014 – KD 36.839 million) with an effective interest rate of 6.75% and 4.25% per annum over six and three months Saudi Inter-Bank Offered Rate (SIBOR) respectively. Others include management fees and the present value of the interest due on the loans.

11. OTHER ASSETS

This includes US\$ 40 million; equivalent to KD 12.132 million (2014: US\$ 40 million, equivalent to KD 11.708 million) receivable from a founding shareholder in SMTC secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC. In 2013, the Group won a legal action for its recovery and is pursuing further legal action for its implementation.

12. PROPERTY AND EQUIPMENT

	LAND AND BUILDINGS AND LEASEHOLD IMPROVEMENTS	CELLULAR AND OTHER EQUIPMENT	PROJECTS IN PROGRESS	TOTAL
	KD '000			
Cost				
As at 31 December 2013	59,271	1,383,661	96,388	1,539,320
Additions	12,732	56,928	140,667	210,327
Transfers	2,062	91,209	(93,271)	-
Adjustments	-	(3,311)	-	(3,311)
Disposals	(6)	(94,146)	(899)	(95,051)
Write off	-	-	(195)	(195)
Exchange adjustment	1,573	37,576	14,328	53,477
As at 31 December 2014	75,632	1,471,917	157,018	1,704,567
On acquisition of subsidiaries	-	13,309	-	13,309
Additions	11,955	101,926	124,109	237,990
Transfers	819	129,125	(129,944)	-
Disposals	(421)	(63,104)	(2,181)	(65,706)
Exchange adjustment	(4,544)	(58,654)	(8,758)	(71,956)
As at 31 December 2015	83,441	1,594,519	140,244	1,818,204
Accumulated depreciation				
As at 31 December 2013	20,096	784,583	-	804,679
Charge for the year	1,236	102,284	-	103,520
On disposals	(6)	(73,088)	-	(73,094)
Write off	-	-	-	-
Adjustments	(110)	-	-	(110)
Exchange adjustment	302	16,680	-	16,982
As at 31 December 2014	21,518	830,459	-	851,977
On acquisition of subsidiaries	-	8,740	-	8,740
Charge for the year	1,384	115,607	-	116,991
On disposals	(52)	(43,397)	-	(43,449)
Exchange adjustment	(19)	(17,715)	-	(17,734)
As at 31 December 2015	22,831	893,694	-	916,525
Net Book Value				
As at 31 December 2015	60,610	700,825	140,244	901,679
As at 31 December 2014	54,114	641,458	157,018	852,590

13. INTANGIBLE ASSETS AND GOODWILL

	GOODWILL	LICENCE FEES	OTHERS	TOTAL
	KD '000			
Cost				
As at 31 December 2013	703,681	450,645	160,954	1,315,280
Additions	-	100,548	40,787	141,335
Adjustments	-	-	5,025	5,025
On disposals/write off	-	-	(9)	(9)
Exchange adjustments	12,397	17,911	3,977	34,285
As at 31 December 2014	716,078	569,104	210,734	1,495,916
Additions	2,183	69,395	82,507	154,085
Adjustments	-	-	-	-
Additions as a result of business combination	-	-	89	89
On disposals/write off	-	-	(70,107)	(70,107)
Exchange adjustments	18,987	20,322	4,670	43,979
As at 31 December 2015	737,248	658,821	227,893	1,623,962
Accumulated amortization and impairment losses				
As at 31 December 2013	11,942	187,499	122,172	321,613
Charge for the year	-	29,963	38,266	68,229
Adjustments	-	-	670	670
On disposals/write off	-	-	(6)	(6)
Exchange adjustments	-	7,310	3,115	10,425
As at 31 December 2014	11,942	224,772	164,217	400,931
Charge for the year	-	46,406	49,354	95,760
Adjustments	-	-	-	-
Additions as a result of business combination	-	-	74	74
On disposals/write off	-	-	(70,091)	(70,091)
Exchange adjustments	-	8,295	3,681	11,976
As at 31 December 2015	11,942	279,473	147,235	438,650
Net Book Value				
As at 31 December 2015	725,306	379,348	80,658	1,185,312
As at 31 December 2014	704,136	344,332	46,517	1,094,985

During the year 2014, Pella was awarded telecom licenses for an additional 3G spectrum and 4G (LTE) services by the Telecommunication Regulatory Commission of the Kingdom of Jordan for a total consideration amounting to JD 195.504 million (KD 78.716 million). LTE license is in two bands for a period of 15 years from January 2015 and January 2016 respectively.

In December 2014, Atheer was awarded a 3G telecom license by CMC for a fee of US\$ 307 million (KD 89.859 million) for a period up to August 2022. The license is effective from 1 January 2015. License fee was payable in four equal half yearly installments amounting to US\$ 76.750 million each from December 2014 with last installment due in May 2016.

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

		2015	2014
	LICENSE EXPIRY DATE	KD '000	
Pella Investment Company, Jordan	January 2031	79,516	79,516
Sudanese Mobile Telephone Company Limited (Zain, Sudan)	February 2029	178,958	176,168
Atheer Telecom Iraq Limited, Cayman Islands	August 2022	457,881	441,877
Al Mouakhah Lil Khadamat Al-Logistya Wal Itisalat	December 2021	6,768	6,575
Nexgen Advisory Group Fz LLC		2,183	-
		725,306	704,136

During the year, the Group acquired 60% of the equity share capital of Nexgen for a purchase consideration of US\$ 7.512 million (KD 2.265 milion).

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.

Group 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	<p>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 from technology and license upgrades but excluding that from improving or enhancing the asset's performance.</p> <p>Compounded annual growth in revenue of upto 10% (2014 – 9.2%) during the projected four or five year period. Value assigned reflects past experience and changes in economic environment.</p> <p>Cash flows beyond the four to five year period have been extrapolated using a growth rate of upto 2.5% (2014 – 3%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.</p>
Exchange rate	Average market forward rate over the budget period. Value assigned is consistent with external sources of information.
Discount rate	Discount rates ranges from 15.40% to 20.90% (2014 - 11.72% to 15.50%). 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 results 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 four to five year period. The recoverable amounts so obtained were higher than the carrying amount of the CGUs.

14. TRADE AND OTHER PAYABLES

	2015	2014
	KD '000	
Trade payables & accruals	439,056	362,409
Deferred revenue	57,599	69,773
Due to roaming partners	32,410	20,801
Due to other operators (interconnect)	26,992	20,871
Dues to a regulatory authority (see note below)	4,695	17,275
Taxes – foreign subsidiaries	80,833	56,337
Kuwait Foundation for the Advancement of Sciences	4,402	4,388
License fee payable	23,278	-
National Labour Support Tax and Zakat	5,281	5,700
Dividend payable	14,085	13,957
Provisions	58,942	62,676
Directors' remuneration	275	344
Other payables	13,910	21,533
	761,758	656,064

License fee represents the last installment payable to CMC by Atheer for the 3G telecom license.

15. DUE TO BANKS

	2015	2014
	KD '000	
Company		
Short term loans	171,894	142,587
Long term loans	623,722	477,004
	795,616	619,591
Zain Sudan		
Short term Murabaha financing	2,079	457
Zain-Bahrain		
Long term loans	14,078	17,028
Atheer – Iraq		
Long term loans	153,106	151,185
	964,879	788,261

The current and non-current amounts are as follows:

	2015	2014
	KD '000	
Current liabilities	213,310	171,616
Non-current liabilities	751,569	616,645
	964,879	788,261

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

	2015	2014
	KD '000	
US dollar	837,884	731,226
Kuwaiti dinar	110,838	39,550
Others	16,157	17,485
	964,879	788,261

The effective interest rate as at 31 December 2015 was 1.18% to 12.00% (2014 – 1.18% to 12.00%) per annum.

The Group is compliant with the principal covenant ratios, which include:

- ✦ consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- ✦ adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- ✦ equity to total assets.

COMPANY

During the year, the Company drew down:

- ✦ two new long term facilities of US\$ 100 million each, maturing in June 2022 and August 2020. Balance outstanding on these facilities as of 31 December 2015 was US\$ 52.982 million (KD – 16.070 million) and US\$ 100 million (KD – 30.330 million) respectively.
- ✦ a new loan facility of US\$ 200 million, maturing in October 2023. Balance outstanding on this facility as of 31 December 2015 was US\$ 94.118 million (KD – 28.546 million).
- ✦ a new short term loan amounting to KD 75 million from a local commercial bank.
- ✦ US\$ 860 million (KD 255.742 million) from the US\$ 800 million revolving credit facility that was availed in February 2014 and maturing in February 2019. As of 31 December 2015, US\$ 420 million (KD 127.386 million) (31 December 2014 - KD 105.372 million) was outstanding on this facility.
- ✦ US\$ 176.960 million (KD 53.625 million) from the US\$ 400 million long term loan that was availed in December 2013 and maturing in May 2023. As of 31 December 2015, US\$ 400 million (KD 121.320 million) (31 December 2014 - KD 65.284 million) was outstanding on this facility.
- ✦ US\$ 322.146 million (KD 95.928 million) from other existing long term facilities.

Company also repaid loans amounting to KD 405.655 million during the period. This includes:

- ✦ US\$ 390 million (KD 117.819 million) paid to fully settle the US\$ 800 million revolving credit facility that was availed in April 2013;

- ✦ US\$ 800 million (KD 241.337 million) from the US\$ 800 million revolving credit facility availed in February 2014;
- ✦ US\$ 120 million (KD 35.496 million) paid to settle the long term loan that was availed in August 2012;

The above facilities carry a floating interest rate of a fixed margin over one or six month London Inter-Bank Offer Rate (LIBOR) or over Central Bank Discount rate.

ZAIN – BAHRAIN

This represents balance outstanding on the long term Bahraini Dinar denominated facilities, availed in 2013, at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR). These are amortising facilities with maturities over four years.

ATHEER

Long term loans include:

- ✦ US\$ 400 million loan availed in 2011 from a syndicate of international development finance institutions and foreign banks. This is repayable in twenty four equal installments by January 2018. As of 31 December 2015, US\$ 149.800 million (KD 45.434 million) (31 December 2014 - KD 63.375 million) was outstanding from this facility;
- ✦ US\$ 300 million (KD 90.990 million) loan from a commercial bank that was rolled over as a long term loan maturing in December 2019.
- ✦ US\$ 55 million (KD 16.682 million) long-term loan repayable in March 2020 availed from a commercial bank during the year.

During the year, Atheer also availed an over-draft facility of US\$ 50 million (KD 14.883 million) which was fully repaid

These facilities are guaranteed by the Company and carry a floating interest rate of a fixed margin over three month LIBOR.

ZAIN SUDAN

This represents Sudanese Pounds short term financing availed from a local Islamic bank carrying an effective interest rate of 12% per annum. This facility is secured by cash at bank of an equivalent amount (note 4).

16. OTHER NON-CURRENT LIABILITIES

	2015	2014
	KD '000	
Customer deposits	5,020	5,382
Post employment benefits	32,554	32,962
Refundable deposits and others	2,880	425
	40,454	38,769

17. SHARE CAPITAL AND RESERVES

	2015	2014
SHARE CAPITAL (PAR VALUE OF KD 0.100 PER SHARE)	NO. OF SHARES	NO. OF SHARES
Authorized		
Opening balance	4,327,058,909	4,327,058,909
Issued and fully paid up		
Opening balance	4,327,058,909	4,322,684,279
Shares issued for 2011 ESOP	-	1,233,629
Shares issued for 2012 ESOP	-	3,141,001
	4,327,058,909	4,327,058,909

	2015	2014
TREASURY SHARES		
Number of shares	425,711,648	425,711,648
Percentage of issued shares	9.84%	9.84%
Market value (KD '000)	148,999	225,627
Cost (KD '000)	567,834	567,834

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

LEGAL RESERVE

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit for the year, subject to a maximum of 50% of the share capital, has to be appropriated towards legal reserve. The Companies Law and the Company's Articles of Association permits discontinuance of appropriations to legal reserve when it reaches 50% of the capital. As the legal reserve exceeded this threshold, the Company discontinued appropriations to statutory reserve. This reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

VOLUNTARY RESERVE

The 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 transfer (2014 - Nil).

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve increased during the year due to a significant decline in the exchange rate of the South Sudanese Pound.

DIVIDEND – 2014

The annual general meeting of shareholders for the year ended 31 December 2014 held on 24 February 2015 approved distribution of cash dividends of 40 fils per share for the year 2014.

PROPOSED DIVIDEND

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 30 fils per share (2014 - 40 fils per share) to the registered shareholders as of the date of the Annual General Meeting.

18. REVENUE

	2015	2014
	KD '000	
Airtime, data and subscription	1,110,314	1,182,409
Trading income	27,233	30,820
	1,137,547	1,213,229

19. OPERATING AND ADMINISTRATIVE EXPENSES

This includes staff costs of KD 96.002 million (2014 – KD 93.863 million).

20. INVESTMENT INCOME

	2015	2014
	KD '000	
Loss on investments at fair value through profit or loss	(778)	(10)
Realized (loss)/gains from available for sale investments	(3,433)	3,109
Impairment loss on available for sale investments	(2,763)	(5,921)
Dividend income	1,111	916
	(5,863)	(1,906)

21. NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT

	2015	2014
	KD '000	
NLST- Kuwait	2,151	2,307
Zakat- Kuwait	859	916
Zakat- Sudan	4,221	2,357
	7,231	5,580

NLST and Zakat in Kuwait represents taxes payable to Kuwait's Ministry of Finance under National Labour Support Law No. 19 of 2000 and Zakat Law No.46 of 2006 respectively.

22. INCOME TAX EXPENSES

This represents the income tax expenses of subsidiaries and withholding taxes (refer note 24).

23. EARNINGS PER SHARE

Basic and diluted earnings per share based on weighted average number of shares outstanding during the year are as follows:

	2015	2014
	KD '000	
Profit for the year	154,314	194,301
	SHARES	SHARES
Weighted average number of shares in issue	3,901,347,261	3,901,347,261
Effect of dilution	-	-
Weighted average number of shares in issue outstanding during the year adjusted for the effect of dilution	3,901,347,261	3,901,347,261
	FILS	FILS
Basic earnings per share	40	50
Diluted earnings per share	40	50

25. SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

The summarized financial information for the Group's subsidiaries that have significant non-controlling interests is set out below.

	KD '000			
	AL KHATEM, IRAQ		ZAIN BAHRAIN	
	2015	2014	2015	2014
Current assets	251,043	224,902	25,734	20,214
Non-current assets	805,374	719,668	69,034	66,573
Current liabilities	(241,286)	(189,212)	(35,956)	(28,850)
Non-current liabilities	(156,380)	(154,496)	(8,026)	(11,875)
Equity attributable to:				
Owners of the Company	500,618	456,625	27,821	25,233
Non-controlling interests	158,133	144,237	22,965	20,829
Revenue	366,470	455,015	57,475	55,237
Profit for the year	36,544	72,554	4,112	3,129
Other comprehensive income	-	-	-	-
Total comprehensive income	36,544	72,554	4,112	3,129
Total comprehensive income attributable to:				
Company's shareholders	27,772	55,137	2,253	1,818
Non-controlling interests	8,772	17,417	1,859	1,311
	36,544	72,554	4,112	3,129
Cash dividend paid to Non-controlling Interests	-	-	(631)	(1,474)
Net (decrease)/increase in cash flows	(8,157)	(20,354)	3,899	(54)

26. RELATED PARTY TRANSACTIONS

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

	2015	2014
	KD '000	
Key management compensation		
Salaries and other short term employee benefits	8,705	7,931
Post-employment benefits	1,760	1,666

27. Commitments and contingencies

	2015	2014
	KD '000	
Capital commitments	77,999	209,723
Capital commitments – share of associates	80,771	83,909
Uncalled share capital of investee companies	11,815	162
Letters of credit	-	1,459
Letters of guarantee	470,905	470,381

The above includes guarantees amounting to KD 419.851 million (2014 - KD 420.853 million) relating to loans availed by SMTC.

The Company is a guarantor for credit facilities amounting to KD 10.604 million (2014 – KD 10.223 million) granted to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

In 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 79.465 million) from Atheer, citing non-compliance with certain license terms. These claims were finally resolved in favor of Atheer during the second quarter of 2015. According to legal advice received by the Group there are no further avenues for appeal.

In 2009, the CMC levied a penalty of US\$ 18 Million (KD 5.459 million) citing breach of network quality covenants. The full Court of Cassation finally decided this matter in favor of Atheer on 23 February 2015. According to legal advice received by the Group, this decision is final and there are no further avenues for appeal.

In August 2013, a telecom operator in Iraq filed a claim against CMC as the first defendant and Atheer as the second defendant in the Court of First Instance, alleging that certain actions by the CMC and Atheer in 2007 deprived the telecom operator from acquiring the business of Iraqna, which ended up being acquired by Atheer. The telecom operator claimed US\$ 4.5 billion (KD 1.365 billion) from Atheer and made a combined claim of US\$ 1 billion from CMC and Atheer. In March 2015, the Iraqi Court of Cassation issued its final decision in favor of Atheer. According to legal advice received by the Group, this decision is final and there are no further avenues for appeal by the plaintiff.

The Iraq income tax authority, the General Commission for Taxes (the "Tax Authority"), has raised claims for additional income taxes of US\$ 107 million (KD 32.453 million) for Atheer's operations up to fiscal year 2008. In December 2014, the Tax Authority has raised additional claim for income tax for the fiscal years 2009 and 2010, aggregating US\$ 68 million (KD 20.624 million). The Group has challenged

these demands in accordance with the procedures of Income tax law by, among other things, depositing 25% of the amount of tax claimed. On the basis of the report of its attorneys, the Group believes that the prospects of resolving these claims to be in its favor.

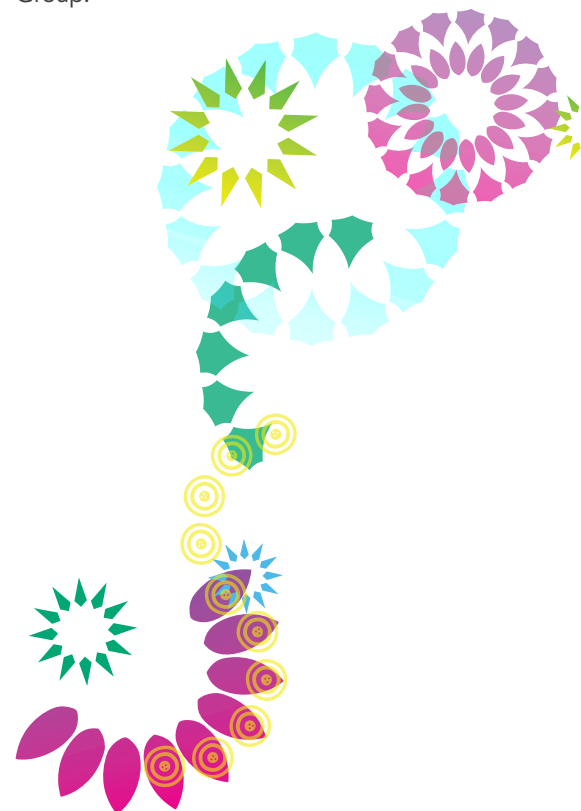
In 2007, Atheer acquired Iraqna Company for Mobile Phone Services Limited (Iraqna) from Orascom Telecom Iraq Corp. Limited (the Seller). Under the terms of the Share Purchase Agreement (SPA), the Seller is responsible for all income tax payable by Iraqna up to the Closing Date of the SPA. In May 2012, the Tax Authority has raised claims for additional corporate income taxes of US\$ 88 million (KD 26.690 million) for Iraqna up to 2007. Based on the appeal filed by Atheer, the Ministry of Finance has instructed the Tax Authority to re-open the assessment of the aforementioned tax years. Atheer also has a contingent asset in the form of a right, under the SPA to make claims against the Seller for such tax claims up to US\$ 60 million (KD 18.198 million). On the basis of the report of its attorneys, the Group believes that the prospects of resolving these outstanding claims to be in its favor.

In December 2011, the Tax Authority has claimed from Iraqna the capital gains taxes payable by the Seller amounting to US\$ 185 million (KD 56.111 million) arising from the sale of Iraqna to Atheer and instructed the various banks in Iraq to freeze Atheer's bank balances with them to the extent of an equivalent amount (see note 4). In August 2015 the court of appeal ruled that Atheer is liable, against which Atheer filed an appeal with the Court of Cassation. In November 2015, the Court of Cassation confirmed the decision of the Court of Appeals, against which Atheer filed a grievance request with the Court of Cassation, relying on the fact that the substance of the case has not been adjudicated. Atheer has also filed another case in the Iraqi Court of First Instance disputing the capital gains tax claim. The Iraqi Court of First Instance rejected Atheer's claim in November 2015, against which Atheer has filed an appeal. Furthermore, an independent legal opinion has confirmed that the

Company should, as a Kuwaiti investor in Iraq, have a reasonable chance to pursue a successful claim through international arbitration against the Republic of Iraq based on mutually agreed investment protection convention signed between Kuwait and Iraq. Atheer has also filed a claim against the Seller of Iraqna in an English court in accordance with the terms of the tax indemnity deed of the related share purchase agreement. Accordingly, Group management is of the opinion that this matter is unlikely to have a material adverse effect on the consolidated financial position or the consolidated performance of the Group.

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

In addition, legal proceedings have been initiated by and against the Group in a number of jurisdictions. On the basis of information currently available and the advice of the legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position or the consolidated performance of the Group.



OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

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

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

	2015	2014
	KD '000	
Not later than 1 year	14,588	13,363
Later than 1 year and no later than 5 years	43,181	34,971
Later than 5 years	49,746	39,810
	107,515	88,144

28. FINANCIAL RISK MANAGEMENT

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

	LOANS AND RECEIVABLES	ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE FOR SALE
	KD '000		
31 December 2015			
Cash and bank balances	359,799	-	-
Trade and other receivables	406,278	-	-
Investment securities	-	1,164	26,598
Dues from associates	350,673	-	-
Other assets	12,132	-	-
	1,128,882	1,164	26,598
31 December 2014			
Cash and bank balances	343,570	-	-
Trade and other receivables	358,377	-	-
Investment securities	-	1,941	37,717
Dues from associates	309,298	-	-
Other assets	11,732	-	-
	1,022,977	1,941	37,717

All financial liabilities as of 31 December 2015 and 31 December 2014 are categorized as 'other than at fair value through profit or loss'.

FINANCIAL RISK FACTORS

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies in close co-operation with the Group's operating units. The

Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group through its training and management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and

obligations. The Group's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The Board Committee is assisted in its oversight role by the Internal audit and the Group risk management department. The significant risks that the Group is exposed to are discussed below:

(a) MARKET RISK**(i) Foreign exchange risk**

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

Group management has set up a policy that requires 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 consolidated profit arising from a 10% weakening/ strengthening of the functional currency against the major currencies to which the Group is exposed is given below:

CURRENCY	2015	2014
	KD '000	
US Dollar	14,756	13,823
Euro	65	601
SAR	192	200

(ii) Equity price risk

This is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position either as 'available for sale' or 'at fair value through profit or loss'. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments are primarily quoted on the Kuwait Stock Exchange. The effect on the consolidated 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:

	2015		2014	
	KD '000			
	IMPACT ON NET PROFIT	EFFECT ON EQUITY	IMPACT ON NET PROFIT	EFFECT ON EQUITY
Market indices				
Kuwait Stock Exchange	±58	±1,106	±97	±1,631

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

(iii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from short-term bank deposits and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings at variable rates are denominated mainly in US Dollars.

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 consolidated statement of profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing

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

At 31 December 2015, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been lower/higher by KD 4,909,000 (2014 - KD 4,009,000).

(b) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, bonds, trade and other receivables and loans to associates. The Group manages this risk by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to trade receivables is limited due to dispersion across large number of customers and by using experienced collection agencies. The Group considers the credit quality of amounts that are neither past due nor impaired to be high.

For more information refer to Notes 4, 5, 10 and 11.

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by maintaining sufficient cash and marketable securities, availability of funding from committed credit facilities and its ability to close out market positions on short notice. The Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements.

The Group has committed to provide working capital and other financial support to some of its affiliates (refer note 3). Other than cash and bank balance of KD 77.277 million (2014 - KD 88.326 million) equivalent held in Sudanese pounds and KD 2.050 million (2014 - KD 12.959 million) held in South Sudanese pounds, all other cash and bank balance are maintained in freely convertible currencies.

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

	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
KD '000				
At 31 December 2015				
Bank borrowings	232,493	362,697	306,762	123,030
Trade and other payables	704,159	203	507	482
Customer deposits	-	1,124	3,896	-
Refundable deposits and others	-	84	-	-
At 31 December 2014				
Bank borrowings	186,658	156,415	433,447	63,929
Trade and other payables	586,291	-	-	-
Customer deposits	444	601	-	4,337
Refundable deposits and others	-	425	-	-

29. 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. All derivative contracts are fair valued based on observable market data.

NOTIONAL AMOUNTS BY TERM TO MATURITY						
	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT	WITHIN 3 MONTHS	3-12 MONTHS	OVER 1 YEAR
KD '000						
At 31 December 2015						
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>						
Profit rate swaps - share of an associate	-	216	129,234	-	-	129,234
<i>Derivatives held for trading:</i>						
Fx forwards	-	-	-	-	-	-

NOTIONAL AMOUNTS BY TERM TO MATURITY						
	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT	WITHIN 3 MONTHS	3-12 MONTHS	OVER 1 YEAR
KD '000						
At 31 December 2014:						
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>						
Profit rate swaps - share of an associate	-	(1,931)	124,694	-	-	124,694
<i>Derivatives held for trading:</i>						
Fx forwards	-	(1,752)	73,175	73,175	-	-

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.

30. CAPITAL RISK MANAGEMENT

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

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

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

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

	2015	2014
	KD '000	
Total borrowings	964,879	788,261
Less: Cash and bank balances (refer note 4)	(359,799)	(343,570)
Net debt	605,080	444,691
Total equity	1,728,090	1,793,969
Total capital	2,333,170	2,238,660
Gearing ratio	26%	20%

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Determination of fair value and fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: Quoted (unadjusted) prices in active market for the same instrument;
- Level 2: Quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

Fair values of the financial instruments carried at amortized cost approximate their carrying value. This is based on Level 3 inputs, with the discount rate that reflects the credit risk of counterparties, being the most significant input.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

	KD '000			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2015				
Financial assets at fair value:				
Investments at fair value through profit or loss	1,164	-	-	1,164
Available for sale investments	17,250	7,138	-	24,388
Total assets	18,414	7,138	-	25,552
31 December 2014				
Financial assets at fair value:				
Investments at fair value through profit or loss	1,941	-	-	1,941
Available for sale investments	27,018	6,635	-	33,653
Total assets	28,959	6,635	-	35,594

Available for sale investments include unlisted securities amounting to KD 2.210 million (31 December 2014 – KD 4.064 million) carried at cost less impairment since it is not possible to reliably measure their fair value.

32. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In accordance with the accounting policies contained in IFRS and adopted by the Group, management makes the following judgments and estimations that may significantly affect amounts reported in these consolidated financial statements.

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 and final values 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 profit or loss or directly in equity.

Impairment

When there is a significant or prolonged decline in the value of an "available for sale" quoted investment security management uses objective evidence to judge if it may be impaired. At each statement of financial position date, management assesses, whether there is any

indication that non-financial assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

Contingent liabilities/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 or litigation 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. Changes in technology or

intended period of use of these assets as well as changes in business prospects or economic industry factors may cause the estimate useful of life of these assets to change.

Taxes

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

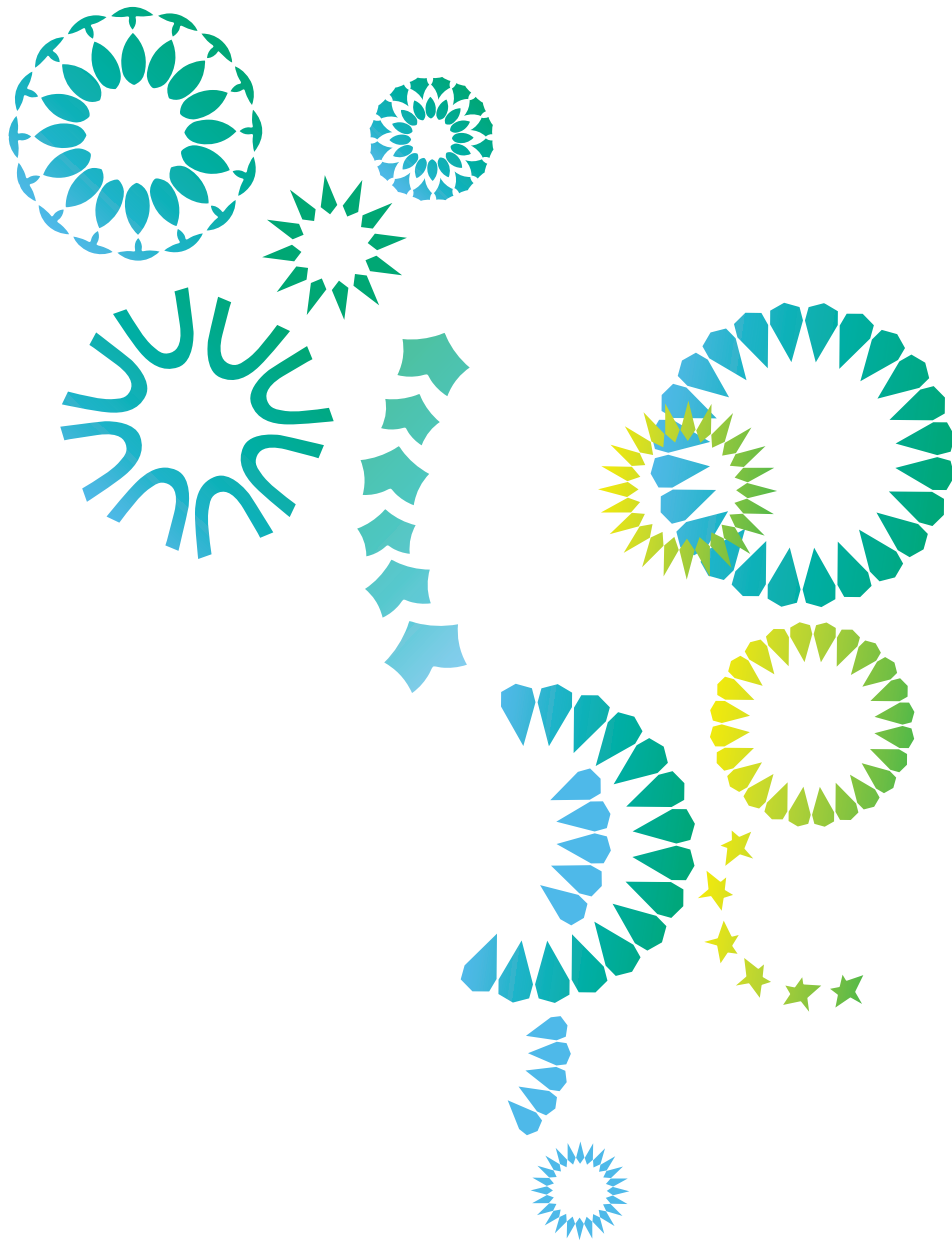
Any changes in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of the deferred tax assets.

Impairment of non-financial assets

The Group annually tests non-financial assets for impairment to determine their recoverable amounts based on value-in-use calculations or at fair value less costs to sell. The value in use includes estimates on growth rates of future cash flows, number of years used in the cash flow model and the discount rates. The fair value less cost to sell estimate is based on recent/intended market transactions and the related EBITDA multiples used in such transactions.

33. COMPARATIVE FIGURES

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



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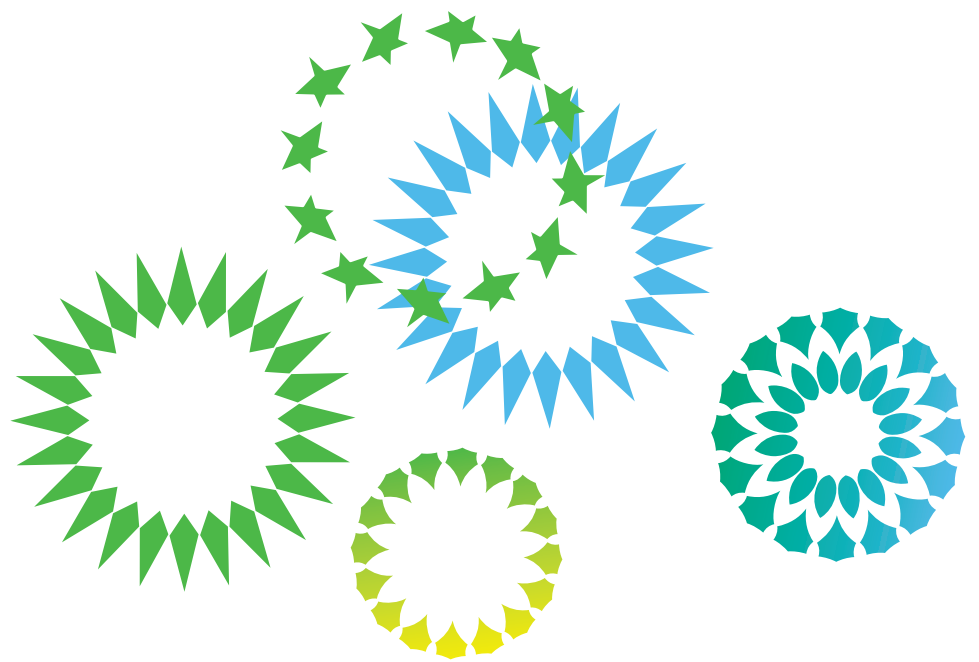
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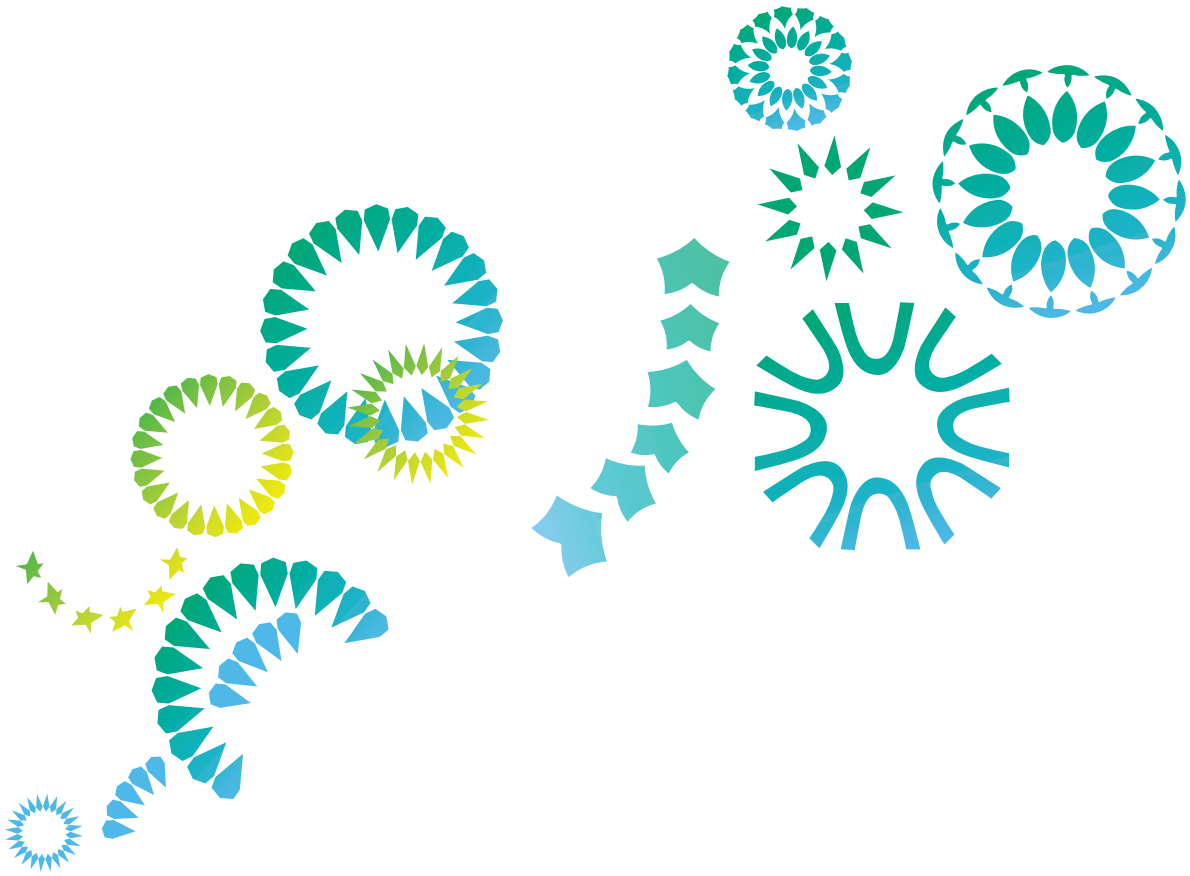
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