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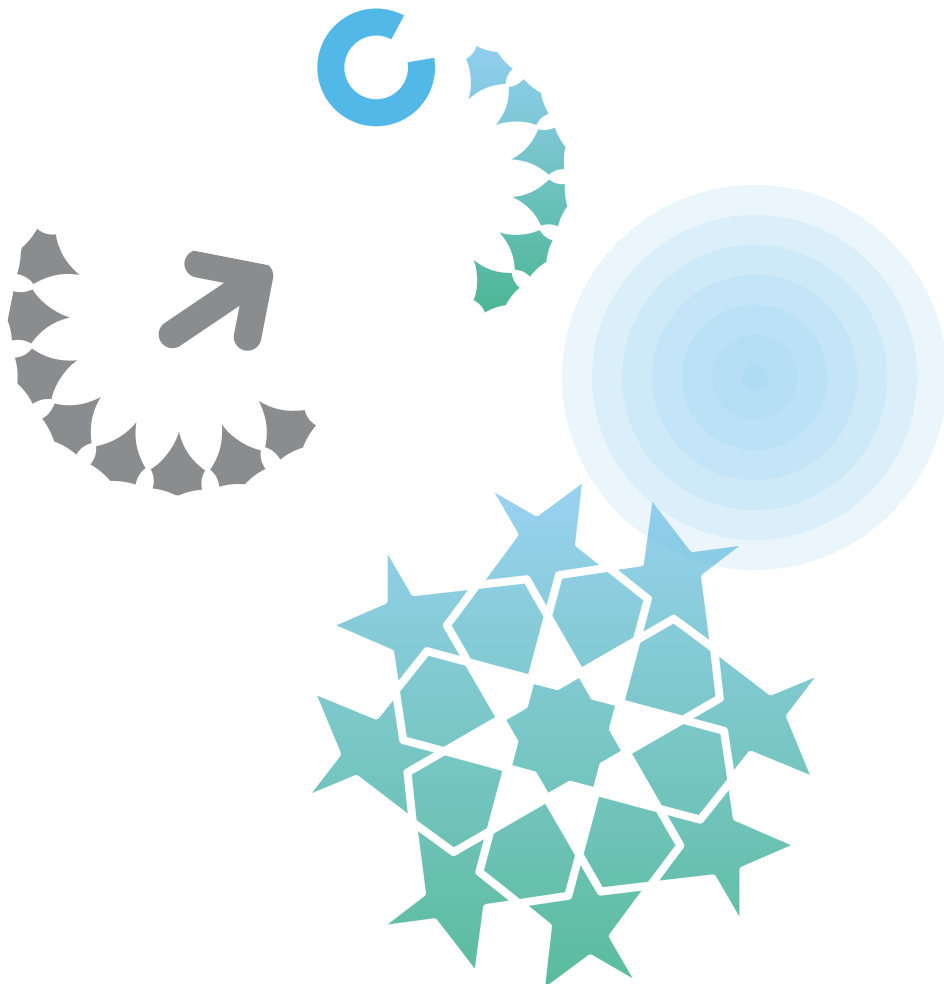


ANNUAL REPORT 2017





ANNUAL REPORT 2017





**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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BOARD OF DIRECTORS



**MR. MOHANNAD MOHAMMAD
AL KHARAFI**
CHAIRMAN



**MR. BADER NASSER
AL KHARAFI**
VICE CHAIRMAN
AND GROUP CEO



**MR. AHMED TAHOUS
AL TAHOUS**
BOARD MEMBER



**MR. TALAL SAID
AL MAMARI**
BOARD MEMBER



**MR. MEHDI MOHAMED
JAWAD ABDULLAH
ABDUWANI**
BOARD MEMBER



**MR. SAUD AHMED
ABDULKARIM
AL NAHARI**
BOARD MEMBER



**MR. NIGEL KEVIN
GOVETT**
BOARD MEMBER



**MR. MARTIAL ANTOINE
MARCEL CARATTI**
BOARD MEMBER



BOARD OF DIRECTORS MESSAGE

The Board of Directors would like to welcome you to the annual meeting of the esteemed General Assembly, in which we review the results and operations of the Group and its subsidiaries for the financial year ended 31 December 2017.

Zain has continued to grow its operations in the Middle East and Africa by implementing a series of expansion projects, and establishing alliances and partnerships at regional and international levels, resulting in the operator becoming a leading provider of digital communications across the markets in which it operates. In so doing, Zain has also been able to maximize shareholder equity.

In a bid to achieve its goals, the Group has adopted a series of innovative initiatives and services to improve the efficiency of its operations to meet developments in the telecom sector, and has made significant progress in this regard by renewing its commitment to providing cutting-edge services. The Board has been keen to deal with the transformations within the telecommunications sector in a proactive and flexible manner, having modified the company's operational model to keep pace with market dynamics. The Board also recognizes that there is an urgent need for regulatory reforms to support the further development of the sector and its adoption of new technologies.

Despite the challenges faced by certain operations in the Group, which varied from political, economic and security factors, Zain continued to invest heavily in its network infrastructure, with the view to acquiring new growth areas to ensure greater cash flow generation and diversification of financial returns.

TRANSFORMATION IN ACTION

The telecommunications industry is undergoing radical transformation and is moving towards digital and cloud services. The Group has embarked on a series of development projects to adapt its networks to reduce the shortfall between voice services and data transmission services. Revenues from data services now account for 25% of Zain Group's total revenue.

It is clear that the profitability levels of telecommunications companies are under increasing pressure in this challenging operating environment given the growth of OTT services and increasing capital expenditure requirements and rising operating costs. Therefore, Zain has continued its policy of transforming itself and focusing on cost optimization programs.

The definite agreement reached in October 2017 to sell and leaseback the passive physical infrastructure of Zain's mobile tower portfolio in Kuwait for USD 165 million to IHS Holding Limited is in line with this strategy. The transaction will not only reduce future expenditures but will also allow the company to increase investment in modern technologies and focus on enhancing the mobile experience for customers.

The sale of 9.8% worth of treasury shares to Omantel at a total valuation of KD 255.426 million (USD 846.1 million) was also a highlight of the year. The liquidity from this transaction brought many immediate and significant benefits to Zain as the deal allowed us to reduce our debt levels as well as increasing our shareholders' equity. The enhanced financial flexibility will allow us to seek opportunities in the digital space and invest in upgrading our modern networks to enhance the mobile experience for our customers. In addition, the investment by Omantel demonstrates their confidence in the strength of our business and in Zain's strategic direction of becoming a premier integrated digital lifestyle operator.

FINANCIAL INDICATORS

The consolidated financial results for the last fiscal year revealed continued operational and social stability challenges, as well as those related to currency exchange volatility which impacted the Group's major financial indicators significantly.

For the full-year 2017, Zain Group recorded consolidated net income of KD 160 million (USD 527 million), up 2% and reflecting Earnings Per Share of 39 Fils (USD 0.13). The Group generated consolidated revenues of KD 1.03 billion (USD 3.4 billion), down 5% Y-o-Y, while consolidated EBITDA for the period decreased by 19% Y-o-Y to reach KD 414 million (USD 1.37 billion), reflecting an EBITDA margin of 40%.

For 2017, foreign currency translation impact, predominantly due to the currency devaluation in Sudan, cost the company USD 494 million in revenue, USD 213 million in EBITDA and USD 82 million in net income.

In the midst of these circumstances, the consolidated financial results for 2017 highlight the positive developments achieved by several of the Group's key markets in terms of operational performance. Zain Saudi Arabia reported a SAR 1 billion net profit turnaround, that saw for the first time in its history recording an annual net profit. Zain Sudan also recorded an exceptional performance in local currency terms, with all its financial indicators jumping to record highs. Zain Iraq also became profitable again after previously reporting losses, a combined result of restoring the network in key regions, the impressive addition of two million customers and significant growth of data revenues.

The overall customer base remained stable during 2017, despite new regulations in Saudi Arabia that saw a large 23% reduction of customers due to the application of a new biometric identification requirement and capping the number of prepaid SIMs to two as well as many of the expat community leaving the Kingdom. This resulted in Zain Group counting 46.6 million customers at the end 2017 from 47 million at the end of 2016.

The Board of Directors, at a meeting held on February 7, 2018, recommended a cash dividend of 35 fils per share for the financial year ended 31 December 2017. The Board of Directors also recommended the distribution of director's remuneration for the financial year ended 31 December of 2017 for a total of KD 275.2 thousand (note that these recommendations are subject to the approval of the General Assembly and the official authorities).

FOCUS ON GROWTH

Markets across the Middle East are characterized by the highest growth levels in data services consumption, driven by the high penetration of smart devices, the growing number of 4G subscribers, and the increasing demand for data services.

As a telecom operator that seeks to become a digital lifestyle provider, Zain has focused its efforts on meeting the expectations of its customer base and is keen to provide fast and reliable services to ensure this goal. During 2017 the company continued to invest in infrastructure to provide the best mobile experience. Zain's position is that its customers are its most valuable asset, and that providing them with an innovative experience is vital to its future success.

The Group implemented a series of innovative initiatives in its commercial and marketing operations in 2017 to diversify its product portfolio and services and develop its value-added services.

The Group is also constantly developing its customer base and contributing to the development of solutions for government and mobile services entities, cloud services, Internet of Things, and smart city solutions. Thus, one of the core focus of the Group now revolves around enabling enterprise growth.

The Zain brand is one of the most important assets the company possesses and accordingly we continue to invest in it to the benefit of all stakeholders. Brand Finance, the leading valuation and strategic consulting firm, valued Zain as the second most powerful brand in the Middle East in 2017, amounting to USD 2.34 billion, up 9% from its evaluation in 2016.

CORPORATE GOVERNANCE

Zain Group implemented many actions in line with its corporate governance obligations, which take into account the regulations issued by Kuwait's Capital Markets Authority. We are committed to the rules of transparency and the foundations of responsible management, improving the supervisory role of the Board of Directors on executive management, and on important transactions to ensure the protection of shareholders' rights.

The commitment to the company's Code of Conduct is the responsibility of every employee across all Zain entities, 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. Zain will continue to operate in a transparent manner and champion the principles of good corporate governance.

CORPORATE SUSTAINABILITY

The telecommunications sector is one of the important axes in accelerating economic growth. It is also vital for enhancing trade and as such the Group's corporate sustainability projects remain key.

In 2017, Zain renewed its commitment to its sustainability initiatives, seeking true partnerships with all segments of the society in alignment with the United Nation's 17 Sustainable Development Goals. The company's numerous initiatives across all markets focused on capacity-building skills to address societal deficits and supporting the socio-economic development of the region are highlighted in another section of this annual report.

We also published our sixth annual sustainability report, entitled 'Innovate for a Sustainable Future'. The release of this latest report, which is aligned with the United Nations Guiding Principles (UNGP) and adheres to the G4 reporting guidelines set by the Global Reporting Initiative (GRI), reinforces Zain Group's position as one of the most consistently transparent mobile operators in the MENA region given the depth of information it openly shares.

Additionally, we published our annual thought leadership report, this year entitled, 'Leveraging Technology to Protect the Rights of Children'. The report outlines the importance of utilizing technology to ensure that mechanisms are in place to protect children from all forms of abuse.

HUMAN CAPITAL

Zain believes that the human element is the cornerstone of any institution in strengthening its operational and commercial plans and is the real foundation in the building of an organizational structure. Accordingly, the company invests heavily in the necessary training and development of personnel to enhance their skills to achieve career success. The Group is proud to have a distinctive leadership team that works to maximize efficiency and productivity.

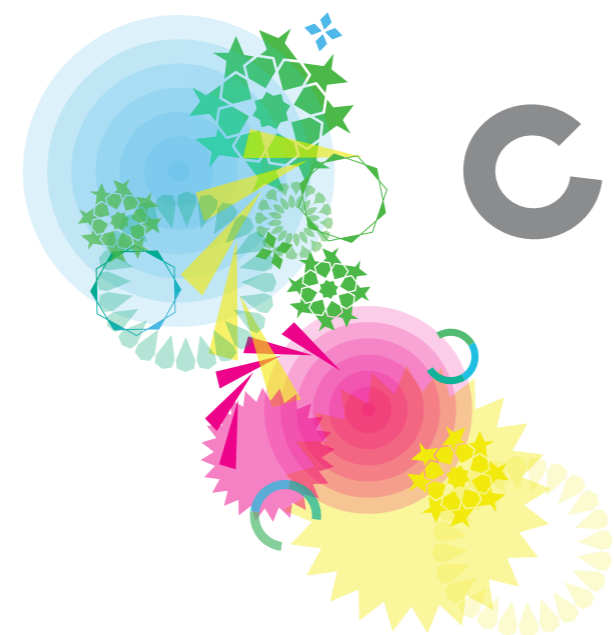
It is our duty and responsibility to serve Zain's stakeholders and it is this commitment that drives us as an executive management board towards achieving positive results.

APPRECIATION

We would like to take this opportunity to express our sincere appreciation for the confidence given to us by our shareholders, and our valued customers. We would also like to extend our deep gratitude to our brothers and sisters in the executive management for their tireless efforts that have helped the Group to continue its operations in such a positive manner.

On behalf of all members of the Board of Directors and the executive management, as well as all employees of the Group, we 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.

Zain Group Board of Directors



2017 AT A GLANCE

46.6 MILLION
ACTIVE CUSTOMERS

\$3.4 BILLION
IN REVENUES

\$1.4 BILLION
IN EBITDA

\$527 MILLION
IN NET INCOME

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

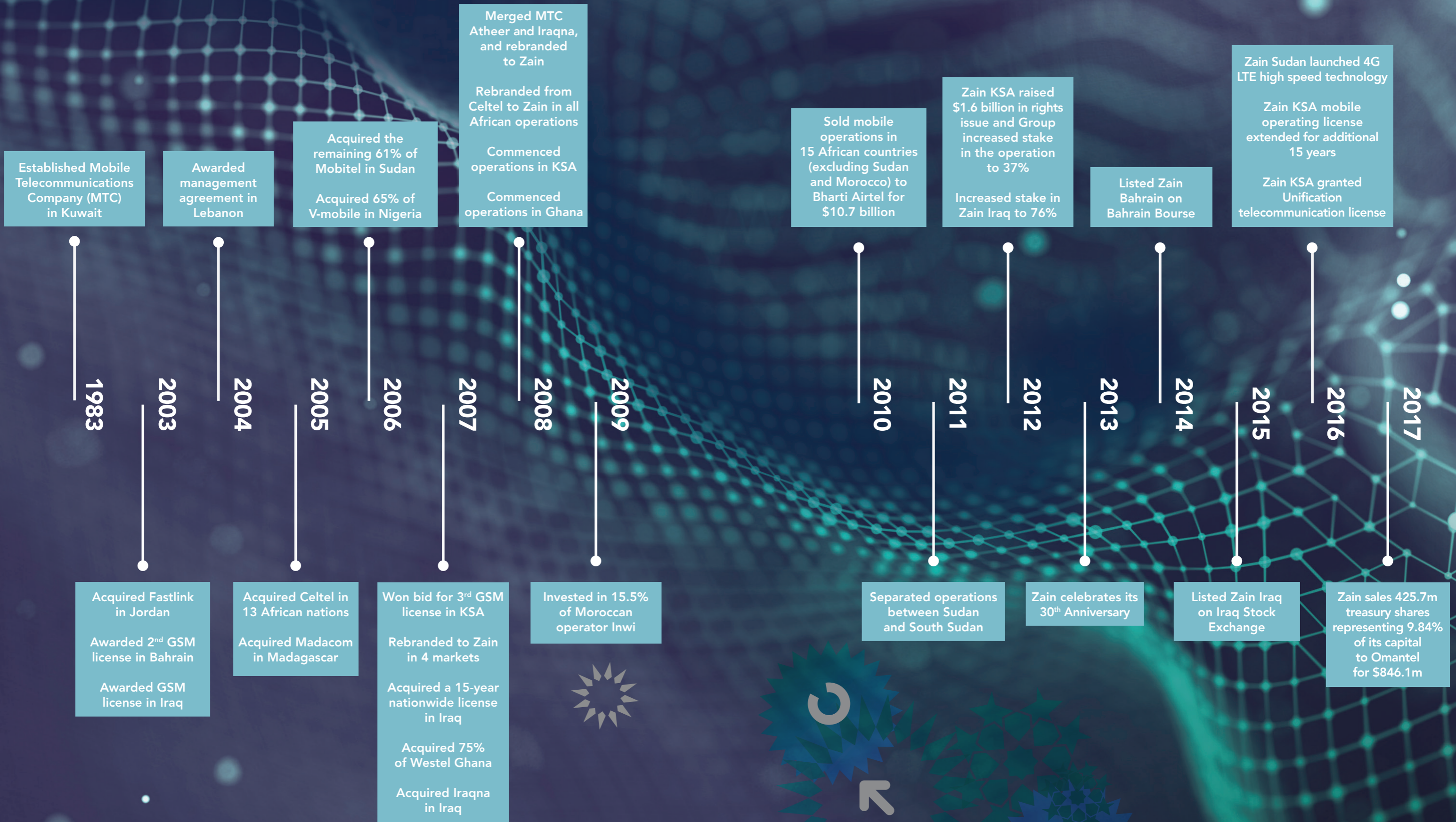
\$445 MILLION
IN CAPEX*

INCREASED 3%
DATA GROWTH

*ZAIN KSA is not included



KEY MILESTONES



VICE CHAIRMAN & GROUP CEO STATEMENT

Q&A WITH BADER AL KHARAFI

SUMMARY OF KEY POINTS

- Operators need to be innovative and perform at their optimum to survive
- Aiming to become one of the leading trendsetters in the digital revolution in the region
- Remarkable turnaround in Zain Saudi Arabia sees operator reporting its first-ever net profit
- Zain remains vigilant and agile to market opportunities that create value
- Continued investment in network upgrades coupled with data monetization initiatives yielding growth in data revenues
- Moving ahead with a focus on Women and Youth empowerment initiatives
- Zain logo refreshed to reflect the digital dynamism of the world around us

KEY FINANCIAL RESULTS

As at 31 December 2017, Zain served 46.6 million customers across its eight-country footprint. For the full-year 2017, Zain Group recorded consolidated net income of KD 160 million (USD 527 million), up 2% and reflecting Earnings Per Share of 39 Fils (USD 0.13). The Group generated consolidated revenues of KD 1.03 billion (USD 3.4 billion), down 5% Y-o-Y, while consolidated EBITDA for the period decreased by 19% Y-o-Y to reach KD 414 million (USD 1.37 billion), reflecting an EBITDA margin of 40%.

The Group's investments in upgrading and expanding its state-of-the-art networks across all markets supported the growth of data revenues (excluding SMS and VAS) as they increased by 3% during 2017, representing 25% of the Group's consolidated revenues.

For 2017, foreign currency translation impact, predominantly due to the 53% currency devaluation in Sudan from an average of 8.0 to 16.9 (SDG / USD), cost the company USD 494 million in revenue, USD 213 million in EBITDA and USD 82 million in net income. Excluding the above-mentioned currency translation impact, Y-o-Y revenues would have grown by 8% and net income growth would be 17%.

YOU WERE APPOINTED CEO OF ZAIN GROUP IN MARCH 2017. WHAT ARE YOUR IMPRESSIONS OF THE BUSINESS SINCE TAKING THE HELM AND WHAT ARE YOUR PRIORITIES IN 2018 AND BEYOND?

Being a board member since 2011 and Vice-Chairman since 2014, I was already very familiar with Zain and its operations prior to becoming the Group CEO, and I have always been impressed by the dedication of our people and the organization's culture of innovation. These are two areas I am determined to continue fostering as I believe they are the keys to sustainable progress and success for telecom operators around the world.

In our region, the commoditization of voice, intense price competition, and high levels of mobile penetration means that operators need to perform at their optimum to remain competitive and even survive. All Zain operations have been following an "execution-focused digital lifestyle strategy" based on six transformational initiatives: Customer Experience; Operational Effectiveness; Value Management; B2B opportunities; Digital Frontier and Innovation; and Talent Development.

We continue to believe this is the right direction in our bid to serve consumers and enterprises with a rich lifestyle experience. Our goal is not simply customer satisfaction, but building a base of promoters, knowing that positive customer experience and advocacy drives competitive advantage, leading to faster organic growth and lower cost.

Zain operations continue to focus on prudent management of operational costs where now our Group EBITDA margin is a healthy 40%. In tandem, there is an emphasis on the improving in quality of service, network reach and performance, and the growth of data services while maximizing smart city developments, IoT and B2B growth opportunities.

In doing so, Zain's overriding mission today is to have a positive impact on the communities we serve, while undertaking initiatives to take part in and exploit the 4th industrial revolution and promote social innovation. We believe this strategy is resulting in value creation for shareholders.



WHAT HAVE BEEN SOME OF THE MAJOR BUSINESS HIGHLIGHTS OF 2017?

The remarkable turnaround in Zain Saudi Arabia's performance stands out as the operator reported its first ever full-year net profit, amounting to SAR 12 million (USD 3.1 million) for 2017. This is a milestone achievement for the company, which commenced commercial operations in August 2008 and this net profit amount reflects a SAR 1 billion (USD 264 million) turnaround on the prior year.

This impressive performance is attributed to the disciplined execution of the operator's transformation strategy to increase monetization of data and digital services resulting in strong revenue growth; an ongoing focus to significantly upgrade and improve network coverage resulting in faster download speeds and improving the mobile experience for customers; as well as driving efficiencies and optimization of its cost structure. Increased customer centricity and care also contributed to the operator's best-ever performance.

Zain KSA's overall financial results are even more impressive given the backdrop of a very competitive market in the Kingdom and the general decline in industry revenues, with fewer overall subscribers in 2017 due to exodus of many expats and the implementation of biometric identification measures and a two-sim policy.

We at the Group are fully committed to work close with the management team there to implement a large scale digital transformation exercise in an effort to deliver better customer experiences to the Kingdom's digital savvy community and we remain cautiously confident of continued improvement of all aspects this key operation in 2018 and beyond, and playing our contributory role in the Kingdom's 2030 economic vision.

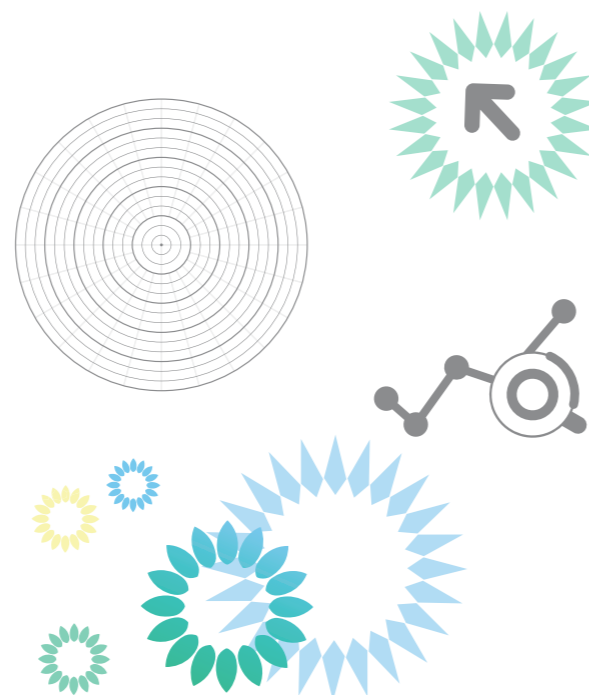
Furthermore, undoubtedly two major transactions undertaken during the year will have a profound positive effect on the future of the company and our business growth. The acquisition of our treasury shares by Omantel brought immediate tangible benefit that will be further built upon; as well as the ground-breaking agreement to sell and lease back our telecom towers in Kuwait, in a regional first.

The purchase by Omantel of Zain Group's treasury shares amounting to 9.8% of the issued shares in August 2017, marked the beginning of a new era for Zain Group as we look to bolster our position as a leading telecom conglomerate in the mobile industry across the region. Omantel later opted to further consolidate its investment in Zain by acquiring an additional share of 12.02% of the company's capital.

These transactions mean that Omantel is the second largest shareholder in the Zain Group after the Kuwaiti Government (represented by the Kuwait Investment Authority). We are delighted by Omantel's confidence in our strategic direction and these transactions are set to have a positive impact across operations while creating greater value for our shareholders. We are currently exploring numerous business enhancing and synergistic opportunities with Omantel and we are excited by the value accretive opportunities that lie ahead through this mutually beneficial relationship.

The sale of our towers in Kuwait to IHS Holding Limited, in partnership with Towershare Management Limited, marked the start of a strategy to unlock value from our fixed infrastructure, which can be more efficiently deployed in new technologies and higher yielding investments. IHS is one of the largest tower companies in Africa, Europe and the Middle East managing over 23,300 towers in 5 countries. This also paves the way for further network expansion and infrastructure sharing in Kuwait. The selling of our telecom towers will be replicated in other markets, enabling us to focus on our core business and enhancing customer experience.

Also in Kuwait that was significant during the year, was Zain Kuwait signing a development, management, and operation agreement with the country's Ministry of Electricity and Water (MEW) to develop interconnectivity support for the Smart Meters System Project. The project budget amounts to KD 22 million (USD 73 million), and will see Zain in collaboration with a number of global strategic partners, including EY, Ericsson and NXN, build and install the meters over a two-year period, and then manage and operate the system for the next five years. The project is set to revolutionize the process of obtaining electricity and water readings, which will be taken automatically and tracked in real-time.



GIVEN THE SUCCESSFUL COMPLETION OF THE OMANTEL TRANSACTION, DO YOU EXPECT TO SEE CONSOLIDATION IN THE TELECOM MARKET IN THE MIDDLE EAST IN THE NEAR TERM?

I believe the situation remains the same as it has done for many years now, which is to say telecom entities will continue to look for value creation for their operations, and should an acquisition, merger or sale of assets of any sort help to achieve this goal, it may make sense to progress with it. From a Zain perspective, we are always looking for opportunities to advance our business, but we will only proceed with such a development should it make sense to our stakeholders in a value adding manner.

All regional mobile operators are facing challenging times on multiple fronts and I believe the next major trend in the regional telecom sector is that others will seek to replicate our move in Kuwait and imminent move in Saudi Arabia in selling network towers and unlocking value from fixed infrastructure, thereby paving the way for tower sharing.

Consolidation on a larger scale will occur as operators in small markets will not be able to sustain themselves and it is a matter of time until we witness the first merger or acquisition across the region.

These are exciting times for all stakeholders in the ICT value chain. Going forward Zain remains vigilant and agile to market opportunities that create value. The telco industry is changing rapidly, and we believe it is imperative for us to be forward-looking in our approach to industry changes and grasp opportunities as they arise.

WHAT DOES INNOVATION MEAN TO ZAIN GROUP, AND HOW IS IT DEVELOPING OFFERINGS THAT REFLECT THIS ASPECT OF ITS BUSINESS?

We are aiming to become one of the leading trendsetters in the digital revolution in the region and provide our customers an exceptional mobile experience. Innovation is part of our DNA, and if one looks back across the history of the company over decades, one can see we have always strived to bring the latest and best technologies to our markets as soon as practicable.

We have continued that tradition and during the year made several substantial investments and announced significant developments. We also identified new business areas, value-adding strategic partnerships, accretive acquisition opportunities and synergistic corporate venturing investments which, collectively, will create new revenue streams to fully maximize the Group's high-speed broadband networks, customer assets, network intelligence and payment and billing infrastructure.

DIGITAL SERVICES

Within the digital services and innovation area, we are focused on identifying opportunities in the smart city space, e-entertainment, m-health, e-education, online gaming, online commerce, m-advertising, m-payments, m-insurance and other financial technology services domains as well as cyber security.

In a monumental step forward for Zain in our journey to become the premier digital lifestyle provider in the MENA region and to diversify our services and future sources of revenues, we offered various world-class Streaming Video on Demand (SVoD) services across many of our markets.

During the year we also enhanced our vital Zain Cash service in Iraq and Jordan to support the vast unbanked population estimated at 90% in Iraq and 75% in Jordan. The platform began with a range of mainly current and debit account, peer to peer transfers, salary disbursements, self and third-party recharge, bill payments, purchase of digital goods and online shopping services. In 2017, Zain Cash added new services such as virtual MasterCard, In-app services, QR code store payments, paying at an agent, loyalty programs, and e-commerce platform. There are plans to introduce this platform to other geographies in Zain's footprint.

TECHNOLOGY

From a technology point of view, we successfully tested 5G technology in Kuwait, achieving maximum throughput speeds of over 70 Giga Bit Per Second (Gbps) over 2GHz spectrum. This speed represents one of the highest-ever recorded in the region, placing us at the forefront of 5G innovation for the benefit of our consumer and enterprise customers.

Big Data Analytics is a crucial factor in our digital transformation journey and we are developing some pioneering capabilities in this area, having established an enablement platform that acts as a foundation for an enterprise-wide Big Data ecosystem at the operational level to execute upcoming technical and business use cases. The project started with technical use cases to enhance operational efficiency by reducing capex/opex of IT Infrastructure.

CUSTOMER EXPERIENCE

To provide the best mobile data experience, Zain placed additional resources on transforming our operations from network-oriented to innovative service and customer-oriented centers. In so doing we introduced Service Operation Centers (SOC) across several of our markets. SOCs enable us to monitor the quality of services in addition to network monitoring, and offers us the ability to improve service and customer experience according to customer needs.

Additionally, our customers enjoyed new and enhanced mobile applications, websites, e-shops and web-chat services that allow them to manage their accounts, control their usage, pay and recharge in a straight-forward manner, as well as locate our stores, acquire new devices, receive tailored offers, and much more.

We are pleased to see increased engagement and adoption of new technologies from our customers as we witness our highest customer satisfaction results, driven by simplicity, transparency and convenience.

PARTNERSHIPS

Through our fully owned global services subsidiary, Mada Communications, Zain became the first telco group in the region to join the Amazon Web Services (AWS) Direct Connect partner program. This allows Zain to connect enterprises directly to the AWS Cloud and builds on Zain's Cloud Connect offering, which provides an innovative platform that connects customers and different cloud service providers in a simple and cost-effective manner.

STRATEGIC INVESTMENTS

We are seeing more profitable traction from our smart city arm NXN (formerly neXgen). Following the smart metering deal with Kuwait Ministry of Electricity and Water in the first half of 2017; NXN also signed a MoU with the National Digitization Unit (NDU) of the Kingdom of Saudi Arabia, marking the Kingdom's first step towards harnessing open data to help accelerate the digital transformation of the Kingdom. NXN has continued its fast-growing journey as one of the thought leaders within the region's Smart Nation, Smart City and Smart Government advisory and managed services landscape.

Furthermore, our investment in Lebanon mobile solutions provider FOO is proving fruitful on multiple fronts. They have supported us in building our life-enhancing mobile money platform, 'Zain Cash' in Iraq and have developed numerous customer centric mobile apps for several of our operations. In addition, and significant for our business growth and digital lifestyle strategic aspirations, they are building a Group application programming interface (API) in coordination with Apigee (a Google subsidiary) that will be launched in the first quarter of 2018. This API will eventually connect all of our operations across the region into a single enablement platform accelerating innovation and creating

market opportunities for global digital players as well as individual developers to launch services to Zain. Foo are fast becoming a FinTech powerhouse in the region and have attained prestigious accreditation with both Visa and MasterCard as an approved Digital Partner, the only FinTech player in the region to have earned such.

ZINC STANDS OUT

One initiative that is meaningful from an innovation perspective and makes me very proud is the superlative progress of the Zain Innovation Campus (ZINC) in Jordan. The creative start-up culture and successful commercial launch of many entities out of ZINC is impressive. It was highly gratifying to see ZINC become a recipient of the Mohammed bin Rashid Awards for Young Business Leaders accolade for the Best Social Entrepreneurship Responsibility Initiative in the Arab World.

Our overall goal is to enhance our internal capabilities, support the entrepreneurial ecosystems in our markets, and utilize the best technologies while seeking, building, partnering and investing in new Group-wide digital business opportunities that are viable.

DATA SERVICES AND REVENUES CONTINUED TO GROW DURING THE YEAR. WHAT IS ZAIN DOING TO FOSTER THIS GROWTH AREA?

By enabling the latest mobile technologies and availing a wide choice of individual and business orientated solutions, Zain is focused on being the data provider of choice across all our operations.

Zain has accordingly adopted a data monetization strategy that is aimed at delivering healthy and sustainable growth in mobile data revenues while enabling our customers to enjoy a truly digital lifestyle.

Group data revenues represent around a quarter of all Zain Group service revenues, and this figure is growing all the time. We see this as a positive trend, though we also believe as more data is consumed, and digital services accessed, there is also a requirement for further investment in network upgrades and resources to aptly serve individual and business customers as well as the responsibility for greater cyber security measures to be put in place.

B2B (Enterprise) is one of the most dynamic and innovative areas at Zain, and a growth engine for our operations. We are addressing the B2B market in a segmented way, serving companies of all sizes, whether they be home offices, small medium enterprises, large corporations or government organizations with dedicated B2B teams.

B2B marketing teams are focused on developing Zain from being a mobile centric operator to a full-service ICT player, developing innovative mobile, fixed-mobile, fixed, IoT and cloud-based solutions for enterprises and governments in each market. One recent focus and

success has been Introduction of a new data center in Kuwait, serving the local market with co-location, disaster recovery, Cloud and data center managed services. We aim to replicate this successful venture in Jordan, Saudi Arabia and Iraq. Our primary focus is on enabling the business growth of our customers.

With the ever-growing threat of cyber-attacks, we introduced a new Distributed Denial of Service (DDoS) mitigation technology, through our fully owned global services subsidiary, Mada Communications and application security experts F5 Networks. This will see Zain benefit from next-generation, cloud-ready DDoS mitigation technology and we will be able to monetize this powerful service, which we believe will significantly benefit and safeguard our subsidiary operations and international transit customers.

WHAT WAS YOUR INSPIRATION FOR INTRODUCING WOMEN AND YOUTH EMPOWERMENT INITIATIVES?

We believe we need to revolutionize ourselves -not just in a pure business sense- to survive and move ahead.

We are very proud of the introduction of our all-female empowerment initiative, aimed at achieving gender equality and empowering women in the organization to act, lead, develop, and succeed. The program is already running internally, and was given its unveiling at an event in November, with the view to this meeting becoming an annual event, geared towards producing an annual, actionable implementation plan for the subsequent year.

This program is of enormous personal interest to me given that today women account for less than 25% of Zain's workforce; a situation that led me to conclude that decisive action needed to be taken in this area. Championing gender diversity at Zain will create competitive differentiation and ultimately improve the company's bottom line.

Youth development and education are central themes to our corporate sustainability and capacity building activities, and we are firm believers that preparing youth for the future is not just our responsibility, it is our duty.

It is widely accepted that youth development and career guidance are factors that catalyze national and organizational development, and on our part, we remain committed to identifying the most talented young people and offering them a platform to reach their full potential.

It is important for us to support the education system by defining a series of plans aimed at bridging the gap between today's curricular and the future's unpredictable corporate environment.

With this in mind we established a new innovative first-of-its kind in the region educational program in collaboration with Nuqat, a not-for-profit organization established in Kuwait in 2009. Together, we introduced a development initiative dubbed IN•DIG•GO, which is an alternative thematic-based educational program for children between the ages of 6

and 11 years. The program is aimed at strengthening the understanding of the participants, expanding their knowledge, test their creativity and developing their soft and learning skills. The collaboration is a result of the belief that an educational program capable of equipping future generations with skills and methodologies necessary to face the challenges that lie ahead, is pivotal. We plan to expand this initiative across other markets.

Another example is our 'Generation Z' graduate initiative of bright, young Kuwaitis that will focus on developing their soft skills to foster collaboration and team effectiveness, develop creativity and enable innovative thinking, thereby preparing graduates to enter the workforce and contribute successfully. Now in its 3rd year, we have seen eight graduates join the ranks of Zain Group as full-time employees and their track record to date has been impressive, with one notable achievement in launching Zainiac, an internal innovation program where we provided a platform for all 6,000 plus Zain personnel to offer their ideas, with the aim of fostering creative spirit among our people. The outcome of ideas presented was impressive to say the least. We firmly believe that the youth in our organization will be instrumental in supporting the future development of our digital lifestyle strategy.

IN THE LATTER PART OF 2017, ZAIN UNDERTOOK ITS FIRST REVAMP OF THE CORPORATE BRAND AND ITS POSITIONING SINCE ITS DEBUT IN 2007. WHY CHANGE SOMETHING SO SUCCESSFUL?

After a decade of successful use, the Zain logo was refreshed, and this evolution reflects the dynamism of the world around us, and mirrors the journey of mobile technology and Zain's own digital lifestyle strategy aspirations. The refreshed logo ensures the brand's relevance, and elevates Zain's brand equity, which is currently valued at over USD 2.3 billion.

The logo now appears in a fetching silver metallic shade, while retaining the radiant swirl, replacing the multi-color swirl and black background. Traditional and new outlooks are captured in the enhanced logo with the metallic silver symbolizing innovation, technology and high-tech, as Zain aspires to shine in the digital age.

The new brand positioning strategy – 'Opportunity' – celebrates Zain's positive momentum in transforming society, with the company focused on empowering customers and connecting them to the new opportunities the world offers, as we grow, share and enjoy life.

Zain's brand valuation is a result of the tangible developments occurring within the company, where talent development and customer-centric programs, heavy investment in network upgrades, and technology innovation is impacting customer experience positively. Additionally, Zain's Corporate Sustainability programs and eye-catching marketing and widespread social media campaigns have captured the imagination of the whole region.

GROUP KEY PERFORMANCE INDICATORS

CUSTOMERS (000)

CAGR: +0.3%

2017	2016	2015	2014	2013
46,608	47,004	45,634	44,288	46,102

REVENUES (USD m)*

CAGR: (6.1%)

2017	2016	2015	2014	2013
3,398	3,602	3,783	4,268	4,376

EBITDA (USD m)*

CAGR: (7.9%)

2017	2016	2015	2014	2013
1,367	1,694	1,657	1,783	1,898

NET INCOME (USD m)

CAGR: (8.9%)

2017	2016	2015	2014	2013
527	519	513	685	764

OPERATIONS OVERVIEW

CUSTOMERS (000)

IRAQ	SUDAN	KSA	JORDAN	KUWAIT	LEBANON	BAHRAIN
14,697	13,508	8,215	3,951	2,704	2,373	678

REVENUES (USD m)

IRAQ	KUWAIT	JORDAN	SUDAN	BAHRAIN
1,102	1,093	497	419	198

EBITDA (USD m)

KUWAIT	IRAQ	JORDAN	SUDAN	BAHRAIN
418	382	226	166	58

NET INCOME (USD m)

KUWAIT	JORDAN	SUDAN	IRAQ	BAHRAIN
265	90	65	29	11

*Excluding Zain KSA as it's not consolidated

A YEAR IN REVIEW

```
SELECT * FROM image_data ORDER BY shot_date DESC);
```

```
result)) {
```

```
};
```

```
query(SELECT DISTINCT(studio) as studio, COUNT(*) as count FROM image WHERE day_id = 14);
```

```
sql::fetch($shots_result)) {
```

```
    $day_info[$day->shot_date, $studio_list->studio, "quick"];
```

```
    $studio_list->studio, "count" => $studio_list->count, "title" =>
```

```
    $studio_list;
```

```
    } = $day;
```

```
($day, $studio) {
```

```
    die("error studio");
```

```
};
```

```
    "shot_date = '$date'") die('date not found');
```

```
SELECT image_id as image_id, image_data FROM image_data WHERE image_data = 14;
```

```
(result)) {
```

```
    $date::get_copyright($image->image_id);
```

```
    $date::get_models($image->image_id);
```

```
    } = $image;
```

```
function day_List() {
```

```
query(SELECT DISTINCT(studio) as studio, COUNT(*) as count FROM image WHERE day_id = 14);
```



JANUARY

- Zain Group announces the selection of five talented Kuwaiti nationals to participate in the company's year-long graduate training program, dubbed 'Generation Z'.
- Touch launches Vinli, bringing the advanced connected car solution in Lebanon including in-car Wi-Fi, cloud-based connected car apps, and advanced safety services.



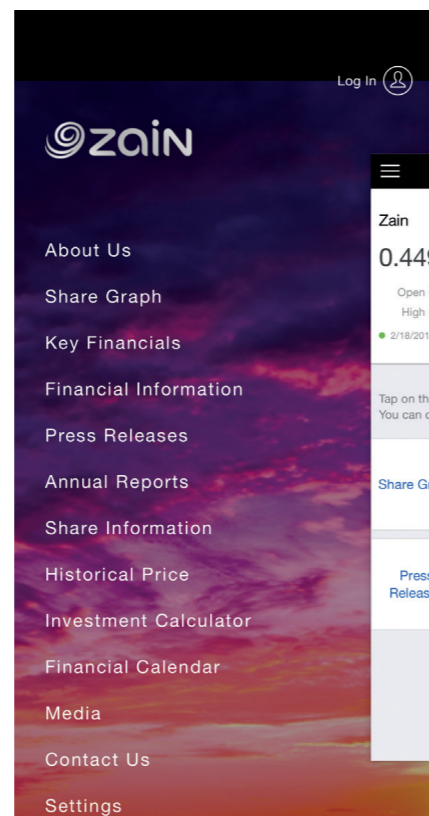
FEBRUARY

- For the third consecutive year, Zain participated in the seventh edition of the EFG Sailing Arabia - The Tour (SATT) 2017 competition.
- Zain Group honored with "Outstanding Contribution to the Mobile Industry Award" for 2017 by the GSMA.
- Publication of thought leadership report: "Leveraging Technology to Protect the Rights of Children".
- Zain Group launches Investor Relations (IR) App and updates IR portal on www.zain.com increasing transparency and providing instant access to information.



MARCH

- Zain Group enters MoU with innovative Canadian-based leader Myca Health Inc. to rollout a world-class mobile health platform.
- A first for the region: Zain enters joint venture with car-sharing specialist, YOYO.
- Zain joins 'Telecom Infra Project' to develop next-generation telecom infrastructure, an initiative co-founded by Facebook, Intel, Nokia, SK Telecom, Deutsche Telekom and others in 2016.
- Zain the first telco group in the region to join Amazon Web Services Partner Network to provide resilient cloud solutions to organizations in the Middle East.
- Iraq's 'ZainCash' introduces chanbar.com e-commerce platform to encourage Iraqi online entrepreneurs turn ideas into reality.



APRIL

- Brand Finance ranks Zain as 2nd most powerful brand in the region.
- Zain Group's efforts in making technology virtualization a reality wins 'Best NFV/SDN Solution Provider' at 5G MENA Awards.
- Zain Saudi Arabia singled out as having the 'Best IoT Application/Service' at 5G MENA Awards.

Brand Finance®

The 10 Most Powerful Brands

These are the most powerful Middle Eastern brands, whose rating is based on Brand Finance's Brand Strength Index (BSI).

	BSI Score 87.3
	BSI Score 81.8
	BSI Score 81.2
	BSI Score 79.8
	BSI Score 79.3
	BSI Score 79.3
	BSI Score 78.7
	BSI Score 78.5
	BSI Score 77.6
	BSI Score 77.3

MAY

- Zain Kuwait signs a development, management, and operation agreement with the Ministry of Electricity and Water (MEW) in Kuwait to manage the systems of smart electricity and water.



JUNE

- Zain Saudi Arabia announces the acquisition of additional 10MHz of 1800MHz spectrum at a total cost of SAR 844 million.
- Zain Kuwait and IBM launch Cloud Disaster Recovery service providing enterprise customers with cloud-based business continuity capabilities.



JULY

- Zain Jordan launches first phase of Zain Cash mobile e-wallet service at Point-of-Sale terminals across country.
- Zain Iraq restores over 200 sites as well as sales channels in affected previously no-go North and West regions.

AUGUST

- Zain publishes sixth annual sustainability report entitled 'Innovate for a Sustainable Future' aligned with the United Nations Guiding Principles.
- Zain Bahrain and Bahrain Basketball Association commemorate 10th anniversary of partnership with a new identity for the Zain Bahrain Basketball League.
- Zain Sudan has signed a three-year strategic partnership with La Liga, to promote Spanish professional soccer across Africa.
- Zain and Omantel complete treasury share sale representing 9.84% of Zain's fully paid in and issued share capital on Boursa Kuwait for USD 846.1 million.



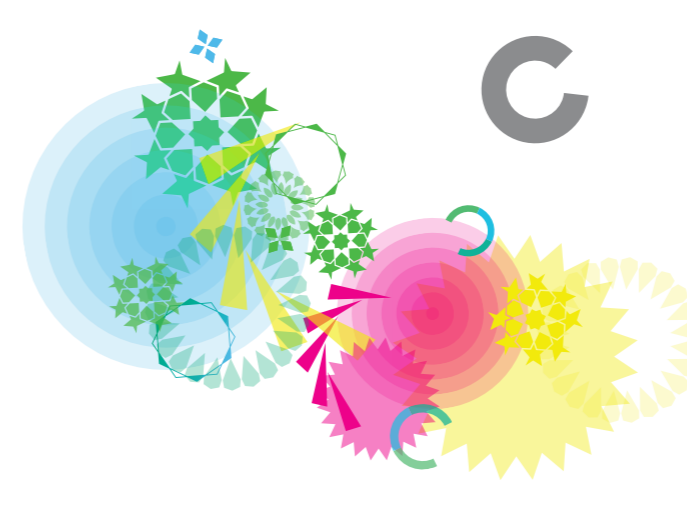
SEPTEMBER

- Another milestone towards 5G: Zain Kuwait achieves over 70Gbps speed in 5G trial.
- Zain Kuwait kicks-off the fourth installment of Zain Great Idea (ZGI) accelerator program, aimed at identifying and fostering young, hi-tech entrepreneurs in Kuwait.
- Zain crowned 'Best Brand' at Telecom World Middle East Awards 2017 for fourth consecutive year.



OCTOBER

- Zain collaborates with Nuqat to introduce IN•DIG•GO, a unique creative new education program for children in Kuwait.
- Zain agrees to sell and lease back its telecom towers in Kuwait for USD 165 million to IHS and Towershare in a regional first.



NOVEMBER

- Zain Group addresses growing industry Distribution Denial of Service threats with new mitigation service agreeing with F5 Networks to deliver cybersecurity service.
- Zain Group introduces Women Empowerment Network initiative aimed at achieving gender equality and empowering women in the organization to act, lead, develop, and succeed.



DECEMBER

- Zain Jordan and MasterCard agreement providing financial services to 2 million residents in the Kingdom, expanding features of Zain Cash.
- Zain Group and Cisco sign deal to future-ready Zain's network architecture to drive business and meet the evolving demands of customers.



THE WORLD OF ZAIN

KUWAIT

100%
OWNERSHIP

REVENUES: **\$1.1 B**
CUSTOMERS: **2.7 M**
PREPAID: **69%**
MARKET SHARE: **37%**

IRAQ

76%
OWNERSHIP

REVENUES: **\$1.1 B**
CUSTOMERS: **14.7 M**
PREPAID: **98%**
MARKET SHARE: **41%**

SUDAN

100%
OWNERSHIP

REVENUES: **\$419 M**
CUSTOMERS: **13.5 M**
PREPAID: **99%**
MARKET SHARE: **47%**

SAUDI ARABIA

37.05%
OWNERSHIP

REVENUES: **\$2.0 B**
CUSTOMERS: **8.2 M**
PREPAID: **64%**

JORDAN

96.52%
OWNERSHIP

REVENUES: **\$497 M**
CUSTOMERS: **4.0 M**
PREPAID: **81%**
MARKET SHARE: **36%**

BAHRAIN

54.78%
OWNERSHIP

REVENUES: **\$198 M**
CUSTOMERS: **678 K**
PREPAID: **73%**

SOUTH SUDAN

100%
OWNERSHIP

CUSTOMERS: **482 K**
PREPAID: **98%**

LEBANON

**MANAGEMENT
CONTRACT (MC)**

CUSTOMERS: **2.4 M**
PREPAID: **86%**
MARKET SHARE: **54%**

MOROCCO

15.5%
OWNERSHIP

OPERATIONS SNAPSHOT



ZAIN KUWAIT

Mobile Telecommunications Company (Zain) was founded in Kuwait in 1983. The Group's flagship operation has enjoyed a proud history of achievements ever since, including when it became the first telecom operator to launch a commercial GSM service in the region back in 1994. First listed on the Kuwait Stock Exchange in 1985, Zain reported a market capitalization of USD 6.2 billion as of 31 December 2017

Operationally, Zain Kuwait is the most profitable company in the Group, representing 32% of total Group revenue. Despite intense competition, the operation continues to maintain its market lead in both value share and customers as it now serves 2.7 million customers, representing a 37% market share.

The postpaid segment accounted for 31% of Zain Kuwait's customers at the end of 2017. The operator continues to have one of the highest ARPU's in the Group's portfolio, at USD 24.

Despite aggressive market competition and price wars, during 2017 Zain Kuwait grew its revenues by 2% year-on-year (Y-o-Y) to KD 331 million (USD 1.1 billion). The launch of B2B activities beyond mobile, including hosting, unified communication, disaster recovery and push to talk, combined with the introduction of new entertainment services such as iflix video streaming helped to improve customer loyalty and contributed to Zain Kuwait's top line.

EBITDA for the year reached KD 127 million (USD 418 million), with an EBITDA margin of 38%. Net income amounted to KD 80 million (USD 265 million). Data revenues (excluding SMS & VAS) formed 32% of total revenues, with Zain's nationwide 4G LTE network covering the entire population via 2,292 network sites.

In a landmark deal in 2017 Zain Kuwait agreed to divest from its passive physical tower infrastructure in Kuwait (for USD 165 million) to IHS Holdings. This deal will unlock value, creating the opportunity to invest in new technologies and higher yielding investments, as well as enabling management to focus on other core business areas. The agreement also paves the way for further network expansion and tower infrastructure sharing in Kuwait. The transaction was approved by Kuwait's Communication and Information Technology Regulatory Authority (CITRA), and is expected to close in the first half of 2018. Under the terms of the transaction, Zain will retain its intelligent software,

1 ZAIN KUWAIT ENJOYS THE HIGHEST ARPU IN THE GROUP AT USD 24.

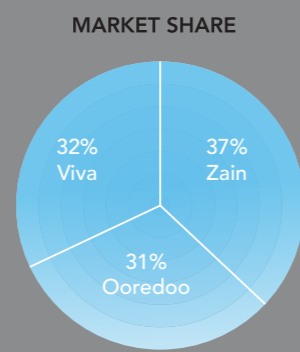
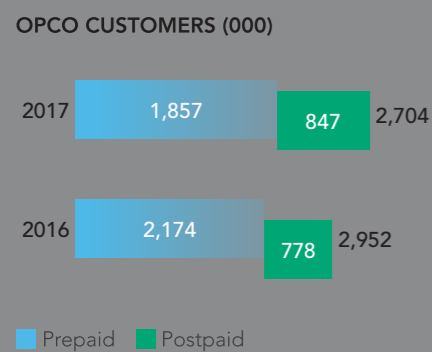
DATA REVENUES FORMED 32% OF TOTAL REVENUES, OPERATOR HAS 2,292 NETWORK SITES.

technology and intellectual property with respect to managing its network.

In June 2017, Zain Kuwait announced signing a development, management, and operation agreement with the Ministry of Electricity and Water (MEW) in Kuwait to develop interconnectivity support for the Smart Meters System Project. The project is estimated to cost KD 22 million (USD 73 million), and will see Zain in collaboration with a number of global strategic partners, including EY, Ericsson and NXN build and install the meters over a two-year period, and then manage and operate the system for the next five years. The project is set to revolutionize the process of obtaining electricity and water readings, which will be taken automatically and tracked in real-time.

Zain Kuwait also successfully tested 5G technology in 2017, achieving maximum throughput speeds of over 70 Giga Bit Per Second (Gbps) over 2GHz spectrum. This speed represents one of the highest-ever recorded in the region, placing the operator at the forefront of 5G innovation for the benefit of its consumer and enterprise customers.

Zain Kuwait launched several dynamic digital channels including a revamped website with an e-store and an apps store as well as offering multiple new and appealing commercial packages.



The operation is well regarded for its Corporate Sustainability efforts, and in September 2017 it kicked-off the fourth installment of the highly successful Zain Great Idea (ZGI) accelerator program, aimed at identifying and fostering young, hi tech entrepreneurs in Kuwait. The selected finalists traveled to Silicon Valley in San Francisco, as well as to London to undergo further training and development.

Maintaining market leadership, cost optimization initiatives and supporting the community it serves remain Zain Kuwait's primary focus areas, all the while transforming to become a customer centric digital lifestyle provider.

OPERATIONAL & FINANCIAL PERFORMANCE	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Customers (000s)	2,704	2,952	2,918	(8%)
Revenues (USD m)	1,093	1,067	1,074	2%
EBITDA (USD m)	418	531	526	(21%)
EBITDA %	38%	50%	49%	-
Net Profit (USD m)	265	298	314	(11%)
ARPU	\$24	\$27	\$30	-
Capex (USD m)	82	101	153	(19%)

FINANCIALS: P&L (USD M)	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Gross Revenues	1,093	1,067	1,074	2%
Cost of Sales	337	237	214	43%
Gross Margin	756	830	860	(9%)
Opex	337	299	335	13%
EBITDA	418	531	526	(21%)
Net Profit/(Loss)	265	298	314	(11%)

CAPEX BREAKDOWN (USD M)	2017	2016
Network	67	87
IT	14	13
Others	1	1
Capex	82	101

NETWORK KPIs	2017
Average Daily Data Volume (TB)	1,460
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 in the Iraq entity from 30% to 76%, maintaining management control and attaining majority control.

The expansion of 3.9G services across the country and restoration of over 200 sites in the West and North regions, combined with numerous customer acquisition and retention initiatives resulted in the impressive addition of two million customers in 2017 to reach 14.7 million. This represented a 16% increase on the number of customers at the end of 2016, and related to a 41% market share. Zain Iraq's prepaid segment accounted for 98% of the operator's total customer base.

Zain Iraq is the Group's largest customer base, accounting for 32% of its total base as at the end of December 2017.

It is a positive development that Zain Iraq is back on track and promising even better results in the coming years. Revenues for the full year grew by 2% year-on-year (Y-o-Y), to reach USD 1.1 billion, driven by successful customer acquisition initiatives and strong data growth. EBITDA for the year reached USD 382 million, with an EBITDA margin

of 35%, being reported, impacted by additional infrastructure and security costs for network expansion efforts. Notably, the operation reported a net profit of USD 29 million for the year, compared to a loss of USD 5 million in 2016.

Zain Iraq's progress reflects the improving socio-economic conditions in the country and attainment of an understanding among operators, which has resulted in more logical pricing models. Also contributing to the operation's financial revival was the significant growth of data revenues, strong growth in the corporate segment, increase in voice revenues through the launch of numerous segmented offers, and the improvement of customer experience and customer services. The strength of the Zeyara holy season was also a factor as Zain Iraq heavily promoted connections and exclusive deals with its roaming partners. Cost optimization was also a key focus in major items such as repair and maintenance.

 **CUSTOMER BASE GREW 16% Y-O-Y TO 14.7 MILLION.**

 **4,482 NETWORK SITES ACROSS THE COUNTRY**

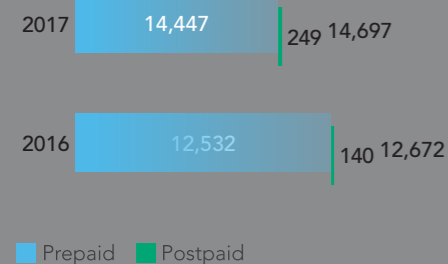
Zain Iraq built on and introduced a wide array of appealing new services and promotions. These included the introduction of segmented offers through the 'Know Your Offer' platform as well as through digital services partnerships for music (Tapsong), and education (Sadeem). Zain Iraq also introduced youth-centric games, promoting the partnership with Viber (a first in the region), as well as expanding its data portfolio, upselling bundles, and offering new internet solutions for schools and vehicles.

In a milestone development, for the first time in a decade, Zain Iraq secured three Iranian operators to roam on its network - signing an exclusive partnership with Rightel and penning successful deals with MTN and MCI.

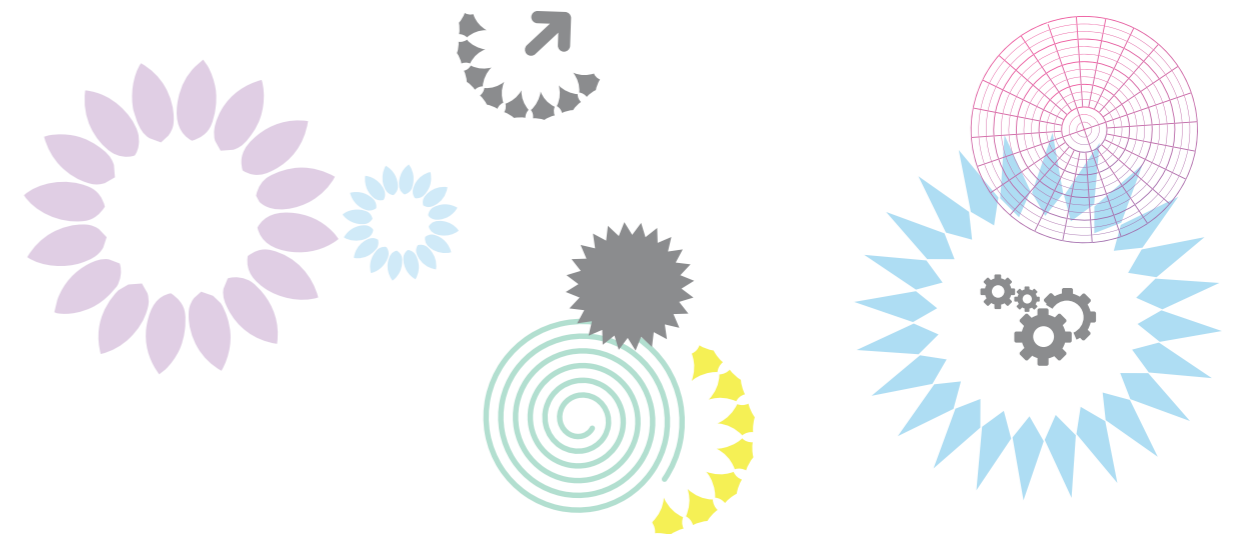
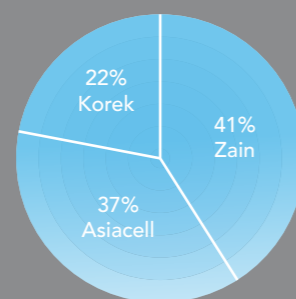
Zain Iraq built on its life-enhancing mobile wallet service, Zain Cash, developing relationships with various non-governmental organizations and humanitarian aid agencies as well as introducing chanbar.com e-commerce platform to encourage online entrepreneurs in Iraq to deliver on their ideas. Zain Cash is boosting e-commerce in Iraq and supporting families in sending and receiving much needed funds.

Zain Iraq is also actively working at increasing its geographical presence, coverage and capacity. It invested USD 119 million in CAPEX in 2017, mainly in network expansion in the Northern region of Iraq. The operator counted 4,482 sites across the country at the end of the year, with population coverage of 99%.

OPCO CUSTOMERS (000S)



MARKET SHARE



OPERATIONAL & FINANCIAL PERFORMANCE

	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Customers (000s)	14,697	12,672	11,093	16%
Revenues (USD m)	1,102	1,083	1,219	2%
EBITDA (USD m)	382	394	480	(3%)
EBITDA %	35%	36%	39%	-
Net Profit (USD m)	29	(5)	122	657%
ARPU	\$7	\$8	\$8	-
Capex (USD m)	119	96	212	24%

FINANCIALS: P&L (USD M)

	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Gross Revenues	1,102	1,083	1,219	2%
Cost of Sales	353	353	360	0%
Gross Margin	749	731	859	2%
Opex	367	337	379	9%
EBITDA	382	394	480	(3%)
Net Profit/(Loss)	29	(5)	122	657%

CAPEX BREAKDOWN (USD M)

	2017	2016
Network	109	85
IT	8	10
Others	2	0.5
Capex	119	96

NETWORK KPIs

Average Daily Data Volume (TB)	216
2G Population Coverage	100%
3G Population Coverage	85%
Contact Centre Availability	99%

ZAIN SUDAN

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



DATA REVENUES GREW BY 58% Y-O-Y, REPRESENTING 16% OF TOTAL REVENUES.



SERVING 13.5 MILLION CUSTOMERS, 2ND LARGEST WITHIN THE GROUP

With a leading customer market share of 47% as of 31 December, 2017, Zain Sudan was able to further improve its market position by reporting year-on-year (Y-o-Y) customer growth of 8% to reach 13.5 million at the end of the year. The growth in customers was driven mainly by Customer Value Management activities and Below The Line campaigns reducing churn. Zain Sudan is the second largest contributor to Zain Group's customer based, representing 29% of the Group's total.

As has been the case for over a year, significant currency devaluation (53% in 2017) in Sudan affected the Group's overall and the operation's financial results in USD terms. However, in local currency (SDG) terms, the operator continues to perform remarkably well, as revenues grew by 36% Y-o-Y to SDG 7.1 billion (USD 419 million, down 41% in USD terms) for the full-year 2017. EBITDA increased by 37% to reach SDG 2.8 billion (USD 166 million, down 43% in USD terms) while net income increased

173% to reach SDG 1.1 billion (USD 65 million, down 29% in USD terms).

The currency rate change including FX translation impacted the Group's and Zain Sudan's revenue by USD 445 million, EBITDA by USD 208 million and net income by USD 81 million for 2017.

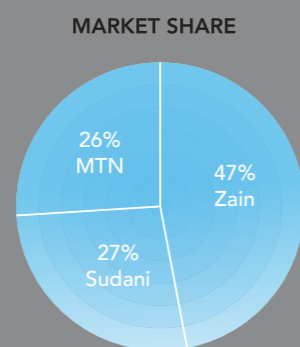
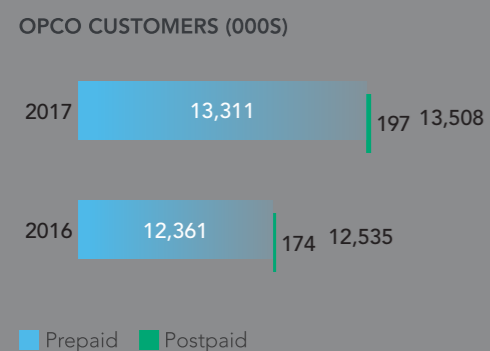
Nevertheless, Zain Sudan contributed 12% to the Group's overall revenues in 2017 with an ARPU of USD 3.

In October 2017, the United States formally revoked several economically focused sanctions on Sudan and the management team of Zain is confident this will go a long way in supporting the future development of Sudan, improving the currency situation and the telecom sector.

The expansion of 4G and 3G services to key cities across the country combined with data marketing initiatives saw data revenues (excluding SMS and VAS) grow by an impressive 58%, representing 16% of total revenues.

Zain Sudan is continuously expanding its 4G LTE network across the country and by the end of 2017 the operator's mobile network covered 90% of the population via 2,542 network sites.

In August 2017, Zain Sudan entered an agreement with La Liga, which operates the top two divisions of Spanish football, for an initial three-year deal, covering the 2017-18 to 2019-20 seasons. Zain will serve as a regional partner of La Liga in Sudan and will seek to promote Spanish football across Africa.



REPUBLIC OF SUDAN - USD

OPERATIONAL & FINANCIAL PERFORMANCE	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Customers (000s)	13,508	12,535	11,869	8%
Revenues (USD m)	419	709	717	(41%)
EBITDA (USD m)	166	290	311	(43%)
EBITDA %	40%	41%	43%	-
Net Profit (USD m)	65	91	163	(28%)
ARPU	\$3	\$5	\$5	-
Capex (USD m)	133	216	237	(38%)

FINANCIALS: P&L (USD M)	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Gross Revenues	419	709	717	(41%)
Cost of Sales	97	170	161	(43%)
Gross Margin	321	539	556	(40%)
Opex	155	250	245	(38%)
EBITDA	166	290	311	(43%)
Net Profit/(Loss)	65	91	163	(28%)

CAPEX BREAKDOWN (USD M)	2017	2016
Network	101	129
IT	17	82
Others	15	5
Capex	133	216

REPUBLIC OF SUDAN - LOCAL CURRENCY TERMS (SDG)

OPERATIONAL & FINANCIAL PERFORMANCE	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Customers (000s)	13,508	12,535	11,869	8%
Revenues (SDG m)	7,078	5,220	4,558	36%
EBITDA (SDG m)	2,823	2,061	1,977	37%
EBITDA %	40%	39%	43%	-
Net Profit (SDG m)	1,085	398	1,038	173%

FINANCIALS: P&L (SDG m)	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Gross Revenues	7,078	5,220	4,558	36%
Cost of Sales	1,628	1,295	1,025	26%
Gross Margin	5,450	3,925	3,534	39%
Opex	2,627	1,865	1,557	41%
EBITDA	2,823	2,061	1,977	37%
Net Profit/(Loss)	1,085	398	1,038	173%

NETWORK KPIs

Average Daily Data Volume (TB)	139
2G Population Coverage	90%
3G Population Coverage	46%
LTE Population Coverage	27%
Contact Centre Availability	100%

ZAIN KSA

Zain Saudi Arabia (Zain KSA) launched commercial operations in the Kingdom of Saudi Arabia on August 26, 2008, a year after it was awarded its mobile license. The Group holds a 37% equity stake in the operation, while the remaining shareholding is held by a Saudi consortium, which owns 21%, and 42% that is free floating on the Tadawul stock exchange (ZAIN KSA, 7030). The company's market capitalization stands at approximately USD 1.14 billion, reflecting a share price SAR 7.4 as of 31 December, 2017.

The highlight of 2017 was the SAR 1 billion net profit turnaround reported by the operation, reflecting the successful implementation of the transformation program that is taking place at Zain KSA. The operator recorded its first ever full-year net profit, amounting to SAR 12 million (USD 3.1 million) in 2017, compared to a loss of SAR 980 million (USD 261 million) in 2016.

For the full year 2017, revenues reached SAR 7.5 billion (USD 2 billion) reflecting a 6% year-on-year (Y-o-Y) increase. This was achieved despite a significant decline in international revenues amounting to SAR 693 million (USD 185 million), primarily due to the impact of VoIP and the lower number of prepaid customers. The decline in international revenues was partially offset by the growth in revenues derived from mobile broadband, post-paid voice and data packages and growth in enterprise business. Overall ARPU for the operator stood at USD 17.

The company's cost optimization and efficiency drive resulted in an impressive 40% increase in EBITDA to SAR 2.5 billion (USD 671 million), reflecting an EBITDA margin of 33.4%.

The introduction of the biometric identification requirement over the past year, capping the number of prepaid SIMs to two for each unique identity, saw Zain KSA's total customer base shrink by 23%, to 8.2 million at the end of 2017. This number represents 18% of the Group's total customer base.

The quality and competitiveness of Zain's network was enhanced by a SAR 1.1 billion investment in capital expenditure in 2017, in addition to the acquisition of 1800MHz spectrum. Impressively, the operator also witnessed a 30% rise in data revenues Y-o-Y (excluding SMS & VAS), which represented 50% of total revenues as Zain KSA continues to expand its state-of-the-art 4G LTE network, which currently covers 96% of the population via 8,263 network sites.



RECORDED ITS 1ST EVER FULL YEAR NET PROFIT



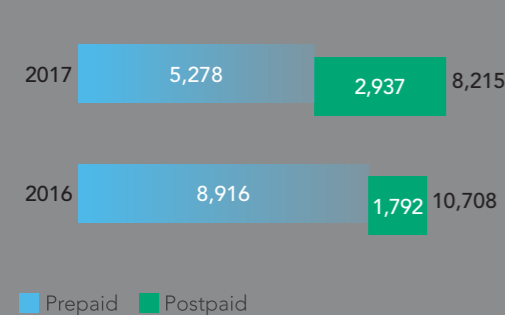
DATA REVENUES GREW BY 30% Y-O-Y, REPRESENTS 50% OF TOTAL REVENUES

Another highlight in 2017 was the SAR 1.7 billion (USD 453 million) repayment of senior debt by Zain KSA. Following the payment, Zain KSA's healthy cash balance will allow it to meet future financial obligations.

Zain KSA's overall financial results are even more impressive given the backdrop of a very competitive market in the Kingdom, with fewer overall subscribers in 2017 and the general decline in industry revenues. This impressive performance is attributed to the disciplined execution of the operator's strategy to increase monetization of data and digital services, the ongoing focus on the improvement of the company's operations, and the efficiencies and optimization of its cost structure. Investment in 4.5G mobile network technology and increased customer centricity and care also contributed to the operator's best-ever performance.

During the second half of 2017, Zain KSA entered exclusive negotiations with a consortium led by IHS and Towershare for the sale and lease back of its passive physical tower infrastructure. The Board and management of Zain KSA believe this transaction will increase shareholder value and boost the operation on multiple levels. The deal is expected to close by the first half of 2018, subject to regulatory approvals.

OPCO CUSTOMERS (000S)



On 25 October, 2017, the Zain KSA Board proposed a capital restructuring plan writing off accumulated losses and increasing its capital, after receiving the required regulatory approvals. As part of the restructuring plan, the company's capital will be reduced from SAR 5,837,291,750 to SAR 3,616,110,783, representing a capital decrease of approximately 38%. The capital reduction will be affected by the cancellation of 222,118,097 shares. As a result, the number of shares on issue will be reduced from 583,729,175 to 361,611,078. Following the capital reduction, Zain KSA plans to increase its capital from SAR 3,616,110,783 to SAR 9,616,110,783 by way of a rights issue with a total value of SAR 6,000,000,000.

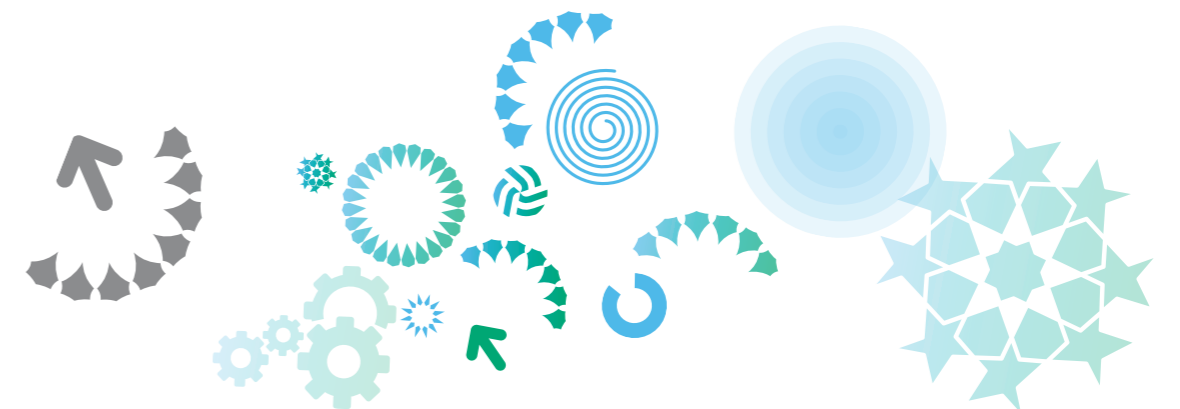
OPERATIONAL & FINANCIAL PERFORMANCE	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Customers (000s)	8,215	10,708	11,888	(23%)
Revenues (USD m)	2,008	1,903	1,858	6%
EBITDA (USD m)	671	479	434	40%
EBITDA %	33%	25%	23%	-
Net Profit (USD m)	3	(261)	(259)	101%
ARPU	\$17	\$14	\$14	-
Capex (USD m)	308	788	487	(61%)

CAPEX BREAKDOWN (USD M)

	2017	2016
Network	254	755
IT	46	19
Others	8	14
Capex	308	788

NETWORK KPIs

Average Daily Data Volume (TB)	3,375
2G Population Coverage	96%
3G Population Coverage	95%
LTE Population Coverage	89%
Contact Centre Availability	100%



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 notched up another first by joining Zain Group's Middle East portfolio, and despite intense competition in this liberalized market, the operator was the first to launch 4G services in the Kingdom. It has maintained its status as the country's leading mobile entity from inception.

During 2017 Zain Jordan maintained its market leadership of 36%, serving 3.9 million customers, which represents 8% of Zain Group's total customer base at the end of 2017.

Revenues for the year increased by 3% to USD 497 million, mainly driven by higher interconnect and data revenues. EBITDA amounted to USD 226 million, reflecting a healthy EBITDA margin of 45%, with net income reaching USD 90 million. The pressure on EBITDA and net income was mainly due to a move to match the competition in the Kingdom by providing free off-net calls to customers. This led to significantly higher interconnection costs, resulting in a decrease in gross margin.

With the launch and gradual expansion of 4G services, data revenues (excluding SMS & VAS) grew by a healthy 12% year-on-year (Y-o-Y) and represented 37% of total revenues. Zain Jordan's network covered the entire population, increasing its total number of network sites to 2,813.

The operator's focus is on maintaining its leadership position in the corporate segment, introducing competitive offers, and developing new bundling concepts, as well as establishing the indirect sales reseller model to offer a larger sales reach to Small Office Home Office (SoHo) entities. The operator is also applying retention strategies for current corporate customers through loyalty programs with customized offerings. Moreover, Zain Jordan is venturing into the offer of new services and IoT solutions that cater to different enterprise needs such as security, hosting, M2M applications, and SoHo based cloud solutions.

On the digital service front, Zain has released an updated version of its self-care app, featuring a list of new services that allow customers to enjoy full visibility and control of their subscription details and status, manage their services, and keep up to date of latest launches.

1 MAINTAINS THE CUSTOMER MARKET LEADERSHIP AT 36%, SERVING 3.9 MILLION CUSTOMERS

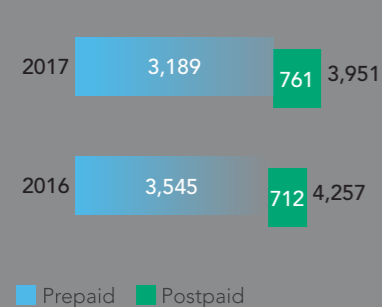
DATA REVENUES GREW BY 12% Y-O-Y, FORMED 37% OF TOTAL REVENUES

In an effort to align the company's objectives with Jordan's National Strategy for Financial Inclusion 2018-2020, Zain Jordan entered into an agreement with MasterCard, the leading payment solutions company, enhancing financial coverage in Jordan with the provision of financial services to two million people in the Kingdom.

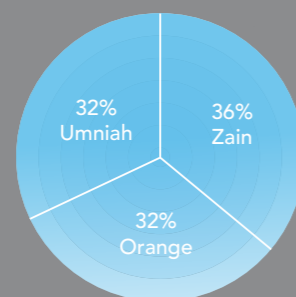
Zain Jordan made progress in its rollout plan to expand "Zain Fiber" services tailored to various monthly subscription packages aiming at enriching customer experience. Zain Fiber is driven by FTTH (Fiber-to-the-Home) technology, providing premium quality and stable internet access with speeds that reach 1 GB per second.

The operator is also working towards linking its varying product portfolio together to maximize value for customers, where all communication and awareness campaigns can be accessed at Zain shops across the Kingdom.

OPCO CUSTOMERS (000S)



MARKET SHARE



During 2017, Zain Innovation Campus (ZINC) hosted several events, programs, lectures, workshops and competitions that contributed to supporting the development of innovative ideas by entrepreneurs. Throughout the year, many VIPs toured ZINC and met with startups and shared their experiences, including Amazon's Jeff Bezos and Global content marketing expert, Neil Patel, whom The Wall Street Journal describes as a top influencer on the web. ZINC also hosted the "Google For Developers" event, which is part of Google's interactive series of conferences in the Middle East and North Africa, offering the latest technology and open platforms to developers and industry leaders.

OPERATIONAL & FINANCIAL PERFORMANCE	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Customers (000s)	3,951	4,257	4,070	(7%)
Revenues (USD m)	497	483	459	3%
EBITDA (USD m)	226	240	251	(6%)
EBITDA %	45%	50%	55%	-
Net Profit (USD m)	90	105	122	(14%)
ARPU	\$9	\$9	\$9	-
Capex (USD m)	54	66	50	(18%)

FINANCIALS: P&L (USD M)	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Gross Revenues	497	483	459	3%
Cost of Sales	103	88	93	17%
Gross Margin	394	395	366	0%
Opex	168	154	115	9%
EBITDA	226	240	251	(6%)
Net Profit/(Loss)	90	105	122	(14%)

CAPEX BREAKDOWN (USD M)	2017	2016
Network	48	60
IT	3	2
Others	3	4
Capex	54	66

NETWORK KPIs

Average Daily Data Volume (TB)	721
2G Population Coverage	100%
3G Population Coverage	99%
LTE Population Coverage	99%
Contact Centre Availability	100%



ZAIN BAHRAIN

Zain Bahrain began commercial operations in the Kingdom in December 2003 as MTC Vodafone. With its introduction of 3.5G, WiMAX and most recently 4G LTE, Zain has tapped into a rich seam of telecommunication records, placing Bahrain on the global telecom map. Zain Bahrain is listed on the Bahrain Bourse (ZAINBH) with a market capitalization of approximately USD 88 million (share price BD 0.090) as of 31 December, 2017.

For the full-year 2017, Zain Bahrain generated revenues of USD 198 million, up 13% year-on-year (Y-o-Y). EBITDA for the period reached USD 58 million, down 11%, reflecting an EBITDA margin of 30%. Net income amounted to USD 11 million, reflecting a 1% increase. The operation's completely revamped 4G network served a customer base of 678,000, with data revenues (excluding SMS & VAS) increasing 23% Y-o-Y and representing 44% of overall revenues.

With severe competition in this dynamic mobile market, Zain Bahrain's ARPU amounted to USD 16 for the year. The operator's network currently covers the entire population, with a total of 507 network sites.

Zain Bahrain's strategy is to focus on customer empowerment, convenience, and autonomy by expanding the range of innovative digital products and services, enhancing the operator's mobile app and online customer portals, and building partnerships with third-party content and

service providers that can add value and enhance customer experience.

The operation was active throughout the year in its service promotions, which included, multiple initiatives on bonus credit, credit transfer and validity; launch of multiple smartphone offers and complimentary data usage on National Day and New year, as well as the offer of free data roaming for outbound roamers attending the Gulf Cup in Kuwait.

Zain Bahrain was also recognized by the ResponseTek C.A.R.E. Awards for its outstanding customer experience program, winning first place in the Overall Best in Class Program category. The award was in recognition of the company's impressive improvement in customer engagement across all channels.

At the annual Ministry of Labor and Social Development Awards, Zain Bahrain received the Human Resources



REVENUES JUMPED BY 13%
TO REACH USD 198 MILLION



DATA REVENUES GREW BY 23% Y-O-Y,
AND FORMED 44% OF TOTAL REVENUES.

Development and Training Award for its outstanding efforts in developing talent. Zain Bahrain was also awarded the prestigious 2017 GCC Best Employer Brand in recognition of its outstanding human resources practices.

Zain Bahrain hosted the 10th MIT Enterprise Forum Arab Startup Competition's final award ceremony on behalf of Zain Group. The ceremony, held at the Bahrain International Circuit (BIC), welcomed public figures, investors, media and entrepreneurs from across the globe. The competition was organized in partnership with Community Jameel and Tamkeen.

Zain Bahrain also entered the 10th year of its partnership with the Bahrain Basketball Association, launching a new logo for the Zain Bahrain Basketball League. The collaboration is one of the most successful and enduring sports sponsorships in the Kingdom, which has helped improve the skills of players and taken the sport to new levels of popularity.

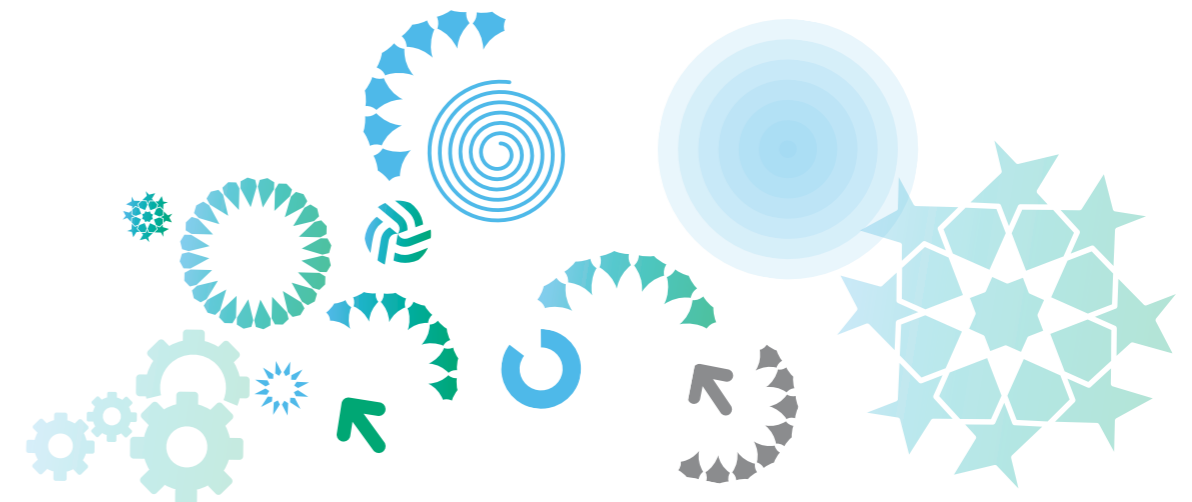
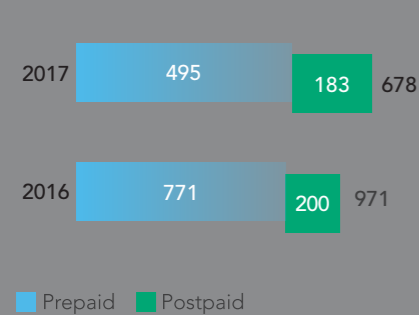
OPERATIONAL & FINANCIAL PERFORMANCE	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Customers (000s)	678	971	795	(30%)
Revenues (USD m)	198	175	191	13%
EBITDA (USD m)	58	66	75	(11%)
EBITDA %	30%	38%	39%	-
Net Profit (USD m)	11	11	14	1%
ARPU	\$16	\$15	\$19	-
Capex (USD m)	15	31	33	(52%)

FINANCIALS: P&L (USD M)	2017	2016	2015	YOY GROWTH (2017 VS 2016)
Gross Revenues	198	175	191	13%
Cost of Sales	59	33	32	80%
Gross Margin	138	142	159	(2%)
Opex	80	76	84	5%
EBITDA	58	66	75	(12%)
Net Profit/(Loss)	11	11	14	0%

CAPEX BREAKDOWN (USD M)	2017	2016
Network	13	26
IT	2	5
Others	0.2	0.2
Capex	15	31

NETWORK KPIs	2017
Average Daily Data Volume (TB)	348
2G Population Coverage	100%
3G Population Coverage	100%
LTE Population Coverage	100%
Contact Centre Availability	100%

OPCO CUSTOMERS (000S)



TOUCH-LEBANON

In June 2004, Zain Group was awarded a four-year management contract to operate one of Lebanon's two GSM networks. This concession has been extended regularly ever since. The operation is branded 'touch', and Zain Group management has worked closely with the country's Ministry of Telecommunications and high-caliber local talent to develop the operation.



MONETIZING DATA TO STRENGTHEN ITS LEADERSHIP POSITION



1,313 NETWORK SITES COVERING ALL POPULATED AREAS

At the end of 2017, touch counted 2.4 million customers with over 86% being prepaid subscribers. This accounts for 5% of Zain Group's total customer base. With 1,313 network sites, the operator covers all the populated areas of Lebanon.

Touch works closely with the country's Ministry of Telecommunications with the view to further enhancing the operator's customer experience, diversifying its product portfolio, and monetizing data to strengthen its leadership position while maintaining earnings.

To preserve its leadership and increase its market share, touch is focused on further innovation, responding promptly to the voice of customers, maintaining and upgrading the development of its network, diversifying its product portfolio and enhancing customer experience.

As the demand for data rises, touch is differentiating its services by offering a wide range of data bundles. This allows the operator to benefit from

existing revenue drivers, mainly local data, which is generating incremental revenues from additional subscribers as well as higher consumption and higher LTE active customers. Moreover, touch launched a segmented value proposition and experience to students in Lebanon through the successful Student Plan.

Additionally, the LTE nationwide roll-out deployment and USIM Swap program as well as many other segmented Customer Value Management campaigns contributed to the growth in revenues.

Several highlights for touch in 2017 include the launch of new services including Copy RBT and Visitor Lines for tourists. The operator introduced the e-chat service on its mobile app after successfully launching it on the website in Q3 2017. Touch customers can now easily access the service and chat anytime including weekends. Touch also leveraged its self-service channels, increasing share and revenues as well as enhancing e-bill

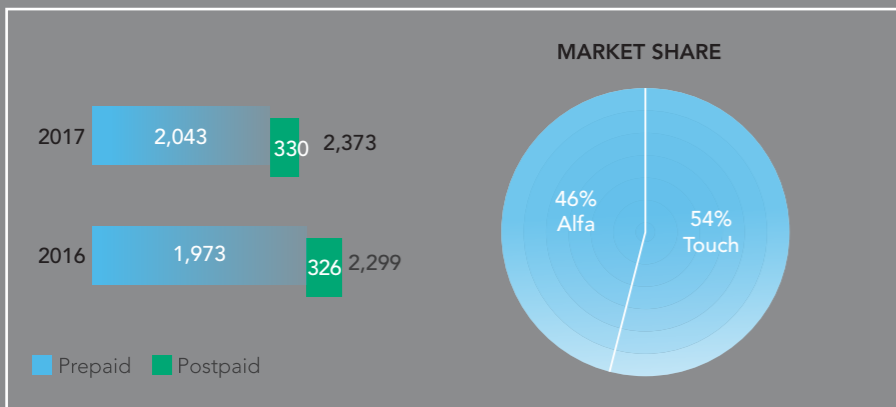
payment transactions and e-recharge transactions.

Touch opened two new service centers in the northeast and south of Beirut to be closer to customers and deliver a consistent customer experience.

A keen supporter of the country's digital ecosystem, touch hosted the "touch-Little Engineer IoT program", a pilot course offering insight about IoT, software programming and circuit assembly. Touch also partnered with UK Lebanon TechHub for the 'Angel Network Lebanon' event, enabling seven Lebanese startups to pitch their concept to top CEOs for investment opportunities. Touch partnered with Arabnet and Antwork, a hub for the independent workforce, to develop its first co-working space at the touch Lab in downtown Beirut.

The operator also aims to develop enterprise (B2B) services and actively participate in the smart city revolution sweeping the region. Touch is eyeing entering the e-market (e-health, e-education, etc.) space.

Touch provided digital learning to employees to help keep them updated with the digital transformation trends. Throughout the year, the company organized activities to further boost employee morale. The operator also launched a recognition program to reward employees and most importantly, to show how much touch values their contribution.



REGULATORY LANDSCAPE



REGULATORY CHALLENGES ACROSS MENA

The regional telecommunications industry and the ICT sector are witnessing significant change and developments, putting telecommunications operators under increased pressure necessitating regulatory modernization. Some of the key developments include:

Explosive data growth, at a CAGR of over 50% over the last two years, is creating a gigabit society, with users consuming average monthly data of up to 18 GB. Critical factors such as higher smart device penetration, more LTE and LTE-A subscribers, generous data plan offerings at lower prices, increased take-up of video and audio entertainment/content streaming, social media and the use of personal and enterprise cloud and backup services are fuelling higher demand for data and faster speeds. In Zain Kuwait, Zain Saudi Arabia and Zain Bahrain for example, average monthly data consumption per subscriber, across the entire base, has already exceeded 18 GB, 14 GB and 15GB respectively. The growth necessitates the use of more spectrum (new frequency licences) and more sites to expand radio access networks and the use of fibre connectivity (new fibre licences or acceleration of national broadband network deployment) for backhaul. With the growth in Machine to Machine (M2M) and the Internet of Things (IoT), the requirements for new numbers and short codes will also increase significantly. **Operators will need to continue investing to acquire more scarce resources - frequency licences, fibre licences and numbering blocks - for growth purposes.**

Country visions and ICT strategies are actively embracing the impact of the digital economy, e-Government services and new technologies. The New Kuwait Vision 2035, the Saudi Arabia Vision 2030 and the National Transformation Programme 2020; the Bahrain Economic Vision 2030 and 4th National Telecom Plan and the Jordanian REACH Digital Economy Action Plan 2025 all espouse the benefits of and set out aggressive plans for ICT. Various markets are now exploring new technologies such as 5G, smart cities, artificial intelligence, FinTech, blockchain, connected cars and IoT. The 5G New Radio (NR) specifications have now been approved by 3GPP; in addition, new networks, use cases and devices based on the ITU IMT-2020 standard are expected to become available by 2020. **Although the business cases are challenging, operators will have no choice but to be ready for 5G deployment, acquiring spectrum, deploying infrastructure and developing value propositions.**

Macroeconomic pressures are fuelling higher industry costs and consumer taxes. Lower oil prices, high youth unemployment, large budget deficits and civil conflicts are impacting economies. Value Added Tax (VAT) at 5% has already been introduced in Saudi Arabia and the United Arab Emirates and is set to be implemented in other GCC countries by no later than 2019. The implementation of expat levies and the removal of energy subsidies are already having an impact on the disposable income of telecommunications consumers in Zain markets. In tandem, governments continue to seek high spectrum fees, increase in mobile special taxes, excise taxes on usage, higher revenue share or introduction of additional costs through the imposition of universal service obligations. In Jordan, for example, the total amount of taxes on the top-line for voice services amounts to 46.16% (16% sales tax, 26% excise tax on usage) in addition to a revenue share of 10%, regulatory levy of 1% and corporate income tax at 24%. Analytical research has demonstrated that although the telecommunication/ICT sector tax revenues play an important role in supporting national public services, this role must be weighed against the potentially adverse effects that taxation can bring to the growth of the telecommunication/ICT sector, broadband penetration, and national economic growth. Active and passive infrastructure sharing, establishment of tower companies and spectrum pooling are potential areas for CAPEX reduction. In 2017, Zain Kuwait signed a first of its kind agreement in the Middle East to divest tower assets with the long-term objective of reducing CAPEX. **Operators are investing heavily (CAPEX at approximately 15% of revenues) but are bearing a higher burden of extra costs – an unsustainable position. Infrastructure sharing may mitigate this burden. Consumer taxes impact consumer spending, consequently lowering ARPU.**

Very costly licence renewals which are about to expire. All 15-year licences issued from 2003 to 2007 – which apply to Zain operations in Bahrain, Jordan and Iraq - will expire over the next five years. Licence renewals would cost operators further cash outflow which could otherwise be invested in building broadband networks with more capacity. Longer licences give operators greater certainty and more transparent and predictable renewal processes may help ensure investment incentives are maintained as licences near the end. **By securing licence extensions, cash outflow will be better managed and amortisation costs will be reduced.**

Convergence, adoption of new services fuelling the need to update telecom laws and regulations. Increased digital services engagement and convergence across verticals (automotive, health, financial services, commerce, advertising, social media) and technologies (fixed, mobile and media) are fuelling the unprecedented sharing of personal data and bundling of products. Customer data has become a strategic asset and data sharing, within and across borders, is driving more stringent consumer protection and data protection regulations. In Europe, a General Data Protection Regulation, which defines the scope, relevant parties and legal principles governing the processing of cross-border data flow and protection of personal data of natural persons, will become enforceable on 25 May 2018, repealing an earlier EU data protection directive No. 95/46/EC of 1995. In Zain markets, telecom laws are being updated in Kuwait, Iraq, Bahrain, Saudi Arabia and Sudan. Data privacy, e-transaction laws and now data regulations are also being introduced but these are primarily towards telecom operators rather than ISPs or OTTs. **Operators need to contend with new regulation changes with consequential operational and financial impacts.**

Regulator-led strategic market reviews (SMR), competition safeguards, tariff regulations and cost modelling. Periodically, regulator-initiated strategic market reviews are launched to define relevant markets, to determine dominance in those markets as well as to re-examine ex-ante and ex-post remedies. Increasingly, SMRs are being conducted giving due consideration to the impact of OTT services, the move to unified licences and fixed-mobile convergence. Saudi Arabia issued its Market Definition, Designation and Dominance (MDDD) report in October 2017; Jordan and Kuwait are in the process of commencing strategic market reviews. Furthermore, regulators in Iraq, Saudi Arabia and Kuwait took steps to institute controls on pricing and to put in place competition safeguards to mitigate impacts or price wars. For example, CITC in Saudi Arabia launched an anti-data dumping study which was designed to establish a floor on data pricing. Kuwait and Iraq introduced a pre-tariff launch approval regime, requiring operators to seek regulatory approval prior to launch of products. **Going forward, objectively, operators want a non-discriminatory, technology-neutral application of competition law and regulations; ex-ante and ex-post remedies across defined markets will need to consider the dynamics and changes in the market place to ensure more effective outcomes for consumers and to encourage investment and innovation for operators.**

Revenue erosion – international, national and inbound termination – due to take-up of OTT services. OTT VoIP and IP-messaging services – WhatsApp, Skype, Viber, Tango, LINE, etc – are all easily accessible to customers across Zain's footprint. Either through legislation, regulations or directives in some markets (Jordan, Bahrain), operators are not allowed to block, throttle or degrade OTT VoIP services or through market practice, they elect not to (Kuwait, Sudan, South Sudan, Lebanon and Iraq). In Saudi Arabia, for example, the ban on VoIP calling was partially repealed in 2017. Whilst advocacy bodies including GSMA and SAMENA have long advocated that VoIP services should have the same regulatory treatment as traditional voice services (i.e. "same service, same rules"), success has been muted. **Operators would need to lobby to mitigate the regulatory imbalance to create a level-playing field.**

National security concerns are fuelling security restrictions on telecommunications. Owing to national security concerns, biometric verification measures on subscription have now been adopted in Saudi Arabia and Bahrain with plans to launch such in Jordan. Already, prepaid registration measures have been adopted in Iraq and Sudan. Furthermore, Ministries of Interior in most markets are now imposing limits on the number of SIM cards that can be associated with one subscription contract or one identifiable subscriber. These all have consequence of potentially inhibiting growth of SIM usage or reduction in the existing base as adherence to regulations calls for the forced termination of services to unregistered SIMs. However, strict compliance to these regulations is imperative to avoid penalties. Another key area of interest is in cybersecurity and ensuring full compliance to national cybersecurity policies. This will become even more prominent with larger-scale deployments of IoT and the increased adoption of smart cities infrastructure. **Operators will need to adhere strictly to new regulations linked to national security concerns.**

ZAIN'S REGULATORY AGENDA

Against the backdrop of the challenges outlined above, Zain has formulated its regulatory strategy of advocating regulatory modernisation to safeguard its future and the sustainability of its operations.

Facilitating Broadband Investment / Embracing New Technologies

- Secure largest or equitable technology-neutral spectrum holdings in the Digital Dividend Bands, Traditional Mobile Bands and New 5G Bands
- Lobby for pro-investment approach to 5G and digital services
- Secure unified licence / liberalisation of IGW; liberalisation or unbundling of fibre

Addressing High Industry Costs / Licence Renewals

- Lobby for lower industry fees: spectrum fees, licence renewal fees and taxation
- Lobby to extend licence durations – e.g. go from 15 to 25 years
- Lobby for regulatory approvals to support active network infrastructure sharing and spectrum pooling

Preparing for Telecom Law Update / Strategic Market Review / Impact of OTTs

- Lobby to update laws to address convergence of ICT and verticals - telco, digital, media, FinTech, health, etc
- Lobby for enforcement of SMR ex-ante remedies and competition safeguards where Zain is a challenger
- Lobby to have SMRs account for OTT impact – "same service, same rules"

Compliance with National Security-Related Regulations

- Adhere to national security requirements
- Ensure full compliance to customer registration/biometric verification mandates
- Lobby for collaborative efforts on cybersecurity strategies and policies

Zain will work closely with advocacy bodies such as GSMA, SAMENA Council and industry bodies such as the ITU, the Broadband Commission, Arab Spectrum Management Group and other organizations to advance these positions with regulatory bodies and other government stakeholders.

MAJOR REGULATORY DEVELOPMENTS IN 2017



KUWAIT

- April 2017: CITRA awards Zain spectrum in 800 MHz and 2600 MHz bands
- Oct 2017: CITRA approves tower company establishment
- Oct 2017: CITRA issues Draft Licensing Regulations for Industry consultation.



SAUDI ARABIA

- Feb 2017: CITC grants unified licence to Zain
- Jun 2017: Zain secures 2 x 10 MHz in 1800 MHz band following auction of radio Licences for 700 and 1800 MHz bands in May 2017
- Jul 2017: CITC redefines Fair Usage Policy for data
- Sep 2017: CITC lifts ban on VoIP
- Sep 2017: CITC launches anti-dumping data study
- Oct 2017: CITC issues Market Definition, Designation and Dominance Report
- Oct 2017: CITC reduces mobile termination rates from SAR 0.10 to SAR 0.055 and fixed terminations rates from SAR 0.045 to SAR 0.021
- Dec 2017: CITC postpones auction of 700/800/1800 MHz spectrum



BAHRAIN

- Feb 2017: TRA issues Public Consultation on "Quality of Service Regulation Decision on Measurements and Targets"
- Mar 2017: TRA issues Public Consultation on "Traffic Management and Pricing Practices Guidelines"
- Jul 2017: TRA initiates Biometric SIM Card Registration based on the SIM-Card enabled telecommunications service regulation
- Sep 2017: Changes made to Telecom Law in favour of National Broadband Network
- Nov 2017: TRA issues Public Consultation on "Privacy and Data Protection Regulation"
- Dec 2017: TRA issues "Consumer Protection Regulation"
- Dec 2017: TRA issues "Traffic Management and Pricing Practices Guidelines"



JORDAN

- Jan 2017: TRC institutes caps on number of lines held by subscribers
- Jan 2017: TRC commences review of Mobile Termination rates (MTRs)
- Feb 2017: TRC increases sales tax on internet services from 8% to 16%, excise tax on mobile airtime usage from 24% to 26% and a JD2.6 fee on new mobile SIMs
- May 2017: TRC commences discussions with operators on 2600 MHz spectrum acquisition
- Jun 2017: TRC issues green paper on IoT and M2M communications
- Jul 2017: TRC issues decision on local loop unbundling (LLU) over copper



IRAQ

- Apr 2017: CMC institutes a pre-approval tariff regime
- Apr 2017: CMC commences a review of telecom law
- Dec 2017: CMC informs operators on prospective plans for universal services obligations



SUDAN

- Jan 2017: Increase of VAT on telecom services from 30% to 35%
- Jul 2017: Presidential decision issued mandating registration of all lines with valid national IDs and termination of unregistered lines by 31 Dec 2017
- Oct 2017: Lifting of US-imposed sanctions
- 2017: On-going review of telecom law.



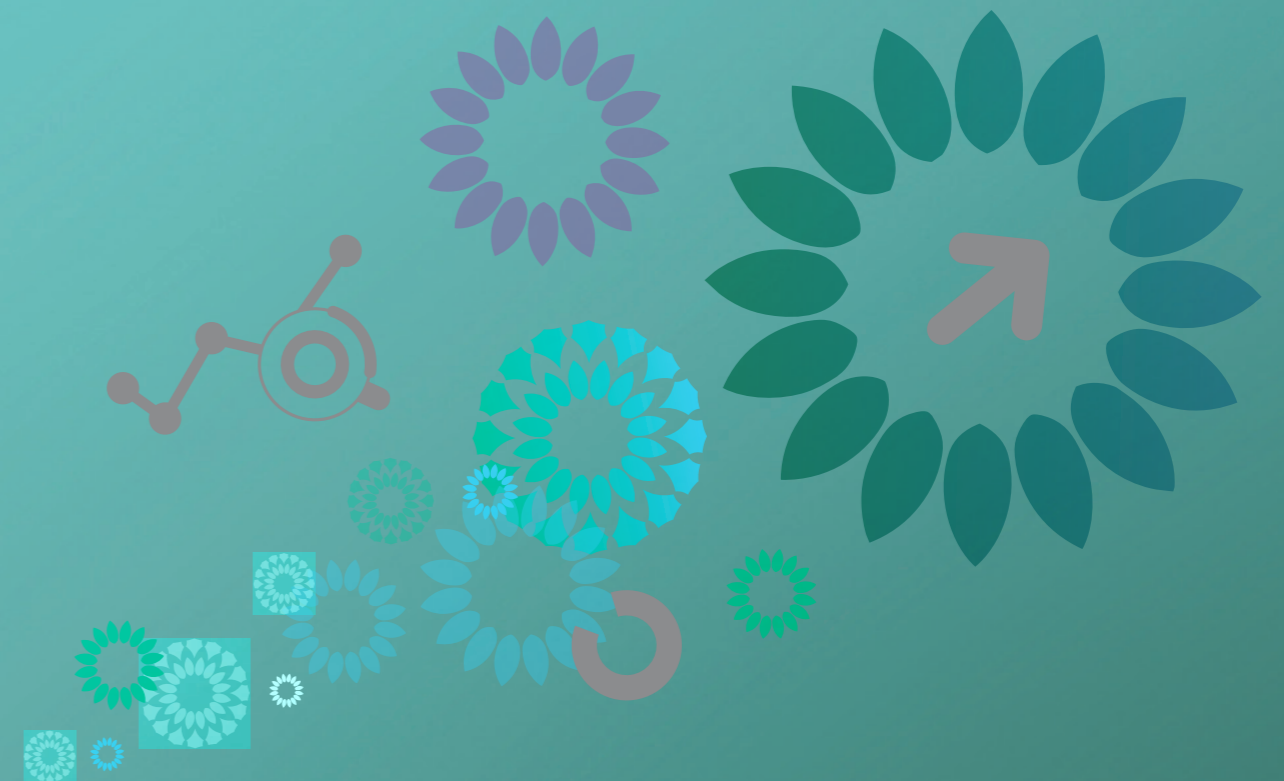
SOUTH SUDAN

- Jul 2017: Ministry of ICT requests operators to route international traffic through government-owned international gateway
- Sep 2017: Government approves increase in sales tax from 15% to 20% and excise tax from 10% to 30%



LEBANON

- 2017: On-going extension of management agreement term
- May 2017: Cabinet approves '7th phase' plan for national fibre-optic network strategy
- May 2017: LTE frequency refarming
- June 2017: Ministry of Telecom institutes mandatory lower internet access pricing



OUR STRATEGY



EXECUTION IS KEY TO OUR STRATEGY

REGIONAL MARKET DYNAMICS

In the MENA region, the adoption of 4G technology has supported the growth of top line revenues, however not fully compensating for the loss of voice revenues. Nevertheless, growth is expected to be modest due to slowing subscriptions, ongoing political and socioeconomic instability and the cannibalization of traditional voice and SMS revenue by IP messaging platforms¹ as OTT players grow in number and popularity.

To continue its success and growth in its market of operations, Zain is undergoing a business transformation and expanding into new verticals through partnerships and joint ventures. We target to become a leading digital lifestyle provider and create lasting value for society, delivering positive results for shareholders.

In pursuit of our ambition, Zain is revisiting its strategy to have a more concise plan and direction that is centered on “solidifying fundamentals”, “differentiation” and “diversifying revenues”. The strategy will revolve around six transformational initiatives launched in 2014 with efforts to adapt to ongoing challenges and changes in our industry. These areas are: Customer Experience; Operational Effectiveness; Value Management; B2B; Digital Frontier and Innovation; and Talent Development.

ONGOING TRANSFORMATION

Zain’s digital transformation journey is an effort to equip and prepare itself for what a digital lifestyle provider should look like in the future:

- To transform Zain business models and optimize its core operation into a more agile one, increase revenues along with tough cost control measures, and improve customer experience, through:
 - Sales:** Transforming the sales and customer communication channels to improve the customer interaction, reduce customer efforts, and improve customer experience.
 - Care:** Migrating to e-care can reduce the time and effort customers spend in getting things done, simultaneously reducing the cost and improving the overall experience.
 - Analytics of things and AI:** Using data analytics and AI will allow Zain to better understand customer needs and, accordingly, make better marketing offers, speed up time to market, reduce customer churn, optimize network design and revamp IT.
 - Digital processes:** Investing in effective customer-relationship-management systems to track customers’ digital footprints, reduce costs, better customer satisfaction, and improve brand advocacy and differentiation.
 - Back-end digitization:** Moving to a next-generation, software-defined network to enable the full digital transformation.

DIVERSIFYING REVENUES: A FOCUS ON B2B

2. Zain aims to have a strong B2B portfolio focused on serving all types of enterprises, government entities and SMEs, ultimately contributing to the success of Zain revenue diversification, through:

- Separate branding for B2B:** Launch of Zain Business as ICT leader across our footprint.
- New B2B core value proposition:** Strengthen Zain position in the SOHO & SMEs segments and build strong offerings that address large corporations and government entities.
- Fixed and ICT value chain:** Leverage regulation initiatives to tap into new markets and offer services to SMEs such as connectivity, cloud storage, surveillance services, etc.
- M2M connectivity and IoT:** Evolve the value proposition from data SIM to managed connectivity, and offer enterprise customers best-in-class solutions that ease their business and increase their efficiency.

LEVERAGING OUR ASSETS TO BECOME A DIGITAL SERVICE PROVIDER

- To build a strong digital/innovation portfolio that contributes to the transformation of Zain into a digital service provider leveraging on our assets via different business models e.g. partnership, venture capital, and M&A with a focus on:
 - Smart City:** Creating value for society as well as for the company by helping governments to transform the way people live. Under this initiative, Zain is working to offer smart living, smart environment, smart mobility, and smart economy solutions.
 - Financial Technologies (Fintech):** Offering mobile money solutions, mobile lending, mobile insurance, mobile banking and online investment solutions – also serving the unbanked population.
 - Cyber Security:** Technologies, processes and practices that protect network and data from attack, damage, or unauthorized access, making the online world safer for everybody.
 - Digital Content:** Re-defining business models for digital content: its delivery, customer ownership, and experience.
 - Electronic Health:** Creating value for the society as well as for the company by providing e-health services that allow customers to contact their doctors in an easy way.
 - Online Advertising:** Partner with multichannel networks to tap into Digital Video Advertising, and establish customer data monetization platform.
 - E-Education:** Provide LMS (Learning Management System) for B2B; establish/acquire educational content distribution platform; develop content creation/distribution business specifically on K12 and corporate verticals – to serve different user group requirements.

A YEAR OF MILESTONES

2017 witnessed several significant achievements for Zain, including:

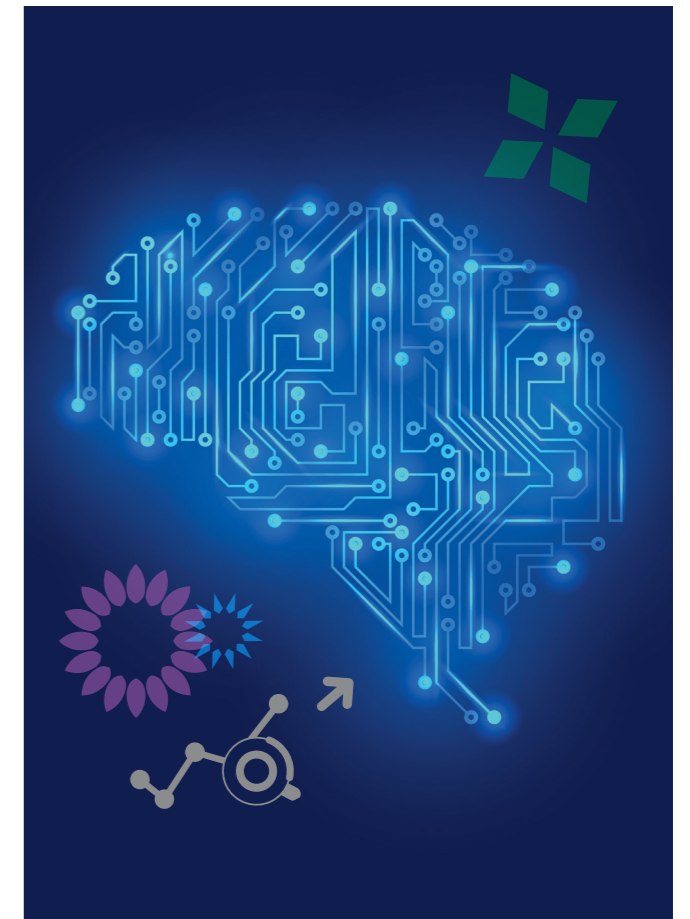
Operational:

TowerCo: Zain agreed to sell and lease back its telecom towers in Kuwait for USD 165 million to IHS, Holding Limited, in partnership with Towershare Management Limited. This marked the start of a strategy to unlock value from our fixed infrastructure, which can be more efficiently deployed in new technologies and higher yielding investments. This also paves the way for further network expansion and infrastructure sharing in Kuwait. The selling of our telecom towers will be replicated in other markets, enabling us to focus on our core business, enhance customer experience and create value for shareholders.

Diversification and Growth

- Zain Cash:** In 2016, Zain Cash was launched in Iraq and Jordan to support the vast unbanked population estimated at above 89% in Iraq and 75% in Jordan.² The platform began with a range of mainly current/debit account, peer to peer transfers, salary disbursements, self and third-party recharge, bill payments, purchase of digital goods and online shopping services. In 2017, Zain Cash continued its effort to add new services such as virtual MasterCard, in-app services, QR code store payments, paying at an agent, loyalty programs, and e-commerce platform. There are plans underway to further expand into services across both countries as well as introduce this platform to other geographies in Zain’s footprint.
- Myca Health Inc.:** Zain entered a Memorandum of Understanding (MoU) with Myca health Inc. to rollout a world-class mobile health service.
- YOYO:** Zain entered a joint venture with the car-sharing specialist to bring an exciting car sharing club model to Bahrain, and later expanded across Zain regional footprint and MENA region.
- Cloud Solutions:** Zain joined Amazon Web Services Partner Network to provide resilient cloud solutions to organizations in the Middle East. Becoming a member of the APN means Zain can now connect enterprises directly to the AWS Cloud across its expansive IP/MPLS network.
- Disaster Recovery Service:** Zain Kuwait and IBM launched a Cloud Disaster Recovery service, which will provide Zain’s enterprise customers with cloud-based business continuity capabilities and faster disaster recovery of their critical IT systems.
- 5G Testing:** Zain Kuwait successfully tested 5G and attained maximum throughput speeds of over 70Gbps. The transformation of mobile networks to 5G will release the full potential of digitalization in society and enhance ICT industry collaboration on multiple fronts.

- NXN:** Upon entering a strategic collaboration with NXN, a leading smart city advisory and consulting services provider based in the UAE in 2016, we deployed infrastructure and operations in Kuwait, Saudi Arabia and the UAE. In Saudi Arabia, NXN is working with the newly established National Digitization Unit (NDU) on the Digital Transformation of the Kingdom. While in Kuwait, in collaboration with Ericsson and E&Y, Zain has signed a deal with Kuwait Ministry of Electricity and Water (MEW) to develop, manage and operate smart meter systems.
- FOO:** In February 2016, Zain acquired a strategic stake in the innovative mobility provider and consultancy firm FOO, which is a Lebanon-based, multi-faceted digital player. The initial aim of the investment is to fast-track and enhance Zain’s delivery of innovative services to customers and enterprises. In Bahrain, FOO and BENEFIT launched “BenefitPay” as the first National e-Wallet for the Kingdom of Bahrain, an e-payment software designed to streamline payment within the Kingdom via a smartphone.



¹GSMA Wireless Intelligence
²World Bank

TOGETHER
WE ARE ZAIN



In 2017, Zain Group and the operating companies' Human Resources divisions emphasized learning initiatives, innovative thinking and giving back to the community.

These significant themes have enriched our greatest asset – our employees, best known as 'Zainers'.

LEARNING AND DEVELOPMENT

We recognize that our greatest strength is our people, and arming them with knowledge is important to each Zainer's career success.

Online training and leadership training were highlights in 2017. At Zain Iraq, 62 business leaders took part in the highly regarded "Seven More Habits of Highly Effective Leaders" workshop. Similarly, touch Lebanon (managed by Zain Group) introduced a Transformational Leadership and Innovation workshop for middle and senior management. The aim of the activity was to enhance business leaders' skills in empowering and coaching their teams and to be more innovative in thinking and goal-setting, particularly in today's fast-changing telecom landscape.

Zain Saudi Arabia launched an e-library Database and trained 682 employees – nearly half of the organization's employees – throughout 2017. Zain Iraq also launched an e-learning portal, with emphasis on IT and network advanced-level training materials. There are over 450 learning opportunities available on the portal. Touch Lebanon leveraged on Lynda.com, an online training platform offered in most Zain operating companies, to empower the frontline sales teams to further enhance customer experience.

Online trainings will continue to take on importance in 2018.



CREATING A CULTURE OF INNOVATION

Alongside training and development, a high priority for Zain is fostering a culture of innovation and idea generation.

In 2017, Zain Iraq launched 'Fikra', a platform in which employees can contribute innovative ideas. So far, 63 ideas have been presented. Of those, 10 are under implementation.

Zain Sudan's famous 'Zain Oscar' ceremony – which started in 2013 – offered a twist in 2017. The 'Free Open Innovation Challenge' was introduced to promote innovative solutions to company challenges. Employees from different departments propose creative solutions, and the winning ideas are voted on and awarded at the Zain Oscar ceremony.



EMPLOYEE ENGAGEMENT

Fostering a sense of belonging among Zainers is a key factor of employee engagement. For the operating companies, employee engagement activities were health-focused in 2017. Zain Iraq held a 'Zain Olympics' event, which brought staff together in a fun and competitive atmosphere. Activities such as basketball, soccer, ping pong and chess were utilized to emphasize the importance of mental and physical health.

Zain Group and Zain Jordan held stress-relieving yoga sessions for staff. Touch Lebanon set up Culture Club sessions, with one session focusing on 'Staying Healthy at Work'. Similarly, Zain Sudan held a 'Health Day'. These events highlighted how productivity, performance and positive attitudes in the workplace stem from good health.



GIVING BACK TO OUR COMMUNITIES

A strong connection among Zain operating companies in 2017 was the emphasis on giving back to the community. Zain Kuwait's employees played an active role in the local community throughout the year. Many employees volunteered to personally deliver food boxes to families in need and visited orphanages during Ramadan. Several charity clothing drives were held in efforts to donate clothing to the less fortunate.

Zain Saudi Arabia sponsored Ramadan tents at hospitals and employees visited and distributed gifts at local orphanages.

ZAIN SAUDI ARABIA'S GCC 'BEST EMPLOYER BRAND' AWARD

A proud achievement in late 2017, Zain Bahrain was recognized and rewarded for its exceptional Human Resources practices. This award acknowledges companies who effectively use marketing communications in talent acquisition, development and retention. This accomplishment will encourage the Human Resources divisions Group-wide to keep attracting and retaining the best talent in the region.



TECHNOLOGY



INTRO

In the ever-evolving and challenging telecommunications market, technology acts as an enabler for service differentiation and digital enablement. It drives and serves the overarching corporate strategy to help ensure a superior customer experience in the market.

The main strategic objectives include:

- To deploy appropriate technologies to efficiently support the delivery of new business models; creation of new revenue streams; and improved customer experience.
- Enable continuous delivery of the best user experience to keep customers satisfied and act as a differentiator for Zain.
- Evolve advanced analytics capabilities that boost decision making, strategic planning and strategy execution processes.

Customer Experience Solutions and Big Data use cases have thus been identified as priority strategic areas.

API LAYER

Group API Layer is a digital enablement gateway at the Group level that enables Zain to share certain capabilities with third party merchants. Zain's country operations can benefit by leveraging from the Group's consolidated 45 million customers.

This initiative aims to transform Zain's digital experience, enable new revenue streams and monetize information.

Zain will utilize APIs to power transactional activities such as Direct Operating Billing, and evolve its use to product-bundling and enabling analytics.

Integration of these capabilities will commence with Zain Kuwait and Zain Saudi Arabia as a first phase that is expected to be completed by Q1 2018, while other country operations will gradually be integrated in due course.

NFV/SDN

Zain Group was named the region's 'Best Network Functions Virtualization and Software-Defined Networking (NFV/SDN) Solution Provider' at the 2017 5G MENA Awards ceremony held in Dubai. NFV is a new concept in mobile networks where software is decoupled from hardware, which means that operators are no longer locked to a specific vendor. NFV/SDN technology adds a number of benefits and enhancements to mobile operations, enabling substantial reduction of CAPEX/OPEX, and faster time to market where services can be implemented and launched within hours rather than months. It also offers significant improvement in network performance and additional resiliency and reliability to mobile networks.

Zain Group has spent the last three years establishing a solid roadmap for the evolution of its core networks. Commercial deployments of NFV/SDN have taken place in Zain's operations in Kuwait, Saudi Arabia, Iraq, and Jordan.

ENERGY AND SITE OPTIMIZATION

Meeting customers' expectations while being environmentally friendly remain key drivers at Zain. Initiatives to this end have included infrastructure/site sharing, energy efficiency and site optimization.

Site sharing: This helps Zain provide better services to its customers, while mitigating the impact on the environment by reducing the number of base stations required, and reducing the energy consumption through sharing of premises and power sources.

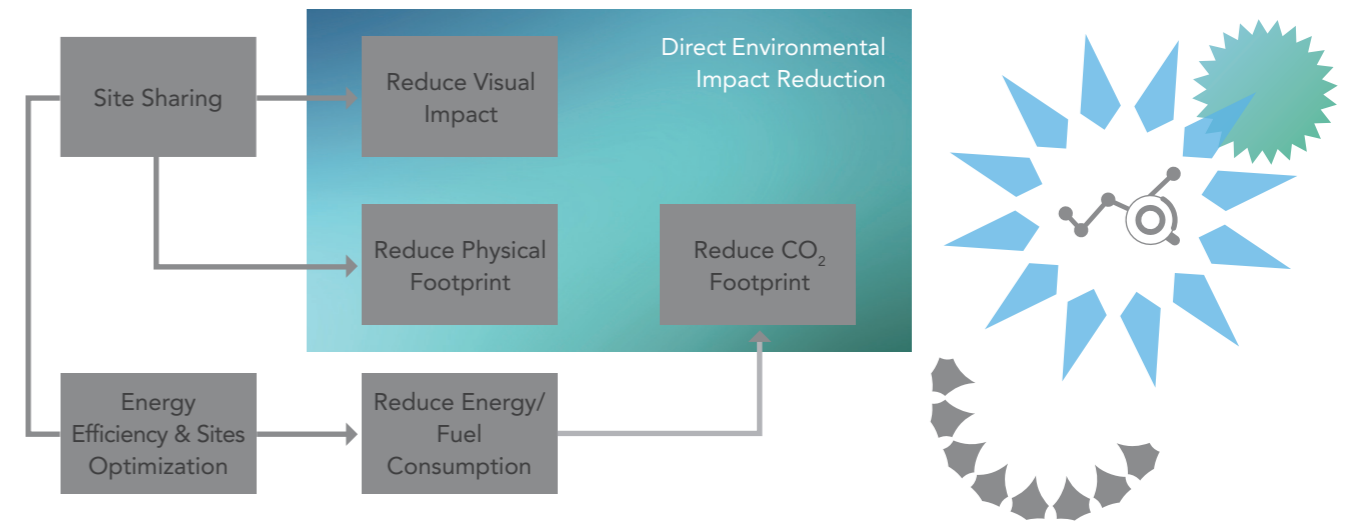
Site Optimization & Energy Efficiency: The concept of a low cost/low energy site solution is one of the most energy efficient alternatives for remote areas because of its use of solar energy as the main source of power. It has been successfully implemented this year by Zain Sudan.

Power Usage Effectiveness (PUE) is a key performance indicator that helps measure the energy efficiency level of data centers and core sites. A typical PUE value for the countries in which Zain operates is approximately 2. In 2017, Zain Sudan started the deployment of a data center with a targeted PUE value of 1.67, which means that for every unit of energy consumed by the onsite equipment, only 0.67 units of power would be required for the functioning of the supporting facilities such as cooling, service area, etc.

The above initiatives have resulted in CO2 emission reduction with reduced overall energy consumption.



Zain updated path to energy and environmental impact reduction:



DATA ANALYTICS

Data Analytics involves the identification, design and deployment of strategies, processes, skills, systems and data that can provide actionable intelligence resulting in business value.

It is essential to leverage the surge of data as an asset and provide business context that enhances the ability of an organization to improve its operations through timeliness, accuracy, completeness, relevance, and reliability of information.

Zain Group considers Big Data Analytics as a crucial factor in its Digital Transformation journey.

The approach that has been adopted is the establishment of an enablement platform that acts as a foundation for an enterprise-wide Big Data ecosystem at the country operational level to execute upcoming technical and business use cases. The project started with technical use cases to enhance operational efficiency by reducing CAPEX/OPEX of IT Infrastructure.

The next phase will see Enterprise Big Data serving analytical requirements for all functional units at Zain operations, focusing on business oriented analysis and decision making based on use-cases aligned with digital transformation and customer experience. This would involve analyzing internal and external, structured and unstructured, batch, real time and streaming data to create new business models, drive innovation, improve customer experience and monetize information.

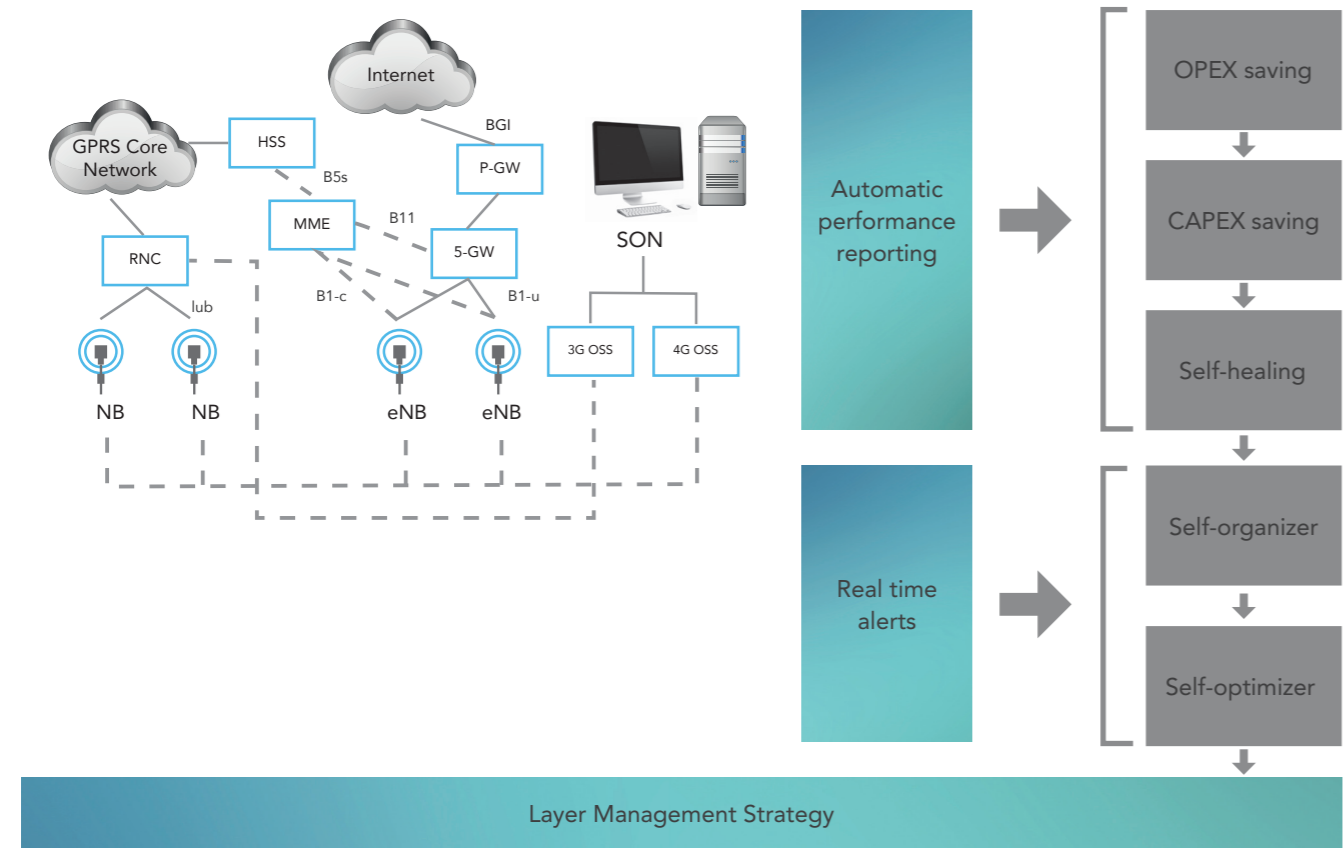
The rollout of Big Data Analytics commenced in 2016 with the establishment of the enablement platform in Zain Iraq. Similar projects are ongoing in Sudan and Saudi Arabia, which are expected to go live by end of Q1 2018, with other Zain operations coming online later in the year.

5G TECHNOLOGY

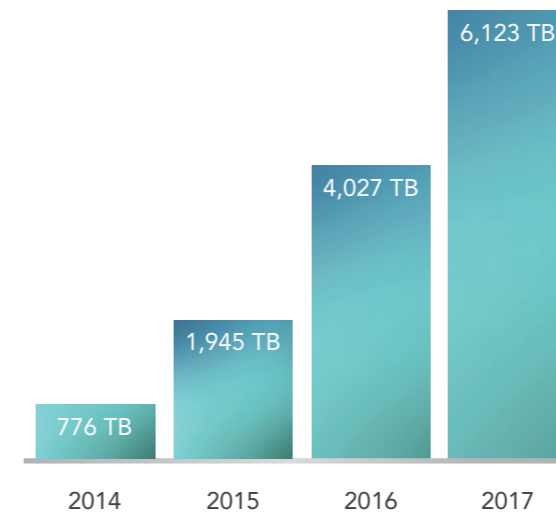
Being a leading mobile data service operator, Zain's goal is to be among the first operators to introduce 5G technology. For rapid deployment of 5G technology, we based our solutions on the evolution of the existing technology while gradually migrating to new 5G radio. 5G will allow Zain operations to deliver massive data speed at incredibly low latency. In 2017, Kuwait, Jordan and Bahrain commenced the implementation of the Massive MIMO, RAN Virtualization concept as the first stage of the 5G technology deployment, with an aim to complete the first 5G live trial in 2018.

SELF-ORGANIZING NETWORK (SON)

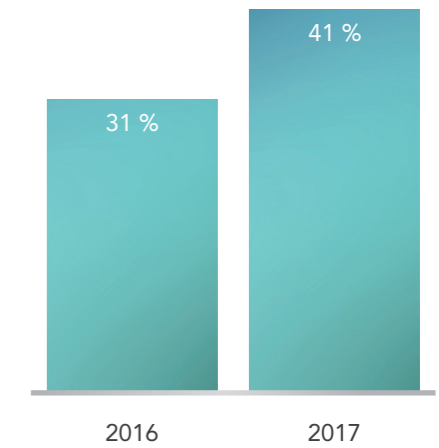
SON is an automated technology designed to make the planning, configuration, management, optimization, diagnosing and healing of the access network simpler and faster. The solution can assist in the reduction of OPEX and CAPEX by optimizing the use of network elements and spectrum leading to CAPEX & OPEX saving. The system is set to become operational in KSA in Q1 2018, followed by Kuwait.



2017 Data Traffic Growth (Terabytes Per Day)



2017 Group 4G Device Penetration



STRIVING FOR SERVICE QUALITY AND CUSTOMER EXPERIENCE EXCELLENCE

To provide the best mobile data experience, Zain placed additional focus on transforming our operations from network-oriented to service and customer-oriented centers. In so doing the company introduced Service Operation Centers (SOC) across several of our markets. SOC enables us to monitor the quality of services in addition to network monitoring, and offers us the ability to improve service and customer experience according to customer needs.

With the successful deployment of big data-enabled SOC in Zain Sudan, we are able to monitor the quality of experience of data services such as web-browsing, video and applications. In the coming year we plan to complete the deployment across other Zain operations.

We are now developing intelligent use cases from network data to make important decisions that will benefit Zain's business and its customers. For instance, we intend to use the customer knowledge from the networks' data to prioritize technology deployments based on customer needs and value.

Data Growth Highlights

The demand for data services continued throughout 2017, reflecting an increase of 52% in data traffic. This translates to an average 6 petabytes of data per day as compared to 4 petabytes per day in 2016 across Zain operations, and adding up to a whopping 2,537 petabytes a year. This growth is driven by a number of factors including continued deployment of 4G networks, efficient capacity upgrades, and the significant increase in smartphone penetration and LTE-capable devices across all our markets. There was an increase from 31% to 41% penetration of 4G-capable devices with some markets having over 70% penetration.

COMMERCIAL



COMMERCIALLY FOCUSED

As a sustainable and innovative digital communications company, Zain remained focused on exceeding customers' expectations via fast and reliable data services, in parallel meeting their demand for innovative services and increased capacity. The company continued to invest in network upgrades and expansions, launching appealing data-centric packages and delivering improved mobile experiences to customers everywhere.

Zain is determined to be the data provider of choice, via transforming ourselves to become a comprehensive platform that enables our customers to enjoy a truly digital lifestyle. We intend to achieve this by enabling the latest mobile technologies and availing a wide spectrum of relevant solutions including information and entertainment options.

DATA MONETIZATION

Across all operations for 2017, Zain witnessed 22% growth in data revenues in comparison with the same period in the previous year*. The contribution of data revenues to overall gross revenues increased from 29% to 33% during the year, fueled by a corresponding increase in data usage of 45%.

Zain has adopted a data monetization strategy that is aimed at delivering healthy and sustainable growth in mobile data revenues. This strategy is localized in each market via specific initiatives.

During 2017 these included:

In Kuwait, Zain launched the BOLT hotspot device, for the first time in the country, offering customers the latest superfast CAT 11 network technology on its nationwide 4G LTE network. The operator also launched exclusive loyalty offers for postpaid customers, allowing them to add a device from a wide range of smartphones, tablets and internet routers, as well as "PlayStation and Xbox" entertainment devices.

Zain Saudi Arabia maintained momentum in the post-paid Mobile Broadband (MBB) market by offering routers, Mi-Fi devices and game consoles on unlimited plans in return for commitment. Furthermore, the operator expanded their post-paid MBB portfolio by launching capped plans, to cater for customers with moderate data needs, and unified pricing across small screen and large screen offerings.

Zain Jordan witnessed a year of large growth in data usage and revenues, underpinned by offering generous data capacities at higher spending levels on its 4G LTE network. The strategy included continuous upgrade offers to customers consuming more than 70% of their data plans using TeleSales, SMS and in-browser channels. The operation also launched competitive starter mobile internet plans to attract non-data users. M2M dedicated packages were also offered to take advantage of increased demand for small quota packages required for M2M services such as smart meters, sales tablets and IoT communication.

Zain Sudan launched basic internet packages as well as introductory "bite-size" 4G plans to grow the base of mobile data users in the market. The operation is continuously expanding its 4G LTE network.

Zain Iraq continues to promote its all-you-can-eat daily and weekly data bundles that have proven very effective in increasing mobile data penetration. Zain Iraq has also expanded its data portfolio, upselling options upon consumption of bundles and/or offering credit; in addition to new internet solutions for schools and vehicles amongst other users.

MOBILE ADVERTISING

Zain Iraq partnered with Huawei and media agency Out There Media to launch an award-winning mobile advertising campaign. Using micro-targeting and campaign optimization techniques, the customer response to the campaign was extraordinary, reaching 600,000 customers with an average click through rate of 1.41% and a peak of 3.5%, which is 30 times higher than industry benchmarks.

It was the first campaign in the region to win two prestigious awards – Gold and Silver – at the Mobile Marketing Association MMA Smarties in Dubai Event. Zain Iraq has used this initiative as a catalyst for further campaigns to raise brand awareness, increase revenue and drive customer advocacy.



CUSTOMER VALUE MANAGEMENT

We strongly believe that our customers are our most important asset, and providing them with a differentiated experience, including relevant offers, is a critical factor for our future success.

During 2017, Zain entered into an agreement with FlyTxt, a global leader in customer data analytics software solutions and employed advanced analytics to create bespoke offers for our customers, which were augmented by our new campaign management system that is starting to realize our vision of "one-to-one marketing". This is where we create specifically tailored products and value propositions, offering our customers what they need, when they need it.

We are planning to further invest in our people and systems to deliver personalized offers, integrating this outlook across all our touch points; physical as well as digital. In parallel, we continue to offer much more for a competitive price, rewarding our customers for their commitment.

B2B - A MAJOR GROWTH AREA

B2B is one of the most dynamic and innovative areas at Zain, and a growth engine for our operations. We address the B2B market in a segmented manner, serving companies of all sizes, from Small Office, Home Office SOHO to large corporations and government organizations with dedicated B2B units. Zain B2B marketing teams are developing Zain from being a mobile centric operator to a full-service ICT player, advancing innovative mobile, fixed-mobile, fixed, IoT and cloud-based solutions for enterprises and government entities. Our focus is on enabling the business growth of our customers. Zain establishes one-on-one, long-term, relationships with enterprise customers through a mix of touch-points including key account managers, technical sales engineers, phone sales, Zain shops and digital channels.

Differentiated customer care is at the core of Zain values and all our enterprise customers enjoy multi-channel premium B2B after-sales support, with dedicated account managers, service managers, and priority contact center operations.

Milestones for Zain's B2B activities in 2017 included:

- Launch of Direct Internet Access and VPN services in Kuwait and Saudi Arabia. Introduction of data connectivity solutions, over LTE, Microwave and Fiber, with premium Service Level Agreements (SLAs).
- Launch of innovative leased line services over LTE technology, in Saudi Arabia. This is a high-quality connectivity solution, with fast implementation and the best in-market SLAs.
- Launch of International VPN in Kuwait, Saudi Arabia and Bahrain. Enterprises and governments can now connect, through Zain's International MPLS network to their branches abroad.
- Launch of fixed-mobile converged voice offer in Kuwait, over an UCaaS platform. Customers can now cover their fixed and mobile voice services, PABXs,

video-conferencing solutions and messaging needs in one integrated platform.

- Introduction of a new data center in Kuwait, serving the local market with co-location, disaster recovery, Cloud and data center managed services.
- Launch IoT managed SIM platform in Saudi Arabia, empowering customers to manage their IoT SIMs.
- Launch of a push-to-talk service, over LTE in Kuwait, integrating voice, video and location services as an alternative to traditional TETRA networks.
- Revamp of the mobile value proposition in Kuwait, Saudi Arabia, Iraq, Jordan and Sudan, adding greater value to Zain Business offers, and, expanding the portfolio to cater to the needs of all usage profiles.
- Zain Kuwait began the implementation of the largest IoT-smart meter project roll-out in Middle East, comprising of a six-year BOT (Build-Operate-Transfer) project for the Ministry of Electricity and Water, extending to 880.000 smart meters.

We continue to strengthen our positioning as the operator of choice for the connectivity services of companies of all sizes across the Middle East.

* Zain Sudan revenues were normalized for forex effects.

EXPERIENCE ZAIN, YOUR DIGITAL LIFESTYLE PROVIDER

Our customers are at the heart of everything we do. In 2017, our operating companies continued to invest in developing our capabilities to deliver great experiences and to give our customers more accessibility through both the traditional channels such as our contact centers, retail shops, as well as through our expanding digital channels.

GIVING CONTROL TO OUR CUSTOMERS THROUGH DIGITAL CHANNELS

In the past year, we have witnessed an increased focus across our markets on innovation aimed at growing our digital platforms to provide customers with choice, accessibility and control. Our customers enjoyed new and enhanced mobile applications, websites, e-shops and web-chat services that allow them to manage their accounts, control their usage, pay and recharge in a straightforward manner, locate our stores, acquire new devices, receive tailored offers, and much more.

We partnered with Lithium Technologies and introduced an integrated platform for social media management in four of our markets. This platform enables us to deliver a secure and trusted real-time customer care via social media.

As part of our ongoing efforts to innovate and engage with our customers, we launched a new engagement channel in Saudi Arabia through Whisbi, a One-to-Many live video platform offering our customers access to our service experts via live video directly on our website.

We are pleased to see increased engagement and adoption of new technologies from our customers as we witness our highest customer satisfaction results, driven by simplicity, transparency and convenience.

OUR OPERATIONS ARE CONTINUOUSLY IMPROVING OUR CUSTOMER EXPERIENCE

- Zain Kuwait focused on customer experience, with increased accessibility to service teams and via enhanced customer journeys. The team there also empowered the contact centers' frontline employees with additional tools and training to improve the first contact resolution.
- In Sudan, we have invested in a new contact center adding 50% more seats. This had a positive impact on the speed of answers to requests and service levels. We have also introduced an exciting initiative with home-based customer service employees giving the community in Sudan an excellent employment opportunity with greater flexibility to balance personal and family needs.
- Zain Iraq registered the highest level of responsiveness on multiple channels including the contact center and its social media platforms. This is a result of significant investment in systems and re-engineering projects. Zain Iraq customers have been given greater control to

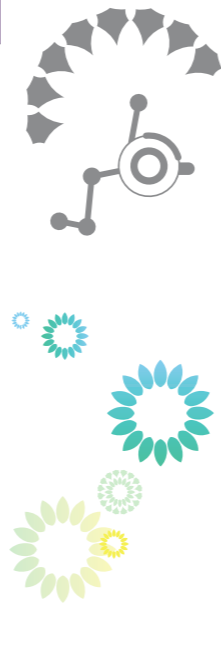
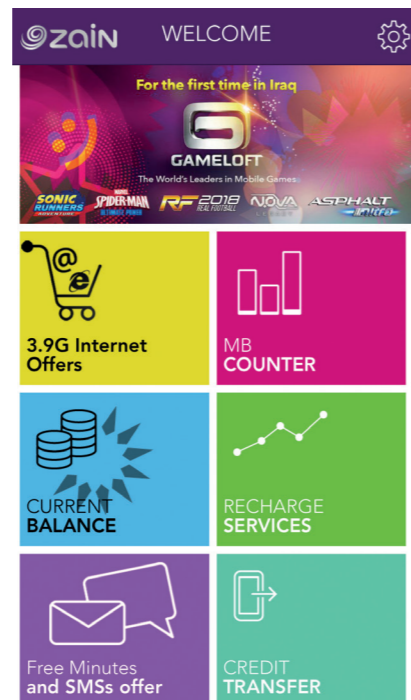
choose the right services for their requirements through "Always Easy" and "Know Your Offer" propositions.

- In Jordan, the team achieved the highest service and customer engagement standards. We invested in additional tools to increase customer satisfaction and our contact center employees now have access to a Smart Virtual Agent to guide them during technical contacts, improving the first contact resolution results.

Customers in Jordan can also enjoy greater accessibility to self-service machines across the Kingdom, manage their accounts in a few steps, pay their bills and much more. Zain Jordan partnered with a local startup to introduce a 3D avatar to cater for the needs of the deaf and the hard of hearing community by giving them increased access to Zain Jordan's website.

- This year Zain Saudi Arabia registered a significant increase in self-service activities, delivering better operational efficiency and adding access and control for customers to manage their accounts, pay bills and buy new products and services from the comfort of their homes.
- Zain Bahrain recorded an increase in the adoption of digital channels and now manages 80% of its customer interactions digitally. Customers are using the mobile application, web-chat channel and website to perform most of their transactions.
- During 2017, touch Lebanon added two service centers in Nabatiyeh and Baalbeck for customers in South Lebanon and Bekaa to access.

As touch continues investing in digitalizing its customer experience, a new live-chat service has been added to the operator's website and mobile application, increasing the level of support that touch customers can experience in this digital ecosystem.



THE VOICE OF CUSTOMER CAMPAIGN

We introduced the Voice of Customer program across our operations three years ago, and in 2017 alone we received feedback from over 2.2 million individual customers – demonstrating greater customer engagement than ever before.

We greatly value our customers' feedback, which has spurred many enhancement initiatives that our team has deployed to increase satisfaction levels in our Net Promoter Score.

We are proud of both Zain Bahrain for winning the Gold Award for the Overall Best in Class Program by ResponseTek, and Zain Saudi Arabia for winning the 'Learn Award' for Customer Experience Management.



BRANDING & ADVERTISING

THE IMPORTANCE OF OUR BRAND

Zain brand is one of our most important assets and is at the heart of everything we do. It is a promise to our customers, it defines our vision and drives our focus within the company.

Leading brand valuation and strategy consultancy Brand Finance (based in London), values the brands of thousands of the world's biggest companies and notably in April 2017, Zain was ranked the second most powerful home-grown brand in the region, behind Emirates, the UAE based airlines (excluding financial indicators). The valuation of Zain's brand was calculated at USD 2.34 billion, a 9% value increase from 2016.

This year's high ranking and increase in valuation has been driven by the tangible developments occurring within the company, where talent development and customer-centric programs, heavy investment in network upgrades, and technology innovation are impacting customer experience positively. Additionally, Zain's Corporate Sustainability programs and eye-catching marketing and widespread social media campaigns have captured the imagination of the whole region.

A REFRESHED LOGO AND NEW BRAND POSITIONING – "UNLOCKING OPPORTUNITIES"

After a decade, Zain brand was refreshed in November 2017. Whilst the previous look and feel has served Zain well, the evolution was based on customer research across our markets - and reflects the dynamics of the world around us, and Zain's own digital lifestyle strategy aspirations. The refreshed logo and other brand elements ensure the brand's continued relevance, and will further elevate Zain's brand equity.

Zain's logo now appears in a fetching silver-metallic shade, while it retains the radiant swirl, the black background has been removed. Preserving its essence, the enhanced logo encapsulates both our heritage and our future, moving towards a prestigious, timeless, and elegant look and feel. The silver-metallic symbolizes innovation and high-tech, as Zain aspires to shine in this multi-screen-based digital age.

The new brand positioning strategy – 'Unlocking Opportunity' – celebrates Zain's desire to build positive momentum in transforming society, with the company focused on empowering customers and connecting them to the new opportunities the world offers, as we grow, share and enjoy life.

The brand positioning strategy and refreshed logo were developed after Zain conducted quantitative and qualitative empathy research across all its markets in pursuit of insights into customer needs, wants, hopes, dreams and motivations.

AWARDS

Since its introduction in 2007, Zain brand has been identified across the MENA region as the best telecom brand on numerous occasions and during 2017 this continued.



For the fourth consecutive year, in September, the brand was identified as the 'Best Brand for Telecom in 2017' at the Telecoms World Middle East Awards.

The 2017 Ramadan TV Commercial entitled "We Will Sing Love" that went viral and became a global sensation won numerous awards throughout the year.

At the highly coveted CommsMEA Awards in November, Zain was awarded the Best Marketing Campaign in recognition for its bold and impactful 2017 Ramadan TV Commercial. The judging panel acknowledged the massive media coverage that the TVC received from all major media houses worldwide on a scale never before witnessed by any corporate entity from within our region. They also praised the favorable impact that Zain's TVC had on audiences across the globe appreciating the shrewdness of using a combination of real-life graphic acting (with victims of real-life terror acts) plus a newly composed song "We Will Sing Love".



Additionally, the 2017 Ramadan TVC won eight awards (1 Gold, 1 Silver, 5 Bronze) plus "One Special Merit Award for Boldness" (plus 3 other shortlists) at the very prestigious cristal festival held in December 2017 in Courchevel, France. More than 3,900 creative campaigns from more than 50 agencies across the globe entered the renowned competition.

Also of note, the annual London international awards (LIA) held in Las Vegas, a worldwide Award for creative excellence in all forms of media honoring three media types, TV & Cinema, Print and Radio, recognized Zain's 2017 Ramadan TVC by awarding the company with a finalist certification.

These accolades recognized the outstanding performance of Zain's brand across its markets, which has come to represent the highest standard of customer experience across all touch points.

SOCIAL MEDIA

Zain invests heavily in its brand and services on all media channels contributing to increasing the loyalty amongst customers in addition to attracting new customers. As we move towards a digital world it is particularly pleasing to see significant growth of customer advocacy – demonstrated via the fans, comments and views on all our social media channels.

It is estimated that Zain's 2017 Ramadan TVC "We Will Sing Love" reached a worldwide audience of over 100 million on various YouTube and other social media channels within weeks of launch, including viewers who saw reports of the TVC on local and satellite channels or read about it on print and online media. Notably CNN International broadcasted a four-minute segment covering the TVC during peak-time.

Zain's 2017 Eid television commercial – "Celebration for All" with its singing, dancing and a colorful setting capturing the hearts and minds of over 25 million views and admirers watching it on Zain's YouTube and Facebook channels.

By the end of December 31, 2017, Zain Group and its local operations reached 9 million fans on Facebook (a 10% annual increase), more than 6.5 million followers on Twitter (25% annual increase), and 1.2 million on Instagram (20% annual increase). During 2017, Zain Group and operations' YouTube channels have had a remarkable 125 million views, predominantly due to the success of various Ramadan campaigns and product service launches. In addition, Zain Group also saw an increase in followers with LinkedIn reaching to a total of 108,000 (20% annual increase).

Also during the year, Zain Group and operations launched and focused on their respective Snapchat channels, one of the most popular and fastest growing mobile apps, proving to be popular with customers, employees and fans with viewership steadily increasing.

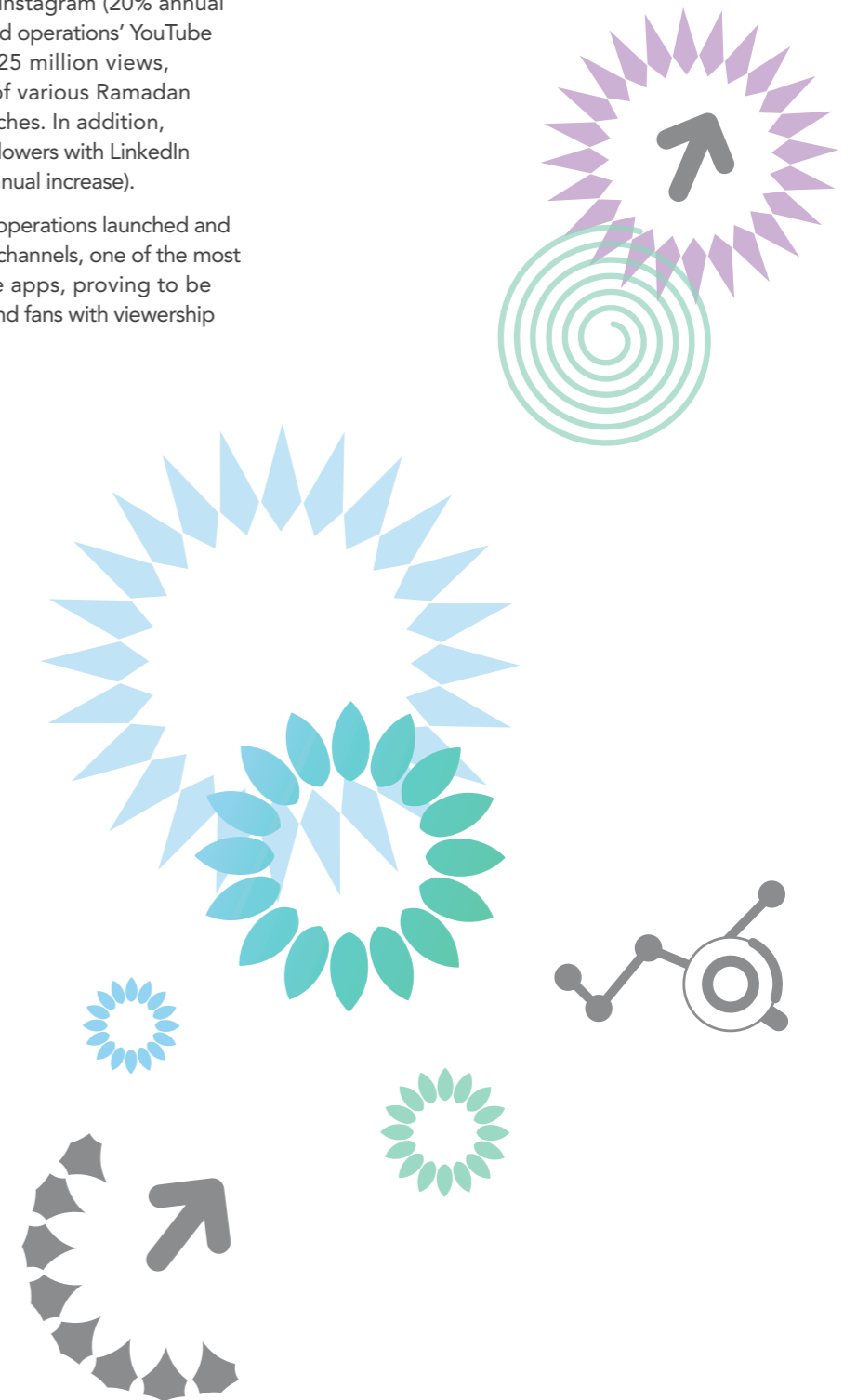
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10% ANNUAL INCREASE

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20% ANNUAL INCREASE

tw **MORE THAN 6.5 MILLION FOLLOWERS**
25% ANNUAL INCREASE

yt **125 MILLION VIEWS**



CORPORATE SUSTAINABILITY



As an active player in the area of Sustainability, the company continued in its efforts to promote inclusive socio-economic development across its footprint. At the Group, we remained focused on promoting awareness to the Sustainable Development Goals by launching a Social Media Campaign on each individual goal. We also promoted SDGs In Action Campaign in partnership with the GSMA.

In our various markets, all of our operating companies continued to focus on empowering youth through a series of entrepreneurship related initiatives such as Zain Great Idea 4 in Kuwait, Wheelys eco-entrepreneur in Bahrain, Riyada youth innovation in Lebanon and RE:Coded youth boot camp in Iraq.

The sustainability efforts also continued in areas of social development and inclusiveness as well. Zain Bahrain arranged a visit to the National Bank of Bahrain Elderly Home as a way of engaging with the elderly and learning about the history of the country. In Iraq, the company continued with its Sewing Training Program for widows to provide them with meaningful skills.

In Jordan, the company launched a feature in their official website giving the hearing-impaired customers the ability to interact with the company through a sign language avatar.

Zain Saudi Arabia continued with its blood donation drive and Zain Sudan arranged for field trips for the Ahfad University students to visit villages in rural areas as part of its Rural Extension Program that has been running for the last 7 years.

The environment and wellbeing continued to be areas of focus for the organization. Waste management and access to clean water initiatives in Lebanon and Sudan had significant impacts in both countries.

As a regional leader, we will continue in our efforts to provide tangible and sustainable value for all our stakeholders. Below is a brief snapshot of some of the initiatives implemented across our markets. For a comprehensive view of all our activities in Sustainability, we encourage our readers to visit our Sustainability Report on:

<https://www.zain.com/en/sustainability/sustainability-report/>

KUWAIT

EMPOWERING ENTREPRENEURS

Zain Great Idea 4

In the fourth edition of the program, Zain Great Idea is a program that aims to incubate and accelerate Kuwait entrepreneurs. In partnership with "Brilliant Lab", Zain aims to contribute and further develop the startup ecosystem in Kuwait. With 150 applicants, the top 10 were chosen to join Mind the Bridge foundation and attend a tech start acceleration program school in both Silicon Valley, San Francisco and London.



CONTRIBUTING TO THE EDUCATION SECTOR

Taaleb

In an effort to support the education sector in Kuwait, Zain Kuwait in partnership with the National Initiative for Development of E-Learning, launched Taaleb. Taaleb is an application that contains digital content such as homework, activities, weekly plans and studies, exam appointments, reports and more. This application is being used by students, teachers and parents. Also, parents can contact teachers through the application and schedule meetings to follow up on their kids' reports. Currently, 274,188 students are enrolled, 54,729 teachers have joined, and 266,072 parents are registered.



BAHRAIN

EMPOWERING BAHRAINI ENTREPRENEURS

Supporting Startups

As part of Zain Bahrain's aim to further develop the local startup community in the Kingdom, the company partnered with Wheelys Bahrain to provide them a space at Zain's headquarters. Wheelys Bahrain is a chain of organic cafés that enables eco-entrepreneurs all over the world with an opportunity to start their own café business. Through this partnership, Zain Bahrain was able to expose the one year old business to Zain employees and other customers in the area and simultaneously expand its SME community.



COMMUNITY OUTREACH

Zain Elderly Home Visit

In 2017, Zain Bahrain hosted a visit to the National Bank of Bahrain (NBB) Elderly Home in Isa Town. The visit included, entertainment, a cooking demonstration, and traditional games. More than 20 employees, customers and partners visited the home where they got the chance to learn about the history of Bahrain through the elderly men and women. This initiative instills compassion and a strong sense of the community into the company's culture.



IRAQ

ICT SKILLS FOR MARGINALIZED YOUTH

RE:Coded Training Program

RE:Coded is a coding Bootcamp for refugees, displaced youth and host community members that aims to provide students with skills that better prepare them to eventually become app developers. The skills provided through this program include English vocabulary, business communication and project management methodologies. Through this program, marginalized youth received the opportunity to use first-rate materials, mentorship, and the chance to explore the world of coding. In partnership with Udacity, this program trained 150 driven and ambitious students.



MEANINGFUL EMPLOYMENT

Sewing Training for IDP Widows

Zain Iraq continued to train IDP women with sewing skills with the aim of increasing their chances of finding gainful employment. Through the program, widows are provided an opportunity to better their lives and improve their socio-economic circumstances. Therefore, widows will now be able to not only improve their own lives but be able to provide for their dependents as well. A sustainable and ongoing initiative, the sewing training program trained 61 women in 2016 and 30 women in 2017.



JORDAN

PROMOTING INCLUSIVITY

Partnership with Mind Rockets for the Deaf Community

In 2017, Zain Jordan added an extraordinary feature to the website that provides an option to instantly translate written English and Arabic into sign language for the Deaf Community. This inclusive approach ensures that Zain's products and services can be accessed by all segments of society. In partnership with Mind Rockets, a startup that produces assistive technological solutions, Zain Jordan addresses the gap between the deaf and hearing community.



PROVIDING JOB OPPORTUNITIES

Mobile Maintenance Center

Established in 2008, Zain Jordan's Mobile Maintenance Center is located in five different areas across Jordan, Al Zarqa, Tafelah, Wadi Seer Training College, Hakama and Karak. The aim of this program is to provide youth and students the skills to repair and restore mobile phones in the hope of finding gainful employment. This year, 198 students have been trained across the five training centers.



KSA

JOB PREPAREDNESS

Training Workshop

In partnership with The Institute of Public Administration, Zain KSA hosted a workshop conducted by 3 Zain Employees that aims to provide female students with job preparedness skills. The workshop included topics such as workplace environment, building a CV, and interview skills. 77 female students from the Institute of Public Administration attended the workshop.

SUPPORTING THOSE IN NEED

Blood Donation Campaign

On a continuous effort to encourage blood donation amongst employees, Zain KSA held a blood drive at its headquarters. This campaign helps those in need whilst educating and spreading awareness about the importance of the issue. The blood drive was held in Riyadh, Jeddah and Dammam. Since 2013, 437 Zain employees have donated blood to those in need.



LEBANON

MANAGING WASTE

Eco-friendly Culture at touch

Touch in partnership with T.E.R.R.E Liban aims to spread a more environmentally friendly culture within the company in order to reduce the amount of waste the company produces. T.E.R.R.E Liban is an independent Lebanese NGO that aims to educate and implement environmental solutions across Lebanon. Through this program touch has abided by international standards of proper waste management which included the sorting and recycling of 25 tons of paper, wood and cardboard in 2017.

SOCIAL ENTREPRENEURSHIP

Youth Innovation Program

In 2017, touch and Riyada collaborated to develop a one-of-a-kind program that aims to expose young people to social entrepreneurship by having them develop a mobile application that solves a social problem related to the Sustainable Development Goals (SDGs). Through the program, 50 participants received creativity, technical and entrepreneurship skills as well as soft skills such as communication, presentation and team building skills.



SUDAN

ACCESS TO CLEAN WATER

AlJafeel Water Project

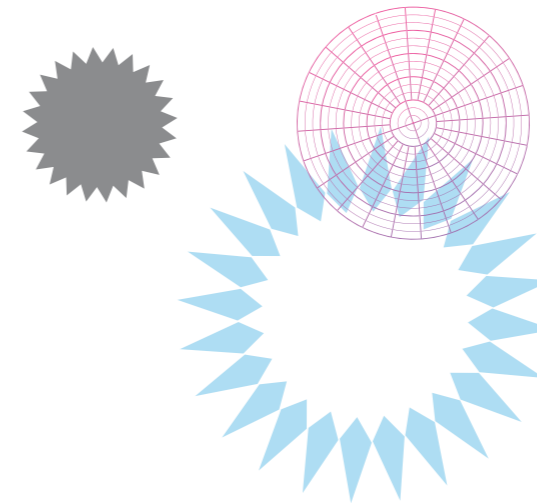
AlJafeel is a project based in North Kordofan State that links artesian wells with several surrounding villages. In 2016, the project served around 7,000 people and this year the project served 10,000 people. This project provides an opportunity to improve waterborne diseases such as malaria, dysentery, and renal failure. As water sanitation is considered the core of sustainable development, it is extremely vital to ensure that water resources are safe and clean.



COMMUNITY OUTREACH PROGRAMS

Rural Extension Program

For the seventh year in a row, Zain in collaboration with Ahfad University for Women organized field trips for students of Ahfad University to villages in rural areas to help improve the quality of life of those living in such communities. Students are provided with the opportunity to help underserved communities with issues such as hygiene and sanitation, family planning and AIDS awareness. In 2017, 1,050 students visited 80 villages across most of Sudanese states.

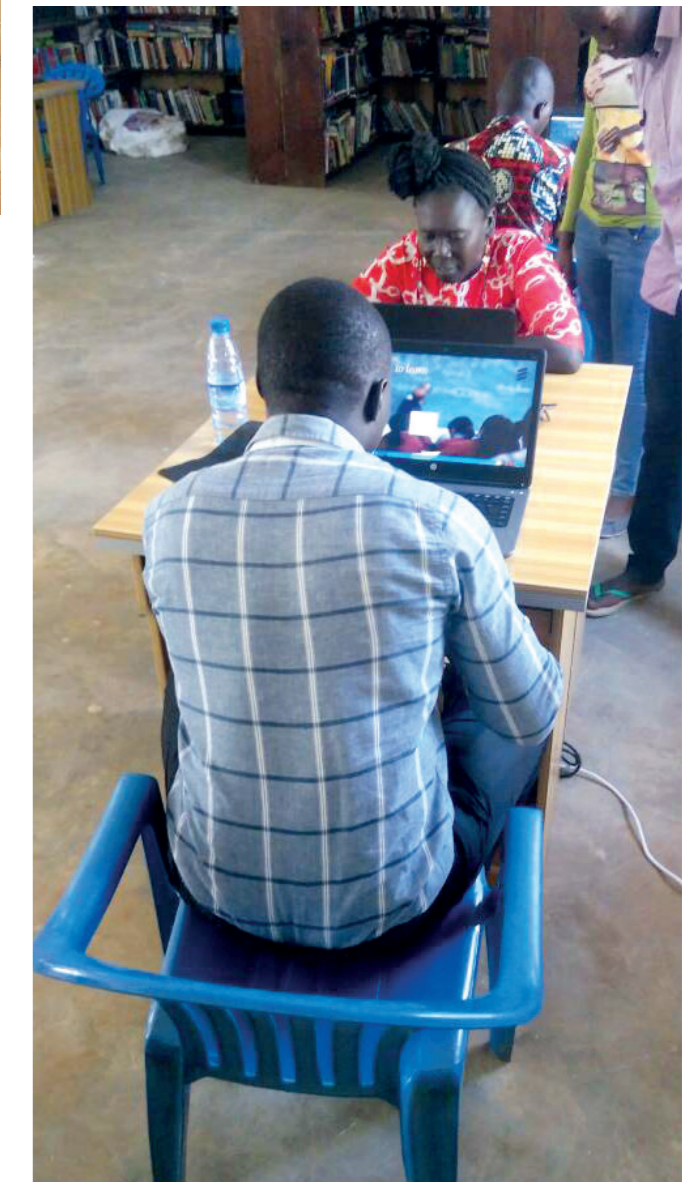


SOUTH SUDAN

CONFLICT RELIEF

The Whitaker Peace and Development Initiative

Established in 2012, The Whitaker Peace and Development Initiative (WPDI) is a collaborative effort between Zain South Sudan, Ericsson, UNESCO, and the renowned actor and UNESCO Goodwill Ambassador for Peace and Reconciliation Forest Whitaker which aims to promote peacebuilding, reconciliation and capacity-building. The initiative brings together youth from around the entire country to provide them with a multitude of skills such as conflict mitigation, ICT and business skills. As such, the company decided to provide free Wi-Fi connectivity to all beneficiaries participating and receiving training from WPDI. The trainings supported by Zain South Sudan are located in different centers in Juba and Yambio. In 2017, under the headship of WPDI, Zain South Sudan helped establish an ICT learning center and training of Youth Peace Ambassadors. In total, 44 individuals received training from the WPDI.



ANNUAL CORPORATE GOVERNANCE REPORT



INTRODUCTION

The year 2017 was full of exciting events, in line with Zain's vision of maximizing the value of shareholders and other stakeholders by exploiting unique opportunities. Protecting shareholders' equity and achieving the best returns for stakeholders are key to the company's strategy, and are the foundation for the investment decisions taken by the Board of Directors.

The Board of Directors and Executive Management have complied with the principles and guidelines of good governance to achieve the highest returns for shareholders and adhere to the values of transparency. The effective governance framework adopted by the Board of Directors, which was based on the Capital Markets Authority's (CMA) regulations, has created a solid foundation for implementing the principles of good governance and transparency and for protecting the company from risks at all levels. In addition, this effective governance framework is a key factor contributing to the promotion of governance awareness within the company.

During the year, the company has witnessed several challenges and events that have significantly influenced its operations, which lead the Board to add the responsibilities of governance to those of all Board members and Executive Management. This was also one of the factors behind the appointment of the Vice Chairman to assume the responsibilities of the Executive Member as the Group CEO.

This has created a state of harmony and has helped to raise awareness of governance principles during a difficult transition period (between the creation of the governance framework as per laws and regulations and the implementation of all policies and charters). This has been the interface between Executive Management and the Board of Directors to ensure that the required roles and responsibilities in governance, compliance and risk management are addressed without allocation. The culture of corporate governance and the implementation of its concepts and principles is not assigned to members of a particular committee, thereby ensuring awareness and taking appropriate measures and steps that protect the rights of stakeholders.

The Corporate Governance Department is committed to strengthening the regulatory environment in the company and ensuring compliance with relevant regulations and laws, including those of a technical nature. This has become important due to changes in the regulatory environment, regulations and legislations, and the increasing need to create a business environment consistent with the best governance practices.

RULE I: CONSTRUCT A BALANCED BOARD COMPOSITION

BOARD COMPOSITION

One of the most significant changes during 2017 was the election of new Board members during the Annual General Meeting in March 2017. Members were elected as follows:

COMPOSITION OF THE BOARD OF DIRECTORS FROM JANUARY 2017 TO MARCH 2017

NAME	CLASSIFICATION (EXECUTIVE, NON-EXECUTIVE, INDEPENDENT, SECRETARY)	QUALIFICATIONS	DATE OF FIRST ELECTION/ APPOINTMENT
Asaad Ahmed Al Banwan (Chairman)	Non-executive	Bachelor's degree in Finance and Management	17/3/1999
Bader Nasser Al Kharafi (Vice Chairman)	Non-executive	Master of Business Administration	12/4/2011
Shaikha Khaled Al Bahar	Non-executive	Bachelor's degree in International Marketing and Statistics	12/4/2011
Waleed Abdullah Al Roudan	Non-executive	Bachelor's degree in Economics	14/4/2011
Abdulmohsen Ibrahim Al Fares	Non-executive	Bachelor's degree in Mechanical Engineering	17/3/1999
Abdulaziz Yaqoub Al Nafisi	Non-executive	Bachelor's degree in Economics	31/3/2005
Jamal Ahmed Al Kandary	Non-executive	Bachelor's Degree in Law	27/3/2002
Jamal Shaker Al Kazemi	Independent	Diploma of Commerce	12/4/2011
Hatmal Farouq Al Qadi	Secretary	Master of Laws (L.L.M.)	12/5/2015

COMPOSITION OF THE BOARD OF DIRECTORS FROM MARCH 2017 TO NOVEMBER 2017

NAME	CLASSIFICATION (EXECUTIVE, NON-EXECUTIVE, INDEPENDENT, SECRETARY)	QUALIFICATIONS	DATE OF FIRST ELECTION/ APPOINTMENT
Mohannad Mohammad Al-Kharafi (Chairman)	Non-executive	Bachelor's degree in Finance and Management	12/3/2017
Bader Nasser Al Kharafi (Vice Chairman and Group CEO)	Executive	Master of Business Administration	12/4/2011
Ahmed Tahous Al Tahous	Non-executive	Bachelor's degree in Business Administration	12/3/2017
Husam Fawzi Al Kharafi	Non-executive	Master of Public Policy	12/3/2017
Khalid Ali Al Ghanim	Independent	Bachelor's degree in Business Administration	12/3/2017
Talal Jassim Al Kharafi	Non-executive	Bachelor's degree in Political Science	12/3/2017
Faisal Nizar Al Nusif	Independent	Bachelor's degree in Business Administration	12/3/2017
Khalid Waleed Al Falah	Non-executive	Bachelor's degree in Business Administration	12/3/2017
Hatmal Farouq Al Qadi	Secretary	Master of Laws (L.L.M)	12/5/2015

The following table shows further changes to the composition of the Board of Directors due to the sale of the company's treasury shares representing 9.84% of Zain's fully paid-in and issued share capital to Omantel, which was completed on August 24, 2017. Furthermore, on November 12, 2017, Omantel acquired additional shares representing 12.1% of Zain's fully paid-in and issued share capital from key shareholders with a controlling interest who had representatives on the Board of Directors. Accordingly, with Omantel owning 21.9% of Zain's fully paid-in and issued share capital, it became the second largest shareholder in Zain. This resulted in the further change of some members of the Board.

COMPOSITION OF THE BOARD OF DIRECTORS FROM NOVEMBER 2017 TO DECEMBER 2017

NAME	CLASSIFICATION (EXECUTIVE, NON-EXECUTIVE, INDEPENDENT, SECRETARY)	QUALIFICATIONS	DATE OF FIRST ELECTION/ APPOINTMENT
Mohannad Mohammad Al-Kharafi (Chairman)	Non-executive	Bachelor's degree in Finance and Management	12/3/2017
Bader Nasser Al Kharafi (Vice Chairman and Group CEO)	Executive	Master of Business Administration	12/4/2011
Ahmed Tahous Al Tahous	Non-executive	Bachelor's degree in Business Administration	12/3/2017
Talal Said Al Mamari	Non-executive	Bachelor's degree in Business Administration	15/10/2017
Saud Ahmed Abdulkarim Al Nahari	Non-executive	Postgraduate diploma in Port Management	19/12/2017
Mehdi Mohamed Jawad Abdullah Abduwani	Non-executive	Bachelor's degree in Economics	19/12/2017
Martial Antonie Marcel Caratti	Non-executive	Bachelor's degree in Finance and Accounting	19/12/2017
Nigel Kevin Govett	Non-executive	Bachelor of Arts in History	19/12/2017
Hatmal Farouq Al Qadi	Secretary	Master of Laws (L.L.M)	12/5/2015

The company is currently taking the necessary measures in accordance with the relevant laws and regulations to appoint independent members and re-form the committees to ensure full compliance with all the requirements of good governance.

ABOUT THE BOARD OF DIRECTORS' MEETINGS:

NAME	MEETING (1) 19/2/2017	MEETING (2) 9/3/2017	MEETING (3) 21/3/2017	MEETING (4) 2/5/2017	MEETING (5) 13/6/2017	MEETING (6) 9/8/2017	MEETING (7) 18/9/2017	MEETING (8) 28/10/2017	MEETING (9) 19/12/2017	NUMBER OF MEETINGS
Mohannad Mohammad Al-Kharafi (Chairman)	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	7
Asaad Ahmed Al Banwan (Former Chairman)	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2
Bader Nasser Al Kharafi (Vice Chairman and Group CEO)	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Jamal Shaker Al Kazemi (Independent)	✓		N/A	N/A	N/A	N/A	N/A	N/A	N/A	1
Shaikha Khaled Al Bahar	✓		N/A	N/A	N/A	N/A	N/A	N/A	N/A	1
Waleed Abdullah Al Roudan	✓		N/A	N/A	N/A	N/A	N/A	N/A	N/A	1
Abdulmohsen Ibrahim Al Fares	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2
Abdulaziz Yaqoub Al Nafisi	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2
Jamal Ahmed Al Kandary	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2
Ahmed Tahous Al Tahous	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	7
Husam Fawzi Al Kharafi	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	7
Khalid Ali Al Ghanim (Independent)	N/A	N/A		✓	✓	✓	✓	✓	✓	6
Talal Jassim Al Kharafi	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	7
Faisal Nizar Al Nusif (Independent)	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	7
Khalid Waleed Al Falah	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	7

• The table includes all board meetings held during the year 2017

MANAGEMENT OF BOARD AFFAIRS

The Secretary of the Board of Directors is responsible for carrying out the administrative and legal requirements of the Board of Directors. The Secretary is the reference point for all members of the Board of Directors. He also consults with the Board of Directors on an ongoing basis to ensure that they receive necessary information.

In addition to the Board Secretary's responsibilities for the management and organization of board meetings, he also plays an administrative role in relation to the corporate governance framework by advising the Board on these matters. The Secretary also reviews the other governance procedures of the Board and ensures that they are appropriate for the purpose. The Secretary records all decisions and discussions of the members of the Board of Directors, records the results of the votes taken at the meetings of the Board of Directors, and maintains custody of the documents of the Board of Directors.

He also ensures compliance with the procedures adopted by the Board of Directors, which relate to the communication of information to Board members, committees and Executive Management, under the supervision of the Chairman of the Board.

RULE II: ESTABLISH APPROPRIATE ROLES AND RESPONSIBILITIES

THE FUNCTIONS, RESPONSIBILITIES, DUTIES AND AUTHORITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

A corporate governance framework is an important tool in facilitating risk management and ensuring compliance with existing legal obligations. The Board's primary responsibility is to provide effective governance for shareholders and to balance the interests of customers, employees, suppliers and communities.

The Board is responsible for reviewing the development and implementation of strategies, reviewing the selection, performance, and compensation of the CEO and Executive Management, and ensuring transparency in communication and disclosure of financial and non-financial information, including the formation of an effective audit process. The Board may delegate certain duties to its committees, which report their recommendations to the Board of Directors. The board committee charters include the terms specifying their scope of work and authorities.

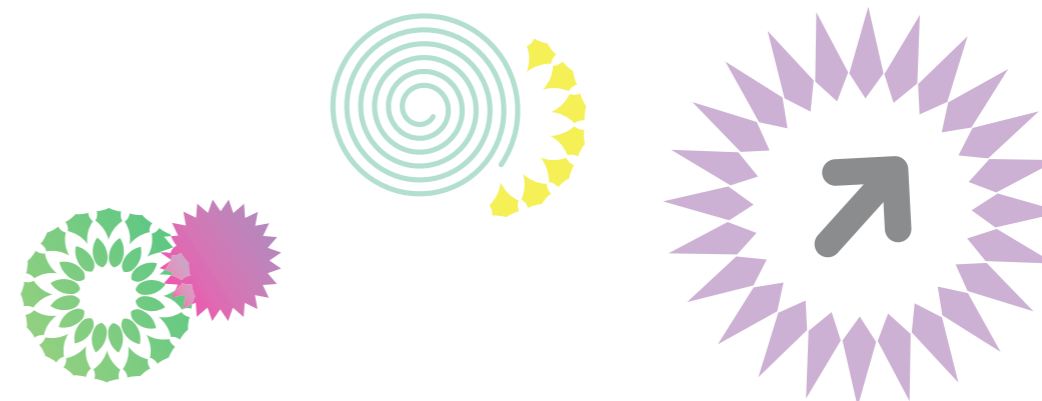
The Board of Directors may, in the course of its supervisory role, investigate any matter and in doing so, access all books and records and communicate with the employees of the Company. It also has the authority to seek the assistance of a legal consultant, auditors or external consultants.

The Board recognizes the important role that the Executive Management plays and thus grants the various committees the appropriate powers to involve the Executive Management in its meetings and discussions to the extent that members of the committee find useful to the quality of the recommendations and the decision-making process. This shall ensure the role of the Board to effectively monitor the Executive Management of the company. The Board will also be responsible for appointing the Executive Management and monitoring its performance, in coordination with the Nomination and Remuneration Committee of the Board of Directors.

The Executive Management carries out the responsibilities entrusted to it by the Board of Directors and in accordance with the laws and regulations issued by the Kuwait Capital Markets Authority and the relevant regulatory authorities. These responsibilities include the implementation of the Company's strategic plans and relevant policies adopted by the Board of Directors and ensuring their adequacy and effectiveness. The Executive Management ensures the implementation of the governance framework and reflection of the main principles within the policies and procedures of the company.

ACHIEVEMENTS OF THE BOARD OF DIRECTORS IN 2017

- The committees of the Board of Directors were formed in accordance with the rules of governance issued by the Capital Markets Authority, after the election of new members during the Ordinary General Assembly for 2017.
- The Board reviewed and updated the Group's internal policies and regulations to ensure compliance with applicable laws and regulations.
- The Board examined and approved the sale of treasury shares to Omantel to maximize shareholder value and ensure the absence of a conflict of interests with the members of the Board.
- Approved and reviewed several facilities to ensure continuity of operations of the Group and its subsidiaries.
- Approved entering into a partnership agreement with IHS to establish a limited liability company in Kuwait to manage the towers project.
- Approved the Group's financial statements for 2016 and recommended a cash dividend of 35 fils.



FORMATION OF THE BOARD COMMITTEES

Board Risk Committee (BRC)

Role

The BRC was formed on May 12, 2015. The responsibilities and powers of the BRC have been determined by the Board of Directors and in accordance with applicable laws and regulations. The BRC reports directly to the Board so as to improve the supervisory role of the Board of Directors on the Executive Management and risk structure of the Company. The Board of Directors in cooperation with the BRC is responsible for reviewing the level of risk, ensuring that appropriate risk management and control systems are in place, and taking into consideration risk mitigation when making decisions in this regard.

The BRC aims to improve the Board's effective supervision of important transactions. It undertakes the tasks related to all aspects of risk management, including, but not limited to, strategic risks, market risk, compliance risk, operational risk and risk tolerance. The BRC reviews all policies and monitors the overall risk of the company and the performance of the Chief Risk Officer.

In consideration of the importance of this committee and its role, and in light of the changes and challenges met by the company during the year, including changes in the composition of the Board of Directors, the Board as a whole took over the responsibilities of the BRC and depended on the link between the Board and the Executive Management, the Vice Chairman of the Board of Directors, who also serves as the Chief Executive Officer. Discussions on risk management on the Group level were a significant item during the Board of Directors' meetings in 2017. This contributed greatly to increasing the awareness of all Board members and allowed a diverse and comprehensive set of experiences to add value through the Directors' participation in related discussions.

The role of the Board has been to protect the Company from operational and financial risks by managing the material transactions made during the year in a smooth manner and achieving the highest value for shareholders and stakeholders under the Group's effective governance framework.

Achievements of BRC

- Review and approval of the risk management's policy, strategy and plan for recommendation for Board's approval.
- Discussion of the risk assessment principles and standards and monitoring the effectiveness of management controls continuously.
- Revision and assessment of key risk metrics and practices within subsidiaries as well as the communication network between different operations.
- Revision of risk management reports and submitting them to the Board for discussion and determining the action plan based on them.

BRC Members

Mr. Faisal Nizar Al Nusif
(Chairman)

Mr. Bader Nasser Al Kharafi

Mr. Khalid Waleed Al Falah

Number of meetings: 1

Board Audit Committee (BAC)

Role

The BAC is responsible for assisting the Board in overseeing the quality and integrity of the accounting, and audit practices, internal controls, risk management framework and financial reporting practices of the Company. It also monitors the Company's relationship with external auditors and the performance of the Internal Audit Department.

The responsibilities of the BAC have been classified as follows:

1. Internal Control and Risk Management
2. Internal Audit
3. External Audit
4. Financial Statements
5. Compliance with laws, regulations and code of conduct
6. Reporting to the Board

This BAC was formed on June 9, 2011

BAC Achievements

- Monitored the performance of the Internal audit function during 2017.
- Supervision of the internal audit function in 2017 by reviewing performance on a quarterly basis and any corrective actions taken to address issues highlighted in the most recent quality-control review.
- Instructed the internal audit function to prioritize issues which are older than two years, indicate the reasons, and set a plan.
- Guided all functions to keep internal audit team aware of any fraudulent actions within the company, or any of its subsidiaries, within a week of discovery in compliance with regulations.
- Reviewed internal audit reports and submitted them to the Board for discussion and determining the action plan based on them.
- Prepare the Audit Committee report, which shall be recited by the Chairman during the AGM.

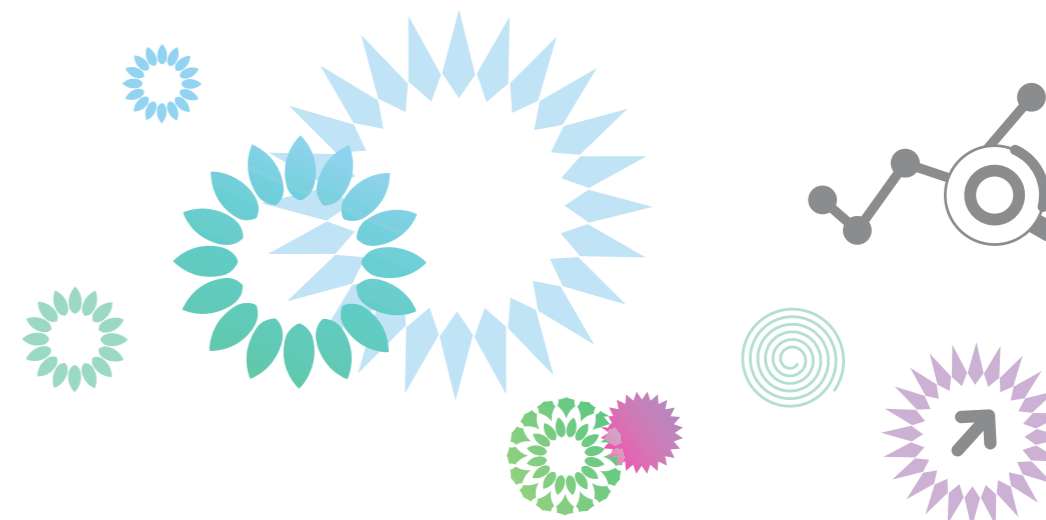
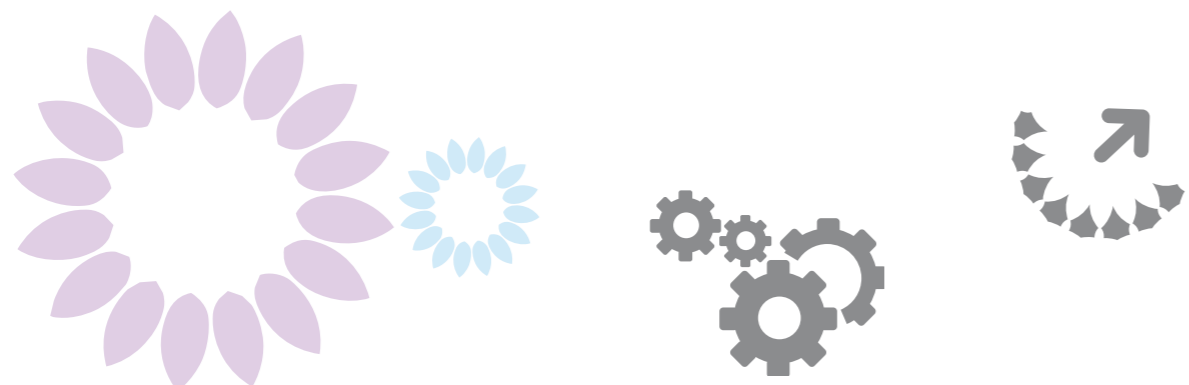
BAC Members

Mr. Khalid Ali Al Ghanim
(Chairman)

Mr. Ahmed Tahous Al Tahous

Mr. Talal Jassim Al Kharafi

Number of meetings: 5



Board Nominations and Remunerations Committee (BNRC)

Role

The BNRC is responsible for recommending the appointment of Board Members and Executive Management, facilitating the annual evaluation of the Board's performance, supervising the Board's training and development process and Executive Management. The BNRC is also responsible for assessing the compensation and remuneration of Board members and Executive Management in relation to the Company's long-term objectives.

BNRC Achievements

- Revision of the company's remuneration policy, which entailed discussions regarding the distribution of amounts during 2017 and raising the amounts for Board approval.
- Approval of the Human Resources policy and recommendation for final Board approval.
- Formed a performance committee comprising of Executive Management members, to evaluate employees' performance and remuneration.
- Oversaw the evaluation of the members of the Board and Executive Management to provide the Board with the results.
- Worked with departments and committees to appoint the talents required in the company according to regulatory requirements.
- Prepared the remuneration report as per the regulatory requirements and submitted it to the Board for their review and for approval by the General Assembly.

The BNRC was formed on 12 May 2015.

BNRC Members

Mr. Bader Nasser Al Kharafi
(Chairman)

Mr. Husam Fawzi Al Kharafi

Mr. Faisal Nizar Al Nusif

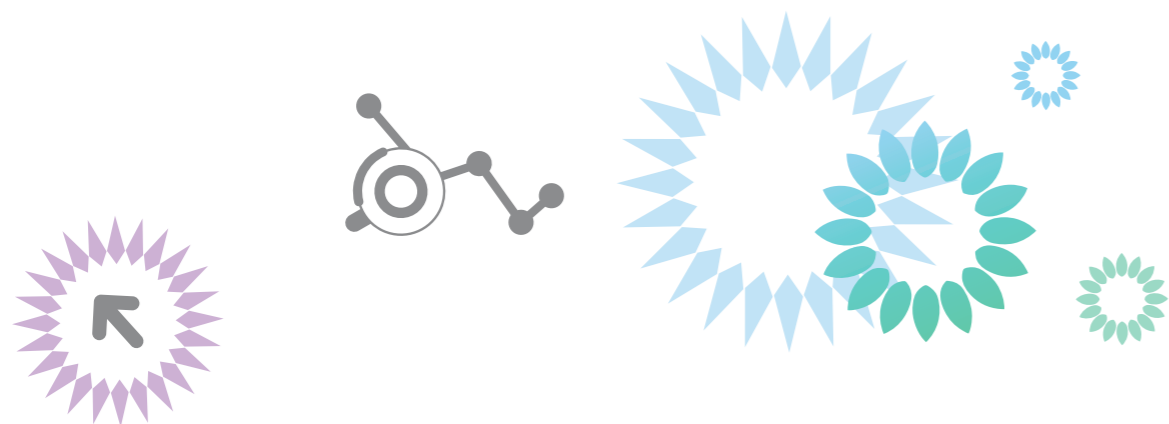
Number of meetings: 1

THE RELATION BETWEEN MANAGEMENT AND THE BOARD

In exercising its supervisory role, the Board of Directors shall have the right to investigate any matter, to access all books and records and to communicate with the employees of the Company. It shall also have the power to seek the assistance of legal counsel, auditors or consultants.

The Board of Directors is committed to creating long-term benefits for stakeholders while ensuring that the company's operations are carried out in an ethical, legal and responsible manner towards the environment and society. To achieve this objective, the roles and responsibilities of the Board of Directors have been defined in detail in the charters of the Board and its Committees.

The separation of powers and authorities given to the Board of Directors and Executive Management has been applied by defining roles, responsibilities and duties. The Board also holds periodic meetings with members of the Executive Management to discuss the operations of the Company. The Executive Management submits periodic reports to the Board and its Committees in accordance with legal and regulatory requirements and in accordance with best practices of corporate governance.



RULE III: RECRUIT HIGHLY QUALIFIED CANDIDATES FOR MEMBERSHIP TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

ABOUT THE MEMBERS OF THE BOARD AT ZAIN



Mohannad Mohammad Al Kharafi
Chairman

Mohannad Al-Kharafi acted as the Chairman of Zain Group from 12 March 2017, resigning on 12 March 2018. He has a distinguished track record in

business and finance sectors in Kuwait and across the region. Al-Kharafi holds a Bachelor's Degree in Business, Economics and Political Science from Kuwait University. He began his career at a young age when he joined the National Bank of Kuwait in London as a volunteer 27 years ago. Currently, he holds several leadership positions at Mohammed Abdul Mohsen Al Kharafi & Sons Group, one of the largest business and financial conglomerates in the Arab region, with a wide network of projects and companies in the Gulf, Middle East, Europe, Africa and Asia. He is the Vice-Chairman of Mohammed Abdul Mohsen Al-Kharafi & Sons Group.



Bader Nasser Al Kharafi – Vice Chairman and Group CEO

Bader Al-Kharafi is one of the most active business leaders in the Middle East and Africa, with an exceptional record in business development and consultancy projects for large firms and

international organizations. Al-Kharafi holds the presidency and membership of several Boards in industrial and banking sectors. Bader holds an Executive MBA from London Business School and holds a Bachelor's degree in Mechanical Engineering from Kuwait University. Al-Kharafi is the Chairman and Managing Director of Kuwait based Gulf Cables & Electrical Industries KSC, a Board Member of Foulath Holding B.S.C., a Board Member of Refreshment Trading Company (Coca-Cola), and a Board Member of Gulf Bank. Al-Kharafi was appointed to the Middle East Advisory Board of Coutts, the wealth division of the Royal Bank of Scotland Group.



Khaled Ali Al Ghanim
Independent Member

Al Ghanim was a member of the Board of Directors at Zain Group. He holds a Bachelor's degree in Business Administration with a major in Accounting from the University of

Seattle, USA. Al Ghanim has been an executive member of many entities within Ali Al Ghanim & Sons Group for General Trading and Contracting since 1997. The business covers a wide range of business areas including car sales and services, civil and mechanical contracting, structural steel manufacturing and construction, and hotel management. Al Ghanim has a strong track record in the telecom services sector. He has led Qualitynet, one of Kuwait's leading ICT corporate entities for over 18 years. Al Ghanim has extensive experience in the investment sector. He served as a member of the Board of Directors of Al Dar Investment Company and as a board member of Boubyan International Holding Company. Al Ghanim is a member of the Advisory Committee of the College of Business Administration in the Department of Quantitative Methods and Information Systems.



Talal Jassim Al Kharafi
Board Member

Al-Kharafi was a member of the Board of Directors of Zain Group. He holds a Bachelor's degree in Political Science with a minor in Marketing from Kuwait University. Al-Kharafi has extensive

experience in the investment and industrial sectors, gained through his work in numerous institutions over the last 17 years. He is Chairman of the Gulf North Africa Holding Company and Vice-Chairman of Heavy Engineering Industries & Shipbuilding Co. He is Vice-Chairman of Kuwait Science Club, and a member of the Board of Directors of Asia Capital Investment Company. Al-Kharafi has been a member of the Board of Directors of the Kuwait Chamber of Commerce and Industry since 2008. He possesses a proven track record in banking, being a member of the Board of Directors of the Industrial Bank of Kuwait for the past eight years.



Ahmed Tahous Al Tahous
Board Member

Ahmed Al-Tahous is a member of the Board of Directors of Zain Group. He holds a Bachelor's degree in Business Administration with a specialization in

Economics from Kuwait University. Al-Tahous has over 34 years of experience in the banking and investment sectors internationally and in Kuwait. Al-Tahous is the Chief Executive Officer of Kuwait Investment Authority (KIA), the oldest sovereign wealth fund in the world. He has also been the Chairman of the Board of Directors of Touristic Enterprises Company since 2011.



Husam Fawzi Al-Kharafi
Board Member

Husam Al-Kharafi was a member of the Board of Directors at Zain Group. He holds a Master's degree in Public Policy from Hamad Bin Khalifa University in Qatar and a Bachelor's Degree in Civil

Engineering from Kuwait University. Al-Kharafi holds several positions within Mohammed Abdul Mohsen Al Kharafi & Sons, one of the largest business and financial conglomerates in the region, with a wide network of projects and companies in the Gulf, Middle East, Europe, Africa and Asia. He has been a member of the executive committee of Mohammed Abdul Mohsen Al Kharafi & Sons Group since 2011 and heads the real estate sector in the group. Al-Kharafi is a member of the Board of Directors of the Egyptian Kuwaiti Holding Company, Egypt. He is Chairman of the Board of Directors of Mak Investment Holding Company, Egypt, as well as a member of the Board of Directors of National Industries Company, Kuwait.



Faisal Nizar Al Nusif
Independent Member

Faisal Al Nusif was a member of the Board of Directors at Zain Group. He holds a Bachelor's degree in Business Administration with a major in Finance from Kuwait University. Al Nusif has a

strong track record in the investment sector. With over ten years of experience, he currently holds the position of Vice-President of the Investment Portfolio at the National Investment Company (NIC), Kuwait. Al Nusif is the Vice Chairman at Al Aoula Real Estate Investment Company.



Khaled Waleed Al Falah
Board Member

Al Falah was a member of the Board of Directors of the Zain Group. He holds a Bachelor's degree in Business Administration from the University of Southern California

(Marshall Business School) and was on the Honorary Dean's List for Outstanding Students. Al Falah is the Business Development Manager at Mohammed Abdul Mohsen Al Kharafi & Sons. Al Falah has extensive experience in the financial services industry, having worked for NBK Capital and as a consultant for Goldman Sachs. He is a member of several corporate boards, serving as a board member of the National Investment Company, and as Vice-Chairman of MENA Capital Holding Company.

ABOUT THE EXECUTIVE MANAGEMENT AT ZAIN GROUP



Scott Gegenheimer - Chief Executive Officer-Operations

Scott Gegenheimer joined Zain Group in December 2012 bringing with him outstanding international experience in the telecom sector, in the USA, Eastern Europe, the Middle East and Africa.

His leadership style drives efficiency and effectiveness, with a focus on value creation and business development. He holds a Bachelor's of Science degree in Finance and Management from Northern Illinois University and an MBA from DePaul University in Chicago. He has recorded numerous achievements in the telecommunications sector, and has presided over many of the telecommunications companies in the Middle East and North Africa. Gegenheimer has also held leadership positions across global and international companies. He was appointed a Board member of the GSMA for the period 2017 to 2018.



Ossama Matta – Chief Financial Officer

Ossama Matta was appointed CFO of Zain Group in June 2010. With more than 20 years of finance and management experience in the Middle East, he attained an MBA from the

American University in Beirut and is a certified public accountant. Matta joined the Group in 2004 as the CFO at Zain's management operation in Lebanon, then known as "MTC Touch". Subsequently Matta was promoted to Chief Financial Officer at Zain Kuwait in early 2008, and again promoted to the role of Zain Group Middle East Chief Finance Officer, overseeing the operations in Bahrain, Iraq, Jordan, Lebanon, Kuwait, Saudi Arabia and Sudan.



Firas Oggar – Head of Legal

Firas joined Zain Group in November 2017 as Group Head of Legal. With a career spanning over 18 years, Firas has worked for conglomerate organizations in the Middle East and France. Firas has immense experience

of senior in-house roles in the Middle East, having had four roles in the position of either head of legal or general counsel since moving on from his private practice career. More recently, Firas has been recognized in 2015 and 2017 as one of the GC Powerlist: Middle East (formerly the Corporate Counsel 100) by the publication The Legal 500. The GC Powerlist is a series of publications, highlighting the most influential in-house lawyers in business today in the MENA region and globally. Firas is a Board member and treasurer of the Association of Corporate Counsel (ACC), Middle East Chapter. Firas is a qualified lawyer before the Paris Bar in France and holds a Master degree from the University of Paris in International Business Law.



Dr. Andrew Arowojolu - Chief Regulatory Officer

Dr. Andrew Arowojolu was appointed Group Chief Regulatory Officer, effective October 2016. He liaises with Regulatory Authorities across the company's eight-country footprint.

A seasoned telecom executive with over 25 years of experience and a proven track-record in the telecom industry across the Middle East, Europe, Africa and Asia. Arowojolu joined Zain in 2003 and holds a Doctorate degree (Ph.D.) in Mobile Radio Communications (1994) and a M.Sc., (Distinction) in Microelectronic and Telecommunications from University of Liverpool, United Kingdom (1991) and a B.Sc. (First Class) in Electrical and Electronic Engineering from University of Lagos (1988).



Emre Gurkan – Chief Strategy & Business Development Officer

Emre Gurkan was appointed Chief Strategy Officer of Zain Group effective February 2014. A seasoned telecommunications executive, he came to Zain with over 20 years of experience,

encompassing deep consulting and industry expertise in the Middle East, Africa, North America and Europe. Gurkan holds an MBA from Massachusetts Institute of Technology, an MS in Management Information Systems from London School of Economics and Political Science and a BS in Computer Engineering from Istanbul Technical University.



Hisham Allam – Chief Technology Officer

Hisham Allam was appointed the role in December 2011 having over 20 years of experience in the fields of information technology and telecommunications.

Prior to his appointment, Allam was the Chief Operating Officer of Zain Sudan, having joined the operation in May 2003 as Chief Technology Officer. Allam holds a Bachelor of Science in Electronics Engineering degree from the University of Kent in England.



Venkatesh Jandhyala – Chief Internal Auditor

Venkatesh Jandhyala was appointed Chief Internal Auditor of Zain Group effective April 2014, 10 years after joining Zain.

Rising through the ranks within Zain Group, Jandhyala is a dynamic professional with over 24 years of proven leadership track record within telecommunications and consulting firms, having worked in complex business environments in the Americas, Europe, Africa, Middle East & Asia. Jandhyala has a Bachelor of Commerce and Law degrees from Osmania University, Hyderabad, India and has received a scholarship for a dual degree in Master of Science in International Finance and a MBA in Finance and Marketing from the University of Miami, USA. He also has a Chartered/Board Secretary diploma from India.



Abdul Ghaffar Setareh – Chief Risk Officer

Appointed to the role in January 2016, Abdul Ghaffar Setareh is an accomplished corporate executive with over 30 years of operational, engineering, insurance and risk management experience in mobile

telecommunications and technology sectors across the Middle East and Africa. Setareh graduated with a Telecommunications Engineering degree from the Ecole Nationale des Telecommunications, Rabat, Morocco in 1984.



Mohammad Abdal – Chief Communications Officer

Mohammad Abdal was appointed Chief Communications Officer of Zain Group in July 2015, heading three significant divisions within Zain Group: Investor Relations, Corporate Communications,

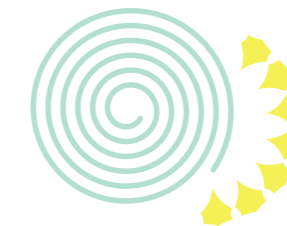
and Corporate Governance & Compliance. Over the past 15 years Abdal has risen rapidly through the organization; playing a key role in various aspects of the company's success. In 2005 Abdal joined Zain Group from Zain Kuwait. Abdal is a founding member and Chairman of the Middle East Investor Relations Society chapter in Kuwait and a member of the globally recognized National Investor Relations Institute (NIRI). He graduated in 2001 from Portland State University, Oregon, US with a Bachelor of Science degree in Business Administration majoring in Finance & Management Information Systems.



Duncan Howard – Chief Commercial Officer

Duncan Howard was appointed to this role effective July 2014. He oversees all commercial, marketing, branding and advertising areas across Zain's regional footprint. Howard came to Zain with 20

years' experience in mobile, television and fixed telecom across the Middle East, Europe and North America. Howard holds an MBA from the Open University, UK and attained a BA (Hons) System Analysis from the University of West of England.



BOARD NOMINATIONS AND REMUNERATION COMMITTEE (BNRC)

Please refer to Rule II of this report, which contains all information on the functions and achievements of the Committee as well as the composition and meetings.

REMUNERATION REPORT FOR THE BOARD AND EXECUTIVE MANAGEMENT

The overall remuneration strategy of the company has been developed and adopted by the Board of Directors and translated into Key Performance Indicators (KPIs). It has been documented and disseminated to ensure that activities are consistent with the strategy applied by the Executive Management. Key Performance Indicators have been monitored and reported regularly to the Board of Directors.

The remuneration policy adopted by the Board of Directors, based on the applicable laws and regulations, sets out the basis for the remuneration of the Board of Directors and the Executive Management and aligns them with the Company's objectives and performance. This policy, which is part of the Corporate Governance Framework, reflects the Company's objectives and takes into account the integrity of its operations and its financial position.

The policy aims to determine the reward system that is implemented by the company in a manner that achieves the mutual or joint benefit to the Executive Management, the Board of Directors and the Company, in accordance with the interests of the shareholders.

This policy reflects standards and principles of best practice in corporate governance, in accordance with the relevant regulatory requirements.

The Company's remuneration policy was created in accordance with the following principles:

1. Link rewards to the degree of risk.
2. Attract and retain the best professionals.
3. Ensure equality within the company and competitiveness outside.
4. Comparison of performance levels in the market using analyses received from specialized consulting firms in the area.
5. Ensure transparency in awarding bonuses.
6. Link to performance indicators (KPIs) for Board members and Executive Management.
7. Be consistent with the Company's strategy and objectives both long-term and short-term
8. Match the experience and qualifications of the company's employees at different levels of employment.

The Board of Directors is fully responsible for the structure and implementation of the remuneration Policy through the BNRC.

The Board of Directors, through the BNRC continues to update the remuneration policy in line with the Company's strategy and overall risk framework. The Board of Directors oversees the design and implementation of the remuneration system.

BOARD NOMINATIONS AND REMUNERATIONS COMMITTEE (BNRC)

The BNRC provides support to the Board of Directors by preparing, reviewing and developing the remuneration policy in a timely manner. The BNRC shall also facilitate the role of the Board of Directors by submitting timely reports on the implementation of the remuneration policy and recommendations to the Board of Directors on the key components and the approved remuneration structure at the Company for Executive Management and all employees.

The BNRC also monitors the implementation of the remuneration system and ensures that there are no significant deviations from the policy. The BNRC is charged with identifying the causes of any such deviations as they occur and ensuring they are reported to the Board of Directors for disclosure purposes in accordance with the relevant regulatory requirements.

EXECUTIVE MANAGEMENT

The Executive Management is responsible for designing the employee remuneration system in accordance with the approved policy. Management is also responsible for following up on the implementation of the approved policy.

REMUNERATION DESIGN

Remuneration is determined on the achievement of key performance indicators in accordance with the Company's overall strategy, including financial and non-financial criteria and key risk indicators at the Group level.

The Board Risk Committee (BRC) reviews the Company's risk appetite, which is then approved by the Board of Directors. Risk limits are then determined in accordance with the approved risk approach. The risks involved in each board and executive position are factored into the remuneration of the member as recommended by the BNRC.

BOARD REMUNERATION

- The total Board remuneration shall not exceed 10% of the net profits of the Company (after depreciation, reserves and payment of dividends to shareholders not less than 5% of the Company's capital or any higher percentage, as provided in the Articles of Association of the Company).
- The Board remuneration is approved during the Annual General Meeting of shareholders as per the recommendations of the BNRC, and by the Board of Directors.
- In 2017, the total remuneration granted to the Board members was KWD 275,200 distributed equally among members and subject to shareholders' approval at the Annual General Meeting.

EXECUTIVE MANAGEMENT REMUNERATION

The Executive Management Remuneration System takes into consideration the environment in which the company operates, the results achieved and the company's risk tolerance, and includes the following key components:

Fixed Remunerations

- Fixed remuneration is determined by the level of responsibilities assigned and the specific career path of the executive member at the Company. The remuneration index is established for each job, reflecting the value to the Company.
- Fixed remuneration is reviewed by the Nomination and Remuneration Committee (BNRC), in coordination with the relevant departments if necessary (i.e. human resources) on an annual basis to reassess the total remuneration package, market conditions, and performance of divisions across the company.
- Fixed remunerations including salaries, allowances and benefits (and end of service indemnity) are awarded under the approved salary and grading structure by the Board of Directors, the applicable laws and regulations and the manual of contractual agreements of employees issued by human resources.

Variable Remunerations

- Variable remunerations are linked to the achievement of predefined goals.
- This type of remuneration is designed to motivate and reward Executive Management members. Variable bonuses are allocated based on the individual performance of the Executive Management member and the overall performance of the Company.
- Variable remuneration in Zain can comprise of two elements: annual variable remuneration (variable remuneration granted to employees on an annual basis) and multi-annual variable remuneration (variable remuneration granted to employees over multiple years, i.e. shares granted to employees over a number of years according to a share-based incentive scheme) indicating that the Board of Directors focuses on short and long-term objectives.
- There are two types of annual objectives: financial indicators (financial targets to be achieved by the Company and departments during the fiscal year) and non-financial indicators (non-financial operational objectives to be achieved by the Company through activities and processes such as product introduction, entering a specific investment, etc).

BALANCE BETWEEN FIXED AND VARIABLE REMUNERATION

The Company ensures that there is an appropriate balance between fixed and variable remuneration to allow for the possibility of reducing variable remuneration in the case of weak or adverse financial performance. The percentage of fixed and variable remuneration is reviewed and determined annually by the Board of Directors based on BNRC recommendations.

Category	No. of Employees	Fixed Remuneration (KD 000')	Variable Remuneration (KD 000')	Total (KD 000')
Executive Management at Zain Group	13	2,180	1,211	3,391

RULE IV: SAFEGUARD THE INTEGRITY OF FINANCIAL REPORTING

BOARD AUDIT COMMITTEE

Please refer to Rule II of this report, which contains all information on the functions and achievements of the Committee as well as the composition and meetings.

INDEPENDENCE AND IMPARTIALITY OF THE EXTERNAL AUDITOR

The internal charters and policies of the Company reiterate applicable laws and regulations, emphasizing the importance of external auditors' independence. Therefore external auditors do not perform any additional work that may affect their neutrality and independence.

The Audit Committee shall recommend to the Board of Directors the appointment, reappointment or change of the external auditor, in addition to determining their fees and reviewing their letters of appointment. The external auditor is appointed by the Ordinary General Assembly as per the recommendation of the Board of Directors. The following requirements must be met when appointing the external auditors:

- The external auditor is a licensed auditor by the CMA and has fully met all registration requirements stated by the CMA.
- The external auditor is independent and does not perform additional tasks that may affect neutrality and independence.

The Audit Committee approves in advance the type of services provided by the external auditor (audit or other) and the required fees, and ensures that the external auditor has identified procedures necessary to change the external auditor periodically.

Accordingly, Deloitte and Touche (Al Wazzan & Partners) have been appointed to perform the functions required by the Independent External Auditor. We would like to confirm that Deloitte is not doing any additional services for the Company.

ABOUT DELOITTE & TOUCHE (AL WAZZAN & PARTNERS)

Deloitte & Touche employs 244,400 professionals worldwide, and enjoys a globally connected network of member firms in more than 150 countries where it provides audit, consulting, financial advisory, enterprise risk, and tax services. Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region with uninterrupted presence since 1926 with more than 3,000 staff working in over 26 offices in 15 countries in the Middle East.

In Kuwait, Deloitte & Touche Al Wazzan & Co. has a strong audit practice serving leading enterprises and institutions in telecommunications, banking, aviation, insurance, construction, trading, manufacturing, energy and resources. Kuwait audit practice has approximately 10 partners, principals and directors, and more than 110 dedicated audit professionals.

RULE V: APPLY SOUND SYSTEMS OF RISK MANAGEMENT AND INTERNAL AUDIT

A BRIEF ABOUT THE INDEPENDENCE OF RISK MANAGEMENT AND INTERNAL AUDIT FUNCTIONS

The role of the Board of Directors is to ensure that the internal audit and risk management departments work independently, in line with the risks faced by the company. The Company looks to continuously implement the corporate governance framework adopted in 2016, which emphasizes the existence of sound systems and practices to ensure independence and efficiency of control functions. The Board oversees and ensures the proper application of internal control, risk management and corporate governance systems.

BOARD RISK COMMITTEE

Please refer to Rule II of this report, which contains all information on the functions and achievements of the Committee as well as the composition and meetings.

INTERNAL CONTROL SYSTEMS

The Board of Directors is responsible for establishing the governance framework and for monitoring the effectiveness of its implementation in a manner designed to protect shareholders' rights and increase the company's value. Based on the regulations and guidelines issued by the Capital Markets Authority, the Company has appointed BDO (Al Nisf & Partners), the Kuwait Member Firm of BDO International to complete the Internal Control Review.

INTERNAL CONTROL REVIEW

The Board of Directors
Mobile Telecommunications Company (Zain) K.S.C.P.
State of Kuwait.

In accordance with our letter of engagement dated 8 February 2018, we have examined and reviewed the internal controls systems of Mobile Telecommunications Company K.S.C.P. or "The Company" or "Zain" for the year ended 31 December 2017.

The review covered the following areas of Zain:

- Finance Department;
- Strategy and Business Development Department;
- Corporate Communications, IR, Governance and Compliance;
- Commercial Department;
- Technology Department;
- Regulatory Affairs Department;
- Wholesale and Roaming Department;
- PMO and Operations Department;
- Corporate Sustainability Department;
- Human Resources Department;
- Legal Department.

Our examination has been carried out as per the requirements of the Executive regulations of Kuwait Capital Markets Authority (Book No. 15 "Corporate Governance" article 6-9).

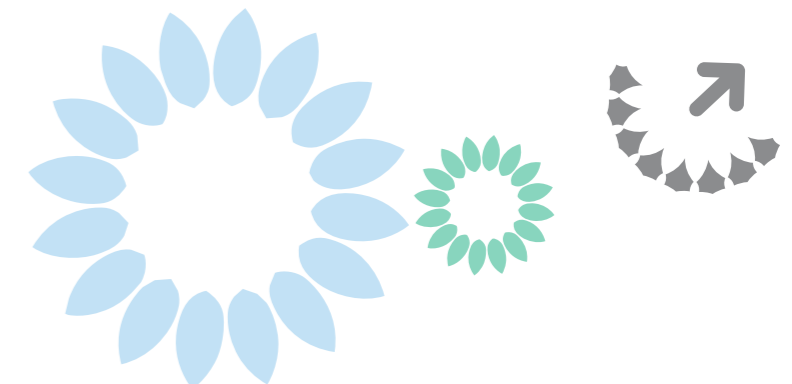
As members of the Board of Directors of Zain, you are responsible for establishing and maintaining adequate internal control systems, taking into consideration the expected benefits and relative costs of establishing such systems and complying with the requirements contained in the CMA instructions mentioned in the above paragraph. The objective of this report is to provide reasonable, but not absolute, assurance on the extent to which the adopted procedures and systems are adequate to safeguard the assets against loss from unauthorized use or disposition; that key risks are properly monitored and evaluated; that transactions are executed in accordance with established authorization procedures and are recorded properly; and to enable you to conduct the business in a prudent manner.

Because of inherent limitations in any internal controls system, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

With the exception of the matters set out in the accompanying report, and having regard to the nature and volumes of the Company's operations, during the year ended 31 December 2017, and the materiality and risk rating of our findings, in our opinion:

- a) the internal controls systems of the Company were established and maintained in accordance with the requirements of the Capital Markets Authority and the sound governance rules.
- b) the findings raised in the examination and assessment of the internal controls do not have a material impact on the fair presentation of the financial statements of the Company for the year ended 31 December 2017, and
- c) the actions taken by the company to address the findings referred in the report are satisfactory.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners



RULE VI: PROMOTE CODE OF CONDUCT AND ETHICAL STANDARDS

CODE OF CONDUCT

The Company is committed to maintaining the highest standards of ethics reflected in the Code of Conduct, which supports this commitment. The Board of Directors is responsible for creating and approving the Code of Conduct. These standards are updated by the Board of Directors to reflect legal and regulatory developments and are considered the guidelines that direct the company's policies. Members of the Executive Management and all employees of the Company shall abide by the rules set out in the Code of Conduct and Ethics approved by the Board of Directors.

CONFLICT OF INTEREST

The Board of Directors establishes the appropriate mechanism to serve the interests of the Company before the interests of the members of the Board of Directors. Each member of the Board of Directors is responsible for managing the direction of the Company and the related parties. Although this duty does not prevent them from participating in transactions and personal investments, Board Members must avoid situations that lead or are likely to lead to a conflict of interest.

The Company is committed to managing potential conflicts of interest in a professional manner and to complying with all the Company's obligations in dealing with conflicts of interest in a timely manner. The Company has developed a conflict of interest policy in light of the governance rules issued by the CMA and in accordance with the provisions of the Companies Law. This policy applies to the Company and its subsidiaries and to the Board of Directors and the Executive Management.

This policy outlines the principles for managing conflicts of interest cases and includes the following:

- Appropriate mechanisms and systems to avoid and reduce conflicts of interest and to develop appropriate procedures to address and deal with them.
- Procedures for disclosure of joint interests with the Company, either directly or indirectly.

This policy is an integral part of the company's full commitment to fairness and integrity in dealing with stakeholders.

RULE VII: ENSURE TIMELY AND HIGH-QUALITY DISCLOSURE AND TRANSPARENCY

DISCLOSURE MECHANISMS AND TRANSPARENCY

1. Management of Disclosures

- The Board of Directors has adopted a disclosure policy aimed at achieving the principle of transparency between internal and external stakeholders.
- The Corporate Governance Department is in constant coordination with the Board of Directors, the Secretary of the Board, the Executive Management and all the Company's departments (main and supporting) to ensure that the required disclosures are submitted in a timely manner.
- Executive Management approves all disclosures made to regulatory and public bodies. The Corporate Governance and Compliance department also informs the Executive Management about the disclosures made.

2. Disclosure Matrix

- The Company has developed a detailed matrix for the disclosure process in line with the requirements of the Capital Markets Authority. The matrix clarifies the following:
 - Information to be disclosed.
 - Means of disclosure.
 - Time frame for disclosure.
 - Key parties to the disclosure process and those responsible for preparing the information to be disclosed.

INVESTOR RELATIONS FUNCTION

The Investor Relations (IR) policy covers all the employees of the company and the Board of Directors. It includes all means of communication with shareholders, potential investors, analysts and the media. It also includes the documents and items documented in the annual and quarterly reports, news and publications, notes to shareholders, press releases and the information contained on the Company's website.

The responsibility of implementing this policy rests with the IR employees and other stakeholders. The department plays an important role in ensuring the protection of shareholders' rights by understanding the requirements of this policy, the instructions of the Capital Markets Authority and other regulatory requirements.

THE MAIN OBJECTIVES OF INVESTOR RELATIONS

1. Establish consistent and reliable channels of communication with investors in compliance with relevant regulations and laws, including those issued by the CMA and the Commercial Companies Law of the State of Kuwait.
2. Strengthen the company's position in the market and attract shareholders and investments.
3. Establish a link between Executive Management and the financial community with a view to strengthening the relationship of Executive Management with analysts and stakeholders.
4. Provide financial and non-financial information related to the Board of Directors, Executive Management, shareholders and analysts.

DEVELOPMENT OF I.T. INFRASTRUCTURE FOR DISCLOSURE PURPOSES

- All public disclosures are posted on the company's website, with the approval of the Corporate Governance and Compliance department and in cooperation with the Communications Department.
- The Company continuously emphasizes the use of its website to communicate with stakeholders (shareholders, investors, customers, regulators, etc.) and to distribute information to be published on behalf of the Company.
- The information available on the website includes the annual report, quarterly reports, financial information, market disclosures of the last seven years and other information. The Company occasionally publishes some important documents after approval and recommendation by the Governance and Compliance department, as per laws and regulations by the CMA and other relevant regulatory bodies.

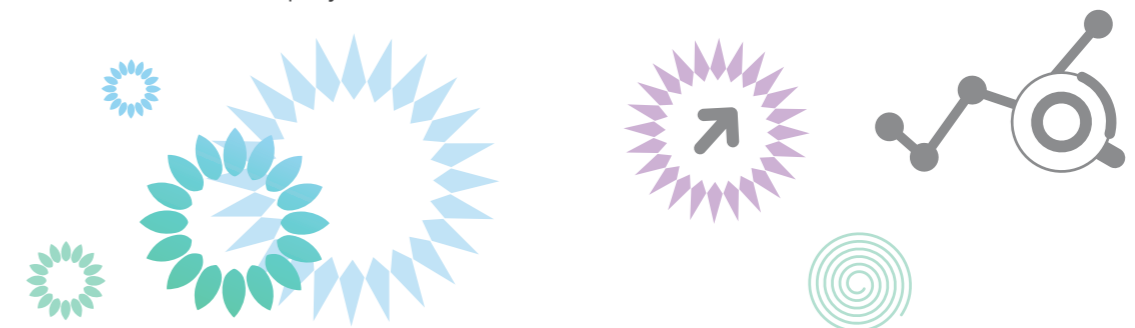
RULE VIII: RESPECT THE RIGHTS OF SHAREHOLDERS

PROTECTION OF SHAREHOLDERS' RIGHTS

The Company is committed to ensuring that all shareholders exercise their rights fairly. In addition, the Company is committed to protecting shareholders' assets from any misuse by the Company's Executive Management, Board of Directors or key shareholders. The Company treats all shareholders of the same class equally and without any discrimination, in line with the Company's interests, and in accordance with the laws and regulations. The Company is committed to providing the following rights to the shareholders:

- Record the value of ownership in the register of shareholders with Kuwait Clearing Company (KCC).
- Disposal of shares through registration of ownership and / or transferring.
- Receipt of cash and share dividends.
- Acquiring a share of the Company's assets in case of liquidation (after payment of all debts of the Company).
- Obtaining data and information about the Company's business and its operational and investment strategy on a regular basis.
- Participation in meetings of the General Assembly of shareholders and vote on its decisions.
- Election of Board members.
- Monitoring the performance of the Company in general and the work of the Board of Directors in particular.
- Accountability of Board Members or Executive Management, if they fail to perform the tasks assigned to them.

Shareholders also receive information and data in accordance with the laws. Shareholders are entitled to access the information contained in the Company's disclosure records.



SHAREHOLDERS' REGISTER AT KUWAIT CLEARING COMPANY (KCC)

In April 2004, Zain signed an agreement with Kuwait Clearing Company (KCC) to maintain a record of its shareholders with the KCC. Accordingly, the KCC provides the following:

- Create an index for all shareholders, which includes the names, trading numbers, number of shares and nationalities.
- Update the data according to all trading activities on the Boursa Kuwait.
- Perform all procedures for transfer of ownership in addition to buy/sell transactions after obtaining all the required approvals from the regulatory authorities.
- Track procedures for lost/damaged certificates and the related issuance of new ones.
- Distribute cash dividends and stock splits.
- Provide the company with shareholders' balance reports on a daily/monthly basis.
- Provide the company with the profits reports on a daily/monthly basis.
- Provide the company with unclaimed dividend reports on a monthly basis.
- Distribute outstanding share certificates, issue new shares for heirs, and register them.
- Record mortgage transactions on company's shares.
- Prepare AGM invitations in coordination with the company.

Allow shareholders to obtain the company's information or documents in compliance with laws and regulations.

SHAREHOLDERS' VOTING AND PARTICIPATION AT THE AGM

The Company encourages all shareholders to participate in the Annual General Meetings (AGM) and to vote on all resolutions adopted by the Assembly, including the selection of the members of the Board of Directors. Any class of shareholders is entitled to attend the meetings of the General Assembly without paying any fees for their attendance.

The Board of Directors invites all shareholders to the AGM, in accordance with the laws and regulations. When organizing the general meetings of the shareholders, the Company includes the agenda and the date and place of the meeting in the invitation. The company provides all information related to the agenda items well in advance of the General Assembly, in particular the reports of the Board of Directors, the external auditor and the financial statements.

The Company encourages shareholders to actively participate in the General Assembly, discuss the issues on the agenda and related inquiries, and ask questions thereon to the members of the Board of Directors and the external auditor. The Board of Directors or the external auditor shall answer the questions to the extent that they do not jeopardize the interests of the Company.

Shareholders are provided with access to all the data contained in the disclosure register of the members of the Board and the members of the Executive Management without any fees. Shareholders are also entitled to access the minutes of the AGMs.

RULE IX: RECOGNIZE THE ROLES OF STAKEHOLDERS

PROTECTION OF STAKEHOLDERS' RIGHTS

The Company guarantees the protection of the rights of stakeholders by ensuring that:

- All stakeholders are treated in a fair manner; and ensuring that members of the Board of Directors, related parties and stakeholders are treated fairly and without discrimination.
- Allow stakeholders to access information related to their operations so that they can obtain and refer to such information quickly and regularly.

To ensure that the Company is operating in a manner consistent with the prevailing regulatory requirements and practices, the Board has adopted a policy to protect the rights of stakeholders and the Board reviews this policy annually or when necessary. The review considers compliance with laws and regulations, and any amendments.

This policy applies to the Company, its subsidiaries, the Board of Directors, the Executive Management and the employees, each of whom has a role in protecting the rights of the Company's stakeholders. It is important that all of the Company's Executive Management and employees are aware of these requirements, policies, laws and related instructions in order to comply.

PARTICIPATION OF STAKEHOLDERS

The Board of Directors is responsible for appointing qualified Executive Management to manage the day-to-day operations and to implement the company's strategy. The Board of Directors is fully responsible for overseeing the company's affairs, including supervising of the implementation of strategic objectives, risk management strategy, corporate governance standards, as well as overseeing Executive Management performance.

The Board of Directors provides a clear framework for managing the Company's operations to the Executive Management. This is achieved by overseeing key policies within the Company, covering various investment operations, asset and liability management, and other related policies.

Briefing the Board on any developments in the internal and external environment of the Company is essential, to provide the Board with the ability to intervene immediately if necessary.

The Company is subject to a set of laws, regulations and instructions issued by the relevant regulatory bodies. It is the responsibility of the Board of Directors to ensure that the Company complies with these laws, regulations and instructions. It also ensures the protection of the rights of stakeholders. It expects all stakeholders to fulfill their obligations under the contracts, and in adherence to the guidelines of the relevant regulatory bodies.

RULE X: ENCOURAGE AND ENHANCE PERFORMANCE

TRAINING AND DEVELOPMENT FOR THE BOARD AND THE EXECUTIVE MANAGEMENT

The Chairman reviews the members' training and development needs based on evaluations and in collaboration with the Nomination and Remuneration Committee BNRC. Board Members should always seek to develop their skills and competencies through training courses and increase their awareness about key technical aspects of the company's activity.

An induction program for new Board Members is designed to meet their individual requirements. Members participate in the program managed by the Board Secretary. The induction program includes presentations by Executive Management to introduce new members to the Company's strategic plans, financial and accounting practices, risk management, compliance programs, Code of Conduct, Conflict of Interest and a summary of the Executive Management and internal and external auditors. In addition, the induction program may include field visits to the locations / branches of the Company.

BOARD ASSESSMENT AND VALUE CREATION EFFORTS TO ACHIEVE STRATEGIC GOALS

1. Under the supervision of the Chairman of the Board, and through the BNRC, the Board of Directors shall conduct a self-evaluation of its performance at least annually, in addition to the performance of each committee and each member. This evaluation shall cover roles and responsibilities, structure, efficiency, and commitment.
2. The evaluation is based on the approved evaluation matrix of the Board of Directors.
3. Each member shall submit the his/her own self-assessment. The BNRC is responsible for the management of the Board's evaluation. All evaluations obtained by all committees are submitted to the Board after completion to determine the outcome of the evaluation.
4. The Chairman of the Board shall determine the results of the performance evaluation by identifying strengths and weaknesses, proposing new members to be elected to the Board of Directors or requesting the resignation of any of the current members (if necessary).
5. The BNRC is responsible for recommending the appointment of members of the Board of Directors and the Executive Management, facilitating the annual self-evaluation of the Board's performance, supervising the training and development process of the Board and the Executive Management. The BNRC shall also be responsible for evaluating the remuneration of Board members and the Executive Management in respect of the Company's long-term objectives.

RULE XI: FOCUS ON THE IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY

Zain directs significant resources towards the socio-economic development of its communities in the understanding that creating value for society will inevitably benefit the organization. Major outreach activities conducted by Zain across its regional footprint target societal deficits and improvements to the overall welfare of its communities. Zain ensures that through its various initiatives it addresses these challenges.

In order to address the challenges and deficits Zain ensures that it integrates the following themes into its strategy as part of shared value:

- **Social Innovation:** Promote and support the startup communities in our markets through Social Innovation.
- **Environmental Stewardship:** Implement eco-friendly solutions across all operations to promote environmental stewardship such as reducing Co₂ emissions and waste reduction and management.
- **Inclusivity:** Ensure the company is inclusive when it comes to providing its products and services to all segments of society.
- **Sustainable Development Goals (SDGs):** Address the SDGs through the core business as ICT is a major enabler additionally through awareness campaigns.

Some of Zain's Corporate Sustainability activities/initiatives/projects include:

MIT ENTERPRISE FORUM (MITEF) PAN ARAB STARTUP COMPETITION – ZAIN GROUP

Zain embarked on a three-year partnership in 2015 with MITEF Pan Arab Startup Competition, Community Jameel. Community Jameel is a social enterprise organization that conducts a wide range of initiatives which contribute towards positive societal and economic development. During 2017, Bahrain's Tamkeen that aims to develop Bahrain's private sector also partnered the event. In its 10th edition, the MIT Enterprise Forum Pan Arab Startup Competition aimed to create opportunities, in the MENA region, for growth and development based on innovation and value creation. As is the case every year, the competition was divided into three main categories: Ideas, Startups, and Social Entrepreneurship. Each of these tracks had three winners who were awarded cash prizes and other benefits such as training, mentorship, media exposure and networking opportunities. In 2017, an unprecedented turnout of 8,272 applications were submitted with the prize money exceeding USD 160,000.

HOSTING STUDENTS AT ZAIN – ZAIN BAHRAIN

In the summer of 2017, Zain Bahrain hosted 13 high school students for a two-week educational summer program. This program exposed the students to different functions at Zain spanning from the call center, to retail, marketing, technology, to human resources and other areas. The students who participated in the program received an overview of the mobile telecommunications sector, a seminar on time management and communication skills, career development, and a UN-led workshop on projects that address the UN Sustainable Development Goals. By training and developing this group of aspiring youth the program provided them with the skills needed for future job opportunities, while also exposing the Company to young talent.

SUPPORTING IDP CAMPS IN MOSUL – ZAIN IRAQ

Zain Iraq in collaboration with the Henrik volunteer team planned a visit to Hasan Shami camp located in Mosul to help ease plight of the people there by providing them with basic necessities. The company organized a group of young volunteers to participate in this initiative, which helped create a greater sense of cohesion and peace in newly liberated areas. This program is especially needed given communities have experienced significant shortages in food, water, healthcare services, and winter supplies. Zain Iraq addressed this shortage by helping 2,100 families.

ZAIN RELIEF FUND – ZAIN JORDAN

Established in 2004, the Zain Relief Fund in Jordan aims to provide economic aid to underprivileged families across the country. This fund provides general health to underserved communities which is considered a prerequisite for socio-economic development. In partnership with the Ministry of Social Development, the Fund targets those who are not covered by the Ministry's National Aid Fund. In 2017, 1,785 families were supported to help improve their livelihoods and well-being.

TRAINING WORKSHOP FOR WOMEN – ZAIN SAUDI ARABIA

In partnership with The Institute of Public Administration, Zain Saudi Arabia hosted a workshop conducted by three Zain employees. The workshop aims to provide female students with job preparedness skills. It included topics such as workplace environment, building a CV, and interview skills. 77 female students from the Institute of Public Administration attended the workshop, which exposed Zain to potential female employees while simultaneously providing young talent with much needed skills.

ZAIN GREAT IDEA 4 – ZAIN KUWAIT

In the fourth edition of the program, Zain Great Idea partnered with Brilliant Lab to incubate and accelerate Kuwaiti entrepreneurs. This program occurs on a bi-annual basis with previous three programs occurring in 2011, 2013, and 2015. With 150 applicants, the top 10 were chosen to join Mind the Bridge Foundation and attend a tech start acceleration program in Silicon Valley, San Francisco and London. Through the program, Zain is contributing and further developing the startup ecosystem in Kuwait, falling in line with New Kuwait's 2035 Vision. Furthermore, one of Zain Kuwait's top priorities has been to provide necessary resources for the local startup community. By actively contributing to the youth development, this strengthens Kuwait's human capital pool, leading to a more competitive and productive workforce.

ECO-FRIENDLY CULTURE AT TOUCH – TOUCH LEBANON

In recent years, Lebanon has been facing a great challenge with waste management. With the crisis lasting for eight months, the Lebanese population had to deal with mountains of garbage everywhere, triggering NGOs and civil society to take action. Touch partnered with T.E.R.R.E Liban, an independent Lebanese non-governmental organization to develop and implement environmental and waste recycling education in Lebanon. Through this partnership, touch significantly reduced waste within its premises and ensured that its waste management program abides with international standards. Based on a study conducted by T.E.R.R.E Liban, touch recycled over 25 tons of cardboard and wood in the last two years, saving 280 trees.

ALJAFEEL WATER PROJECT – ZAIN SUDAN

AlJafeel is a project based in North Kordofan State that links artesian wells with several surrounding villages. In 2016, the project served around 7,000 people and in 2017 served 10,000 individuals. This project provides an opportunity to improve general health issues such as malaria, dysentery, and renal failure, which occur when people drink and use polluted and toxic water. As water and sanitation is considered the core of sustainable development, it is vital to ensure that the quality of water resources is safe. With 3.5 million people in Sudan in need of more water, access to clean water remains one of the greatest challenges in Sudan.

THE WHITAKER PEACE AND DEVELOPMENT INITIATIVE – ZAIN SOUTH SUDAN

Established in 2012, The Whitaker Peace and Development Initiative (WPDI) was created as a collaborative effort between Zain South Sudan, Ericsson, UNESCO, and the renowned actor and UNESCO Goodwill Ambassador for Peace and Reconciliation Forest Whitaker to promote peacebuilding, reconciliation and capacity-building.

By supporting this initiative, Zain South Sudan is actively taking necessary steps to support the population by promoting peace and development in the country. This initiative aims to empower youth by providing them training programs that focus on capacity building, conflict management, and ICT skills. Zain South Sudan is offering beneficiaries under the program access to connectivity as it is considered a key enabler for socio-economic development.

In 2017, the WPDI in collaboration with Zain South Sudan:

- Opened the ICT learning center
- Trained Youth Peace Ambassadors in Juba
- Trained 44 trainers and center managers

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31 DECEMBER 2017

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P.

QUALIFIED OPINION

We have audited the 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 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 the Republic of the Sudan, to conform to that standard.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

EMPHASIS OF MATTER

We draw attention to note 29 to the consolidated financial statements, which discloses the uncertainty related to the outcome of various claims against the subsidiary in Iraq. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed that matter is provided in that context. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

a) Revenue recognition

The accuracy of telecom revenue recognition is an inherent industry risk because billing systems are complex and process large volumes of data through a number of different systems and involves a combination different products, prices and price changes. Due to this complexity, we have considered revenue recognition as a key audit matter. The accounting policy for revenue recognition is set out in note 2.19 to the consolidated financial statements.

We evaluated the relevant IT systems and the design of controls and tested the operating effectiveness of controls over the capture and recording of revenue transactions; authorization of rate changes and its input to the billing systems and the change control procedures in place around those systems. In addition, we tested the reconciliation of the revenue generated and recorded in those systems to the general ledger and performed substantive tests of revenue recorded.

b) Impairment of Goodwill

As at 31 December 2017, goodwill is carried at KD 602 million which represents 20% of the total assets. The impairment test of goodwill performed by the management is significant to our audit because the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. Estimates of future cash flows are based on management's views of variables such as the growth in the telecom sector, economic conditions such as the economic growth and expected inflation rates and yield. Therefore, we identified the impairment testing of goodwill as a key audit matter.

We tested the key assumptions forming the Group's value-in-use calculation including the cash flow projections and discount rate. We compared actual historical cash flows with previous forecasts and whether any differences were within an acceptable range. We assessed the overall reasonableness of the cash flow forecasts and compared the discount rate and growth rate to market data. Additionally, we analyzed the sensitivities such as the impact on the valuation if the growth rate would be decreased, or the discount rate would be increased. We also assessed the adequacy of the Group's disclosures included in note 14 to the consolidated financial statements about those assumptions to which the outcome of the impairment test is more sensitive. The Group's policy on assessing impairment of goodwill is in note 2.12 to the consolidated financial statements.

c) Application of IAS 29 by South Sudanese subsidiary

The economy of the Republic of South Sudan, where the Group has a subsidiary became hyperinflationary from the beginning of the year 2016. This was based on the general price index (consumer price index) showing the cumulative three-year rate of inflation exceeding 100% at that time. The accounting policy for hyperinflationary financial reporting is given in note 2.23 to the consolidated financial statements.

The restatement of non-monetary items and historical financial information of the subsidiary in terms of the measuring unit current at the date of the consolidated statement of financial position and determination of the net monetary gain or loss is complex and requires the application of certain procedures and judgment on the part of management.

We compared the general price index used for restatement of non-monetary items, computing the net monetary gain and translation of historical financial information with the rates published by the Government of South Sudan and assessed the accuracy of the restatement and the amount of the net monetary gain.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises of the information included in the Annual Report of the Group for the year ended 31 December 2017. The other information does not include the consolidated financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2017 after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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. 1 of 2016 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. 1 of 2016 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 2017 that might have had a material effect on the business of the Company or on its consolidated financial position.



Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
7 February 2018

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	NOTE	2017	2016
ASSETS		KD '000	
Current assets			
Cash and bank balances	4	244,398	208,752
Trade and other receivables	5	455,801	450,386
Inventories	6	34,402	16,418
Investment securities at fair value through profit or loss	7	778	964
Non-current assets held for sale	8	7,656	-
		743,035	676,520
Non-current assets			
Investment securities available for sale	7	16,118	22,134
Investments in associates and joint ventures	9,10	188,412	190,396
Dues from associates	11	415,759	381,661
Other assets	12	15,131	15,598
Property and equipment	13	743,586	798,156
Intangible assets and goodwill	14	911,630	1,007,237
		2,290,636	2,415,182
Total Assets		3,033,671	3,091,702
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	15	515,384	570,920
Due to banks	16	199,564	219,154
		714,948	790,074
Non-current liabilities			
Due to banks	16	670,637	830,193
Other non-current liabilities	17	38,482	48,953
		709,119	879,146
Equity			
Attributable to Company's shareholders			
Share capital	18	432,706	432,706
Share premium		1,707,164	1,707,164
Legal reserve	18	216,353	216,353
Foreign currency translation reserve	18	(1,189,469)	(1,100,094)
Treasury shares	19	-	(567,834)
Treasury shares reserve		-	1,967
Investment fair valuation reserve		3,251	3,484
Share of reserves of associates		(326)	(120)
Retained earnings		281,919	571,503
		1,451,598	1,265,129
Non-controlling interests		158,006	157,353
Total equity		1,609,604	1,422,482
Total Liabilities and Equity		3,033,671	3,091,702

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



Mohannad Mohammad Abdulmohsen Al Kharafi
Chairman



Bader Nasser Al Kharafi
Vice Chairman &
Chief Executive Officer

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS -
YEAR ENDED 31 DECEMBER 2017**

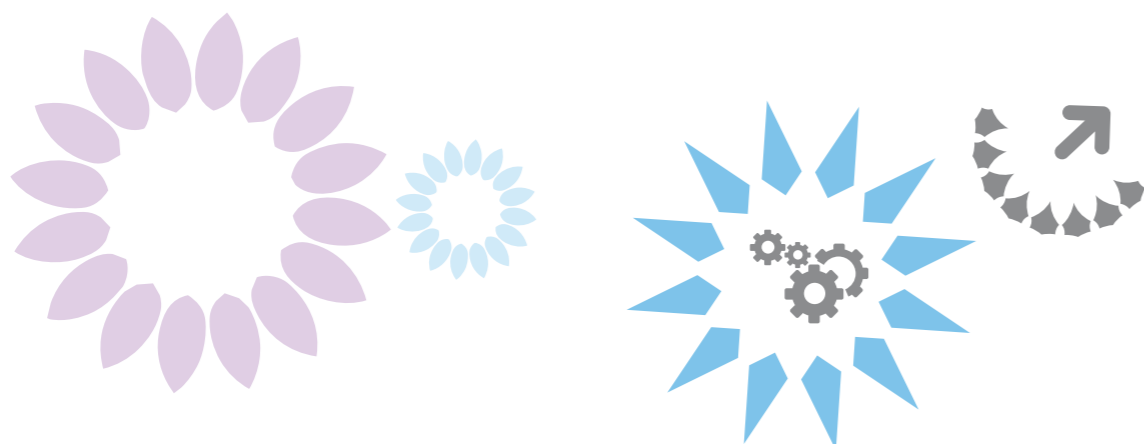
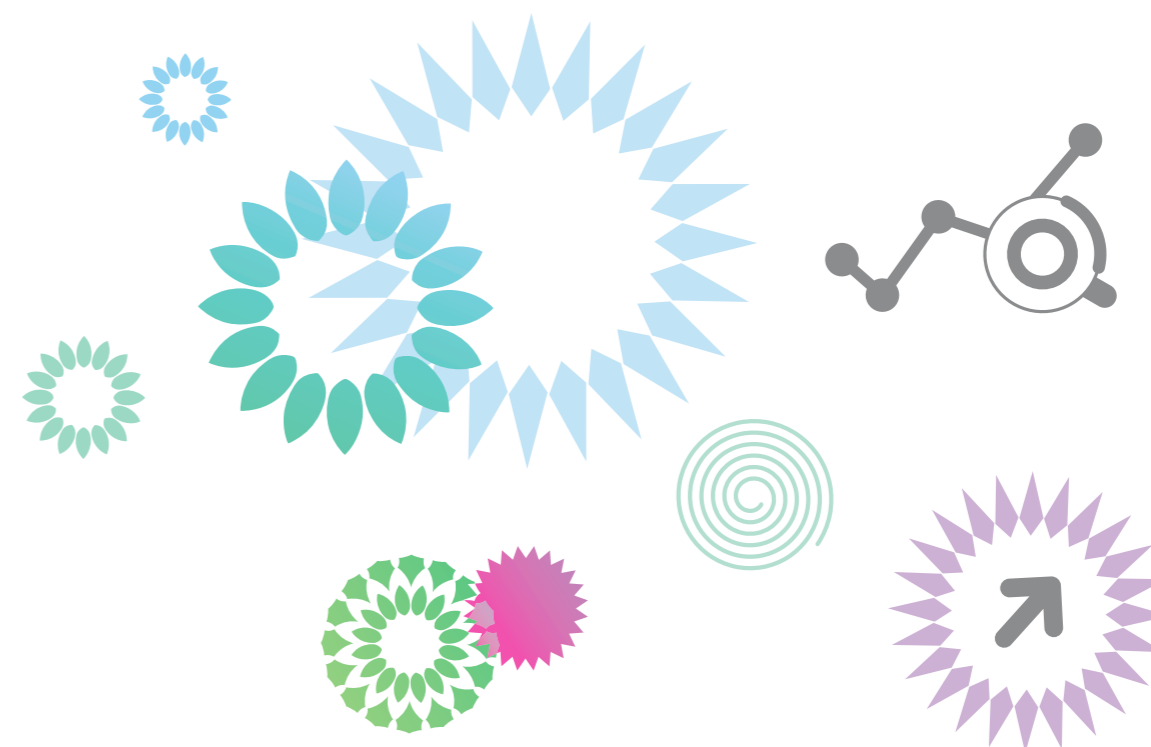
		2017	2016
	NOTE	KD '000	
Revenue	20	1,029,547	1,087,774
Cost of sales		(290,891)	(266,764)
Gross profit		738,656	821,010
Operating and administrative expenses	21	(313,964)	(308,174)
Depreciation and amortization	13,14	(185,050)	(222,307)
Provision for impairment – trade and other receivables	5	(10,256)	(1,296)
Operating profit		229,386	289,233
Interest income		27,850	5,992
Investment income	22	781	(3,925)
Share of results of associates and joint ventures	9,10	127	(30,781)
Other (expenses)/income		(12,207)	(22,793)
Finance costs		(40,100)	(32,598)
Provision for impairment loss on property and equipment	13	(37,826)	-
Loss from currency revaluation		(32,120)	(42,044)
Net monetary gain	34	45,789	30,781
Profit before, contribution to KFAS, NLST, Zakat, income taxes and Board of Directors' remuneration		181,680	193,865
Contribution to Kuwait Foundation for Advancement of Sciences		(1,100)	(666)
National Labour Support Tax and Zakat	23	(5,753)	(6,138)
Income tax expenses	24	(10,400)	(28,051)
Board of Directors' remuneration		(275)	(275)
Profit for the year		164,152	158,735
Attributable to:			
Shareholders of the Company		159,817	156,702
Non-controlling interests		4,335	2,033
		164,152	158,735
Earnings per share (EPS)	25		
Basic – Fils		39	40
Diluted – Fils		39	40

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 2017**

	2017	2016
	KD '000	
Profit for the year	164,152	158,735
Other comprehensive income:		
<i>Other comprehensive income transferred or reclassifiable to consolidated statement of profit or loss in subsequent periods:</i>		
Exchange differences on translating foreign operations	(91,284)	(342,525)
Net unrealised loss on available-for-sale investments	2,564	847
Net (gain)/loss transferred to consolidated statement of profit or loss on sale of available-for-sale investments (net of impairment losses)	(2,797)	4,083
Share of reserves of associates	(206)	96
Other comprehensive income for the year	(91,723)	(337,499)
Total comprehensive income for the year	72,429	(178,764)
Total comprehensive income attributable to:		
Shareholders of the Company	70,003	(181,723)
Non-controlling interests	2,426	2,959
	72,429	(178,764)

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

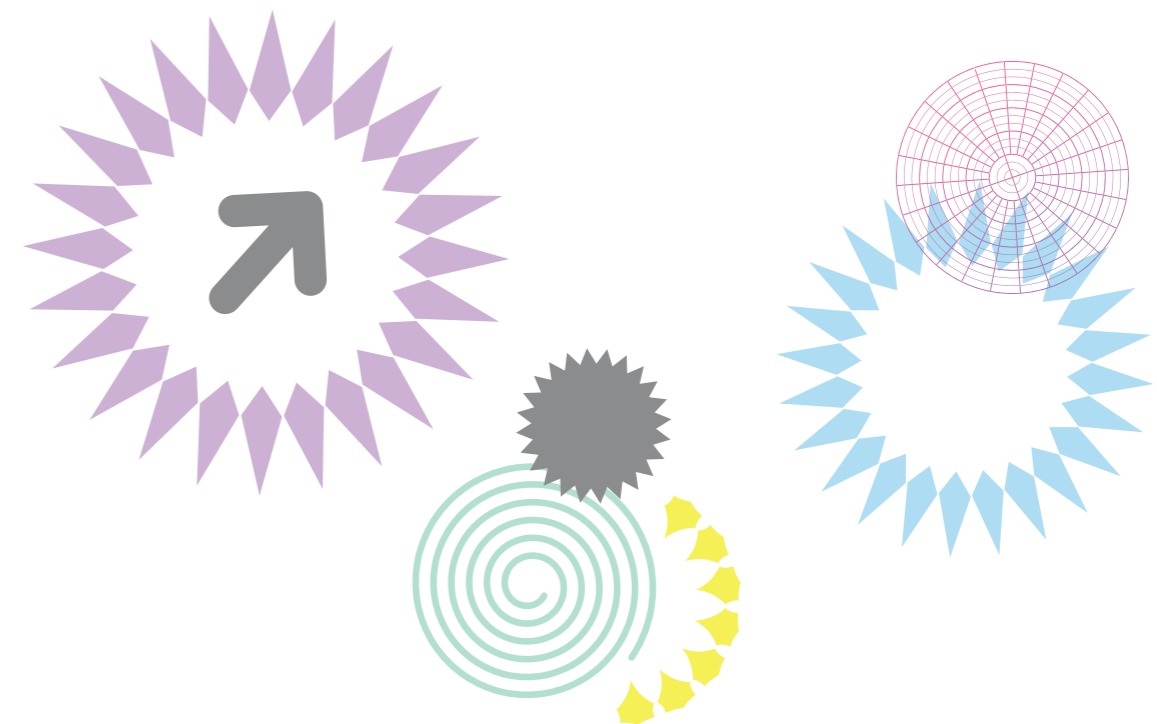


CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - YEAR ENDED 31 DECEMBER 2017

EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS						
	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TREASURY SHARES	TREASURY SHARES RESERVE
	KD '000					
Balance at 1 January 2017	432,706	1,707,164	216,353	(1,100,094)	(567,834)	1,967
Cash dividends (2016)	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(89,375)	-	-
Sale of treasury shares (note 19)	-	-	-	-	567,834	(1,967)
Balance at 31 December 2017	432,706	1,707,164	216,353	(1,189,469)	-	-
Balance at 1 January 2016	432,706	1,707,164	216,353	(756,643)	(567,834)	1,967
Purchase of non-controlling interests	-	-	-	-	-	-
Cash dividends (2015)	-	-	-	-	-	-
Equity issue transaction costs	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Impact of initial application of IAS 29	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(343,451)	-	-
Balance at 31 December 2016	432,706	1,707,164	216,353	(1,100,094)	(567,834)	1,967

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

EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS					
EQUITY ISSUE TRANSACTION COSTS	INVESTMENT FAIR VALUATION RESERVE	SHARE OF RESERVES OF ASSOCIATES	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
KD '000					
-	3,484	(120)	571,503	157,353	1,422,482
-	-	-	(136,547)	(1,773)	(138,320)
-	(233)	(206)	159,817	2,426	72,429
-	-	-	(312,854)	-	253,013
-	3,251	(326)	281,919	158,006	1,609,604
-	(1,446)	(216)	510,641	185,398	1,728,090
-	-	-	(999)	981	(18)
-	-	-	(117,041)	(31,803)	(148,844)
(571)	-	-	-	(182)	(753)
571	-	-	(571)	-	-
-	-	-	22,771	-	22,771
-	4,930	96	156,702	2,959	(178,764)
-	3,484	(120)	571,503	157,353	1,422,482



CONSOLIDATED STATEMENT OF CASH FLOWS – YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 KD '000	2016
Cash flows from operating activities			
Profit for the year before income tax		174,552	186,786
Adjustments for:			
Depreciation and amortization		185,050	222,307
Interest income		(27,850)	(5,992)
Investment income		(781)	3,925
Share of results of associates and joint ventures		(127)	30,781
Provision for impairment loss on property and equipment		37,826	-
Finance costs		40,100	32,598
Loss from currency revaluation		32,120	42,044
Gain on sale of property and equipment		(163)	(129)
Net monetary gain		(45,789)	(30,781)
Operating profit before working capital changes		394,938	481,539
Increase in trade and other receivables		(52,902)	(99,142)
(Increase)/decrease in inventories		(18,483)	9,463
Provision used (net)		-	(56,124)
Decrease in trade and other payables		(50,610)	(67,794)
Cash generated from operations		272,943	267,942
Payments:			
Income tax		(13,735)	(53,819)
Kuwait Foundation for Advancement of Sciences (KFAS)		(250)	(500)
National Labour Support Tax and Zakat		(7,491)	(13,869)
Net cash from operating activities		251,467	199,754
Cash flows from investing activities			
Deposits maturing after three months and cash at bank under lien	4	(6,364)	99,931
Proceeds from sale of investment securities		9,829	5,995
Investments in securities		(4,184)	(1,350)
Increase in dues from associates		(11,750)	(28,164)
Acquisition of property and equipment (net)		(133,657)	(167,372)
Acquisition of intangible assets		(11,863)	(41,160)
Investments in subsidiaries		(516)	(53)
Interest received		28,089	5,239
Dividends received		249	703
Net cash used in investing activities		(130,167)	(126,231)
Cash flows from financing activities			
Proceeds from bank borrowings		323,387	247,911
Repayment of bank borrowings		(491,111)	(169,544)
Proceeds from sale of treasury shares		255,172	-
Dividends paid		(136,834)	(117,840)
Dividends paid to non-controlling interests		(1,741)	(15,059)
Finance costs paid		(35,340)	(24,619)
Net cash used in financing activities		(86,467)	(79,151)
Net (decrease)/increase in cash and cash equivalents		34,833	(5,628)
Effects of exchange rate changes on cash and cash equivalents		(5,551)	(45,488)
Cash and cash equivalents at beginning of year		177,150	228,266
Cash and cash equivalents at end of year	4	206,432	177,150

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2017
1. INCORPORATION AND ACTIVITIES

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 2016 - 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.

During the year, the Company became a subsidiary of Oman Telecommunications Company SAOG., Oman.

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Company on 7 February 2018 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 adjusted for the effects of inflation where entities operate in hyperinflationary economies and 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.

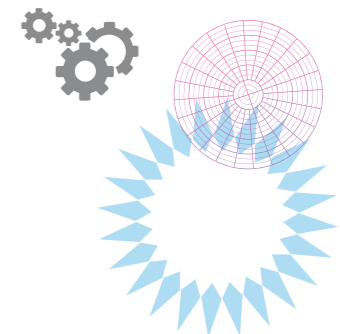
The economy of Republic of South Sudan became hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies. The methods used to measure the fair value and adjustments made to the account of Group's entities that operate in the hyperinflationary economies are discussed further in the accounting policies and in the respective notes.

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However,

International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could entail going in and out of hyperinflation within a short period. Based on the above matters, the Group concluded that there was no definitive basis to apply IAS 29 at that time and to review it on an ongoing basis. This assessment is now confirmed by the consumer price inflation rates in 2016 and during 2017, which indicate that the economy of Sudan is no longer hyperinflationary.

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 and non-monetary assets comprising of Zain Sudan's Property and Equipment, Intangible assets and Capital WIP as of that date higher by the same amount. This would have then required the Group to test the restated carrying value of its investment in Zain Sudan and the related goodwill for impairment losses, if any, to be recognized in the consolidated statement of profit or loss. Even if this had resulted in goodwill being determined as fully impaired at that time, the net overall impact on the Group's consolidated statement of financial position is that net equity and the above non-monetary assets related to Zain Sudan as of 31 December 2017 would have been higher by KD 53 million (31 December 2016 – KD 102 million). Furthermore, the profit for the year ended 31 December 2017 would have been lower by KD 18 million (31 December 2016: KD 18 million).

The preparation of consolidated 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 consolidated 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 35.



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 the previous year except for the following new and amended IASB Standards during the year:

NEW AND REVISED IFRSs APPLIED WITH NO MATERIAL EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in note 16.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied amendments retrospectively. However, their application has no material effect on the Group's financial position and performance as the Group.

STANDARDS ISSUED BUT NOT EFFECTIVE

IFRS 9 Financial Instruments:

IFRS 9 'Financial Instruments' replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 impacts the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. The primary impact on the Group relates to the provisioning for future credit losses on its financial assets and the requirement of certain additional disclosures.

The Group will adopt it from the effective date of 1 January 2018; apply it retrospectively and recognize the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as of 1 January 2018.

The Group is continuing to analyze the impact of the changes and currently does not consider it likely to have a major impact on the Group's consolidated financial statements upon adoption. This assessment is based on currently available information and is subject to changes that may arise when the Group presents its first interim financial information as of 31 March 2018 that will include the effect of its application from the effective date.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue arising from contracts with customers and establishes a five-step model for that. Under IFRS 15 revenue will be recognized as goods and services are transferred, to the extent that the transferor anticipates entitlement to consideration in exchange for those goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

Management has identified the below areas where key revenue recognition and other accounting changes under IFRS 15 will have an impact on the Group's consolidated financial statements.

HANDSETS AND TELECOMMUNICATION SERVICES

The Group provides subsidized handsets to its customers along with mobile telecommunication services and IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. This will result in a greater amount of revenue on subsidized handsets up-front, a difference between the reported revenue and the amount billed and decrease the average revenue per user for ongoing services.

PORTFOLIO ACCOUNTING

The Group enters into contracts with customers, which have similar characteristics. Under IFRS 15, an entity can choose to apply it to a portfolio of contracts or performance obligations with similar characteristics if the outcome is not materially different than contract-by-contract accounting by:

- An evaluation of which items constitute a portfolio considering, for example, the impact of different offerings, periods of time, geographic locations and contract modifications;
- Assessment, on an ongoing basis, whether the portfolio approach gives a materially different result;
- Exercise of judgement in determining when the portfolio approach may be appropriate, including considering whether any customer-specific agreements would be eligible.

UPGRADE RIGHTS

The Group offers early upgrade rights for additional services. This will require the Group to determine the accounting, including whether a material right has been granted to the customer, if the right affects the transaction price, if modification accounting applies or if waived amounts are an incentive to enter into a new contract. A material right is an option to acquire additional goods or services at a price that does not reflect the good's or service's stand-alone selling price and is considered a separate performance obligation.

CUSTOMER RETENTION DISCOUNTS

Even if customer retention discounts aren't explicit in the contract, customary business practice could mean that fixed consideration is, in substance, variable. Alternatively, such discounts could be viewed as contract modifications. IFRS 15 requires an assessment as to whether the discount is variable consideration or a contract modification. This will require judgement and may impact the timing of revenue recognition. IFRS 15 requires an assessment as to whether promotional offers to current customers are contract modifications or marketing transactions and set up processes and systems capable of tracking and monitoring all discounts, concessions and promotional offers granted to customers.

SIGNIFICANT FINANCING COMPONENT

If a customer can pay for purchased equipment over a period along with network services, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price must be adjusted to reflect the time value of money.

COMMISSIONS AND OTHER CONTRACT COSTS

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the consolidated statement of financial position and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees. However, an entity may choose to expense contract acquisition costs if the amortization period of the resulting asset is one year or less.

TRANSITION OPTIONS

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. – Alternatively, IFRS 15 may be adopted as of the application date, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

The Group intends to adopt the standard using the cumulative effect approach, which means that the Group will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Group is continuing to analyze the impact of the changes and its impact will be disclosed in the first interim financial information as of 31 March 2018 that will include the effect of its application from the effective date.

IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length

of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is in the process of evaluating the impact of IFRS 16 on the Group's consolidated financial statements.

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 transferred, 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, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income. 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 consolidated 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' respectively 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 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. Where applicable, adjustments are made to the associates' financial statements to make them conform to the Group's accounting policies.

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.

An assessment is made at each statement of financial position date to determine whether there is objective evidence that an associate may be impaired. If such evidence exists, it is tested for impairment as a single asset, including goodwill, by comparing its recoverable amount (being the higher of its value in use and its fair value less cost to sell) with its carrying amount. Any impairment loss is recognized in the consolidated statement of profit or loss and forms part of its carrying amount. Any impairment loss reversal is recognized in the consolidated statement of profit or loss to the extent that the recoverable amount of the associate subsequently increases.

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 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
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.

Assets in hyper inflationary economies are restated by applying the change in the general price indices from the date of acquisition to the current reporting date. Depreciation on these assets are based on the restated amounts.

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 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 FAIR VALUE MEASUREMENT

Fair values

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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.

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.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.14 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.

2.15 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.

2.16 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 revenue 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.

The results, cash flows and financial position of Group's subsidiaries and associates (Group entities) which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the Group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts of a Group entity are not adjusted for changes in the price level or exchange rates in the current year.

2.23 FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

The financial statements of subsidiaries whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

In the first period of application, the adjustments determined at the beginning of the period are recognized directly in equity as an adjustment to opening retained earnings. In subsequent periods, the prior period adjustments related to components of owners' equity and differences arising on translation of comparative amounts are accounted for in other comprehensive income.

Items in the consolidated statement of financial position not already expressed in terms of the measuring unit current at the reporting period, such as non-monetary items carried at cost or cost less depreciation, are restated by applying a general price index. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognized in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items recognized in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position are recognized in profit or loss.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

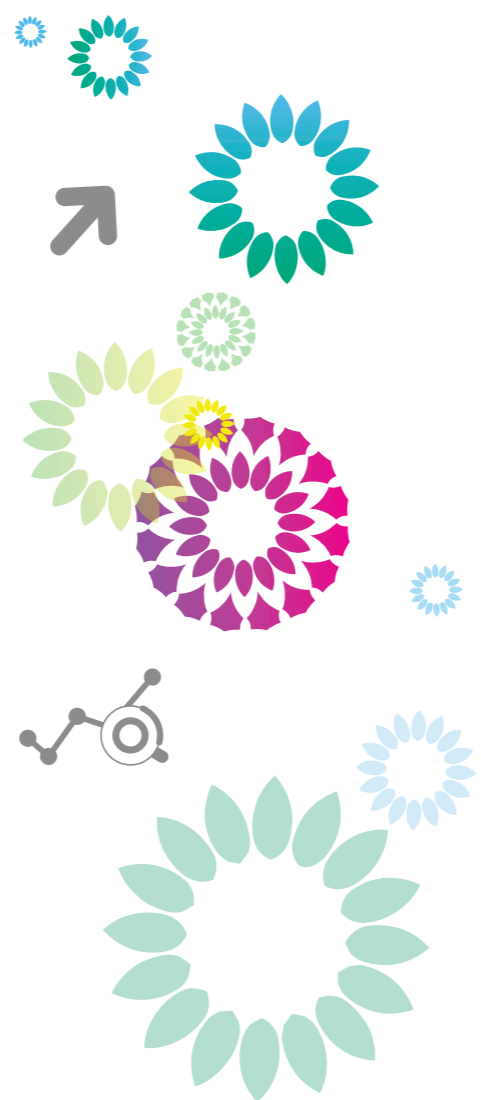
2.24 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell and are presented separately from the other assets in the balance sheet. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

2.25 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	2017	2016
		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	84.66%	84.66%
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".

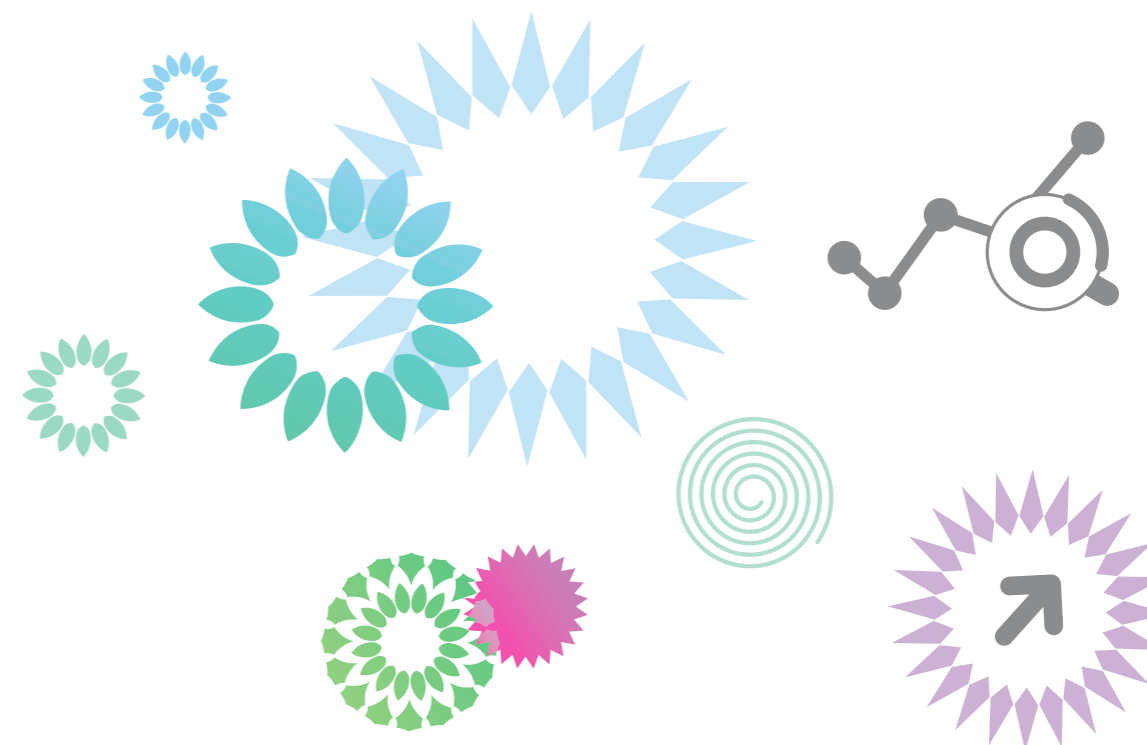
JMTC, MTCB, Zain Sudan, Zain South Sudan and Atheer operate the cellular mobile telecommunications network in Jordan, Bahrain, Sudan, South Sudan and Iraq respectively. MTCL manages the state owned cellular mobile telecommunications network in Lebanon. Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat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

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.

FINANCIAL SUPPORT TO GROUP COMPANIES

The Group has committed to provide working capital and other financial support to certain Group entities including SMTc, Zain Jordan, Al Khatem and Zain South Sudan whose working capitals are in deficit.



4. CASH AND BANK BALANCES

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

	2017	2016
	KD '000	
Cash on hand and at banks	125,484	153,852
Short-term deposits with banks	118,673	54,608
Government certificates of deposits held by subsidiaries	241	292
	244,398	208,752
Less:		
Cash at bank under lien	(7,545)	(770)
Deposits with maturity exceeding three months	(30,180)	(30,540)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(241)	(292)
	206,432	177,150

5. TRADE AND OTHER RECEIVABLES

	2017	2016
	KD '000	
	NOTE	
Trade receivables:		
Customers	174,056	126,571
Distributors	8,748	7,443
Other operators (interconnect)	27,329	29,771
Roaming partners	13,180	17,058
Provision for impairment	(60,180)	(52,461)
	163,133	128,382
Other receivables:		
Accrued income	3,003	1,900
Staff	1,972	4,124
Prepayments, advances and other deposits	145,850	174,133
Others (refer note below)	142,862	144,566
Provision for impairment	(1,019)	(2,719)
	292,668	322,004
	455,801	450,386

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 has been pursuing legal action for its recovery and in November 2016 the court upheld the Group's right to recover the US\$ 473 million paid in addition to interest and costs. These amounts are 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. The Company has initiated the legal procedures necessary to enforce the arbitral award.

As of 31 December 2017, trade receivables of KD 100.432 million (2016 - KD 63.096 million) were neither past due nor impaired. Trade receivables of KD 62.701 million (2016 - KD 65.286 million) 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:

	2017	2016
	KD '000	
Up to 3 months	14,119	13,364
3 – 6 months	12,380	18,856
6 – 12 months	7,650	18,911
More than 12 months	28,552	14,155
	62,701	65,286

As of 31 December 2017, trade receivables of KD 60.180 million (2016 - KD 52.461 million) were impaired against which the Group carries a provision of KD 60.180 million (2016 - KD 52.461 million). 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:

	2017	2016
	KD '000	
Kuwaiti dinar	123,200	69,288
US dollar	224,034	228,128
Bahraini dinar	19,150	14,944
Sudanese pound	6,633	10,526
Jordanian dinar	18,457	21,882
Iraqi dinars	61,770	101,290
Others	2,557	4,328
	455,801	450,386

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

	2017	2016
	KD '000	
Opening balance - 1 January	55,180	54,759
Write off	(4,046)	(2,016)
Charge for the year	10,256	1,296
Adjustments (net)	(191)	1,141
Closing balance – 31 December	61,199	55,180

6. INVENTORIES

	2017	2016
	KD '000	
Handsets and accessories	37,737	19,809
Provision for obsolescence	(3,335)	(3,391)
	34,402	16,418

7. INVESTMENT SECURITIES

	2017	2016
	KD '000	
Current investments at Fair Value through profit or loss		
Quoted equities	778	964
Non-current investments available for sale		
Quoted equities	3,347	13,582
Funds	7,925	6,579
Unquoted equities	4,846	1,973
	16,118	22,134

Investment securities are denominated in the following currencies:

	2017	2016
	KD '000	
Kuwaiti dinar	6,396	14,558
US dollar	7,961	3,855
Other currencies	2,539	4,685
	16,896	23,098

Available for sale investments include unlisted securities amounting to KD 4.846 million (2016 - KD 1.973 million) carried at cost less impairment since it is not possible to reliably measure their fair value.

8. NON-CURRENT ASSETS HELD FOR SALE

This represents the carrying value of telecom tower assets in Kuwait classified as held for sale, on the basis that management is committed to a plan to sell these assets and the sale is expected to qualify for recognition as a sale within one year of the date of its classification.

9. INVESTMENTS IN ASSOCIATES

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

Summarized financial information of SMTC:

	2017	2016
	KD '000	
Current assets	302,248	269,701
Non-current assets	1,784,895	1,896,961
Current liabilities	924,335	540,621
Non-current liabilities	876,084	1,334,971
Net asset of SMTC	286,724	291,070
Revenue	604,913	563,968
Profit/(loss)	955	(78,804)
Other comprehensive income	(577)	259
Total comprehensive income	378	(78,545)
Group's ownership interest in SMTC	37.045%	37.045%
Group's share of SMTC's net assets	106,217	107,827
Goodwill	12,367	12,515
Carrying amount of Group' interest in SMTC	118,584	120,342

As at 31 December 2017 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 127.186 million (2016 - KD 145.958 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. SMTC is in negotiation with lenders to refinance this facility. 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.

Under an official order dated 1 October 2016, SMTC received:

- an extension of its telecom license for a further period of fifteen years to January 2047 on payment of 5% of the its annual net profit to the government during the license extension period;
- an unified telecommunication license that allows SMTC to provide all telecommunication services;
- authorization to discuss settlement alternatives with the Ministry of Finance for amounts due to the Government.

10. INTEREST IN A JOINT VENTURE

This represents the Group's KD 69.828 million (31 December 2016 - KD 70.054 million) interest in the joint venture, Zain Al Ajjal 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 227 thousand (2016 - share of loss of KD 1.588 million) 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.

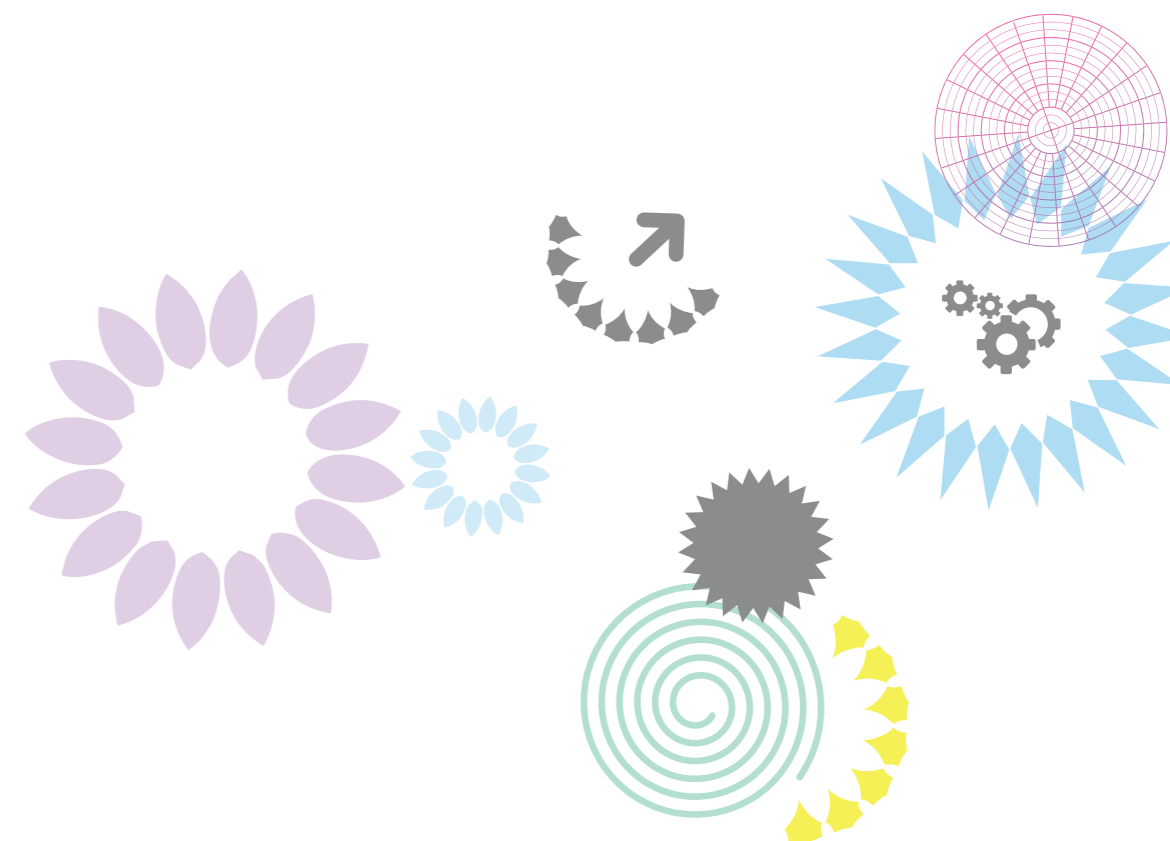
11. DUES FROM ASSOCIATES

	2017	2016
	KD '000	
Loans	267,494	258,432
Others	148,265	123,229
	415,759	381,661

These amounts are due from SMTC and are subordinate to its borrowings from banks (refer note 9). The loans comprise a US\$ loan of US\$ 764.261 million (KD 230.655 million) (2016: US\$ 725.578 million equivalent to KD 221.593 million) and KD 36.839 million (2016 - 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 interest due on the loans.

12. OTHER ASSETS

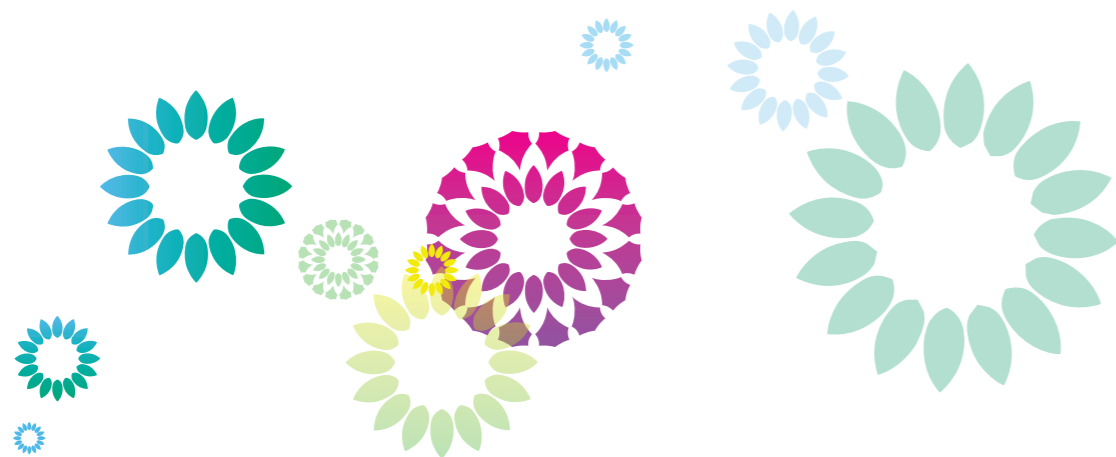
This includes US\$ 40 million; equivalent to KD 12.072 million (2016: US\$ 40 million, equivalent to KD 12.216 million) receivable from a founding shareholder in SMTC secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC. In 2013, the Group won a legal action for the recovery of that amount, and is currently pursuing further legal action for its implementation in Saudi Arabia.



13. PROPERTY AND EQUIPMENT

	LAND AND BUILDINGS AND LEASEHOLD IMPROVEMENTS	CELLULAR AND OTHER EQUIPMENT	PROJECTS IN PROGRESS	TOTAL
KD '000				
COST				
As at 31 December 2015	83,441	1,594,519	140,244	1,818,204
Additions	400	33,552	137,612	171,564
Transfers	2,389	106,934	(109,323)	-
Adjustments	12	(89)	-	(77)
Disposals	(16)	(20,221)	(41)	(20,278)
Exchange adjustment	(21,266)	(143,349)	(60,808)	(225,423)
As at 31 December 2016	64,960	1,571,346	107,684	1,743,990
Additions	8,631	31,058	95,243	134,932
Transfers	7,931	73,343	(81,274)	-
Transfer to non-current asset held for sale	-	(28,608)	-	(28,608)
Disposals	-	(29,821)	-	(29,821)
Impairment (note 34)	-	(52,650)	(3,062)	(55,712)
Exchange adjustments	(4,140)	(54,553)	(11,099)	(69,792)
As at 31 December 2017	77,382	1,510,115	107,492	1,694,989
ACCUMULATED DEPRECIATION				
As at 31 December 2015	22,831	893,694	-	916,525
Charge for the year	1,485	118,092	-	119,577
On disposals	(15)	(18,669)	-	(18,684)
Exchange adjustments	(495)	(71,089)	-	(71,584)
As at 31 December 2016	23,806	922,028	-	945,834
Charge for the year	1,355	106,644	-	107,999
On disposals	-	(25,496)	-	(25,496)
Transfer to non-current asset held for sale	-	(20,952)	-	(20,952)
Impairment (note 34)	-	(17,886)	-	(17,886)
Exchange adjustment	323	(38,419)	-	(38,096)
As at 31 December 2017	25,484	925,919	-	951,403
NET BOOK VALUE				
As at 31 December 2017	51,898	584,196	107,492	743,586
As at 31 December 2016	41,154	649,318	107,684	798,156

Exchange adjustments of 2017 and 2016 includes effect of hyperinflationary restatement of property and equipment in Zain South Sudan based on the respective price index changes.



14. INTANGIBLE ASSETS AND GOODWILL

	GOODWILL	LICENCE FEES	OTHERS	TOTAL
KD '000				
COST				
As at 31 December 2015	737,248	658,821	227,893	1,623,962
Additions	-	2,346	38,752	41,098
Disposals/write off	-	-	(30,219)	(30,219)
Exchange adjustments	(102,587)	(14,201)	(4,482)	(121,270)
As at 31 December 2016	634,661	646,966	231,944	1,513,571
Additions	-	-	7,296	7,296
Additions as a result of business combination	507	-	-	507
Disposals/write off	-	-	(66,206)	(66,206)
Exchange adjustments	(20,968)	(10,300)	(2,956)	(34,224)
As at 31 December 2017	614,200	636,666	170,078	1,420,944
ACCUMULATED AMORTIZATION				
As at 31 December 2015	11,942	279,473	147,235	438,650
Charge for the year	-	46,595	56,135	102,730
On disposals/write off	-	-	(29,641)	(29,641)
Exchange adjustments	-	(4,922)	(483)	(5,405)
As at 31 December 2016	11,942	321,146	173,246	506,334
Charge for the year	-	48,380	28,671	77,051
On disposals/write off	-	-	(66,206)	(66,206)
Exchange adjustments	-	(5,071)	(2,794)	(7,865)
As at 31 December 2017	11,942	364,455	132,917	509,314
NET BOOK VALUE				
As at 31 December 2017	602,258	272,211	37,161	911,630
As at 31 December 2016	622,719	325,820	58,698	1,007,237

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:

	LICENSE EXPIRY DATE	2017	2016
KD '000			
Pella Investment Company, Jordan- Pella	January 2031	79,516	79,516
Sudanese Mobile Telephone Company Limited (Zain Sudan)	February 2029	57,759	73,176
Atheer Telecom Iraq Limited, Cayman Islands (Atheer)	August 2022	455,615	461,050
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat	December 2021	6,726	6,794
Nexgen Advisory Group Fz LLC	-	2,183	2,183
Others	-	459	-
		602,258	622,719

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
	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.
Growth rate	Compounded annual growth in revenue of upto 13% (2016 -19%) for Zain Sudan, 11% (2016 - 11%) for Atheer and 4% (2016 - 4%) for Pella during the projected four or five year period. Value assigned reflects past experience and changes in economic environment.
	Cash flows beyond the four to five year period have been extrapolated using a growth rate of upto of 4% (2016 - 2%) for Zain Sudan, 3.5% (2016 - 2%) for Atheer and 2% (2016 - 2%) for Pella. This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
Capital expenditure	The cash flow forecasts for capital expenditure are based on experience and include the ongoing capital expenditure required to continue rolling out networks to deliver target voice and data products and services and meeting license obligations. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets.
Discount rate	Discount rates of 21.3% (2016 -19.9%) for Zain Sudan, 12% (2016 - 13.4%) for Atheer and 9.8% (2016 - 11%) for Pella. Discount rates 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.

15. TRADE AND OTHER PAYABLES

	2017	2016
	KD '000	
Trade payables and accruals	361,341	374,494
Deferred revenue	47,768	51,674
Due to roaming partners	20,854	40,356
Due to other operators (interconnect)	10,763	17,918
Dues to a regulatory authority	4,023	4,851
Taxes payable	38,870	48,841
Dividend payable	13,048	13,290
Provisions	2,747	3,149
Directors' remuneration	275	275
Other payables	15,695	16,072
	515,384	570,920



16. DUE TO BANKS

	2017	2016
	KD '000	
COMPANY		
Short term loans	110,540	172,338
Long term loans	621,940	722,638
	732,480	894,976
SUDAN		
Short term Murabaha financing	-	765
BAHRAIN		
Long term loans	1,501	7,834
IRAQ		
Long term loans	136,220	145,772
	870,201	1,049,347

The closing balance includes a non-cash movement arising from foreign currency gain of KD 11.422 million (31 December 2016 – loss of KD 6.101 million).

The current and non-current amounts are as follows

	2017	2016
	KD '000	
Current liabilities	199,564	219,154
Non-current liabilities	670,637	830,193
	870,201	1,049,347

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

	2017	2016
	KD '000	
US dollar	836,587	930,623
Kuwaiti dinar	32,113	110,125
Others	1,501	8,599
	870,201	1,049,347

The effective interest rate as at 31 December 2017 was 2.01% to 12.00% (2016 – 1.75% 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 loans amounting to KD 301.565 million (31 December 2016 - KD 211.443 million) from existing and new facilities. This included:
 - US\$ 200 million (KD 60.340 million) from an existing US\$ 800 million revolving credit facility which was fully repaid during the year.
 - US\$ 280 million (KD 85.342 million) from an existing US\$ 500 million revolving credit facility.

- US\$ 100 million (KD 30.510 million) from a long-term loan facility amounting to US\$ 200 million. As of 31 December 2017, US\$ 200 million (KD 60.360 million) was outstanding on this facility.

- repaid loans amounting to KD 454.428 million (31 December 2016 - KD 116.045 million). This includes:
 - US\$ 780 million (KD 236.945 million) to fully repay the US\$ 800 million revolving credit facility availed in February 2014. As of 31 December 2017, KD - Nil (31 December 2016 - KD 177.132 million) was outstanding on this facility.
 - US\$ 280 million (KD 85.342 million) to fully repay the US\$ 500 million revolving credit facility that was availed in January 2017.
 - KD 75 million to fully repay the short term loan that was availed from a commercial bank in June 2015.

The above facilities carry a floating interest rate of a fixed margin over three 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 2017, US\$ 16.360 million (KD 4.937 million) (31 December 2016 - KD 25.373 million) was outstanding from this facility;
- US\$ 300 million (KD 90.54 million) (2016 – KD 91.62 million) loan from a commercial bank that was rolled over as a long term loan maturing in December 2019.
- US\$ 55 million (KD 16.599 million) (2016 - KD 16.797 million) long-term loan repayable by March 2020 availed from a commercial bank in 2015.
- US\$ 30 million (KD 9.054 million) (2016 - KD 9.162 million) long-term loan repayable by December 2019 availed from a commercial bank in 2016
- US\$ 50 million (KD 15.09 million) long-term loan repayable by April 2020 availed from a commercial bank in 2017.

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

ZAIN SUDAN

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

17. OTHER NON-CURRENT LIABILITIES

	2017	2016
	KD '000	
Customer deposits	5,570	4,552
Post employment benefits	21,996	34,154
Refundable deposits and others	10,916	10,247
	38,482	48,953

18. SHARE CAPITAL AND RESERVES

	2017	2016
SHARE CAPITAL (PAR VALUE OF KD 0.100 PER SHARE)	NO. OF SHARES	NO. OF SHARES
Authorised, Issued and fully paid up	4,327,058,909	4,327,058,909

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 share 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 (2016 - Nil).

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve increased during the year due to a significant decline in the exchange rates of the Sudanese pound and South Sudanese pound.

DIVIDEND – 2016

The annual general meeting of shareholders for the year ended 31 December 2016 held on 12 March 2017 approved distribution of cash dividends of 35 fils per share for the year 2016.

PROPOSED DIVIDEND

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 35 fils per share (2016 - 35 fils per share) to the registered shareholders, after obtaining the necessary regulatory approvals.

19. TREASURY SHARES

	2017	2016
Number of shares	-	425,711,648
Percentage of issued shares	-	9.84%
Market value (KD '000)	-	174,542
Cost (KD '000)	-	567,834

In August 2017, the Company sold all of its treasury shares for KD 255.172 million and the resultant difference between cost and sale price has been recorded in retained earnings.

20. REVENUE

	2017	2016
	KD '000	
Airtime, data and subscription	934,079	1,046,084
Trading income	95,468	41,690
	1,029,547	1,087,774

21. OPERATING AND ADMINISTRATIVE EXPENSES

This includes staff costs of KD 83.862 million (2016 – KD 89.617 million).

22. INVESTMENT INCOME

	2017	2016
	KD '000	
Gain/(loss) on investments at fair value through profit or loss	10	(206)
Realized gains/(loss) from available for sale investments	2,891	(4,025)
Impairment loss on available for sale investments	(2,369)	(397)
Dividend income	249	703
	781	(3,925)

23. NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT

	2017	2016
	KD '000	
NLST- Kuwait	3,077	2,387
Zakat- Kuwait	1,521	1,289
Zakat- Sudan	1,155	2,462
	5,753	6,138

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.

24. INCOME TAX EXPENSES

This represents the income tax expenses of subsidiaries and withholding taxes (refer note 26).

25. EARNINGS PER SHARE

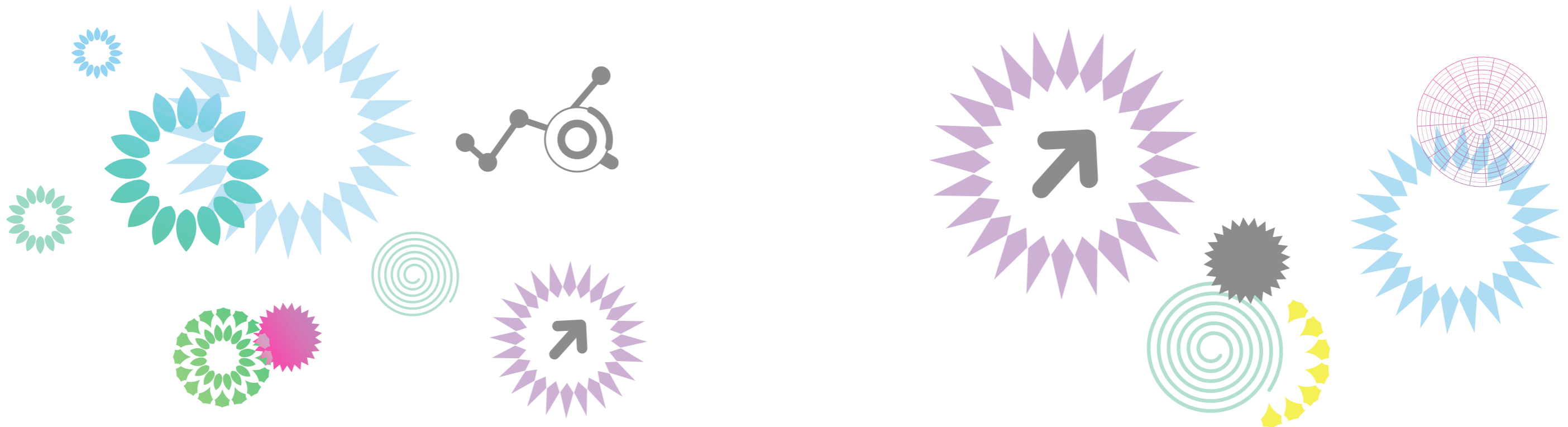
Basic and diluted earnings per share based on weighted average number of shares outstanding during the year are as follows:

	2017	2016
	KD '000	
Profit for the year	159,817	156,702
	SHARES	SHARES
Weighted average number of shares in issue	4,047,138,921	3,901,347,261
Effect of dilution	-	-
Weighted average number of shares in issue outstanding during the year adjusted for the effect of dilution	4,047,138,921	3,901,347,261
	FILS	FILS
Basic earnings per share	39	40
Diluted earnings per share	39	40

26. SEGMENT INFORMATION

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

Based on the disclosure criterion, the Group has identified its telecommunications operations in Kuwait, Jordan, Sudan, Iraq and Bahrain as the basis for disclosing the segment information.



27. 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.

	AL KHATEM, IRAQ		ZAIN BAHRAIN	
	2017	2016	2017	2016
	KD '000			
Current assets	136,875	184,752	27,131	24,304
Non-current assets	721,990	765,863	57,865	71,446
Current liabilities	(168,327)	(269,610)	(30,464)	(40,991)
Non-current liabilities	(153,132)	(145,875)	(257)	(1,763)
Equity attributable to:				
- Owners of the Company	408,402	406,673	29,732	29,032
- Non-controlling interests	129,004	128,457	24,543	23,964
Revenue	333,881	327,189	59,971	52,792
Profit /(loss) for the year	8,745	(1,743)	3,457	3,413
Other comprehensive income	-	-	-	-
Total comprehensive income	8,745	(1,743)	3,457	3,413
Total comprehensive income attributable to:				
- Company's shareholders	6,646	(1,325)	1,894	1,870
- Non-controlling interests	2,099	(418)	1,563	1,543
	8,745	(1,743)	3,457	3,413
Cash dividend paid to non-controlling Interests	-	(13,148)	(630)	(644)
Net cash flow from operating activities	44,085	71,622	11,280	23,607
Net cash flow from investing activities	(48,348)	100,887	(6,080)	(17,368)
Net cash flow from financing activities	(20,852)	(120,668)	(7,995)	(8,194)
Net (decrease)/increase in cash flows	(25,371)	51,841	(2,819)	(1,955)

28. 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:

TRANSACTIONS

	2017	2016
	KD '000	
Revenue	3,421	4,273
Management fee (included in other income)	3,130	-
Interest income on loans to an associate	22,357	-
Key management compensation		
Salaries and other short term employee benefits	2,951	2,892
Post-employment benefits	439	755
Balances		
Trade receivables	16,553	8,809
Trade payables	9,851	6,525

29. COMMITMENTS AND CONTINGENCIES

	2017	2016
	KD '000	
Capital commitments	37,727	46,021
Capital commitments – share of associates	60,835	57,773
Uncalled share capital of investee companies	4,685	2,430
Letters of guarantee and credit	453,691	456,800

The above includes guarantees amounting to KD 396.316 million (2016 - KD 405.615 million) relating to loans availed by SMTC.

The Company is a guarantor for credit facilities amounting to KD 10.551 million (2016 – KD 10.677 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.

PENALTIES AND FEE CLAIMS IN IRAQ

In 2011, the Communications and Media Commission (CMC) claimed an amount of US\$ 100 million (KD 30.18 million) from Atheer, citing non-compliance with certain license terms. This claim was resolved in favor of Atheer during the second quarter of 2015. However, in March 2016, the Executive Director of the CMC filed a complaint with the Hearing Panel of the CMC claiming US\$ 100 million (KD 30.18 million) relating to the matter which had been ruled in favor of Atheer by the Appeals Board of the CMC on three previous occasions. On 13 July 2016, the Hearing Panel of the CMC issued a decision in favor of CMC. On 8 September 2016, Atheer filed an appeal against this decision with the CMC Appellate Panel. On 15 January 2017, the CMC Appeals Board issued a decision in favor of CMC. Atheer challenged this decision of the CMC Appeals Board in the Court of First Instance arguing that the provisions of Order No. 65 (governing telecom activities in Iraq), that immunizes CMC Appeals Board decisions from being appealed or challenged, is unconstitutional. Atheer also requested the Court to issue an order preventing the CMC from collecting the amount of claim or enforcing the CMC Appeals Board decision until the matter is decided by the Court. The Court of First Instance issued orders in February and April 2017 to stop any enforcement proceedings by the CMC to collect the amount of claim until the case is decided by the Court. On 27 April 2017, the Court of First Instance issued a decision in favor of CMC. In May 2017, Atheer filed an appeal with the Court of Appeals against this decision. In November 2017, the Court of Appeals issued a decision in favor of Atheer. However, CMC challenged such decision by filing an appeal with the Court of Cassation which issued a decision on 15 November 2017 reversing the decision of the Court of Appeals and returning the file to the Court of Appeals for a decision. On 28 December 2017, the Court of Appeals issued a decision which upheld the decision of Court of First Instance dated 27 April 2017. Atheer filed a challenge to this decision with the Court of Cassation on 11 January 2018. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.

In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance as follows:

- In connection with the additional corporate income tax for the years 2004 to 2010 of US\$ 244 million (KD 73.639 million) claimed by the Iraq General Commission for Taxes (IGCT), Atheer would have the right to submit its objection to the income tax claimed by the Income Tax Authority for the years from 2004 to 2010, and to pay minimum 25% of the amount claimed and the balance US\$ 173 million (KD 52.214 million) in fifty equal monthly instalments from December 2016, net of amount already paid. Atheer would reserve the right to file an objection for each of these years;
- Atheer to settle the capital gains tax claim for US\$ 93 million (KD 28.067 million) which is 50% of the original claim based on Iraq's Council of Ministers approval in November 2016;
- The block on Atheer's bank accounts and the lien on part of Group's share in Al Khatem would be released.

Atheer paid the amounts agreed in December 2016 and secured the release of the block on its bank accounts and the lien on Group's shares in Al Khatem. Atheer submitted its objections against the US\$ 244 million (KD 73.639 million) tax claim in November 2016 objecting to the full amount of the claim. As of 31 December 2017, Atheer has an obligation to pay the balance of US\$ 128 million equivalent to KD 38.630 million (31 December 2016: KD 51.612 million) net of previous payments in thirty seven instalments.

In May 2017, IGCT issued its decision rejecting the objections for the above years without stating any reasons. On 7 June 2017, Atheer filed appeals against IGCT decisions with the Appeal Committee at IGCT. On 9 November 2017, the Appeal Committee issued a decision with respect to years 2004-2007 rejecting Atheer's appeals by mainly arguing that Atheer did not have the right to file the original objections in November 2016, which implies that the Appeal Committee did not recognize the settlement agreed with the Ministry of Finance. On 21 December 2017, the Appeal Committee issued a decision with respect to years 2008-2010 rejecting Atheer's appeals on the basis that while Atheer had filed the objections on time but it did not pay the requisite amounts that are required under the law for the objections to be deemed properly filed, which again implies that the Appeal Committee did not recognize the settlement agreed with the Ministry of Finance.

On 21 November 2017, Atheer filed appeal with the Cassation Committee at the IGCT with respect to years 2004-2007, and further filed similar appeals with the Cassation Committee on 2 January 2018 for the years 2008-2010. In the last week of January 2018, the Cassation Committee upheld Atheer's right to appeal and instructed the Appeals Committee to reconsider those appeals on their merits on the basis that Atheer's agreement with Ministry of Finance was not invalid. Atheer believes that the prospects of resolving this matter is in its favor.

Pella is a defendant in lawsuits amounting to KD 12.474 million (31 December 2016 – KD 8.893 million). Pella has initiated legal proceedings against claims by regulatory authorities amounting to KD 9.504 million (31 December 2016 - KD 9.622 million) for the years 2002 - 2005 on the grounds that it has already paid the regulatory amount that it was obligated to pay for those years. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to KD 11.934 million (31 December 2016 - KD 11.780 million) of earlier years. Based on the report of its attorneys, the Group believes that the prospects of resolving these matters is in its favor.

In addition, legal proceedings have been initiated by and against the Group in some 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:

	2017	2016
	KD '000	
Not later than 1 year	19,682	18,645
Later than 1 year and no later than 5 years	23,005	23,994
Later than 5 years	11,840	10,641
	54,527	53,280

30. 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 2017			
Cash and bank balances	244,398	-	-
Trade and other receivables	455,472	-	-
Investment securities	-	778	16,118
Dues from associates	415,759	-	-
Other assets	12,072	-	-
	1,127,701	778	16,118
31 December 2016			
Cash and bank balances	208,752	-	-
Trade and other receivables	449,760	-	-
Investment securities	-	964	22,134
Dues from associates	381,661	-	-
Other assets	12,216	-	-
	1,052,389	964	22,134

All financial liabilities as of 31 December 2017 and 31 December 2016 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 aims 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 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:

	2017	2016
CURRENCY	KD '000	
US Dollar	14,572	25,002
Euro	33	56
SAR	1,412	205

(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:

	2017		2016	
MARKET INDICES	IMPACT ON NET PROFIT	EFFECT ON EQUITY	IMPACT ON NET PROFIT	EFFECT ON EQUITY
	KD '000			
Kuwait Stock Exchange	±39	±395	±48	±871

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 2017, 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 3.773 million (2016 - KD 4.884 million).

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, 11 and 12.

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 16.001 million (2016 - KD 29.744 million) equivalent held in Sudanese pounds and KD 1.017 million (2016 - KD 0.972 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 consolidated 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 2017				
Bank borrowings	234,152	163,456	416,131	133,503
Trade and other payables	466,635	201	302	478
Customer deposits	-	739	-	2,625
Refundable deposits and others	-	84	-	-
At 31 December 2016				
Bank borrowings	242,363	265,341	453,765	145,296
Trade and other payables	518,150	204	510	382
Customer deposits	-	698	-	3,854
Refundable deposits and others	-	85	-	-

31. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

At 31 December 2017	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						
Derivatives held for hedging:						
Cash flow hedges						
Profit rate swaps - share of an associate	-	78	96,454	-	96,454	-

At 31 December 2016	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						
Derivatives held for hedging:						
Cash flow hedges						
Profit rate swaps - share of an associate	-	120	130,161	-	-	130,161

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.

32. CAPITAL RISK MANAGEMENT

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

	2017	2016
KD '000		
Total borrowings	870,201	1,049,347
Less: Cash and bank balances (refer note 4)	(244,398)	(208,752)
Net debt	625,803	840,595
Total equity	1,609,604	1,422,482
Total capital	2,235,407	2,263,077
Gearing ratio	28%	37%

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value hierarchy of the Group's financial instruments is as follows.

31 December 2017	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
KD '000				
Financial assets at fair value:				
Investments at fair value through profit or loss	778	-	-	778
Available for sale investments	3,347	7,925	-	11,272
Total assets	4,125	7,925	-	12,050
31 December 2016	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
KD '000				
Financial assets at fair value:				
Investments at fair value through profit or loss	964	-	-	964
Available for sale investments	13,581	6,580	-	20,161
Total assets	14,545	6,580	-	21,125

Available for sale investments include unlisted securities amounting to KD 4.846 million (31 December 2016 – KD 1.973 million) carried at cost less impairment since it is not possible to reliably measure their fair value.

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.

During the year, there were no transfers between any of the fair value hierarchy levels.

34. NET MONETARY GAIN

Following management's assessment, the Group's subsidiary in South Sudan was accounted for as an entity operating in hyperinflationary economy since 2016.

The general price indices used in adjusting the results, cash flows and the financial position of Zain South Sudan set out below is based on the Consumer Price Index (CPI) published by South Sudan Bureau for Statistics:

	INDEX	CONVERSION FACTOR
31 December 2017	4,502	1.0
31 December 2016	2,068	2.1
31 December 2015	357	12.6
31 December 2014	170	26.5
31 December 2013	155	29.1
31 December 2012	170	26.5

Based on the above, the Group determined net monetary gain to be local currency equivalent of KD 45.789 million (2016- KD 30.781 million) stated net of the foreign exchange loss on the monetary amount of the Group's net investment in South Sudan.

The Group then reduced the restated carrying value of property and equipment to its recoverable amount and recognized the resultant decline as an impairment loss of KD 37.826 million (31 December 2016 - KD Nil). The recoverable amount was computed at the fair value less cost of disposal determined using the current replacement cost, with level 3 inputs of the fair value hierarchy and service capacity assessment being the most significant unobservable input (refer note 13).

35. 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 consolidated 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.

Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary.

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

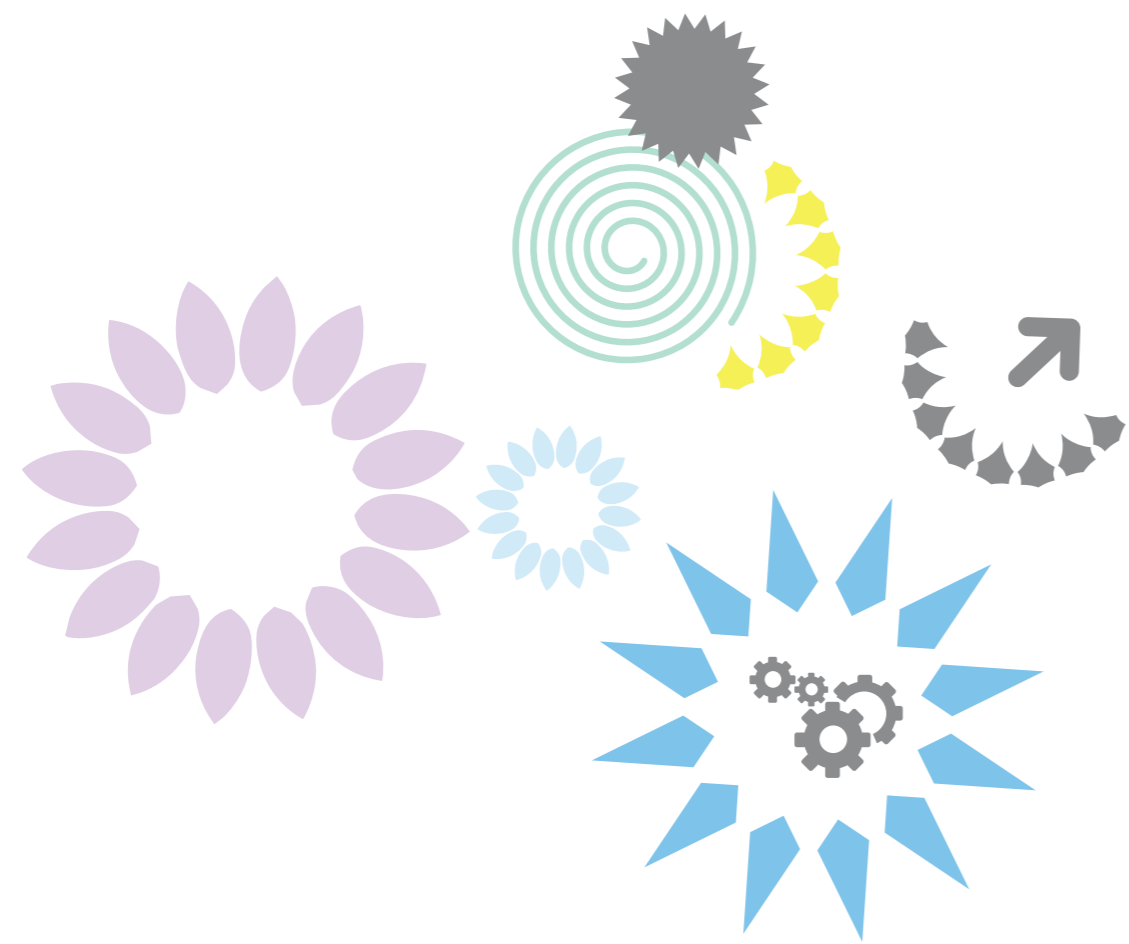
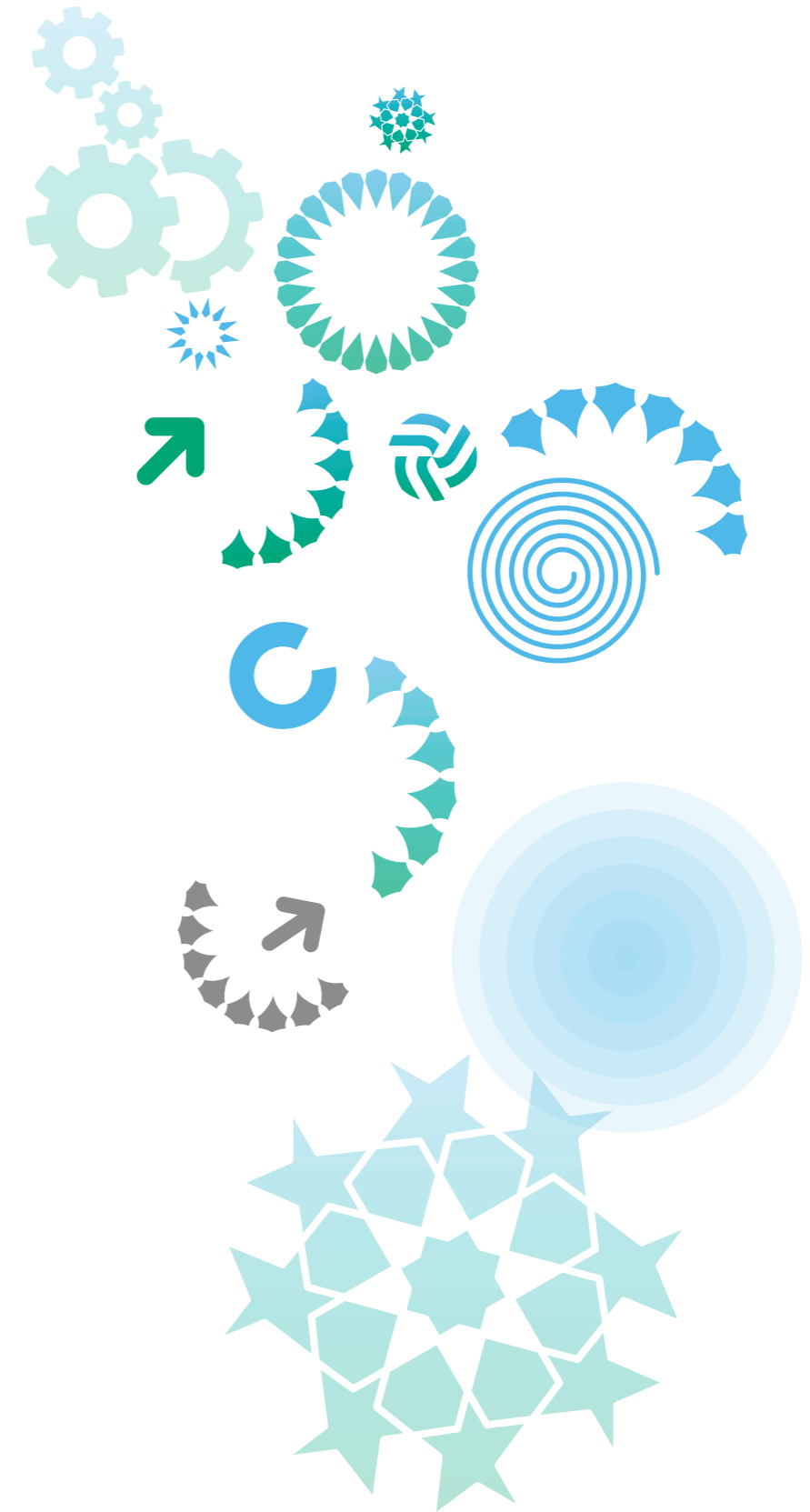
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes 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.

36. 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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