



UNLOCKING OPPORTUNITIES

ANNUAL REPORT 2018





**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

TABLE OF CONTENTS

06
BOARD OF DIRECTORS

08
BOARD OF DIRECTORS
MESSAGE

10
2018 AT A GLANCE

12
KEY MILESTONES

14
VICE CHAIRMAN & GROUP
CEO STATEMENT

22
GROUP KEY PERFORMANCE
INDICATOR

23
OPERATIONS OVERVIEW

24
A YEAR IN REVIEW

30
THE WORLD OF ZAIN

32
OPERATIONS SNAPSHOT

48
REGULATORY LANDSCAPE

56
OUR STRATEGY

62
TOGETHER WE ARE ZAIN

68
TECHNOLOGY

74
ZAIN DRONE

78
COMMERCIAL

86
CORPORATE
SUSTAINABILITY

92
ANNUAL CORPORATE
GOVERNANCE REPORT

116
CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORT



BOARD OF DIRECTORS



MR. AHMED TAHOUS AL TAHOUS
CHAIRMAN



MR. BADER NASSER AL KHARAFI
VICE CHAIRMAN AND GROUP CEO



MR. NIGEL KEVIN GOVETT
BOARD MEMBER



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



MR. TALAL SAID AL MAMARI
BOARD MEMBER



**MR. ABDULRAHMAN MOHAMMAD
IBRAHIM AL ASFOUR**
INDEPENDENT BOARD



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



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



**MR. YOUSEF KHALED
AL-ABDULRAZZAQ**
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 2018.

Zain continued to achieve positive results and drive its operations to further growth in 2018, despite operational challenges being faced by the regional telecom sector including competition, regulatory and socio-economic factors. The Group has been able to enhance its competitive position thanks to its transformation programs, which are turning the company into an efficient digital lifestyle provider.

FOCUS ON DIGITAL INNOVATION

Today, Zain Group is one of the leading telecommunications companies in the region, focusing on investing in digital services and adopting business models that exceed the expectations and aspirations of its customer base. This strategic approach has helped the company evolve its operations, successfully opening up new revenue streams in digital services, with the aim of establishing a powerhouse for digital transformation in the Middle East.

In line with this goal, Zain has intensified its efforts to enter into strategic partnerships and alliances with global entities to enhance the attractiveness and quality of its products and services. The firm has worked diligently to provide improved and reliable quality communications services, focusing on the operational efficiency of its entities and enhancing its cost optimization and capital expenditure plans. At the same time, Zain is on track to become the first operator to launch commercial 5G networks in several its markets.

The telecommunications industry has become a core component of the social and economic fabric of society. The Group strives to take advantage of the essential nature of communications and one of the key pillars of the Group's strategy is the development of data services plans that support growth. This growth is set to be achieved by building a comprehensive platform that enables customers to enjoy a truly digital lifestyle, while providing a world-class communications experience.

Despite the challenges faced by certain operations within the Group, which varied from political, economic and security

factors, Zain continued to invest heavily in its network infrastructure including fiber as well as acquiring spectrum in key markets.

STRONG FINANCIAL PERFORMANCE

2018 witnessed a significant transformation of Zain Group in terms of operational and investment plans, with strong growth in all its financial indicators. This growth was underpinned by the successful implementation of the turnaround strategy in Saudi Arabia which has driven the operation to profitability, coupled with the beneficial regulatory changes and consolidation of Zain Saudi Arabia into Zain Group.

Both Zain Kuwait and Zain Iraq also enjoyed a strong year, with the growth of data revenues and the tremendous development in the enterprise and business sector, all having gained traction.

For the full-year 2018, Zain Group generated consolidated revenue of KD 1.3 billion (USD 4.4 billion), an impressive 28% Y-o-Y growth, while consolidated EBITDA for the period increased by 25% Y-o-Y to reach KD 519 million (USD 1.7 billion), reflecting an EBITDA margin of 39%. Consolidated net income reached KD 197 million (USD 649 million), up 23% and reflecting Earnings Per Share of 45 fils (USD 0.15).

The customer base grew by 5% to 49 million in 2018, while the Group's investments in the upgrade and expansion of its networks increased Group data revenues by 71% for the full-year 2018, representing 33% of the Group's total revenues.

For the full-year, foreign currency translation impact, predominantly due to the 47% currency devaluation in Sudan from an average of 16.9 to 31.9 (SDG / USD), deprived the company USD 216 million in revenue, USD 79 million in EBITDA and USD 27 million in net income.

The Board of Directors of Zain Group at its meeting held on 13 February 2019 recommended a cash dividend of 30 fils per share, reflecting a total distribution of KD 130 million. Furthermore, the Board recommended the distribution of directors' remuneration for the total of KD 420,000 for the financial year ended December 31, 2018. Both recommendations are subject to the Annual General Assembly and regulatory approvals.

OPERATIONAL GROWTH AND EFFICIENCY

The year 2018 witnessed positive developments in the Group's operations across the region, where Zain Kuwait maintained its leadership position by focusing on innovation and digital platform development through the implementation of a full range of data centric initiatives. The company was also the first to launch integrated 5G in key locations in Kuwait.

In addition, last year witnessed a qualitative shift in the operations of Zain Saudi Arabia, which turned its operations into profitability. The company's annual financial results achieved positive growth rates thanks to the momentum in data services, network development and expansion projects, and the effective management of operational costs.

There were many positive factors that helped Zain Saudi Arabia achieve these historical results, including the signing of a number of comprehensive settlement agreements with government institutions. The company is currently looking at the sale and lease-back of towers in strategic locations across the Kingdom, which is expected to create greater value for shareholders.

Zain Iraq recorded strong growth in 2018 due to the stability of some newly liberated geographical areas. The company is expected to continue to grow further in the coming years.

The devaluation of the local currency in Sudan during 2018 impacted results in US dollar terms. However, the company continued to improve its performance dramatically in terms of local SDG currency.

Zain Jordan continues to lead the telecom sector in the Kingdom, but intense competition has impacted its business growth. Zain Bahrain remains focused on improving its network's operational efficiency and adopting an innovation-based business strategy, which has seen the operation reporting healthy net income growth.

CORPORATE GOVERNANCE & COMPLIANCE

Zain Group has been proactive with regard to its corporate governance obligations, which take into account the regulations issued by Kuwait's Capital Markets Authority and other regulations in markets in which the Group operates. Zain is 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 Group's Code of Conduct is the responsibility of every employee across all Zain entities, and through these values and principles, the Group looks to have a positive impact on the telecommunications sector, and across the communities in which it operates. Zain will continue to operate in a transparent manner and champion the principles of good corporate governance.

HUMAN TALENT & GENDER DIVERSITY

Zain Group relies on the strength of its diverse team of cultures and skills. Such a team helps to better understand and meet customer needs, which is a key aspect of enhancing lifestyle aspirations. Zain has invested heavily in talent recognition programs that seek to identify high potential employees based on their ability, vision and participation levels.

The Board of Directors believes that promoting gender diversity and inclusion in the workplace creates a highly competitive differentiation and stimulates strong strategic ambitions that have the potential to unleash enormous growth opportunities in the digital arena while boosting productivity. The Group has achieved outstanding success in its program on gender diversity and inclusivity, raising women's representation in leadership positions and adapting new Human Resources policies to support working mothers.

SUSTAINABILITY & SOCIAL INNOVATION

Zain maintains its sustainability agenda by working towards key performance indicators to develop a more systematic and measurable approach to relevant activities in its markets.

When it comes to comprehensive and sustainable growth, Zain Group has adapted its programs and has led a series of meaningful change initiatives, implementing innovative initiatives geared to participate actively in the Fourth Industrial Revolution and promote social innovation.

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 the executive management team at Zain Group and all employees for their outstanding efforts, which have contributed to the positive growth in 2018.

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

2018 AT A GLANCE

**49
MILLION**

ACTIVE CUSTOMERS

**\$4.4
BILLION**

IN REVENUES

**\$649
MILLION**

IN NET INCOME

**MARKET
LEADER**

IN KUWAIT, IRAQ, SUDAN,
JORDAN AND LEBANON

**\$1.7
BILLION**

IN EBITDA

**INCREASED
71%**

DATA REVENUES

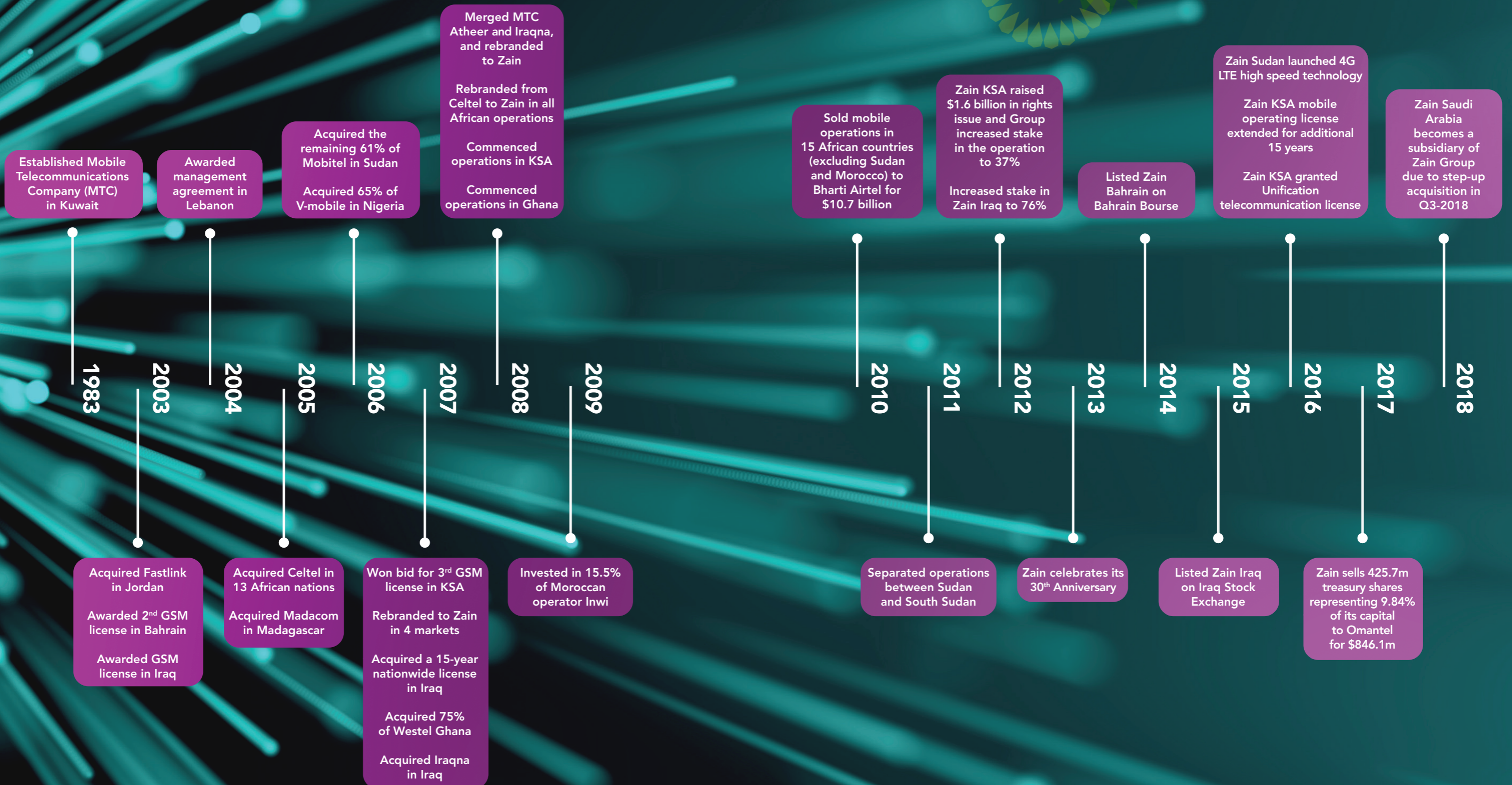
**\$618
MILLION**

IN CAPEX *

* Group Total Capex (including Zain KSA H2 2018 Capex)

* Capex includes only tangible assets

KEY MILESTONES



VICE CHAIRMAN & GROUP CEO STATEMENT



Q&A WITH BADER AL-KHARAFI

SUMMARY OF KEY POINTS

- Zain Group was resilient towards internal and external challenges, and focused on innovation to fulfil strategic digital lifestyle aspirations
- Exited the year with healthy profitability and a good reason to be optimistic about 2019 and beyond
- Primary mission is to participate actively in the Fourth Industrial Revolution and promote social innovation
- Turnaround initiatives in Zain Saudi Arabia pay-off as operator records best-ever performance placing the company in a much stronger fiscal position
- Revival of Zain Iraq witnesses continual impressive growth on all key indicators
- Zain Kuwait leading the region in innovation and digital transformation
- Investing heavily in network and Fiber to benefit from the forthcoming commercialization of 5G and the growing needs of enterprise users
- Evolving into an organization for the 21st century, operationally, financially, through our Gender Diversity initiative, Corporate Sustainability programs and Internal Innovation

KEY FINANCIAL RESULTS

As at 31 December, 2018, Zain served 49 million customers across its eight-country footprint.

For the full-year 2018, Zain Group recorded consolidated net income of KD 197 million (USD 649 million), up 23% and reflecting Earnings Per Share of 45 Fils (USD 0.15).

Consolidated revenues reached KD 1.3 billion (USD 4.4 billion), an impressive 28% Y-o-Y growth, while consolidated EBITDA for the period increased by 25% Y-o-Y to reach KD 519 million (USD 1.7 billion), reflecting an EBITDA margin of 39%.

For the full-year, foreign currency translation impact, predominantly due to the 47% currency devaluation in Sudan from an average of 16.9 to 31.9 (SDG / USD), deprived the company USD 216 million in revenue, USD 79 million in EBITDA and USD 27 million in net income.

Throughout 2018, Zain Group invested ~ USD 750 million in network expansion and 4G / 5G upgrades including fiber (FTTH) rollout and spectrum fees in several key markets. This supported the growth of Group data revenues (excluding SMS and VAS) that experienced a 71% growth for the full-year 2018, representing 33% of the Group's total revenues.

HOW DID ZAIN ADAPT TO THE EVOLVING TELECOM LANDSCAPE IN DRIVING SHAREHOLDER VALUE DURING 2018?

Resilience and focus are the words that immediately come to mind. Zain Group was resilient towards internal and external challenges and exited the year with healthy profitability and a good reason to be optimistic about 2019 and beyond. We are focused on fulfilling our strategic vision of transforming into a fully integrated and innovative digital lifestyle provider and exceeding customers' expectations in all aspects of the services we provide them.

We pride ourselves in remaining a forward-looking organization, and a central theme of Zain Group's strategy is to maximize shareholder value through business growth and efficiency while seeking value enhancing opportunities and new revenue streams in the digital arena. We are particularly interested in the profitable growth areas of smart cities, IoT and Enterprise (B2B).

We continue to reinvent, transform and enable the core digitally to support vast investments in network upgrades and expansions across all our markets. Furthermore, we are partnering with leading global entities to enhance the appeal and quality of the products and services we make available to our customers via fast and reliable connectivity while carrying out various initiatives to re-engineer customer experience.

As a sustainable conscious company, one of Zain's primary missions is to have a positive impact on the communities we serve, while undertaking initiatives to participate actively in the Fourth Industrial Revolution and promote social innovation. For us at Zain, the maturing of social innovation is of great importance as it not only addresses society's most pressing challenges such as youth unemployment, the plight of refugees, economic stagnation and environmental issues, as it provides a legitimate avenue for youth across our footprint to engage in a meaningful manner and be active participants in the socio-economic development of their communities.

Financially, Zain is committed to consistently creating value for shareholders and other stakeholders, and we remained focused on cost optimization and increasing new revenue streams resulting in an impressive Group financial performance as evident above. These inspiring results on multiple levels for 2018 are a true reflection of the dedicated efforts of Zain's 6,000 strong and talented workforce who work with passion every day, in all that they do.

WHAT WERE THE MAJOR DEVELOPMENTS AND HIGHLIGHTS OF 2018?

No doubt, 2018 was memorable on multiple fronts, building on our digital transformation efforts in seeking growth and expanding beyond standard telecom services to diversify revenues and create value.

Groupwide API

We started the year announcing a landmark agreement in support of the launch of the Zain Group Application Program Interface (API) Platform, which will see Zain exposing its APIs, thus helping to remove a significant barrier to developing potential digital partnerships globally. This strategic initiative, which was primarily undertaken with Google Cloud's Apigee team and FOO Solutions, is set to bring about greater agility to Zain as we consider new market opportunities, accelerating innovation and expanding into new business verticals.

Zain initially launched the API platform with a pilot phase in Kuwait and Saudi Arabia that has seen excellent success, and we're planning its gradual extension to all operations, introducing a Group-wide API program with the aim of connecting our operating companies across the region onto a single enablement platform.

Notably, we partnered with the global alternative payment's provider DoCoMo Digital, the European unit of Japan's NTT DoCoMo, as our first content partner using the new API layer. DoCoMo Digital offers an advanced mobile commerce ecosystem-enabling platform that encourages financial inclusion for citizens worldwide, also enabling Zain with the most advanced VAS digital content hosted on our own product frameworks and supported by a best-in-class advertising solution platform and service. Zain Kuwait and Zain Saudi Arabia were the first operations to offer DoCoMo Digital services.



Zain Drone

We launched Zain Drone as-a-Service (DaaS) at GITEX, with the business set to unlock opportunities in various industries, offering state-of-the-art bespoke drone solutions and advanced analytics for governments and businesses in an efficient, safe and fast manner. Zain Drone will focus on the Kuwait market initially and then expand to other key markets where it makes commercial sense to do so.

ZINC in Kuwait

Living our belief in innovation, we opened a Zain Innovation Center (ZINC) in Kuwait, located within the Zain Group head offices. This is the first facility to be located outside of the ultra-successful flagship ZINC in Jordan, featuring a co-working hub, a first-of-its-kind development in Kuwait provided by a corporate entity. The facility's main aim is to bolster youth entrepreneurship and the country's startup ecosystem. ZINC Kuwait is set to encourage young minds to think and act creatively outside of the norm in an open, supportive environment. Apart from the inspiring co-working hub facilities, ZINC will provide aspiring entrepreneurs and startups access to experts in various fields and advice from mentors from the region and across the globe, including Zain senior personnel and associated technology partners.

Omantel strategic relationship grows stronger

Following the completion of Omantel's acquisition of Zain Group shares that brought its total holding to 21.9% at the end of 2017, both entities spent 2018 focusing on synergies and building on the creation of a new digital telecom powerhouse looking for opportunities to lead digital transformation across the MENA region. The scale and diversification of the partnership will result in the generation of incremental revenue and accelerated introduction of innovative products and services.

THE FLAGSHIP OPERATION IN KUWAIT IS A REGIONAL POWERHOUSE IN DIGITAL INNOVATION AS WELL AS ZAIN'S MOST PROFITABLE BUSINESS. WHAT WERE THE HOME MARKET HIGHLIGHTS IN 2018?

The operation in Kuwait provides us with a conducive platform for digital innovation in products and services that will be launched there, and that knowhow exported across our footprint. Kuwait also sets the foundation for the performance of the rest of the Group, and I am proud to report that 2018 was another year that the team's successful efforts were punctuated by strong partnerships, digital innovation and market leadership in all key business facets at Zain Kuwait.

The Zain Life portfolio focused on the areas of Customer Experience, Smart Homes, and Digital Entertainment as Zain Kuwait continued in its transformation into a digital services provider in support of the New Kuwait 2035 Vision.

The operator launched BEAM, the advanced hi-speed wireless broadband technology, making us the first telco to offer this revolutionary technology in Kuwait. Zain Kuwait has made tremendous progress in 5G, with the operator being ready to go live with the state-of-the-art service across all heavily populated areas in Kuwait once devices become commercially available, which is expected in 2019.

Zain Kuwait launched zBot, the new face of smart customer services, making the operator the first telco to offer the interactive customer care solution in Kuwait. This customer service channel utilizes the latest artificial intelligence (AI) solutions to interact and respond to customer inquiries in a fully automated manner without the need for human interaction.

Zain Kuwait also launched eSIM services, an electronic SIM that replaces the traditional physical SIM card that is embedded in the device and allows customers to add up to 10 individual numbers on one device.

The operator entered into agreements with global entities, including Microsoft to provide innovative cloud solutions to enterprise customers; and with Cisco to deliver secure, cloud-based, managed network solutions to enterprises of all sizes; as well as with several other global entities to deploy Internet of Things (IoT) solutions.

Enhancing our customer's digital lifestyle requirements, Zain Kuwait launched an exclusive Amazon Prime Video offer for the first time in the country, through which it provides customers with award-winning and popular movies and TV content.

Similarly, Zain Kuwait launched a gaming platform with DoCoMo Digital, allowing customers to enjoy more than 1,000 popular high-quality games on iOS, Android and Windows.

At the end of 2018, Zain Kuwait entered into an agreement with Zain Drone to undertake inspections of its tower infrastructure. The agreement, the first commercial deal for Zain Drone, demonstrates Zain Kuwait's drive to become a more agile and cost-efficient operator by deploying drone technology to inspect and maintain its infrastructure through thorough tower inspection and maintenance.

In October, the operation enjoyed a strong presence at the annual GITEX conference in Dubai, the largest IT exhibition in the Middle East, where we showcased our capabilities as an active partner in achieving the goals of the Kuwait National Development Plan (New Kuwait 2035)

introduced by His Highness the Amir, Sheikh Sabah Al Ahmad Al Jaber Al Sabah. The vision is based on five expected outcomes and seven key pillars, and through the company's booth at GITEX, Zain highlighted the technologies required under each of the seven pillars to achieve the goals of the Plan. These extend to Smart Security, Smart Education, Smart Health, Smart Mobility, Smart Living, Smart Economy, and Smart Infrastructure. During the show we showcased our latest innovative solutions for empowering a smart life, a safe community, and an efficient business sector.

ZAIN SAUDI ARABIA ENJOYED AN ESPECIALLY BUSY AND SUCCESSFUL 2018. WHAT WERE THE MAIN OPERATIONAL AND FINANCIAL DEVELOPMENTS THERE?

The team's relentless turnaround efforts are bearing fruit, as our operation in Saudi Arabia experienced some incredibly positive milestones during the year, which boosted its financial and operational position in that market. This had a very positive affect on the Group on many levels, as evident in our financial results, to the appease of all stakeholders.

Zain Saudi Arabia recorded its best ever annual financial performance since inception in 2018, with several key financial indicators showing record growth levels, reflecting the successful implementation of the telco's turnaround strategy. This landmark was achieved as the company celebrated a decade of commercial operation of mobile voice and data services in the Kingdom.

During the year we announced Zain Saudi Arabia had successfully refinanced and extended the maturity date of its syndicated SAR 5.9 billion (USD 1.57 billion) Murabaha facility for five years until 30 June 2023. Additionally, the agreement included a working capital facility of SAR 647 million (USD 172 million) for two years until 30 June 2020, bringing additional liquidity to Zain KSA to fund its digitally focused business growth plans.

We also revealed that due to the transfer of ownership of a quantity of Zain Saudi Arabia shares (on 23 July 2018) in Zain Group's favor, and as a result of this step-up acquisition, Zain Saudi Arabia began to be treated as a subsidiary of Zain Group. An immediate consequence of this development was to have various key financial indicators of Zain Saudi Arabia's financial results consolidated with the results of Zain Group commencing from the third quarter of 2018.

Towards the end of the year, the Board of Zain Saudi Arabia approved an offer to sell and leaseback the passive physical infrastructure of our mobile tower portfolio (over 8,100 sites) in the Kingdom for approximately SAR 2.43 billion (USD 648 million) to IHS, the largest independent tower operator in Europe, the

Middle East and Africa by number of towers, and the third largest independent multinational tower company globally.

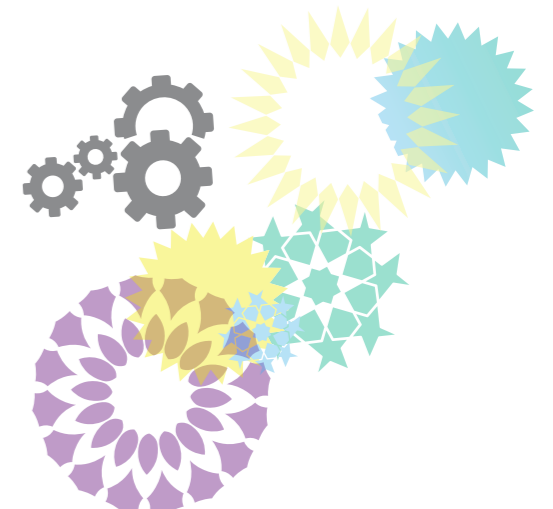
Under the terms of the agreement, Zain Saudi Arabia is selling only its passive, physical infrastructure and will retain its intelligent software, technology and intellectual property with respect to managing its network. The conditional agreement also involves a leaseback period of 15 years, with a five-year renewal option and building of an additional 1,500 towers over the next six years.

At the end of 2018 the company signed an agreement with the Kingdom's Ministry of Finance (MOF), Ministry of Communications and Information Technology (MCIT), and Communications and Information Technology Commission (CITC) to consolidate the annual royalty fee for commercial service, reducing the tariff from 15% to 10% of net revenues retrospectively, commencing 1 January, 2018.

The expected financial impact of applying the unified annual royalty fees from 1 January, 2018 to 30 September, 2018 resulted in a decrease of fees amounting to SAR 220 million (USD 59 million), which reflected positively in the financial results announced thereafter by Zain Saudi Arabia.

Additionally, the agreement included the settlement of disputed amounts related to the payment of annual royalty fees by Zain Saudi Arabia to the CITC for the nine-year period between 2009 and 2017, under the condition that Zain invests further in expanding its infrastructure in addition to other conditions over the next three years. The expected financial impact of this settlement is forecast to reach SAR 1.7 billion (USD 453 million) over the next three years.

Given the abovementioned positive developments, the company is in a much stronger fiscal position that will only grow stronger. 2018 shall go down as a milestone for us and shall be looked back on many years from now as the year Zain Saudi Arabia truly came into its own.



WHAT WERE OTHER HIGHLIGHTS FROM KEY MARKETS IN 2018?

The revival of Iraq

One highlight that is pleasing all stakeholders is the revival and healthy growth of Zain Iraq, which had to deal with challenging social and economic conditions in recent years. With the improvement in social conditions, the team's focus on driving business growth and restoration of numerous network sites notably in the West and North regions, as well as expansion of 3.9G network sites across the country saw the operation return to profitability. This is combined with numerous customer acquisition initiatives, especially in core regions, that has resulted in impressive customer additions. Another contributing factor to the operation's financial revival was the significant growth of data revenues and robust growth in the Enterprise (B2B) segment.

Major financial institutions continued to show confidence in Zain Iraq with the IFC, a member of the World Bank Group, agreeing to provide a financing package worth USD 269 million to help reconstruct Iraq's telecom operations and spur economic growth. The debt package includes USD 100 million from the IFC's own account, and a further USD 169 million in mobilization. The financing helped Zain Iraq enhance its capacity as well as the quality of its 3G network, allowing the operator to expand coverage to unserved areas in the country. Zain Iraq was also able to modernize its networks and customer service in northern Iraq.

Sudan

Our team in Sudan continued to be a source of pride for us as the operator performed exceptionally well in local currency terms, despite the many socio-economic challenges in the country. Such is the importance of the market that I personally undertook a visit, holding a meeting with the President of the Republic of Sudan, His Excellency Mr. Omar Al-Bashir, during which I took the opportunity to brief the President on the developments taking place at Zain Sudan, and the numerous successes the company has scored over the years. I re-affirmed the confidence Zain Group has in the market and economy of Sudan, and pledged that the Group would continue to invest significantly in cutting-edge technology to provide the people of Sudan with the best communications services available.

Jordan

The challenging economic conditions and competitive telecom market of Jordan took its toll on the operator's financials for the year. The team there are focused on transforming the operator on multiple levels and focusing heavily on expanding both its fiber and 4G networks across

key parts of the country. This has resulted in immediate success with Zain Jordan reporting impressive take-up of new customers in both the household and enterprise segments. The operator is focused on offering home broadband packages geared towards increasing its market share in gaming, content, streaming apps, devices and IoT services.

The operator's ZainCash offering is proving to be instrumental as its unique value proposition consisting of nationwide mobile coverage, an extensive agent network and ability to transfer instantly to individuals, is proving popular.

The economic conditions in Jordan have seen the government increase pressure on the telecom industry by the introduction of new taxes. We are lobbying heavily against the new draft law that imposes an increase of 3% income tax on telecom operators, 2% to individual and 1% as a "Solidarity tax" common to all companies. Zain has carried out an extensive action plan to raise awareness of the negative impact of such an increase.

The plan includes appealing to the concerned regulators and government.

Bahrain

Celebrating its 15th year of operation in the Kingdom, Zain Bahrain team's focus on operational efficiency and the delivery of state-of-the-art technology was evident by the profit increase the operator recorded.

The team also focused on the offer of appealing innovative digital services that provide greater value to enterprise (B2B) and individual customers.

Catering for increased demand for high-speed and reliable connectivity solutions of business customers, Zain Bahrain joined the MEETS regional cable system to boost business offerings supporting the Kingdom of Bahrain's vision to become a major hub for ICT and data transmission in the MENA region.

Lebanon

Our managed operation touch performed the first commercial 5G trial in the country at an event presided over by the Prime Minister of Lebanon, His Excellency Saad Hariri. The demonstration was conducted over a period of two days with throughput speeds over the trial 5G network running at 100 times faster than current 4G LTE networks.

The groundbreaking trial formed part of touch's progressive 5G implementation, which has seen the telco investing in the necessary infrastructure with the view to deploying live 5G sites in 2019.

Focused on digital innovation, the year saw touch heavily involved in numerous initiatives related to the local startup entrepreneurial ecosystem. The operator launched the touch Innovation Program (TIP) in partnership to

support 12 startups in Lebanon through mentorship, workshops and introductions. touch also established its first co-working space at the touch Lab, which functions as a workspace catering to the independent worker, drawing freelancers, entrepreneurs, creatives, nomad workers and mobile employees.

ZAIN GROUP IS SYNONYMOUS WITH DIGITAL INNOVATION NOT ONLY FOR CUSTOMERS BUT ALSO WITHIN THE ORGANIZATION'S HUMAN TALENT. HOW DID ZAIN LEVERAGE INTERNAL INNOVATIONS DURING 2018?

Zain's Human Resources strategy builds on the strength of the 6,000 talented workforce from across operations. Management believes that a diverse team is crucial to the success of the organization, helping Zain better understand and meet the needs of our customers, which is a critical aspect of our digital lifestyle aspirations.

We offer equal opportunities in all aspects of employment and advancement across all our operations. By identifying and sharing good practices, making best use of our talent pool, and by working with business partners, the company can accelerate growth and success.

To remain innovative and competitive we need to generate ideas from wherever we can find them and seeking them out internally is prudent. Accordingly, in recent years has been the tapping into Zain's internal human resources to generate innovative ideas.

Zainiac

During 2018 we witnessed significant progress on Zainiac, an online platform and community for Zain Group employees. The platform allows employees across the Group to suggest innovative ideas, share challenges, and collaborate in a bid to achieve common goals.

The platform is an acknowledgement of the huge talent pool assembled within Zain Group, and aims to promote synergies among country operations, leveraging the benefits of crowd-sourcing of new ideas and business models. As part of the initiative, Zain organizes workshops with leading partners focusing on establishing and fostering startup competencies.

From the first cycle of entrepreneurial ideas submitted to Zainiac, three entries were chosen for further development of their value proposition.

The first initiative to be picked up for further development was Farhetna, from a touch Lebanon team member. It is a concept set to help newlyweds and their wedding guests in the collection and payment of money and gifts towards the wedding utilizing touch's online and offline channels.

The second initiative was devised by a talented team in Zain Bahrain, called FindurSeat. It is a bilingual,

web-based education platform aimed at students in the Middle East to help them search and apply to different academic institutions as well as finding scholarships in an efficient manner.

The third, Zain Jordan team's idea, ZGiving, is aimed at employees and accessible via the human resources application, to enable donations towards needy colleagues. The plan is to introduce the platform in phases across all operations, starting in Jordan.

ZAIN HAS BEEN TARGETING THE ENTERPRISE (B2B) SECTOR FOR SOME YEARS NOW. WHAT SUCCESSES DID YOU ENJOY IN THIS AREA IN 2018?

Zain continues to strengthen its positioning as the operator-of-choice for connectivity services to governments and companies of all sizes across the Middle East. B2B is one of the most dynamic and innovative areas, and is a growth engine for many key operations. Our ongoing focus on developing innovative value propositions and offering a superior customer experience to enterprise customers delivered strong revenue growth in 2018.

We are addressing the ICT needs of governments and companies across our footprint with a comprehensive suite of mobile, fixed, IoT, IT security and cloud services; building end-to-end solutions to grow our B2B businesses. Our operations serve the entire spectrum of customers, from Small Office, Home Office (SoHo) companies to large corporations and government entities with dedicated B2B units. We also continue to invest in our customer-facing staff and capabilities and expanded the key account manager teams, the Zain B2B shop-in-shop locations, and after-sales care teams.

To ensure future success, in October 2018 we held our fourth annual B2B conference, gathering senior representatives from across operations to discuss developments in this important area and to brainstorm on ways the Group can continue to leverage its impressive experience, innovation, and infrastructure to maximize returns.

Some of B2B milestones in 2018 included the roll-out of the Zain Business brand across Zain markets; the successful implementation of the MEW project in Kuwait to connect 880,000 smart meters to a central IT platform and billing system; and smart meter projects in Jordan, Iraq and Bahrain. During the year we also expanded of our fixed, data and voice offers to reach all B2B segments, launched IT security services in Jordan, and introduced a dedicated B2B self-service app in Saudi Arabia.

Other achievements included the introduction of innovative leased line services over LTE, and an IoT managed SIM platform empowering customers to manage their IoT SIMs in Saudi Arabia. We also unveiled international VPN services in Kuwait, Bahrain and Saudi Arabia, allowing enterprises and governments to connect through Zain's international MPLS network to branches abroad. Lastly, we opened a new data center in Kuwait, serving the local market with co-location, disaster recovery, cloud and data center managed services.

HOW DID THE REGULATORY ENVIRONMENT ACROSS ZAIN'S FOOTPRINT DEVELOP IN 2018?

Telecommunications markets in Zain's footprint in the MENA region and beyond, witnessed major moves by National Regulatory Authorities (NRA). This was evident from the critical relevance and extent of public consultations initiated; the high impact of regulatory final determinations and decisions made; spectrum auctions completed; and new licensing frameworks, laws and regulations either adopted or promulgated. Regulatory developments spanned several broad areas including 5G, IoT, spectrum, infrastructure sharing, data protection and privacy, digital services, competition safeguards and industry costs.

Some of these moves have been made to facilitate digital transformation or to support infrastructure development or to attempt to create a more level playing field in markets where a dominant incumbent controls essential facilities such as inter-city fibre networks.

Zain welcomes and supports the approach by regulators of launching public consultation processes as these not only help to notify operators in advance of the intentions of the government; they also provide an opportunity for a multi-sided exchange of ideas amongst industry stakeholders as well as participation in the drafting of legislation.

ZAIN GROUP CONTINUES TO BE A PIONEER WITH RESPECT TO GENDER EQUALITY. WHAT WERE SOME OF THE MAJOR DEVELOPMENTS IN THIS AREA IN 2018?

I firmly believe that championing gender diversity at Zain will create competitive differentiation, fast-track our strategic ambitions of unlocking the tremendous growth opportunities in the digital arena while at the same time improving the company's bottom line. To drive it forward, we created a new senior position within the organization, namely Chief Inclusion and Diversity Officer, to drive empowerment initiatives that define, enhance and continue to cultivate an equitable work environment within all Zain operations.

Much of the success of Zain's Women Empowerment program lies in the support it receives from the very highest levels within Zain management. The initiative is part of the Zain Group strategy, and its action planning and tracking is measured through quarterly senior management operations review.

The program has already scored major successes in raising the profile of women in the organization, with Zain working towards increasing female leadership positions from 14.5% to 25% by 2020; and ultimately evolving towards a gender diverse workforce.

Since the initiative's official launch in November 2017, it has achieved the following accomplishments:

- Female leadership, director and above at Zain Group has grown from 14.5% to 15.5% in one year
- Female recruitment into Zain across all operations grew from 21% of total recruitment to 29%
- The number of women at Chief level increased from 6 to 11, an 83% increase
- 33 high potential female leaders have been identified to form the Centered Leaders program
- 61 Women Empowerment ambassadors have been onboarded and tasked with action planning
- Zain signed up to the UN Women Empowerment Principles and communicated this to all employees
- Introduced a Women Empowerment communications app with 300 employees already using it
- Women Empowerment embedded into the agenda of the Board of Directors and placed on CEO scorecards
- Two talented women from Zain operations were sponsored to attend MBA programs at ESADE, Barcelona

Embracing working mothers

As a Group-wide initiative at the end of 2018, we introduced one of the most progressive and innovative human resources policies in the region, providing female employees who become new mothers with four months of paid maternity leave, with a flexible schedule for returning to work. The introduction of flexible working models was also introduced including six-hour-day work weeks for mothers with children up to four years old and an optional compressed working week enabling working mothers to work more hours over a compressed week to avail one day off.

This flexible work program will complement Zain Group's recruitment, retention and development efforts, as the company shows itself to be one in tune with the needs of female employees to balance their careers with their family responsibilities.

WHAT EFFORTS DID ZAIN GROUP UNDERTAKE TO ATTRACT AND MAINTAIN HUMAN TALENT AT THE COMPANY IN 2018?

We kicked off another year of our 'Generation Z 2' program for six high-achieving Kuwaiti graduates, who were selected to enter the program following a rigorous assessment process. The latest program builds on previous year-long graduate programs that started in 2016, which have seen four graduates from each of the previous years offered full-time employment at Zain.

This initiative has matured into one that is genuinely making a difference to the prospects and experience of talented young Kuwaitis in enhancing their digital skill sets. Investment in and development of young people is the most prudent long-term plan an organization or nation can make, and we are delighted with the caliber of individuals who are graduating from Generation Z on an annual basis.

The six new successful candidates for the 2019 program were judged on their creativity, passion, resilience and initiative. The aim of the year-long graduate development program is to develop young Kuwaiti nationals with potential, and enhance their digital skill sets to the level required to support Zain Group's expanding digital lifestyle strategy.

The incoming flexible work program for mothers discussed above complements the company's recruitment and retention efforts, as the telco shows itself to be an organization in tune with the needs of all employees to balance careers with family responsibilities.

ZAIN HAS ALWAYS BEEN A CORNERSTONE OF THE COMMUNITIES IT SERVES. WHAT WERE SOME OF THE IMPACTFUL PROGRAMS UNDERTAKEN IN 2018?

The Group maintained efforts to advance its sustainability agenda and set in place key performance indicators to help develop a more structured and measured approach for all its markets. We further aligned initiatives across operations to widely recognized norms and social guidelines, aligning efforts to those already established by the UN Sustainable Development Goals (SDGs). Many examples of our efforts are detailed inside the Corporate Sustainability section of this annual report.

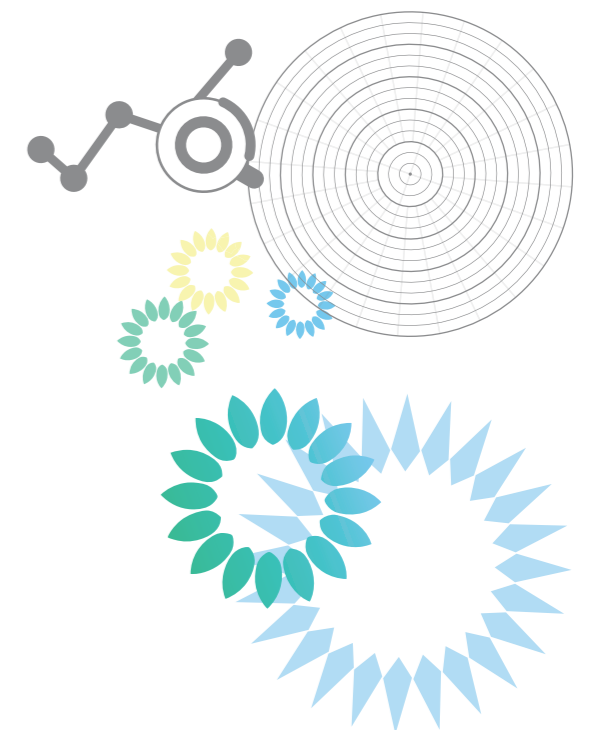
Early in the year we announced the publication of our seventh annual sustainability report, entitled 'Together Everyone Achieves More'. The publication of the report reinforced Zain Group's reputation as one of the most visible community development-oriented companies in the region, with the content highlighting the benefits of shared value creation.

The report was available exclusively online through an interactive interface that is user-friendly, and which minimized the company's environmental impact.

The global spread of mobile technology has elevated society's expectations and demands for an accessible, user-friendly, fast, and effective tool for conducting financial transactions.

The publication of our annual thought leadership report in 2018 was entitled, 'Saving Lives by Empowering People through Zain Cash'. With its broad scope, rich portfolio and wide range of services, Zain Cash responds to these needs as it plays an instrumental role in empowering individuals by providing everyone with a smartphone with access to safe and reliable mobile financial services.

The report launched during the 2018 Mobile World congress in Barcelona, showcases how Zain Cash, a dynamic and life enhancing mobile banking service, transforms people's lives, particularly those of the most vulnerable in society. The report draws much of its primary data from examples found in Iraq, with NGOs and humanitarian aid agencies being key Zain Cash users.

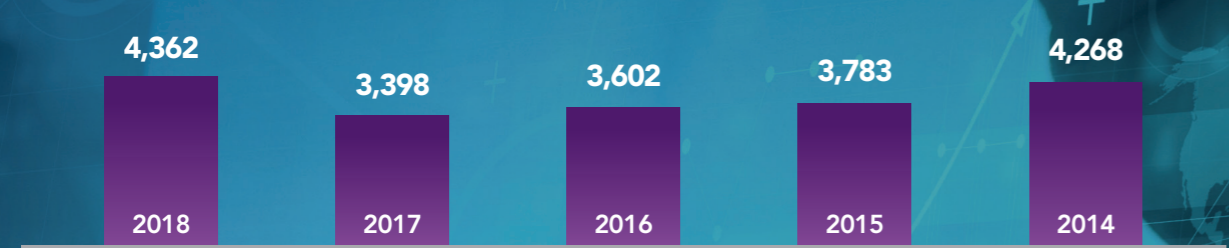


GROUP KEY PERFORMANCE INDICATORS

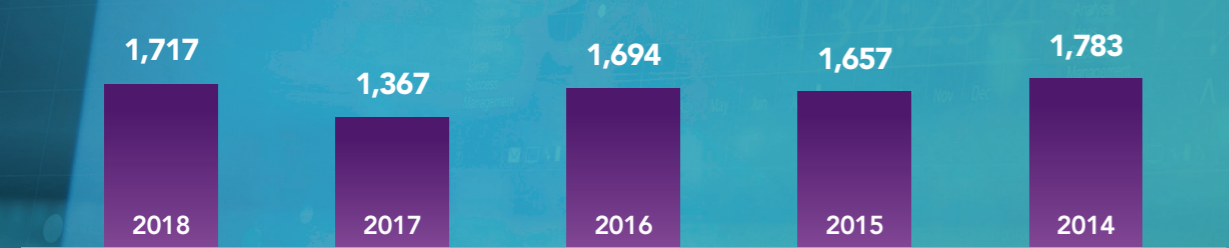
CUSTOMERS (000)



REVENUE (USD m)



EBITDA (USD m)

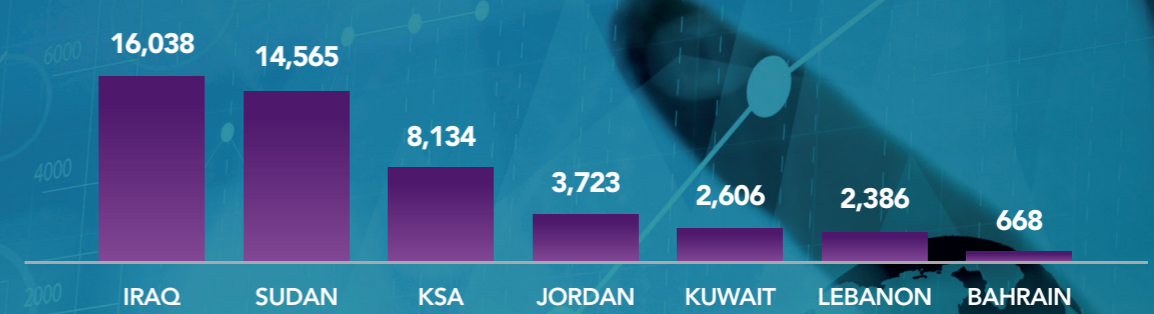


NET INCOME (USD m)

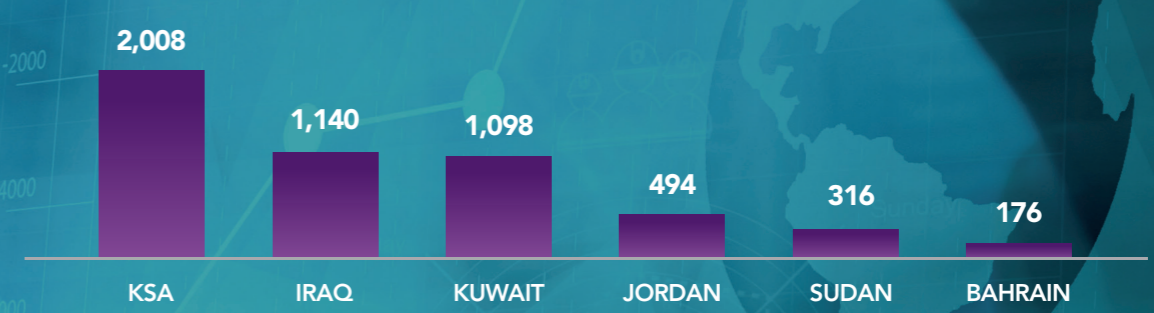


OPERATIONS OVERVIEW

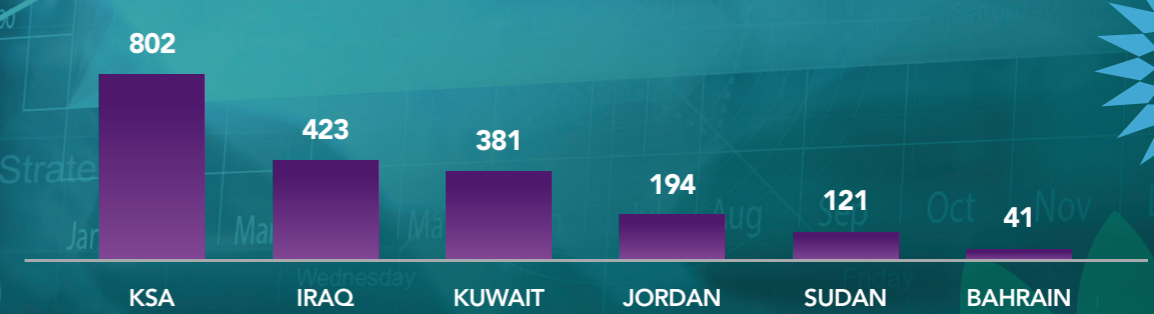
CUSTOMERS (000)



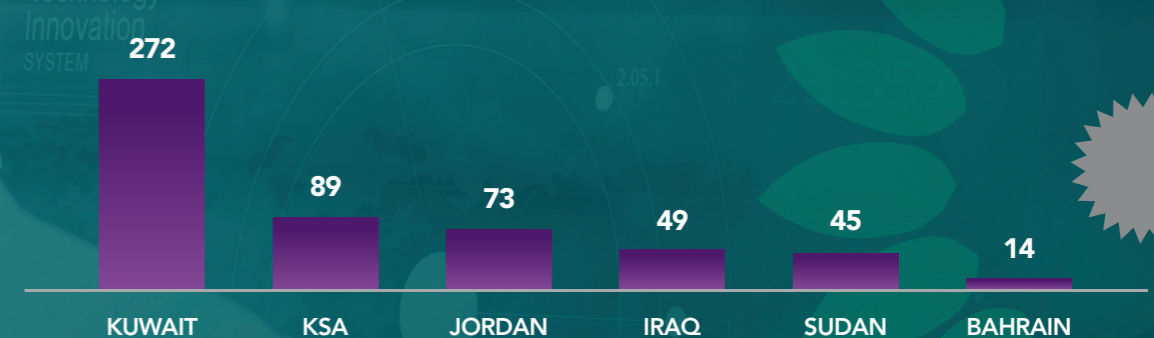
REVENUE (USD m)



EBITDA (USD m)



NET INCOME (USD m)



A YEAR IN REVIEW



JANUARY

1. Zain Sudan launches partnership with Facebook as the first company in the country to do business with an American entity after sanction uplift for Sudan, allowing customers to access Facebook without internet connection.



2. Zain Innovation Campus (ZINC) in Jordan was the recipient of a Mohammed Bin Rashid Awards for Young Business Leaders accolade for being the Best Social Entrepreneurship Responsibility Initiative in the Arab World.
3. The commencement of Zain Group's 'Generation Z 2018' program for six high-caliber Kuwaiti graduates, who were selected to enter the initiative following a rigorous assessment process.
4. Zain Jordan launches 'Dezain Space', a platform to support designers in Jordan enabling talented and creative youth to turn their ideas into productive projects.

FEBRUARY

1. Publishing of Zain's Thought Leadership Report entitled "Saving Lives by Empowering People through Zain Cash", a dynamic and life enhancing mobile banking service that allows unbanked consumers to undertake financial transactions.



2. touch Lebanon launches investment fund 'MIC Ventures' to invest in ICT startups as well as providing entrepreneurs with an incubator working space, logistics, and technical support.

3. Zain Iraq partners with Instagram to promote its products, services, offers and competitions on Instagram Stories platform, a first in Iraq in terms of using social media as an advertising communication platform for corporations.
4. Entering agreement with Google Cloud's Apigee Edge API Platform at MWC Barcelona to launch Application Program Interface (API) Platform, exposing Zain's APIs facilitating a faster and more cost-efficient launch of new digital services. At the same time, teaming up with the European unit of Japan's NTT DoCoMo Digital to enhance gaming offerings.



5. touch Lebanon launches the "touch Innovation Program" (TIP) in partnership with ArabNet, and with the support of Antwork in the custom development of a co-working space at the touch LAB whereby every six months, TIP will identify and incubate 4-6 promising entrepreneurs.



MARCH

1. Memorandum of Understanding (MoU) signed with Ericsson creates a roadmap to jointly develop and test selected 5G and Internet of Things (IoT) cases.



2. Enters MoU with Huawei to explore innovative solutions to continue investing in key areas of talent development and digital transformation including 5G testing and exploiting the vast opportunities in cloud services and gaming.



3. Announced a strategic partnership with Apigate, a subsidiary of Axiata Digital, to procure and provide API services via Zain's API Hub for its operating companies and end users.
4. Launch of Zain Life, a new brand that offers customers a portfolio of innovative and flexible digital services and solutions in the areas of Smart Homes, Digital Entertainment, and Customer Experience.



APRIL

1. Winners announced of the Zain sponsored MIT Enterprise Forum PanArab Startup Competition, an annual competition designed to support and celebrate innovation in the Arab world



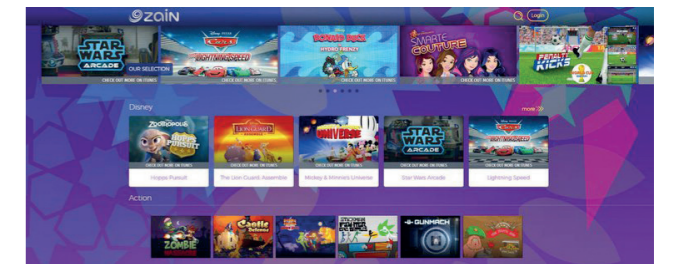
MAY

1. Opening of Zain Innovation Center (ZINC) in Kuwait, a youth empowerment initiative creating a co-working hub, the first of its kind in Kuwait provided by a corporate entity aiming to bolster youth entrepreneurship and the country's startup ecosystem.



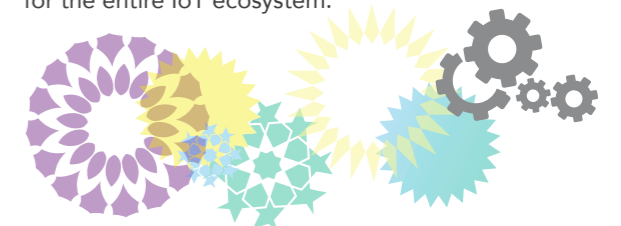
JUNE

1. Zain Kuwait launches the first integrated 5G technology on its network, representing a quantum leap in the operational efficiency of its network, in several prominent locations as an early initiative for its customers.
2. Zain KSA refinances its SAR 5.9 billion existing Murabaha facility for five years at preferential terms, with an additional working capital facility of SAR 647 million for two years.
3. Zain Kuwait launches gaming platform with DOCOMO Digital, allowing customers to enjoy more than 1,000 popular high-quality brands on iOS, Android and Windows.



JULY

1. Zain joins other global mobile operators committing to adopt and implement the GSMA IoT Security Guidelines, that outline best practice and recommendations for Internet of Things (IoT) security for the entire IoT ecosystem.



THE WORLD OF ZAIN



KUWAIT



SAUDI ARABIA



IRAQ



SUDAN



JORDAN



BAHRAIN



SOUTH SUDAN



LEBANON



MOROCCO

OWNERSHIP	100%	37.05%	76%	100%	96.52%	55.4%	100%	Management Contract (MC)	15.5%
REVENUE	\$1.1 B	\$2.0 B	\$1.1 B	\$316 M	\$494 M	\$176 M			
CUSTOMERS	2.6 M	8.1 M	16 M	14.6 M	3.7 M		873 K	2.4 M	
PREPAID	64%	52%	98%	98%	78%	63%	99%	86%	
MARKET SHARE	37%		44%	48%	36%			54%	



OPERATIONS SNAPSHOT



ZAIN KUWAIT

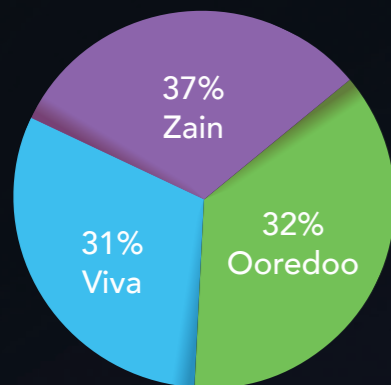
Mobile Telecommunications Company (Zain) was founded in Kuwait in 1983. The Group's flagship operation has enjoyed a proud history of achievements ever since, including when it became the first telecom operator to launch a commercial GSM service in the region back in 1994. First listed on the Kuwait Stock Exchange in 1985, Zain reported a market capitalization of USD 6.4 billion as of 31 December 2018.

CUSTOMERS (000)



■ Prepaid ■ Postpaid

MARKET SHARE



Operationally, Zain Kuwait remains the most profitable company in the Group, as it continues to maintain its market lead in both value share and customers, now serving 2.6 million customers.

Zain Kuwait's market leadership and efficiency are reflected in its performance in 2018 where revenue represented 38% of total market revenues, and net income represented 56% of the total net income in the telecom market in Kuwait.

2018 was a challenging year for Zain Kuwait, witnessing intense price competition in the market. However, the operation managed to maintain its revenue at KD 331 million (USD 1.1 billion) for the year despite a USD 34 million impact due to IFRS 15. Net income increased by 2% year-on-year (Y-o-Y) to reach KD 82 million (USD 272 million).

Unfortunately, EBITDA for the period came in lower by 9%, mainly due to significant decrease in gross margin due to the low margin of enterprise projects and handset bulk sales.

For Q4 2018, Zain Kuwait reported USD 72 million in net profit, an impressive 21% increase Y-o-Y as a result of cost optimization and growth in B2B initiatives.

To meet the ever-growing demand for data, Zain Kuwait invested USD 100 million in CAPEX during 2018, which allowed it to focus on innovation aimed at growing its digital platforms and implementing an entire range of data monetization initiatives. The benefits of such investment and focus are reflected in data revenues that grew by 10% Y-o-Y and now represent 35% of total service revenues.

During the year, Zain Kuwait launched ground-breaking technologies and services that include 5G trials and the launch of high-speed BEAM, which delivers speeds that match fiber optics at up to 40 Mbps. Zain is the first telco to offer this revolutionary technology in Kuwait. Furthermore, the operator launched eSIM services, allowing customers to add up to 10 individual numbers on one device. The company also introduced Zain Games in partnership with DoCoMo Digital to offer over 1000 popular games. Zain introduced the zBot interactive customer care solution; Amazon Prime award-winning movies and TV content; and Zain Drone as a service for use by government and enterprise sectors.

In October, Zain Kuwait participated in the annual GITEX conference in Dubai, the largest IT exhibition in the Middle East, where it showcased its capabilities as an active partner in achieving the goals of the Kuwait National Development Plan (New Kuwait 2035). The operator showcased its latest innovative solutions for empowering a smart life, a safe community, and an efficient business sector to support the seven pillars of the 2035 vision.

Zain Kuwait opened a Zain Innovation Center (ZINC), featuring a co-working hub, which is a first-of-its-kind development in Kuwait provided by a corporate entity.

The facility is aimed squarely at bolstering youth entrepreneurship within the country's startup ecosystem. Zain management is focused on ensuring that the operator remains at the forefront of regional digital innovation.

OPERATIONAL & FINANCIAL PERFORMANCE	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Customers (000s)	2,606	2,704	2,952	(4%)
Revenues (USD m)	1,098	1,093	1,067	0.5%
EBITDA (USD m)	381	418	531	(9%)
EBITDA %	35%	38%	50%	-
Net Profit (USD m)	272	265	298	2%
ARPU	\$26	\$24	\$27	-
Capex (USD m)	100	82	101	23%

FINANCIALS: P&L (USD M)	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Gross Revenues	1,098	1,093	1,067	0.5%
Cost of Sales	399	337	237	18%
Gross Margin	699	756	830	(7%)
Opex	319	337	299	(5%)
EBITDA	381	418	531	(9%)
Net Profit/(Loss)	272	265	298	2%

CAPEX BREAKDOWN (USD M)	2018	2017
Network	85	67
IT	14	14
Others	1	1
Capex	100	82

NETWORK KPIs	
Average Daily Data Volume (TB)	1,874
2G Population Coverage	100%
3G Population Coverage	100%
LTE Population Coverage	100%
Contact Centre Availability	100%

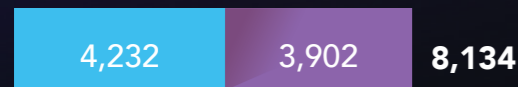


ZAIN KSA

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 1.3 billion, reflecting a share price SAR 8.3 as of 31 December, 2018.

CUSTOMERS (000)

2018



2017



■ Prepaid ■ Postpaid

Celebrating a decade of commercial operation in the Kingdom, Zain KSA recorded its best-ever full-year results since inception in 2018, reflecting record growth levels and the successful implementation of the operator's turnaround strategy.

Revenue for the year came in at an all-time high of USD 2 billion, an increase of 3% Y-o-Y, mainly due to higher postpaid and B2B revenues and handset sales revenue. EBITDA for the year jumped by 20% reflecting a healthy EBITDA margin of 40%. Net income for the year was the best-ever since inception, reaching USD 89 million compared to just USD 3 million in 2017, mainly attributable to the positive EBITDA performance and benefits from regulatory agreements. Overall ARPU for the operator stood at USD 17.

Another highlight of the year was the positive impact of the new agreement with the Kingdom's regulatory authorities to consolidate and reduce the annual royalty fee for commercial service from 15% to 10% of net revenue, retrospectively from January 1, 2018. This development is not a one-off benefit, as Zain KSA will continue to gain from this by approximately SAR 300 million per year.

Zain KSA also settled disputed amounts related to the payment of annual royalty fees to the CITC for the nine-year period between 2009 and 2017, under certain conditions. This deal is expected to have a financial benefit on the operator amounting to SAR 1.7 billion (USD 453 million) over three years. In 2018 alone, this benefit amounted to SAR 316 million.

During Q4 2018, the company made a second early voluntary payment towards its Murabaha financing agreement amounting SAR 525 million, following a SAR 600 million voluntary payment in September 2018, for a total of SAR 1.125 billion repayment since the refinancing of the agreement in June 2018. These early payments reflect the company's solid cashflow generation ability and efficient cash management.

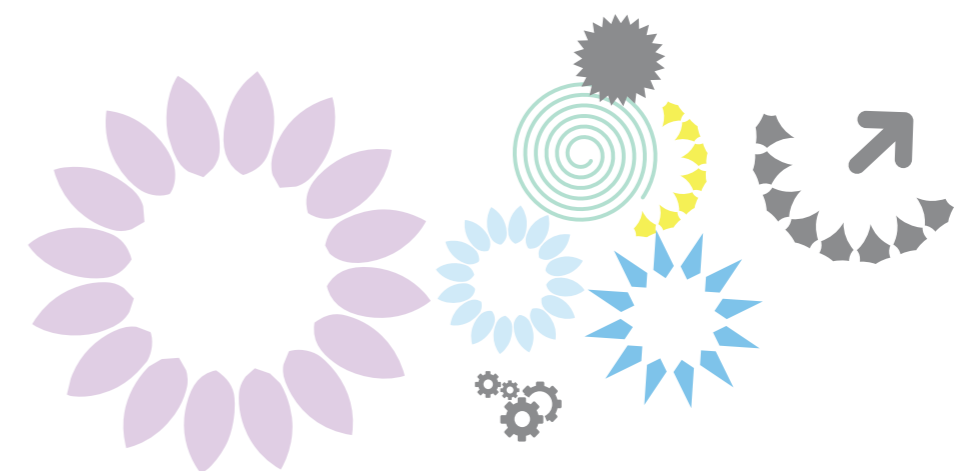
The quality and competitiveness of Zain's network was enhanced by circa USD 512 million investment in capital expenditure in 2018. Impressively, data revenue (excluding SMS & VAS) represented 51% of total revenue, as Zain KSA continues to expand its state-of-the-art 4G LTE network, which currently covers 93% of the population via 9,315 network sites. Zain KSA has experienced an incredible year placing the company in a much stronger fiscal position that is set to only strengthen further.

It should be noted that due to an event in July 2018 Zain KSA began to be treated as a subsidiary of Zain Group, starting from Q3 2018.

OPERATIONAL & FINANCIAL PERFORMANCE	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Customers (000s)	8,134	8,215	10,708	(1%)
Revenues (USD m)	2,008	1,948	1,903	3%
EBITDA (USD m)	802	671	479	20%
EBITDA %	40%	35%	25%	-
Net Profit (USD m)	89	3	(261)	2780%
ARPU	\$19	\$17	\$14	-
Capex (USD m)	211	308	788	(31%)

CAPEX BREAKDOWN (USD M)	2018	2017
Network	180	254
IT	28	46
Others	3	8
Capex	211	308

NETWORK KPIS	
Average Daily Data Volume (TB)	4,158
2G Population Coverage	99%
3G Population Coverage	98%
LTE Population Coverage	93%
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.

For the full-year 2018, the operator performed exceptionally well and reported a solid set of financial KPIs, recording an impressive growth of 70% in net income.

The operator's customer base grew by 9% Y-o-Y to reach 16 million, representing 33% of the Group's total customer base. Zain Iraq represents the largest Group operation by customer base. The restoration of sites in the north and west of the country, combined with numerous customer acquisition initiatives, especially in core regions, resulted in an impressive net addition of 1.3 million customers during the year.

For the full-year 2018, revenue increased by 3% with EBITDA up 11% Y-o-Y, mainly attributable to the healthy data growth as a result of continued customer acquisition efforts; the launch of new products and services; and a key focus on the enterprise (B2B) segment. Heavy investment in upgrades and expansion of the network, especially across the north, was also a factor.

Another highlight of the year was the fact that major financial institutions continued to show confidence in Zain Iraq, with the IFC agreeing to provide a financing package worth USD 269 million. The debt package includes USD 100 million from the IFC's own account, and a further USD 169 million in mobilization. The financing helped Zain Iraq enhance its capacity and the quality of its 3.9G network across the country.

Zain Iraq is also actively working at increasing its geographical presence, coverage and capacity. It invested USD 111 million in CAPEX in 2018, mainly in network expansion in the northern region of the country. The operator counted 4,646 sites across Iraq at the end of the year, with population coverage of 99%.

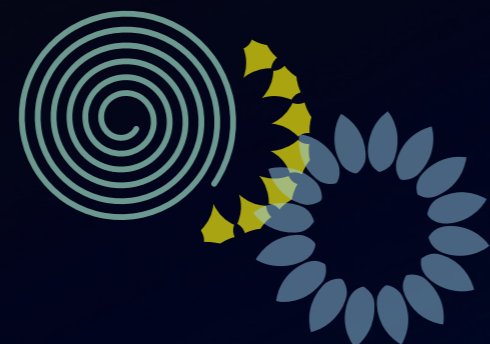
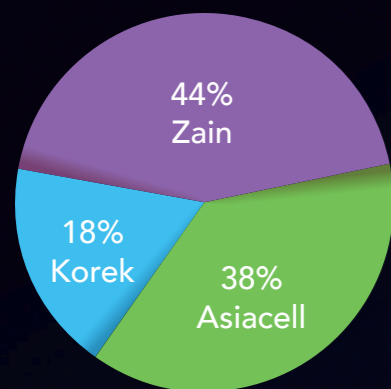
The Zain Iraq management team is working very closely with Zain Group to ensure the operation fulfills its enormous potential. Given the improving socio-economic condition across the country, all stakeholders are confident of Zain Iraq's future prosperity.

CUSTOMERS (000)



■ Prepaid ■ Postpaid

MARKET SHARE

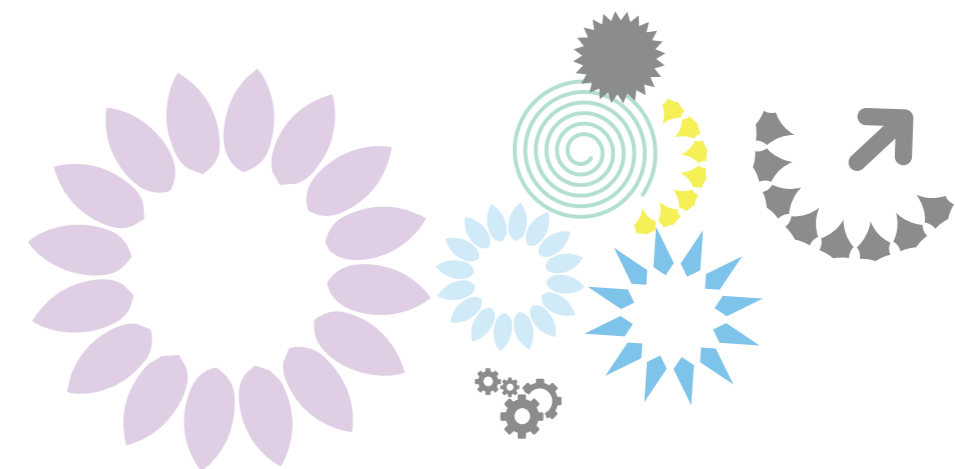


OPERATIONAL & FINANCIAL PERFORMANCE	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Customers (000s)	16,038	14,697	12,672	9%
Revenues (USD m)	1,140	1,102	1,083	3%
EBITDA (USD m)	423	382	394	11%
EBITDA %	37%	35%	36%	-
Net Profit (USD m)	49	29	(5)	70%
ARPU	\$6	\$7	\$8	-
Capex (USD m)	111	119	96	(6%)

FINANCIALS: P&L (USD M)	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Gross Revenues	1,140	1,102	1,083	3%
Cost of Sales	376	353	353	7%
Gross Margin	764	749	731	2%
Opex	341	367	337	(7%)
EBITDA	423	382	394	11%
Net Profit/(Loss)	49	29	(5)	70%

CAPEX BREAKDOWN (USD M)	2018	2017
Network	102	109
IT	5	8
Others	4	2
Capex	111	119

NETWORK KPIs	
Average Daily Data Volume (TB)	357
2G Population Coverage	100%
3G Population Coverage	91%
Contact Centre Availability	100%



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.

With a leading customer market share of 48% as of 31 December 2018, Zain Sudan was able to further improve its market position by reporting Y-o-Y customer growth of 8% to reach 14.6 million at the end of the year. Zain Sudan is the second largest contributor to Zain Group's customer base, representing 30% of the Group's total.

The operator performed exceptionally well in local currency terms in 2018, but the significant 47% currency devaluation in Sudan affected the operation's financial results in USD terms. This had a knock-on effect on Group results.

For the full-year 2018, in local currency (SDG) terms, Zain Sudan's revenue grew by 37% Y-o-Y (down 24% in USD terms). EBITDA increased by 29% (down 27% in USD terms) and net income increased by 11% (down 31% in USD terms).

Data revenues accounted for 18% of total revenues and grew 56% in SDG terms.

The devaluation of the SDG in Sudan keeps worsening and continues to impact the operator's performance. The Central Bank of Sudan decided to set its daily currency exchange rate using a newly-formed body of bankers and exchange bureaus, effective from October 7, 2018. This resulted in the official exchange rate being set at 1 USD = 47.5 SDG. The official exchange rate prior to this intervention was 1 USD = 28.3 SDG as of February 2018.

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 56%, representing 18% of total revenues. Zain Sudan is continuously expanding its 4G LTE network across the country and by the end of 2018 the operator's mobile network covered 90% of the population through 2,576 network sites.

CUSTOMERS (000)

2018

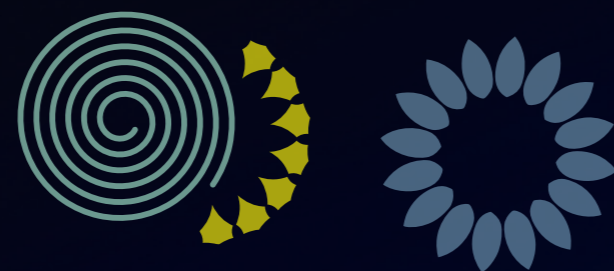
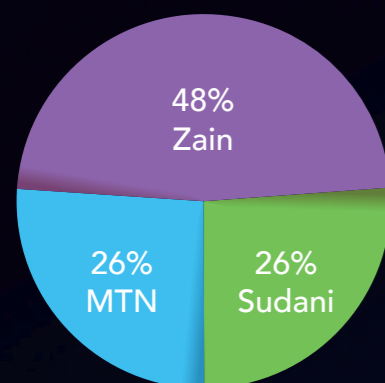


2017



■ Prepaid ■ Postpaid

MARKET SHARE



OPERATIONAL & FINANCIAL PERFORMANCE	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Customers (000s)	14,565	13,508	12,535	8%
Revenues (USD m)	316	419	709	(24%)
EBITDA (USD m)	121	166	290	(27%)
EBITDA %	38%	40%	41%	-
Net Profit (USD m)	45	65	91	(31%)
ARPU	\$2	\$3	\$5	-
Capex (USD m)	106	133	216	(20%)

FINANCIALS: P&L (USD M)	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Gross Revenues	316	419	709	(24%)
Cost of Sales	65	97	170	(33%)
Gross Margin	251	321	539	(22%)
Opex	130	155	250	(16%)
EBITDA	121	166	290	(27%)
Net Profit/(Loss)	45	65	91	(31%)

CAPEX BREAKDOWN (USD M)	2018	2017
Network	99	101
IT	4	17
Others	3	15
Capex	106	133

NETWORK KPIs	
Average Daily Data Volume (TB)	191
2G Population Coverage	90%
3G Population Coverage	46%
LTE Population Coverage	27%
Contact Centre Availability	100%

REPUBLIC OF SUDAN - LOCAL CURRENCY TERMS (SDG)

OPERATIONAL & FINANCIAL PERFORMANCE	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Customers (000s)	14,565	13,508	12,535	8%
Revenues (SDG m)	9,731	7,078	5,220	37%
EBITDA (SDG m)	3,650	2,823	2,061	29%
EBITDA %	38%	40%	39%	-
Net Profit (SDG m)	1,206	1,085	398	11%

FINANCIALS: P&L (USD M)	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Gross Revenues	9,731	7,078	5,220	37%
Cost of Sales	1,973	1,628	1,295	21%
Gross Margin	7,758	5,450	3,925	42%
Opex	4,107	2,627	1,865	56%
EBITDA	3,650	2,823	2,061	29%
Net Profit/(Loss)	1,206	1,085	398	11%

ZAIN JORDAN

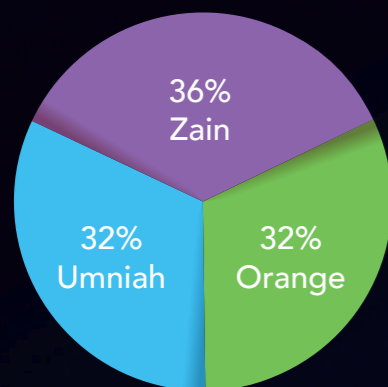
In 1994, Zain Jordan revolutionized the telecom sector in the Kingdom by becoming the first operator to introduce mobile services (as Fastlink). In 2003, the operator notched up another first by joining Zain Group's Middle East portfolio, and despite intense competition in this liberalized market, the 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.

CUSTOMERS (000)



■ Prepaid ■ Postpaid

MARKET SHARE



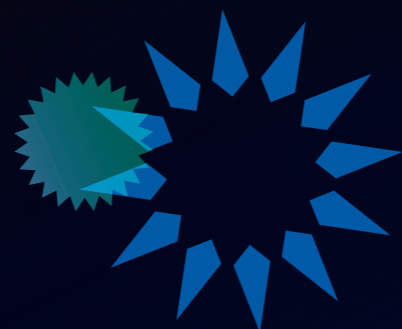
During 2018, Zain Jordan maintained its market leadership of 36%, serving 3.7 million customers, which represents 8% of Zain Group's total customer base at the end of 2018.

Revenue for the year was stable at USD 494 million, while EBITDA and net income both decreased by 14% and 19% respectively. The drop was mainly due to the higher interconnection costs because of the free off-net calls, resulting in a decrease in gross margins as well as the increase in OPEX mainly due to higher utilities and regulatory charges. EBITDA margin for the year remained healthy at 39% with data revenue representing 38% of total revenue.

The economic conditions in Jordan have seen the government increase pressure on the telecom industry by the introduction of new taxes that impose an increase of 3% income tax on telecom operators, 2% to individual and 1% as a "solidarity tax" common to all companies. Zain has carried out an extensive action plan to raise awareness of the negative impact of such an increase. The plan includes appealing to the concerned regulatory and government parties. Furthermore, Zain Jordan is exploring ways to further reduce costs, with a special focus on electricity and the use of solar power as an alternative.

The operator made progress in its rollout plan to expand Zain Fiber services tailored to various monthly subscription packages. 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.

The operator's unique Zain Cash offering is proving popular as it provides nationwide mobile coverage, an extensive individuals. Given the country's high unbanked population, mobile money and digital payment methods continue to witness tremendous growth.

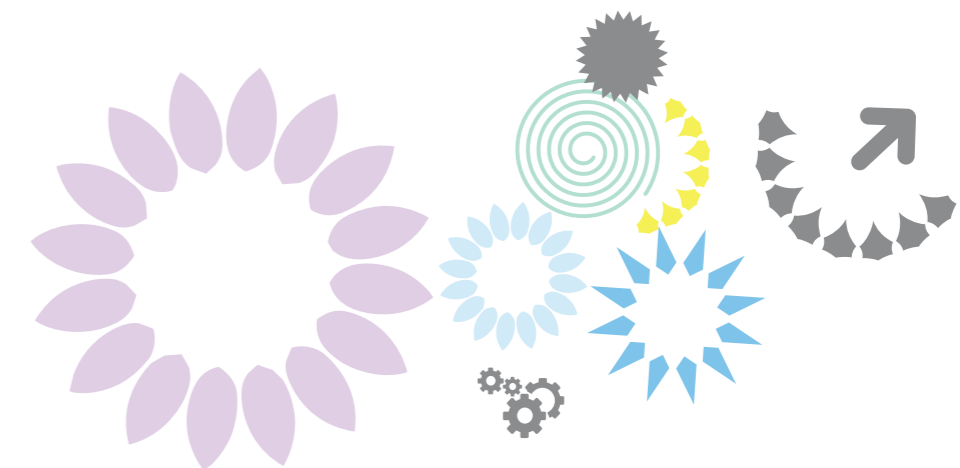


OPERATIONAL & FINANCIAL PERFORMANCE	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Customers (000s)	3,723	3,951	4,257	(6%)
Revenues (USD m)	494	497	483	(1%)
EBITDA (USD m)	194	226	240	(14%)
EBITDA %	39%	45%	50%	-
Net Profit (USD m)	73	90	105	(19%)
ARPU	\$10	\$9	\$9	-
Capex (USD m)	79	54	66	48%

FINANCIALS: P&L (USD M)	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Gross Revenues	494	497	483	(1%)
Cost of Sales	121	103	88	17%
Gross Margin	373	394	395	(5%)
Opex	179	168	154	7%
EBITDA	194	226	240	(14%)
Net Profit/(Loss)	73	90	105	(19%)

CAPEX BREAKDOWN (USD M)	2018	2017
Network	72	48
IT	4	3
Others	3	3
Capex	79	54

NETWORK KPIs	
Average Daily Data Volume (TB)	1,022
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 74 million (share price BD 0.075) as of 31 December, 2018.

Celebrating its 15th year of operation in the Kingdom, Zain Bahrain's successful focus is on operational efficiency and the delivery of state-of-the-art technology, which was evident by the profit increase recorded by the operator.

The team also focused on the offer of appealing innovative digital services that provide greater value to enterprise (B2B) and individual customers.

During 2018, Zain Bahrain reported a net profit of USD 14 million reflecting a 20% Y-o-Y increase. Revenues amounted to USD 176 million, down 10% Y-o-Y. EBITDA for the period reached USD 41 million, down 30%, reflecting an EBITDA margin of 23%.

The operation's completely revamped 4G network served a customer base of 668,000 with data revenues (excluding SMS & VAS) representing 45% of overall revenues.

During the year, Zain Bahrain achieved a 20% expansion of its network, improving the indoor and outdoor connectivity experience for users. During the year, the operator was recognized as the network with the highest fixed wireless broadband download speeds in the Kingdom for two consecutive quarters by the Telecommunication Regulatory Authority.

Other highlights include the launch of zBot, an all-new interactive digital channel for smart customer service, making Zain Bahrain the first telecom operator to launch this innovative solution in the Kingdom. The operator also transformed its mobile app from being service-oriented to becoming a complete end-to-end eShop, offering customers the opportunity to buy services online anywhere, anytime.

Zain Bahrain also introduced e-signature for customers, enabling them to sign documents digitally through all Zain retail and indirect sales channels, as well as introducing a new electronic SIM (eSIM).

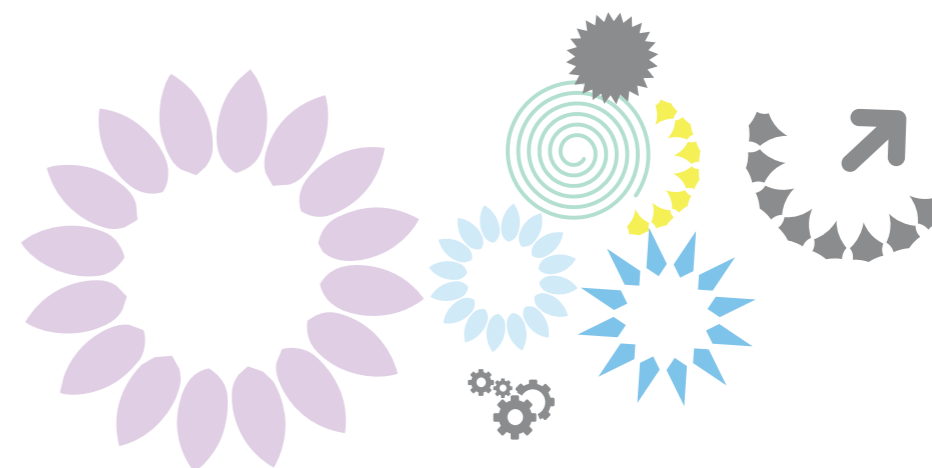
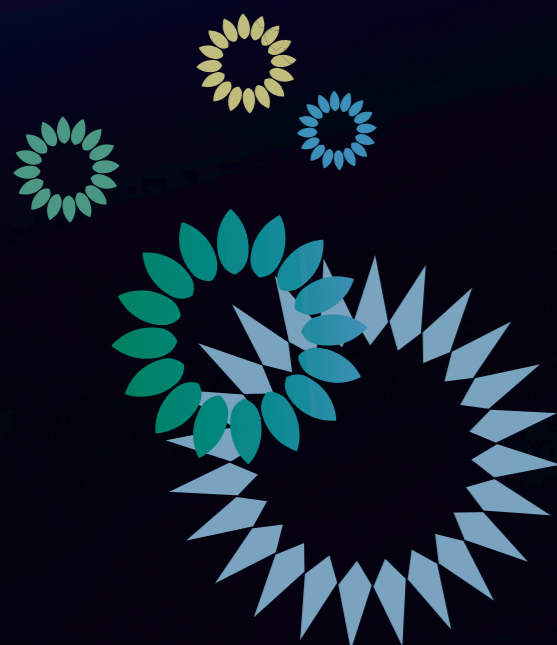
Catering for increased demand for high-speed and reliable connectivity solutions of business customers, Zain Bahrain joined the 'Middle East – Europe Terrestrial System' (MEETS), an international cable system that provides state-of-the-art high bandwidth regional connectivity solutions.

OPERATIONAL & FINANCIAL PERFORMANCE	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Customers (000s)	668	678	971	(2%)
Revenues (USD m)	176	196	175	(10%)
EBITDA (USD m)	41	58	66	(30%)
EBITDA %	23%	30%	38%	-
Net Profit (USD m)	14	11	11	20%
ARPU	\$17	\$16	\$15	-
Capex (USD m)	3	15	31	(80%)

FINANCIALS: P&L (USD M)	2018	2017	2016	YOY GROWTH (2018 VS 2017)
Gross Revenues	176	196	175	(10%)
Cost of Sales	58	59	33	(2%)
Gross Margin	118	138	142	(14%)
Opex	76	80	76	(5%)
EBITDA	41	58	66	(30%)
Net Profit/(Loss)	14	11	11	20%

CAPEX BREAKDOWN (USD M)	2018	2017
Network	1	13
IT	2	2
Others	0.1	0.2
Capex	3	15

NETWORK KPIs	
Average Daily Data Volume (TB)	364
2G Population Coverage	100%
3G Population Coverage	100%
LTE Population Coverage	100%
Contact Centre Availability	100%



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 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.

Focused on digital innovation, the year saw touch heavily involved in numerous initiatives related to the local startup entrepreneurial ecosystem. The operator launched the touch Innovation Program (TIP) in partnership with Arabnet to support 12 startups in Lebanon through mentorship, workshops and introductions. touch also partnered with Antwork, a networking hub, to power its first co-working space at the touch Lab in downtown Beirut. touch Lab now functions as a workspace catering to the independent worker, drawing freelancers, entrepreneurs, creatives, nomad workers and mobile employees.

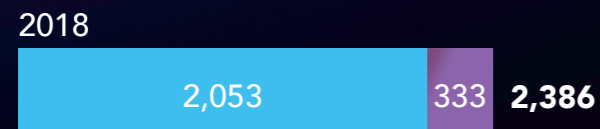
touch also partnered with the Seedstars MENA Regional Summit, which was held for the first time ever in Beirut. The aim of the event is to bridge the gap between ecosystems and connect regional stakeholders to promote entrepreneurship and technology in emerging markets. Similarly, touch partnered with AUB to launch the Startup Award, which targets fourth-year engineering students with innovative projects. The company also partnered with the 12th edition of the MIT Enterprise Forum Arab Startup Competition.

To improve customer experience and accessibility, touch opened two new service centers in regional areas and numerous new POPs. The operator's focus on e-payments witnessed a 40% increase in revenues and number of transactions, with its e-chat service seeing a substantial number of customers using it.

Notably, touch performed the first commercial 5G trial in the country with the demonstration achieving throughput speeds of approximately 1.5 Gbps, running at 100 times faster than current 4G LTE networks. The groundbreaking trial formed part of touch's progressive 5G implementation, which has seen the telco investing in the necessary infrastructure with the view to deploying live 5G sites in 2019.

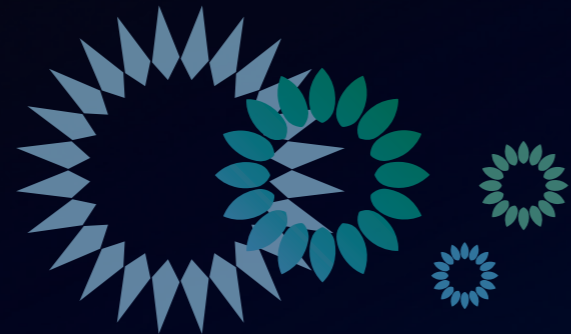
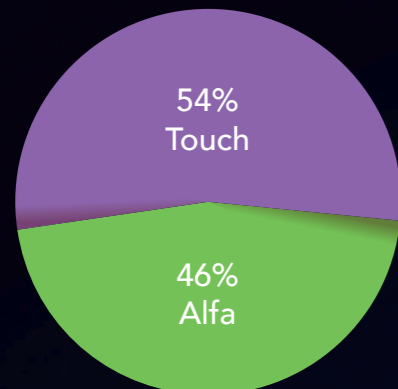
At the end of 2018, touch counted 2.4 million customers representing a 54% market share with over 86% being prepaid. This accounts for 5% of Zain Group's total customer base. With 1,334 network sites, the operator covers all the populated areas of Lebanon with 3G and 4G services.

CUSTOMERS (000)



■ Prepaid ■ Postpaid

MARKET SHARE



REGULATORY LANDSCAPE



1. REGULATORY

In 2018, telecommunications markets in Zain's footprint in the MENA region and beyond, witnessed major moves by National Regulatory Authorities (NRA). This was evident from the critical relevance and extent of public consultations initiated; the high impact of regulatory final determinations and decisions made; spectrum auctions completed; and new licensing frameworks, laws and regulations either adopted/promulgated. Regulatory developments spanned several broad areas including 5G, IoT, spectrum, infrastructure sharing, data protection and privacy, digital services, competition safeguards and industry costs.

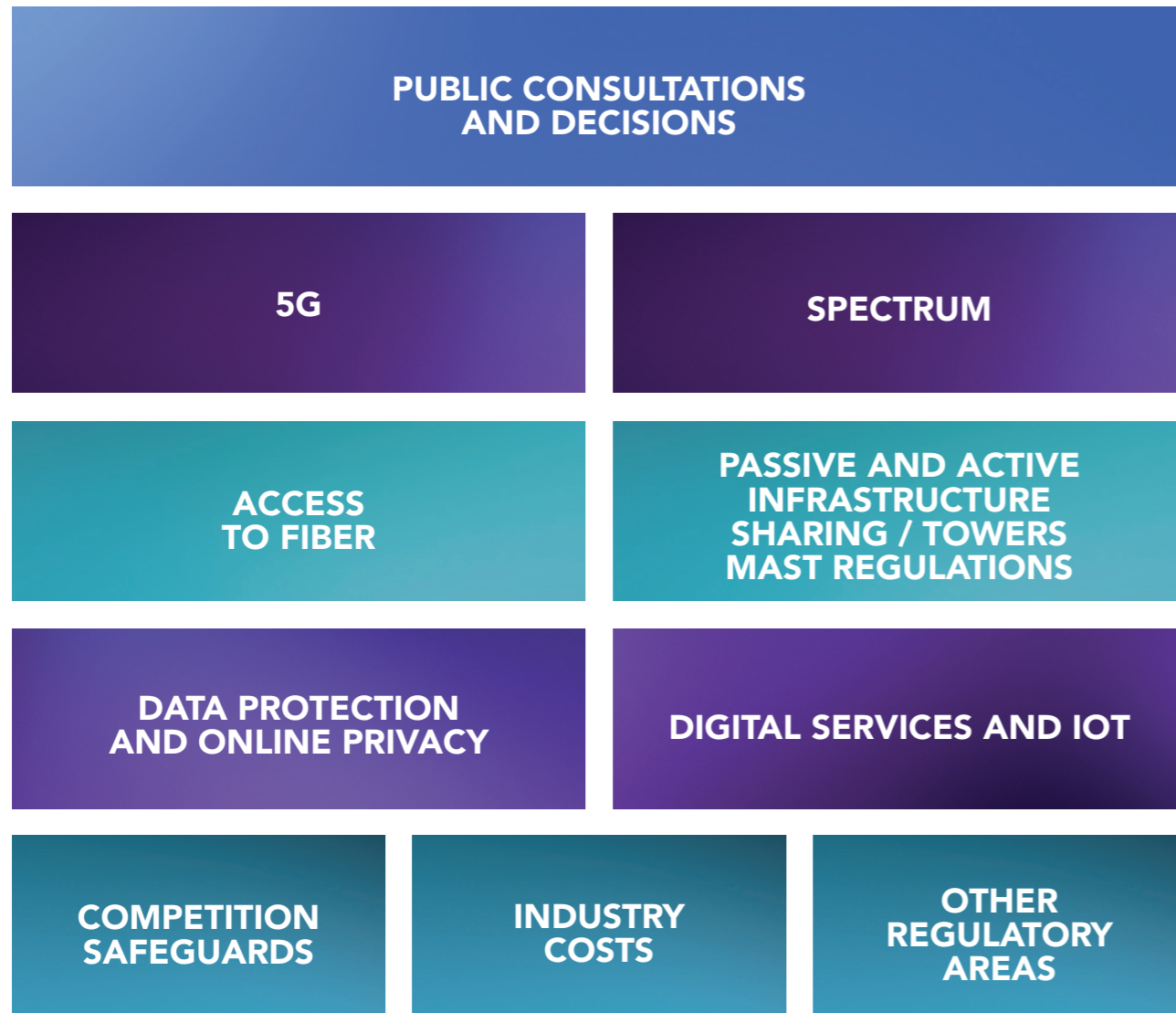


Figure 1 - Areas of interest to National Regulatory Authorities in MENA

Some of these moves have been made to facilitate digital transformation or to support infrastructure development or to attempt to create a more level playing field in markets where a dominant incumbent controls essential facilities such as inter-city fiber networks.

Zain's strategic approach has been to actively engage with national stakeholders to help shape regulatory outcomes by focusing on regulatory forbearance, value preservation, removal of regulatory impediments and future digital services enablement. This has yielded positive results across Zain's key markets.

2. KEY DEVELOPMENTS

2.1 PUBLIC CONSULTATIONS AND DECISIONS

Across the Zain footprint, NRAs issued **over 40 public consultations**, eliciting feedback and opinion exchange from industry participants, system vendors, advocacy bodies and the public-at-large on a broad range of issues including mobile termination rates and consumer protection. Saudi Arabia topped the list of countries with over **18** consultations reflecting a strong desire by the Communications and Information Technology Commission (CITC) to develop regulations that will help to realize ambitions set out in the National Transformation Program 2020. Bahrain issued **10** public consultations designed to elicit feedback on the implementations of initiatives outlined in the 2016 Fourth National Telecom Plan and the Report on the April 2018 New Telecommunications Economic Regulatory Framework for the Kingdom of Bahrain.

In Saudi Arabia, as a consequence of the public consultation processes and the active engagement of the government of the Kingdom, CITC made regulatory determinations to issue wholesale passive infrastructure licenses, create IoT virtual network operator regulations and reduce the commercial provisioning fee/revenue share from 15% to 10%. In Bahrain, the public consultation responses by respondents including Zain gave rise to decisions made by the Telecommunications Regulatory Authority (TRA) on future grant of spectrum in the 800/2600 MHz band on a managed assignment basis instead of an auction. It also prompted the implementation of appropriate measures towards the legal separation of Batelco into a wholesale fixed telecommunications infrastructure business and retail business – accelerating the establishment of the national broadband network and Zain's access to the nationwide fiber by Q2 2019.

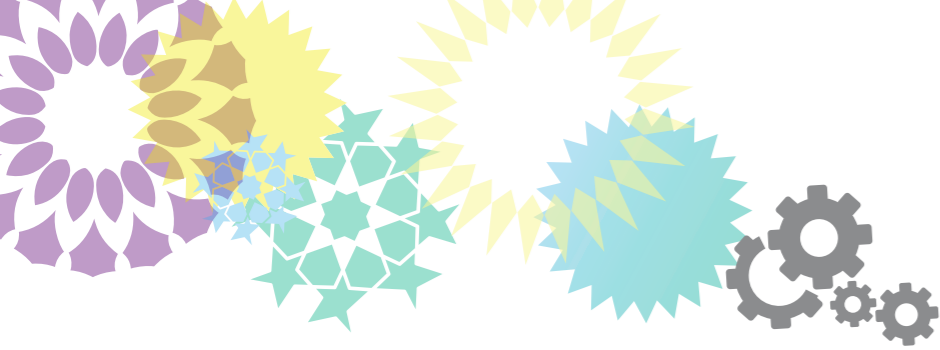
The Telecommunications Regulatory Commission (TRC) in Jordan issued **six** public consultations addressing issues on personal data protection and customer data retention, amongst other topics. The Communications and Information Regulatory Authority (CITRA) in Kuwait launched **four** public consultations on topics ranging from competition guidelines to data collection and private networks. The Communications and Media Commission (CMC) in Iraq issued **three** public consultations on environmental guidelines on tower construction, site sharing and quality of service.

Zain welcomes and supports the approach by regulators of launching public consultation processes as these not only help to notify operators in advance of the intentions of the government; they also provide an opportunity for a multi-sided exchange of ideas amongst industry stakeholders as well as participation in the drafting of legislation.

2.2 5G

The launch of 5G services is expected to herald an unprecedented digital revolution for countries, positively transforming and embedding ICT in a broad range of areas including connectivity, healthcare, transportation, agriculture, smart cities, energy management and contributing to GDP growth. In the GCC, 5G is no longer a prerogative of the telecommunications operator – the launch of 5G services is now inextricably linked to the advancement of ICT services to deliver transformative impacts at a national level. To this end, in 2018, governments and NRAs in the GCC announced ambitious plans that will see 5G launched by H1 2019 in Saudi Arabia and Kuwait, with Bahrain following on later in the year. Licensing, spectrum awards, coverage rollout, quality-of-service targets, and deployment strategies are currently under discussions. To succeed, 5G needs a significant amount of new harmonized mobile spectrum of up to 100 MHz of contiguous spectrum per operator in prime 5G mid-bands (in the 1 to 6 GHz bands).

Zain continues to advocate that the success of 5G is predicated on strong public-private partnership models and a level of cooperation and collaboration between private industry and governments beyond that which exists today given the substantial investment required and the new business models across various verticals. Zain advocates a "New Deal Approach" in which spectrum is granted at low prices in exchange for more investments and coverage rollout targets (negotiated-frequencies-for-investments) to maximise long-term societal benefits.



2.3 SPECTRUM

The access to ample spectrum is fundamental to the growth of high-speed broadband services. In 2018, Zain secured spectrum blocks in both sub-1 GHz and above 1-GHz bands to strengthen 4G layers and to serve as precursors to the grant of 5G spectrum in some markets. In February 2018, in Saudi Arabia, Zain secured 2 x 10 MHz of paired spectrum in the 800 MHz band (Band 20) and in January 2019, 90 MHz of unpaired spectrum in the 2600 MHz band (Band 41). In Kuwait, Mada (Zain's fixed wireless access subsidiary) secured 100 MHz unpaired spectrum in the 3.4 – 3.8 GHz band. In a number of markets, Zain has already been granted spectrum in the 800/2600 MHz. Zain anticipates the award of spectrum in the C-band for IMT 2020 services in markets such as Kuwait and Bahrain and other bands in Iraq, Sudan and Jordan.

Zain continues to promote technology neutrality and contiguity of all spectrum bands as this will allow each operating company to plan methodically for the introduction of new technologies, or the switch-off of existing technologies (e.g. 2G versus 3G), or traffic balancing between network layers. Zain also advocates longer licence terms (over 20 years) and low-cost spectrum particularly for 5G as higher-priced spectrum risks more expensive, lower quality mobile services with poorer coverage.

2.4 ACCESS TO FIBER

NRAs within Zain's footprint acknowledge the critical role played by fiber not only in the connectivity of network elements and infrastructure but also in the provision of high-speed broadband services to customers through FTTH. In Kuwait, Zain is awaiting the launch of a new licensing framework by CITRA that is likely to allow existing players to accede to a universal license allowing access to or deployment of fiber. Zain already has substantial fiber assets in the country.

In Saudi Arabia, CITC issued wholesale infrastructure licenses that allow new players (e.g. utilities) with fiber assets to offer services on a wholesale basis to telecommunications operators. This development paved the way for Zain Saudi to enter into wholesale agreements on fiber with existing and newly licensed fiber assets owners in the Kingdom. In Bahrain, the TRA has continued efforts on the legal separation of Batelco that will see a National Broadband Network / Separated Entity (NBN/SE) established, tasked with providing 100% fiber coverage to businesses at a throughput of 1 Gb/s and 95% fiber coverage to consumers at a throughput of 100 Mb/s no later than May 2019. All operators will be able to purchase multiple capacity links on a wholesale basis from the NBN/SE entity.

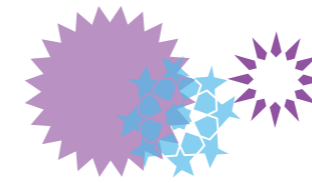
In Jordan, the existing integrated licensing regime permits the operation to deploy fiber for network connectivity and FTTH purposes. In Iraq, the deployment of fiber is handled by ITPC on a monopoly basis. In April 2018, Zain was able to secure a contract with the Iraq Telecommunications and Post Company (ITPC) to deploy fiber in Najaf and Karbala.

Zain continues to advocate that fiber is an essential facility and that deployment should be liberalized or that access to national 'dark' fiber, on pricing and non-pricing terms that are fair, equitable and non-discriminatory, should be granted. Fiber is critical for 4G and 5G deployment – for backhaul (network edge to the core) and fronthaul (distributed radio units to central units) and FTTx.

2.5 INFRASTRUCTURE SHARING / TOWER REGULATIONS

Infrastructure sharing and new mast regulations are on the agenda of regulators in Zain's footprint. On the one hand, NRAs acknowledge that it is vital to have both passive and active infrastructure sharing to allow operators to optimize CAPEX particularly in the context of significant investments in 5G and against the backdrop of increasing data consumption. This approach is in line with principles adopted in several international markets. CITC in Saudi Arabia has issued supportive regulations, and a new wholesale infrastructure licensing framework has paved the way for the establishment of tower companies. On the other hand, NRAs have also issued new regulations governing mast site acquisition, construction, upgrades and maintenance that impose strict requirements on operators. In 2018, CITRA in Kuwait, TPRA in Sudan and TRA in Bahrain all issued tower/mast regulations that **call for more stringent mast construction specifications with attendant CAPEX and OPEX increases.**

Zain continues to advocate that active and passive infrastructure sharing is essential for CAPEX and OPEX optimization and business sustainability. Zain also advocates regulatory forbearance on mast construction – regulations that impose stringent requirements will increase the cost of service delivery.



2.6 DATA PROTECTION AND ONLINE PRIVACY

In 2018, data protection and privacy and the handling of personal data of natural persons increased significantly in importance following the adoption of the General Data Protection Regulation (GDPR) across 28 EU member states in May 2018, and concerns over data breaches with social media. Data protection and privacy legislation set out impacts on the treatment of personal data of natural persons (or "data subjects"); what rights data subjects have; what powers are vested in supervisory authorities; what responsibilities data controllers and processors have; and the consequences of non-compliance.

In Zain's footprint, regulators have stepped up the development or issuance of **stand-alone** regulations in this space. In Jordan, a draft Personal Data Protection Law issued by the Ministry of Information, Communications and Technology (MoICT) is currently going through an industry consultation process. In Bahrain, early in November 2017, the TRA issued a draft sector-specific Data Privacy and Protection Regulation for comments; however, in Q3 2018, a new cross-sector law was issued. Zain expects other NRAs to initiate similar efforts in 2019.

Zain continues to advocate throughout its operations that data privacy is mandatory and operations have already prepared internal guidelines and policies. Furthermore, Zain continues to promote the removal of data localization restrictions in legislation and that regulations should permit cross-border transfer of personal and non-personal data to selected neighboring countries that espouse and apply similar or more stringent data protection principles. This is important to facilitate cloud and B2B services.

2.7 ENABLING DIGITAL AND THE INTERNET OF THINGS

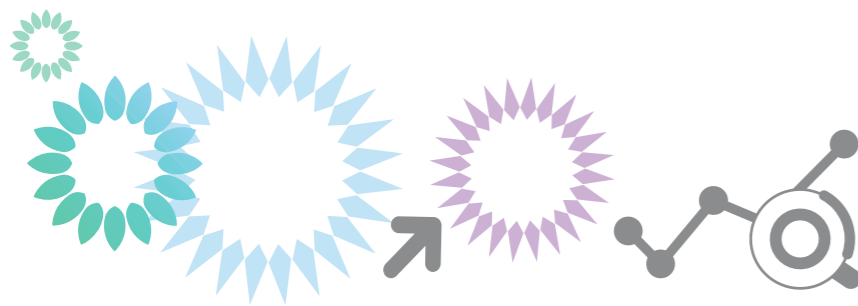
Efforts are being made by NRAs to facilitate the launch of digital services including the creation of a regulatory sandbox framework by the Central Bank of Bahrain to support FinTech services in markets such as Bahrain, or the issuance of national cybersecurity strategies and policies across Kuwait, Saudi Arabia and Jordan. Digital services are also supported by the approaches of governments and NRAs on the development of strategies on cloud services as well as artificial intelligence (AI), machine learning (ML), blockchain and the internet of things (IoT). While policy documents for AI, ML and blockchain, are still nascent, IoT is now well developed, with Zain's operations offering IoT services in Kuwait, Saudi Arabia, Bahrain and Jordan. For example, the New Kuwait Vision 2035 reflects the State of Kuwait's intentions to entrench ICT across seven pillars of public administration, economy, infrastructure, living environment, healthcare, human capital, and global position. From a regulatory standpoint, in Saudi Arabia, CITC issued regulations governing new IoT-virtual network operator licences that will see new IoT-specific operators emerge. Other enablers of digital services such as regulations governing electronic contracts and electronic signatures as well as identity are also being examined in some markets.

Zain is focused on supporting the development and the accelerated introduction of regulations that will facilitate the growth of digital services. Zain is advocating government-led cross-sector alignment and collaboration involving telecom, health, finance and transportation policymakers and regulators to boost the take-up of digital services.

DATA-DRIVEN ANALYSIS AND FACT-BASED ADVOCACY

GROUP-WIDE SYNERGIES AND THINKING TAILORED TO LOCAL MARKET DYNAMICS

PROACTIVE RESULTS-ORIENTED REGULATORY MANAGEMENT



2.8 COMPETITION SAFEGUARDS

In 2018, regulators within Zain's footprint took proactive steps to examine competition issues impacting the retail and wholesale markets and associated ex-ante and ex-post remedies. Some market regulators introduced new legislation or new guidelines while others either launched public consultations on SMP-operator reference offers, mobile termination rates, long-run incremental cost modelling (LRIC) or initiated strategic market reviews. In Kuwait in Q2 2018, new competition bylaws for the telecommunications sector were issued to set out procedures that CITRA will adopt. Kuwait also commenced work on a strategic market review to define relevant markets, to determine dominance in those markets as well as to re-examine ex-ante and ex-post remedies.

In Bahrain, a new cross-sector competition law No. 31 of 2018 was issued, complementing the sector-specific Competition Guidelines issued by the TRA in 2010. In Saudi Arabia, CITC issued public consultations on the reference offer and broadband service access offers issued by STC, on mobile and fixed termination rates (FTR and MTR), on the weighted average cost of capital (WACC) employed in regulatory accounts and on accounting separation. CITC also issued a decision on market dominance, imposing additional ex-ante remedies on the incumbent operator.

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 of price wars.

Zain welcomes regulator-led initiatives to improve competition, to create favorable outcomes for customers and to encourage investment and innovation for operators. Practical enforceability of ex-ante and ex-post remedies is a critical area that regulators will need to pay attention to.

2.9 INDUSTRY COSTS

The industry is still subject to high costs, and while some markets are taking cognisance of this fact, others still impose high taxation on telecommunications operators. In 2018, CITC in Saudi Arabia lowered the commercial provisioning fee (annual royalty) from 15% down to 10% with the consequent positive impact on the industry. In Bahrain, however, the TRA's Schedule of Fees Regulation No. 7 of 2017 came into effect on 1st January 2018 with a consequent increase of annual regulatory levy from 0.8% to 1% and an additional increase in microwave spectrum fees. At a country-level, Bahrain also introduced a value-added tax of 5% as per the Value Added Tax Law No. 48 of 2018. In Jordan, in December 2018, an amendment law (No. 38) for the year 2018, amending the Income Tax Law (No. 34) for the year 2014 was approved with a consequential rise in additional national contribution tax of 2% imposed on telecommunications companies – thus increasing the corporate income tax to 26%. As noted above, the introduction of new mast regulations has also had a consequential impact on the cost of site construction.

Zain continues to advocate a lowering of industry taxation as this has a consequent negative impact on the development of the industry. Income tax, radio access network spectrum fees, backhaul microwave fees, revenue share, mast fees and other attendant government fees should be lowered in lieu of more network investments. Zain also advocates longer licence durations to allow for better management of cash flows and to trigger lower amortisation.

2.10 OTHER AREAS

Markets also witnessed moves by regulators to initiate mobile number portability (Jordan and Iraq), fixed number portability (Saudi Arabia), initiate biometric SIM registration (Jordan), and to consolidate and nationalize international gateways (South Sudan). Positive outcomes included the extension of Zain Bahrain's frequency licenses for spectrum in the 900, 1800 and 2100 MHz bands (originally due for renewal on 12 August, 2018) until 31 March, 2019.

Zain welcomes initiatives that will help to enhance telecommunications services; however, Zain also highlights that some initiatives – such as the launch of mobile number portability in markets that are already very competitive – may not warrant the investments that are being called for and should be re-examined by regulators to assess the real impact of such.



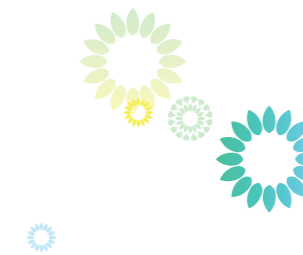
3. REGULATORY AGENDA

- Actively help to shape regulatory outcomes through engagement with regulators on public consultations, multi-stakeholder workshops, and conferences
- Lobby for pro-investment and public-private partnership approach to 5G
- Advocate technology neutrality for all existing spectrum; secure ample spectrum in new 5G bands; support regional spectrum harmonization efforts (e.g. at WRC-19)
- Lobby for long-duration frequency licences (>20 years) at low cost
- Recommend liberalization of national fiber, international gateway and open-access cable landing stations
- Advocate for regulations supportive of active and passive infrastructure sharing
- Recommend regulatory forbearance on CAPEX-intensive mast regulations
- Champion enactment of legislation to accelerate digital services, B2B and internet of things and to address convergence of ICT and verticals - telco, digital, media, fintech, health
- Espouse data privacy principles but advocate cross-border free flow of data
- Advocate enforcement of ex-ante and ex-post remedies to foster fair competition
- Lobby for lower industry fees: spectrum fees, licence renewal fees and taxation
- Leverage support of industry associations including GSMA, SAMENA Council and ITU, to advance these positions with government stakeholders and other industry participants



OUR STRATEGY





MOVING TOWARDS DIGITIZATION

REGIONAL MARKET DYNAMICS

At the end of 2018 there were 656 million active mobile connections across the Middle East and North Africa (MENA), representing a penetration of 107% and a year-on-year (YoY) growth rate of 1.5%. Despite the growth in mobile connections, revenue declined by 0.6% due to the intense competition as well as the challenging political and economic conditions faced by operators.

With the stabilization of macroenvironmental factors, total connections in the MENA region are expected to grow above the global average at a compound annual growth rate (CAGR) of 2.9% between 2018-2025. Revenue is likely to grow at a CAGR of 2.1% during this period as more countries roll out or expand their 4G networks and as mobile operators continue to monetize data traffic by expanding their portfolios into digital and enterprise solutions.¹

Given the lack of wide coverage of fixed broadband infrastructure, mobile broadband has played a pivotal role in regional development. At the end of 2018, mobile broadband connections recorded a YoY growth rate of 12%, accounting for 59% of the total connections in the region. Looking forward, with greater adoption of 4G and 5G, mobile broadband is forecast to grow at a CAGR of 8% between 2018-2025, accounting for 90% of the total mobile connections by 2025. According to the MENA Telecom Forecasts published by Analysys Mason in July 2018, the growth in data connectivity for fixed and mobile broadband will fuel the growth in telecom revenues over the coming years, as will demand for enterprise solutions.

KEY TRENDS IN MENA REGION

5G

2018 saw several 5G trials across the region, particularly in the Gulf Cooperation Council (GCC). Beyond the trials and commercial launches, mass deployment and service uptake will rely on spectrum availability and maturity of consumer and enterprise use cases in the region.

Internet of Things (IoT)

The number of IoT connections across the MENA region is forecast to triple by 2025, reaching 1.1 billion and a market value of USD 55 billion. Currently, the consumer and industrial IoT segments have equal share of total IoT connections, but industrial IoT is where most of the growth is forecast to take place due to an increase in

smart utilities, smart retail and smart city deployments.

Digital Ecosystem

The MENA region has experienced rapid uptake of digital trade, driven by growth in mass connectivity and mobile device penetration. Operators in the region have already started to transform their operations digitally and provide digital services through partnerships and joint ventures.

Fixed Broadband

Fixed broadband penetration is forecast to continue growing in the MENA region, supported by national broadband plans and competition. Such programs offer service providers opportunities to grow their revenues in mature markets where the demand for high-speed data is growing exponentially.

ZAIN'S JOURNEY TO BECOMING A DIGITAL SERVICE PROVIDER

Zain is one of the leading telecom companies in the region working towards becoming a full-service provider of digital offerings to consumers and businesses. In the last few years, Zain's strategy has centered on digital transformation, seeking growth in enterprise solutions, and expanding beyond standard telecom services to diversify revenues and create value.

ONGOING TRANSFORMATION

Zain has been carrying out various initiatives to reinvent, transform and enable the core digitally; optimize operations and re-engineer customer experience. Zain's digital transformation can be summarized in the following themes:

- **Digital First:** Zain operations have been diligently working on redefining and modernizing customer experience by introducing new digital channels for customer service. Examples of this include the new and improved mobile app in Kuwait, Saudi Arabia, Bahrain and Jordan. Zain Kuwait and Zain Bahrain further launched zBot, the all-interactive and smart chat-based customer care solution. There are ongoing efforts to enhance and expand digital service channels as well as revamp omnichannel (app and website) to produce a consistent feel and functionality as traditional channels. These efforts are coupled with back-end internal transformation of systems and automation and processes. From a sales standpoint, Zain is building its network of digital e-stores in different markets in addition to introducing flagship shops that provide a truly digital and interactive experience to customers. This is the case with the recently inaugurated Zain Kuwait store at the Avenues Mall, a showpiece for visitors. This transformation journey will enable Zain operations to grow awareness and appeal of new

channels by ensuring full availability of products and services on digital channels.

- **Optimization and Simplification:** As a foundation to achieving a truly digital customer experience, Zain operations are embarking on a journey of simplification. The journey starts with simplifying customer-facing tariffs and product portfolios, making the selection and purchase process for customers easier. Simplification in the back-end requires revamping processes by streamlining network and IT infrastructure (virtualization, NFV, SDN and SON, OSS/BSS transformation).
- **Monetization of Passive Infrastructure:** Zain Group has been exploring and applying various optimization options in network investment including network sharing and smart CAPEX. Following an agreement with IHS in October 2017 to sell the towers of the operation in Kuwait, Zain Saudi Arabia agreed to an offer to sell and lease back 8,100 towers to IHS Holdings for approximately USD 648 million. This divestment creates shareholder value as it reduces debt obligations, and unlocks capital and resources, allowing for greater focus on core operations and customer service. Moreover, the agreement will help expedite the deployment of additional sites in the Kingdom.
- **Analytics & Artificial Intelligence (AI):** Zain is building an ecosystem of decision-making that is based on analytics and AI. Expanding on the existing customer value management (CVM) machine deployed in all Zain operations, customer data is used to implement proactive and predictive analytic-based CVM. AI is used to provide enhanced customer experience and in-network optimization, and Zain is exploring opportunities for customer data monetization of third-parties in areas such as digital advertising (in Saudi Arabia and Jordan) and credit scoring in fintech services with Zain Cash in Iraq and Jordan.

GROWTH IN B2B

Zain will continue to partner with businesses and governments across its footprint to deliver relevant value propositions and excellent customer experience. The company has implemented a long-term plan to expand digital capabilities by adopting the latest technologies and offering services that can help businesses increase their productivity. Zain has enriched its portfolio of products and services by offering several new services such as fixed ICT value chain, managed services, cloud computing, M2M, smart metering, video surveillance as a service (VSaaS), smart building, and drones. When it comes to core telecom revenues from B2B, Zain has successfully grown revenues by expanding into the small- and medium-sized enterprise (SME) segment, which is one of the key pillars of the

economic landscape in the MENA region. Zain supports these businesses with bundled offers of telecom services and tailored cloud-based solutions.

DIVERSIFYING REVENUES

In order to fulfil its vision of becoming a comprehensive provider of digital services, Zain brings the latest content and solutions to our customers. The company continues to integrate and expand several platforms such as its API platform, Zain Cash and smart homes (Zain Life), with additional functionality. As part of our commitment to contributing to the welfare and development of the societies in which we operate, Zain has also introduced a new suite of micro-insurance and e-health services. Recent achievements include:

- **Expanding our Broadband Network:** Zain is providing customers with the best and latest broadband connectivity. In Saudi Arabia, Jordan, and soon in Bahrain, Zain offers fiber-to-the-home (FTTH) services, whether by deploying our own fiber network or by securing access to national or third-party assets. With fiber connectivity, customers can enjoy dedicated broadband access featuring very high throughput speeds and excellent quality of service. Zain Kuwait launched BEAM, a pioneering high-speed wireless Internet service that uses advanced wireless broadband technology. Zain is the first telecom company to offer this revolutionary technology in Kuwait, which provides high-speed Internet with performance that matches fiber optics speeds, in a move forward towards 5G network adoption.
- **Zain Cash:** This platform currently offered in Iraq and Jordan offers users a secure and convenient means to conduct financial transactions and process monthly payments. Customers can use their mobiles to pay bills, transfer money locally, top-up mobile accounts, and buy prepaid Internet and voice bundles conveniently.
 - Money Transfer: Using Zain Cash Money Transfer services, customers can send and receive money to and from other individuals via their mobile phones in a highly efficient and secure manner.
 - Cash In and Cash Out: Customers can deposit or withdraw money from their mobile wallets as they require at a Zain Cash agent.
 - Recharge Zain Postpaid and Prepaid Lines: Using the Zain Cash service, customers can recharge Zain prepaid and postpaid lines anytime and anywhere directly over their mobiles. This alternative means of recharge is unique in the industry.
 - Online Payments: Customers can shop online from leading e-Commerce websites and enjoy a one-click

¹ Connections and penetration data from GSMA

checkout experience with Pay with Zain Cash.

- Buy E-Cards: Now, Zain Cash holders can instantly buy and receive e-cards through “Zain Cash App” and enjoy online shopping with their favorite stores.

• **Digital content:** Zain is one of the first operator groups in the Middle East to launch an open API at Group-level in order to connect multiple digital service and content providers to our operations leveraging on the scale and footprint of Zain. DoCoMo Digital with its large and popular gaming portfolio was launched in Kuwait and Saudi Arabia with more partners set to join during 2019. This platform allows Zain to differentiate itself as a digital service provider by offering the latest gaming services to its customers. With regards to digital entertainment, Zain Kuwait is the first telecom operator in the Middle East to provide Amazon Prime Video content to its customers, having also made Bein Connect available for customers watching World Cup matches in 2018 as well as offering Anghami subscriptions for streaming and downloading music.

• **Zain Life:** Zain Kuwait launched the Zain Life platform, which enables customers to enjoy a smarter life by staying connected. Zain Life allows our customers to enjoy a smart home by providing various smart solutions that include home security devices, home control, and automation solutions. Additionally, Zain Life enables customers to enjoy a healthy lifestyle by providing wearables and health and fitness products. Additionally, it enables a smart and efficient business sector empowering the New Kuwait 2035 Vision.

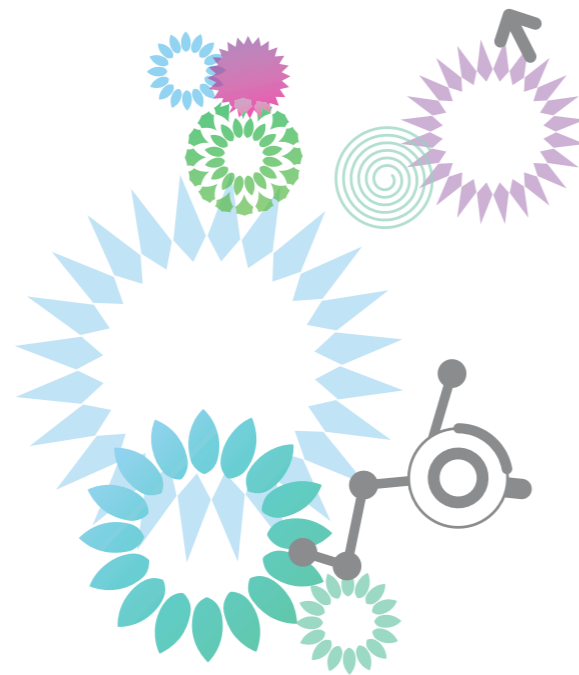
• **NXN:** Zain’s strategic investment in the UAE-based smart city consulting and digital services provider is reaping rewards on multiple fronts as NXN grows and partners with governments and businesses to enable and accelerate the digital transformation of cities and enterprises. Providing custom-built digital services for example through its award-winning DNX platform, NXN enables digital transformation across various industries. DNX is an open digital platform enabling all individual services to run in a cohesive environment. It draws synergies across applications, fusing data and analysis to provide a 360-degree platform view for digital service development, management, and operations. It integrates with existing systems, capitalizing on cloud infrastructure, data orchestration, IoT, and advanced

technologies such as AI and Blockchain. The technology has been architecturally orchestrated and integrated in a way that allows NXN to provide organizations with dashboards and data analytics that add value to decision-making processes.

• **Enabling start-ups in the region:** ZINC Kuwait was launched to connect Zain to the start-up ecosystem in Kuwait. Zain established a partnership with a local incubator (Erada) along with the Kuwait National Fund for SMEs, delivering two training programs in 2018. touch Innovation Program was launched in Lebanon in association with Arabnet and Antwork. The program sees touch support the growth of the local startup ecosystem in Lebanon. ZINC Jordan’s success story grows with every passing year, as does our partnership with regional and international venture capital funds such as MEVP, WAMDA, Earlybird and Colle Capital that allows Zain to keep an eye on new startup opportunities.

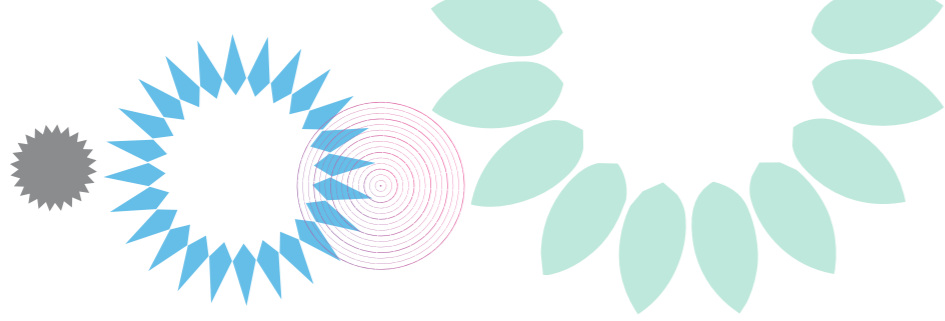
Zain is strategically committed to enabling entrepreneurs across the region, and we are constantly looking for the right opportunities to invest in or partner with.

The company is also keen to provide opportunities and exploit its talented workforce. Zain launched an internal employee innovation program to foster creativity through a program titled Zainiac. Hundreds of applications were received, and several ideas have been provided financial backing by Zain, with two teams from our operations expected to commercially launch in the first half of 2019.



**TOGETHER
WE ARE ZAIN**





HR ANNUAL REPORT

Zain's Human Resources (HR) strategy builds on the strength of the entire 6,000-strong talented team drawn from across operations. Management believes that a diverse team is crucial to the success of the organization, helping Zain better understand and meet the needs of our customers, which is a critical aspect of our digital lifestyle aspirations.

We offer equal opportunities in all aspects of employment and advancement. By identifying and sharing good practices, making best use of our talent pool, and by working as business partners, Zain has been able to accelerate growth and success.

In February 2018, the Human Resources Directors' (HRD) forum was held in Kuwait and brought together the heads of the HR divisions from the operating companies. The two-day forum set the tone for the HR function for the remainder of the year and highlighted each operating company's achievements, lessons learned, and exciting new technology-driven initiatives. These tech-driven plans encompass digital efforts to enhance our employees' experiences.

TECH IN HR

Zain Group has begun rolling out a fully-fledged cross-operation HR app to provide digital access to Zain specific social media and online forums on-the-go as an integral part of the company's digital transformation.

Zain Bahrain held quarterly **Master Class** sessions that covered strategic topics such as digital transformation and blockchain technology. The HR team in Bahrain also arranged for local experts to speak on the lessons learned from their business experiences. To emphasize the value of online knowledge transfer, the learning and development team held a ceremony recognizing employees who used LinkedIn Learning's e-learning platform most frequently.



Automation achievements at Zain Saudi Arabia stemmed from streamlining processes that enhanced employees' overall experience while utilizing an ERP self-service system. Similarly, Zain Jordan used automation to assist in talent acquisition by using a ChatBot mechanism in the applicant selection and recruitment process. As applicants go through the screening and application process, the HR team can chat and instantly answer questions in real-time.



Zain Jordan's famous ZINC Academy held workshops that covered essential information on app development and blockchain technology. Zain Jordan's HR team took technology a step further by introducing gamification programs aimed at contact center employees, to help them keep performance and employee engagement top-of-mind while collecting points and instilling a sense of competition within the teams.



touch Lebanon (managed by Zain) launched internal training videos – with a special focus on the changing digital landscape – which further emphasized the growing importance of tech in HR.

Looking forward to 2019, Zain Iraq and Zain Kuwait plan to incorporate gamification for talent acquisition and to enhance online training selections.

TALENT DEVELOPMENT

Zain Kuwait has invested significantly in talent identification processes, which seek to accurately identify high-potential employees based on ability, aspiration and engagement levels. This talent initiative also aims to groom employees for growth in more challenging roles.

Zain Kuwait also identified a pool of employees that exhibited elevated performance and distinguished competency profiles and put them forward for an Accelerated Leadership Development program to propel their development. It is expected that these types of individuals will ultimately occupy senior leadership roles within the next 2-4 years.



Zain Saudi Arabia established a competencies framework and will launch career progression programs in 2019. The operator is also set to actively work on attracting young graduates and leverage the company's newly launched careers website.

To encourage self-directed learning within the workforce, Zain Jordan offered a 'Learning Corner' that featured e-books, LinkedIn Learning subscription access and industry-related e-publications. The company also launched a leadership program, **Grow**, which focuses on enhancing the leadership skills of middle management employees.

touch Lebanon held a coaching program called **Delegate the Thinking**, which incorporated team leaders. This was a hands-on transformational program that delved into shifting the team leaders' mindsets by emphasizing motivation and smart leadership techniques.



EMPLOYEE ENGAGEMENT

The Group-wide annual engagement survey showcased robust results, with an overall engagement score of 86% –14 points above the industry norm. This is an encouraging number as it indicates that our employees are excited to be Zainers and encourages HR divisions across the Group to continue attracting and retaining the best talent in the region.

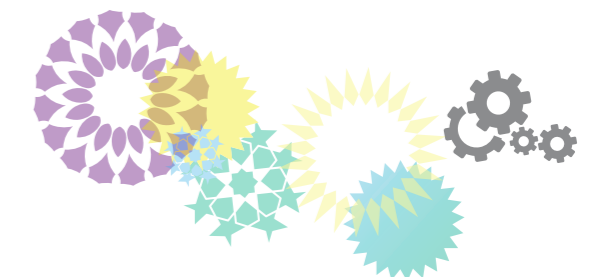
GENERATION Z

In January 2018, Zain Group kicked off another year of the **Generation Z** program for six high-achieving Kuwaiti graduates, who were selected following a rigorous assessment process. The latest program builds on previous year-long graduate programs that commenced in 2016, which have seen four graduates from each of the previous years offered full-time employment at Zain.

The six new successful candidates for the 2018 program were judged on their creativity, passion, resilience and initiative. They were hand-picked following a two-week-long assessment that included panel interviews, individual research, customer research, team presentations and psychometric assessments. The Generation Z program received 277 applicants of whom 77 proceeded to personal interviews. 13 short-listed candidates advanced to panel interviews, with an initial nine candidates being short-listed and finally narrowed to the final six.



The aim of the year-long program is to develop young Kuwaiti nationals with potential, and to enhance their digital skillsets to the level required to support Zain Group's expanding digital lifestyle strategy.



TECHNOLOGY



5G DEPLOYMENT IN KEY MARKETS

Zain's goal is to be the first operator in the region to launch commercial 5G networks, having already successfully trialed the technology. As part of a comprehensive plan, Zain Saudi Arabia introduced 100 commercial sites in 2018, while Kuwait worked towards having 50 5G sites in place before the end of the year. 5G technology will allow Zain to deliver data rates beyond 1Gbps, providing higher broadband density to users at extremely low latency. Zain believes 5G will power machine-to-machine (M2M) applications, which relate to connecting tens of millions of terminals rather than people.

UNIFIED INFRASTRUCTURE STRATEGY

Following the successful deployment of Network Functions Virtualization (NFV) platforms across most of our footprint, Zain Group has built its roadmap on Unified Infrastructure (UI). This approach leverages networks and IT under the same infrastructure, in line with the future of virtualization and cloudification. This roadmap draws a clear path for future evolution for each Operation and highlights the main challenges and values in such transformation.

UI promises operators agile, cost effective, flexible and fully automated networks, with quicker time-to-market delivery of services and applications. UI supported with Software-Defined Networking (SDN) will also be the basis of 5G technology where our networks will be able to support the explosion of data usage. We expect to execute the UI strategy over 3-5 years, and the preparation and initial implementation of this strategy has already begun in some markets.

WTTx

WTTx (Wireless-To-The-X) is a 4G and 4.5G-based broadband access solution that uses wireless technology to provide fiber-like broadband access for a variety of scenarios, including access in rural, suburban, and dense urban areas in a reliable and cost-efficient manner. The technology avoids the complicated requirement for fiber, cable or copper deployments and offers competitive speeds with at a high return on investment. WTTx also offers less deployment time and comes with plug-and-play functionality. In addition to the connectivity, WTTx enables a wide range of services such as video broadcasting, VoIP, VPN (virtual private network), and online gaming which all have the ability to enhance an operator's ARPU as well as multi-play enhancing stickiness and reducing churn.

WTTx is considered a milestone development in Zain's journey to provide cutting edge technologies to connect the unconnected areas and improve customer experience, and Zain has already introduced WTTx in Bahrain, Jordan and Kuwait.

CAPTURING THE DATA EXPERIENCE

We consistently endeavor to provide an excellent customer experience across all our offerings, particularly data services, as part of our digital lifestyle strategy. Data traffic continued to grow across all our networks, reflecting a year-on year growth rate in 2018 of 20%. Zain Iraq witnessed a 53% increase in data traffic, while Zain Sudan saw a 45% growth between Q4 2017 and Q4 2018. This growth across all Zain was also reflected in the increase in data customers, specifically 4G customers, to 4.4 million from 3.6 million, up 22%.



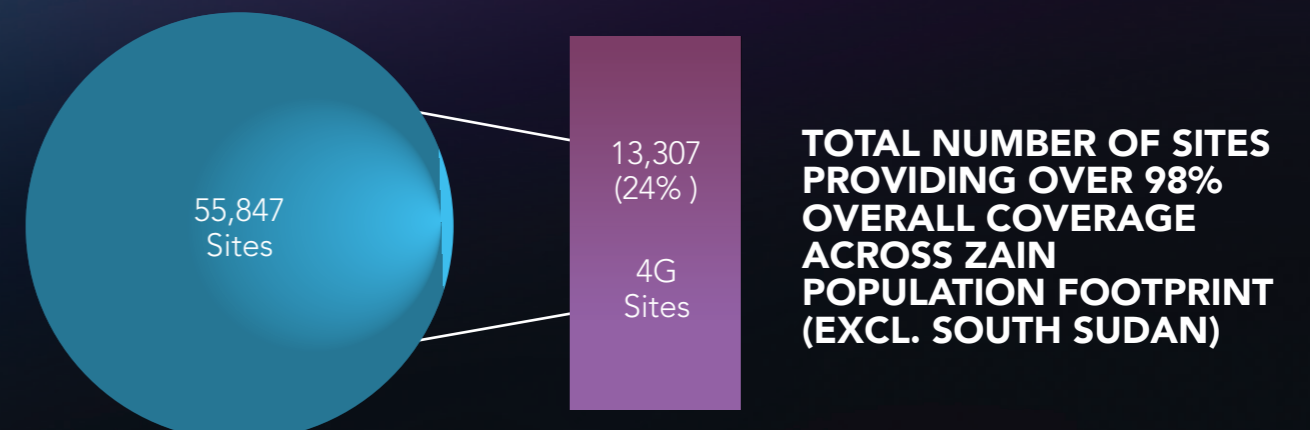
DATA VOLUME ACROSS ALL ZAIN MARKETS REACHING 8.67 PETABYTES PER DAY IN 2018.



DOWNLOADED AND UPLOADED BY 13.48 MILLION CUSTOMERS ACROSS ZAIN MARKETS.

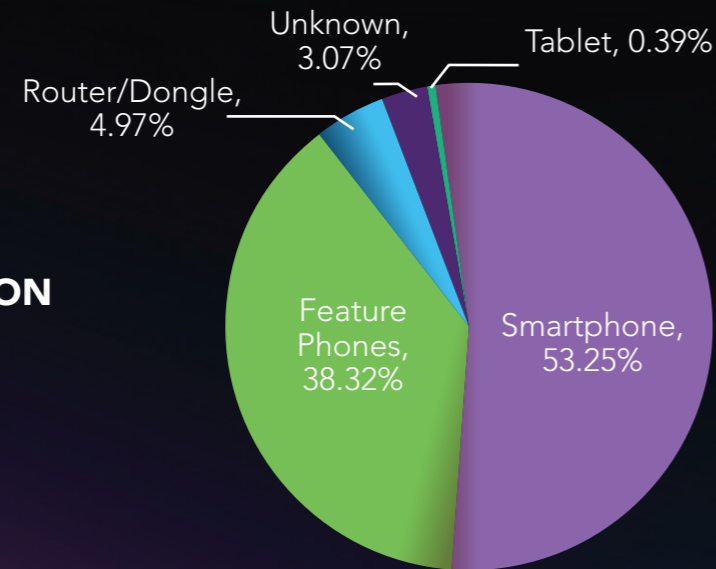


ZAIN GROUP OPERATES A TOTAL OF 56,000 SITES, OF WHICH 13,307 ARE 4G COVERING OVER 83% OF THE POPULATION ACROSS EXISTING ZAIN LTE MARKETS AND CARRYING 72% OF ALL DATA TRAFFIC.



THIS GROWTH IN DATA IS ALSO DRIVEN BY AN INCREASE IN THE USE OF SMARTPHONES REPRESENTING 53% OF ALL DEVICES IN OUR MARKETS WHICH IS PARTICULARLY IMPORTANT IN ENABLING GREATER DATA CONSUMPTION PER CUSTOMER.

SMARTPHONE PENETRATION CONTINUES TO GROW IN ALL OUR MARKETS



We are continuously exploring new technologies to enhance our customer experience capabilities. We are actively investing in technologies that enable prediction and automation in key areas of network experience delivery, such as operations, optimization and tools that assist in the detection of the degradation of network performance before customers are impacted.

ENERGY AND SITE OPTIMIZATION

SITES SHARING & OUTDOOR EQUIPMENT

Sharing of site infrastructure in Bahrain, Jordan and Saudi Arabia has helped Zain achieve two main objectives:

1. To reduce the deployment time of its network, providing better services to customers in an efficient and timely manner.
2. To reduce our carbon footprint by lowering our energy requirements.

By prioritizing the use of outdoor cabinets, Zain is moving away from conventional telecom equipment housing facilities to optimized and energy-efficient equipment. Outdoor cabinets tend to rely on natural cooling and fewer cooling solutions, thereby reducing energy consumption. Outdoor equipment has been deployed in Saudi Arabia, Bahrain, Jordan, Sudan and Iraq.

NEW DATA CENTERS

Zain is upgrading its data center facilities to meet increasing Information Communication Technology (ICT) demand in line with our strategy to provide the best digital experience to customers. While two data center facilities are under development in Sudan and Jordan, another is in the planning stage in Saudi Arabia.

In Jordan, Zain was granted the TIER III certification of Design Documents known as TCDD by the Uptime Institute for its new data center facility that is under development. The TIER III level of data center requires concurrent maintainable infrastructure geared to eliminate disruption due to planned work. This is in line with Zain's objective to provide the best customer experience through the deployment of reliable infrastructure and the use of the best deployment techniques that combine modularity, efficiency and short time-to-market. Zain is taking the necessary steps to ensure that this new infrastructure is implemented as per the design approved by the Uptime Institute.

The data centers under construction in Jordan and Sudan have a target power Usage Effectiveness of 1.67, which means that only 40% of the data center facilities' energy is required for supporting the optimum functioning of the ICT equipment. Typically, 50% of a data center's energy is required for this purpose.

GROUP API MANAGEMENT LAYERS

In line with the Zain Digital Strategy, we have established a Group API Management Layer to achieve several business benefits:

- Maximize revenue growth
- Monetize digital assets
- Customer satisfaction improvement
- Enhance partner contribution and engagement

Zain Group API Management Layer was successfully implemented in February 2018 with Zain Kuwait being the first operating company to benefit from this initiative by launching Zain Games in partnership with DoCoMo Digital. Zain Saudi Arabia was introduced to the API Layer in September, followed by Jordan in October.

Zain Bahrain used the Group API Layer to integrate with the Apple App Store, giving Zain customers in Bahrain the option to purchase products from the store using their mobile bill/balance.

During 2019, all Zain operating companies are set to be introduced to the Group API Layer, with the number of partners/merchants also set to grow.

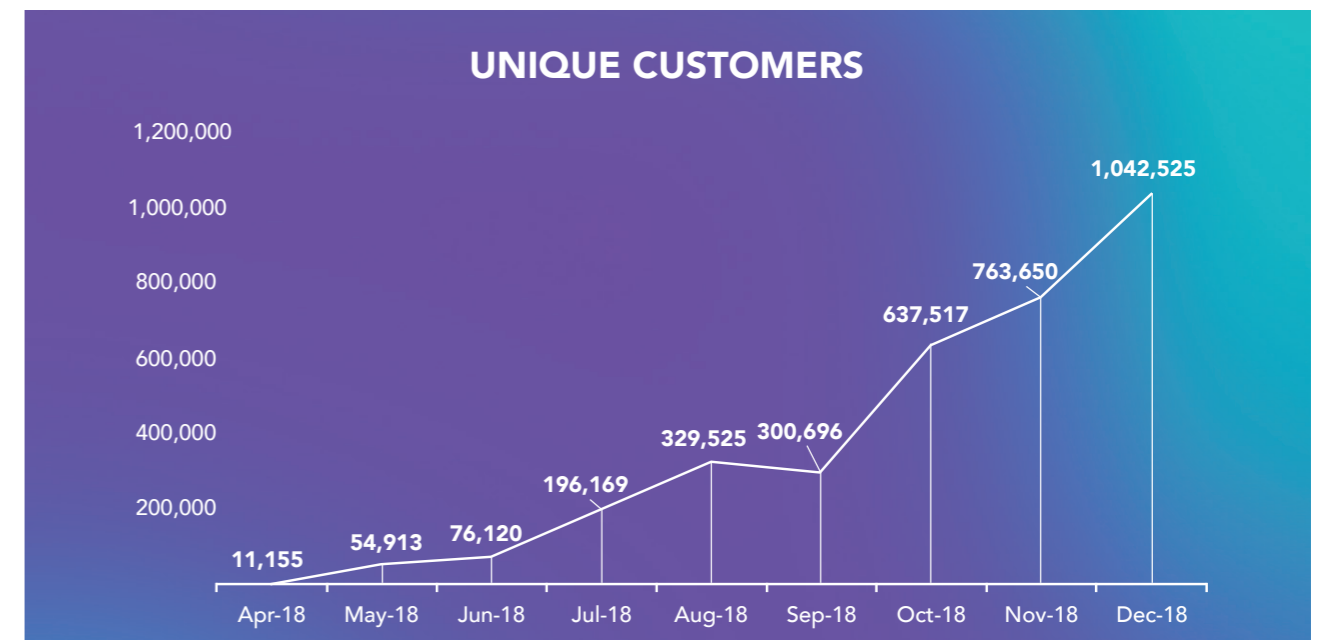


Figure1: Zain Group API Layer Customers growth

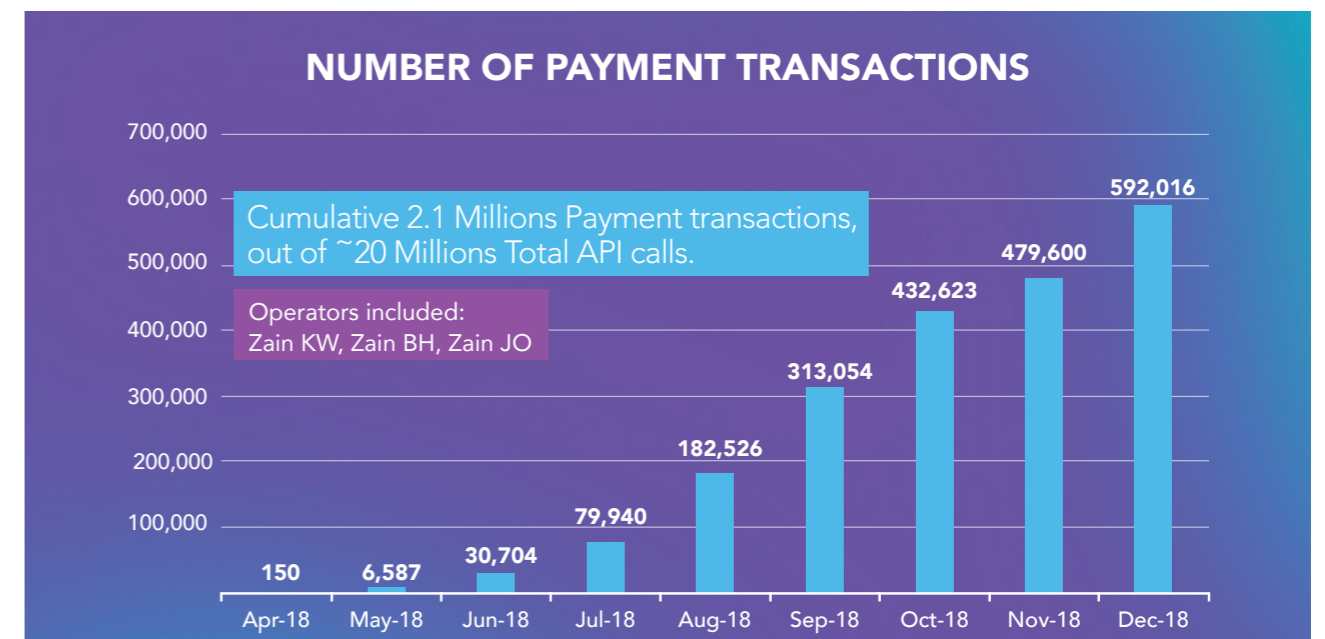


Figure 2: Zain Group API layer payment transactions growth

 **zain**
DRONE



ZAIN DRONE SERVICES LAUNCHED IN KUWAIT

THE DISRUPTIVE POWER OF DRONE SOLUTIONS WILL BOLSTER EFFICIENCY FOR MANY BUSINESSES AND GOVERNMENT ENTITIES ACROSS THE MENA REGION

Zain Group announced in October 2018 the launch of its pioneering Zain Drone entity in Kuwait, with the plan to expand its operation to other markets across the operator's footprint in due course.

Zain Drone as-a-Service (DaaS) is set to unlock opportunities in various industries to fast-track growth and exploit the Internet of Things (IoT) in an efficient, safer and faster way. The disruptive power of drone solutions will bolster efficiency as it offers state-of-the-art bespoke drone solutions and provides advanced analytics for governments and businesses.

Zain Drone offers multiple solutions across core industries such as Oil and Gas (flare inspections), Utilities (power line inspections), Construction (BIM), Infrastructure (asset inspections), Security (surveillance), Real Estate (3D Modeling), Telecom Infrastructure (tower inspection), and Agriculture (crop health monitoring). The service facilitates the gathering of image data related to work advancement through the measurement of key parameters, assessing image data to evaluate compliance with original designs, and performing automated stock-taking along with reducing accidents and human error.

Zain has created a corporate entity to focus on the delivery of the drone-powered solutions, building upon its leading position in digital innovation across the markets in which it operates.

Zain enjoys extensive in-house expertise in drone technology, and possesses solid relationships with government entities, having deep experience in collecting, transferring, storing and processing huge quantities of data in a trusted manner.

Furthermore, Zain has the distinct advantage of offering reliable connectivity through an extensive network of towers across its regional footprint (22,000+), and enjoys vast experience in cloud infrastructure, system integration and data analytics.



Additional services offered by Zain Drone

Zain Drone will be able to offer additional services including unified communications, fleet management, control rooms, and managed services.

Additional use cases for Zain DaaS also exist in border security, offering aerial control over state borders by providing high-resolution image data from high-altitude fixed-wing drones. Sensors providing visual and thermal video footage for traffic and event identification can also be implemented. Zain Drone has applications in mass control environments and emergency situations, as well as in media services with respect to live and high-resolution streaming.

Zain Drone will also offer Artificial Intelligence (AI)-enabled autonomous drone systems that will improve business decisions with its access to high accuracy data, while reducing manpower costs by requiring minimal human interaction. AI drones are capable of self-diagnostics, self-charging, and autonomous navigation utilizing a set of sophisticated sensors and high accuracy data.

The power of drones in quick deployment and capturing precision data at various altitudes is extremely beneficial for business planning and decision-making.

Zain Drone is investing heavily to ramp up the required capabilities in operations and is positioning itself to become the leading strategic partner in the fast-developing market for unmanned data acquisition. Zain Drone is set to unlock opportunities in various industries to fast-track growth and exploit the Internet of Things (IoT) in an efficient, safer and faster way.

PARTNERSHIP WITH WORLDWIDE LEADER DRONESHIELD TO OFFER COUNTER-DRONE SOLUTIONS

Civil infrastructure operators, airports, governmental bodies, security agencies, and others to benefit from counter-drone security solutions

December 2018 saw Zain Group enter into a Teaming Agreement with DroneShield Ltd (ASX: DRO) worldwide leader in counter-drone solutions, which will see the companies working together on meeting Zain's customers' requirements for these types of security solutions in the region.

DroneShield is a worldwide leader in drone security technology having developed the pre-eminent drone security solution that protects people, organizations and critical infrastructure from drones intrusion. Its leadership brings world-class expertise in engineering and physics, combined with deep experience in defense, intelligence, and aerospace.

The rise of drones also brings multiple risk and liability challenges for governments and industry. Zain has a substantial market penetration in the region with precisely these kinds of customers – civil infrastructure operators, airports, governmental bodies and security agencies, and others – that require counter-drone security solutions.

Zain is fielding increasing demand from customers for comprehensive solutions in this space, and DroneShield's product range, coupled with Zain's telecommunications expertise, provides exactly what customers are looking for.



ZAIN DRONE TO UNDERTAKE TOWER INSPECTION AND MAINTENANCE SERVICES FOR ZAIN KUWAIT

Automation will drive efficiencies with up to 50% in cost savings for Zain

In December 2018, Zain Kuwait announced entering an agreement with Zain Drone to undertake inspections of its tower infrastructure. The agreement saw the operator become one of the first in the MENA region to deploy drone technology to inspect and maintain its cell tower infrastructure, demonstrating the operator's drive to become a more agile and cost-efficient provider. The agreement also represents the first commercial deal for Zain Drone.

In a growing trend globally, progressive mobile operators have identified the need to constantly monitor their towers to ensure hassle-free relay of signals between devices and infrastructure. Drone cell tower inspection reduces costs and the time taken to detect flaws considerably, as well as providing companies with complete details of defects through visual imagery, making it easier to develop lasting solutions for the problems that are identified.

Automation will play a key role in the cell tower inspection industry where automated workflows have proven their potential by helping cut inspection costs by as much as 50%. Drone hardware and software technologies have developed to the level that the entire inspection process can be streamlined and automated. The valuable benefits of drone technology in this instance includes, higher-resolution visual inspections than ground-based ones; a significant reduction in man hours and costs; the ability to safely assess the condition and alignment of all components of cell towers with inspections done from a safe distance; an increase in efficiency due to data accuracy, live streaming and zoom or thermal capabilities; and the lack of network downtime as cell towers remain functional during inspection.

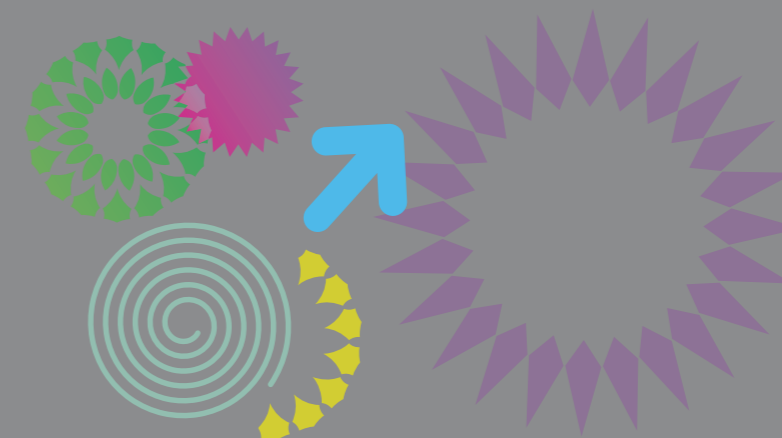


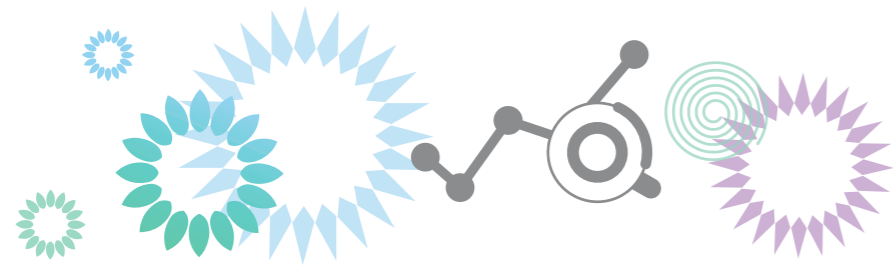
COMMERCIAL



Zain aims to be the data provider of choice and continues to transform itself into a comprehensive platform that enables customers to enjoy a truly digital lifestyle.

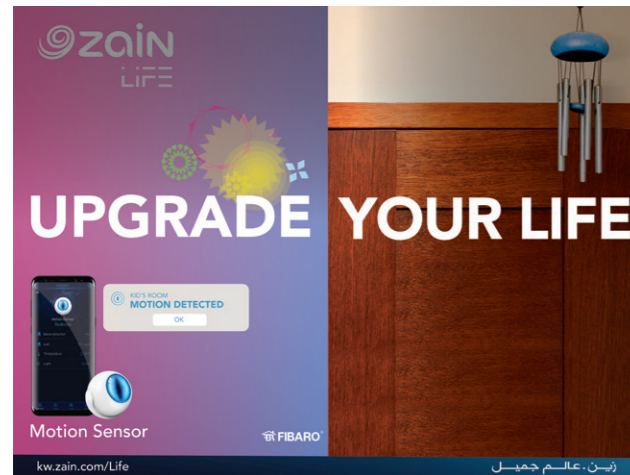
In 2018, we maintained our focus on delivering a world class customer experience by providing reliable, innovative products and services. We continued to invest in our networks and IT infrastructure to further expand coverage to meet the strong demand for data. As a result, Zain continues to see positive NPS trends across all our markets.





ZAIN LIFE

In March 2018, Zain Kuwait announced the launch of Zain Life, a new brand that offers customers a portfolio of innovative and flexible digital services in the areas of Smart Homes, health, and wearables. Zain Life showcases our strategic vision of becoming a digital lifestyle brand, offering a comprehensive portfolio of solutions.



DATA MONETIZATION

To satisfy the huge appetite for data connectivity from both consumer and enterprise customers, and to differentiate our services from competition, we aim to provide the leading mobile data experience in all our markets.

We continue to see strong demand for data; driven by increasing smartphone penetration, the growing use of social media, 4G adoption, and use of video applications. During 2018, Zain witnessed a 71% growth in data revenues in comparison with the same period in the previous year. The contribution made by data revenues to overall gross revenues increased from 25% to 33% during the year.

A core pillar of our Group commercial strategy is our data monetization program, geared at delivering sustainable growth in data revenues.

The program is localized in each market via specific initiatives:

KUWAIT

2018 saw the introduction of a new home Internet solution, Beam, which uses the most advanced wireless broadband technology to provide a fiber-like experience.

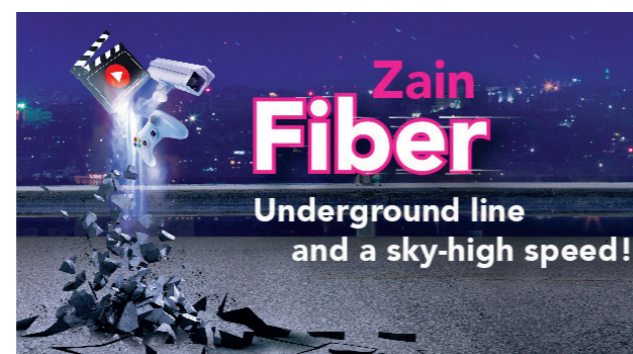


IRAQ

The operation continued to invest in its data network by expanding coverage and increasing speed and delivering increased reliability and enhancing customer experience. We also enriched the value propositions for smartphones, resulting in a strong uptake from the residential segment. As a result, data traffic increased significantly. In parallel, we successfully implemented several data traffic optimization initiatives that resulted in cost savings in the provision of data services.

JORDAN

The operator's 079 Program accelerated its data uplift efforts through the offer of targeted "much more for more" data add-ons. We also expanded our fiber network to reach more homes, resulting in ARPU uplifts for customers



migrating from mobile data.

SUDAN

Zain Sudan launched a new flex service, TakTik, which consists of units that can be consumed as data, voice or SMS. Additionally, revamps were introduced for both large screen and small screen data value propositions, resulting in increased usage and revenues.

SAUDI ARABIA (KSA)

During 2018, Zain KSA launched fiber-to-the-home (FTTH) services, providing high-speed data to households. Additionally, the entire data portfolio was revamped with a strong focus on customer experience. Daily, weekly and monthly packages were offered for social media; and real-time consumption triggers were introduced to give customers increased control over their usage and spend.

BAHRAIN

Zain Bahrain continued to improve the TDD-LTE network in 2018 offering high speed home connectivity.

CUSTOMER VALUE MANAGEMENT

We continue to invest in our value management strategies and systems. Our approach is to offer tailored propositions to customers that reward for both tenure and spend as well encouraging customers to try new products and services. We aim to unlock more value by offering relevant offers that are presented in a timely manner employing techniques such as real-time triggers and next-best activities.

KUWAIT

Zain Kuwait focused on enhancing the scope of value management through the introduction of new digital communications channels, driving significant incremental revenues in their market.

IRAQ

The operator's unique micro segmented customer value management campaign called "Know Your Offer" (KYO - *100#) was very successful in attracting new customers as well as generating incremental revenues. Moreover, Zain Iraq launched Imtiyaz (privilege) as the first digital loyalty platform in the country, providing the most extensive telecom benefits - giving special discounts through over 400 partner locations.

JORDAN

Value management activities were targeted by Zain Jordan to uplift ARPU and increase customer lifetime value. These campaigns were extended to include segmented offers to increase tenure of prepaid customers, upgrade customers to fiber, and attract additional smartphone postpaid users.

SUDAN

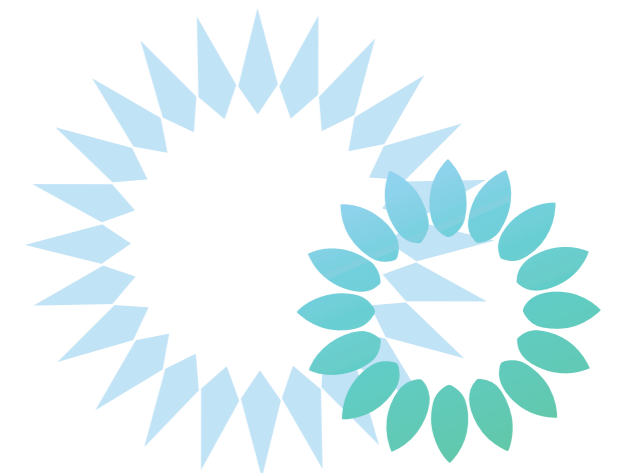
Zain Sudan's focus on segmented customer value management and value development activities resulted in an uplift in ARPUs and migration of customers to 4G.

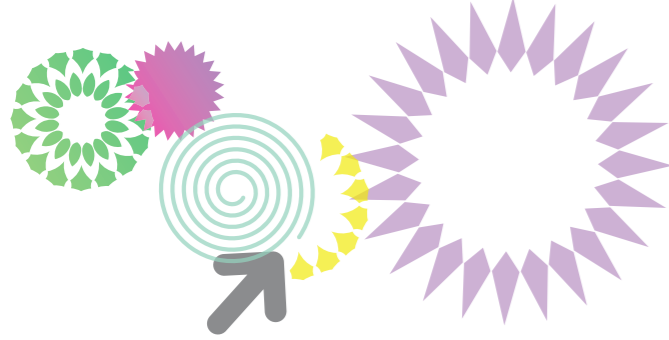
SAUDI ARABIA (KSA)

Zain KSA implemented several operational enhancements including targeted, timely and tenure-based offers; and the development of an in-house contact strategy module to optimize the communication frequency with customers in each of the value segments. These enhancements facilitated numerous segmented customer value management campaigns including destination-specific international bundles, rollout of a retention matrix linked to value, and a dynamic recharge offering.

BAHRAIN

Zain Bahrain implemented a new campaign management system and launched several initiatives to increase the frequency of recharge, increase customer base activity levels, and uplift data revenues. In 2018, the operator partnered with a leading value-added services aggregator to offer the latest digital content, entertainment and infotainment services.





B2B

Zain continues to strengthen its positioning as the operator-of-choice for connectivity services to governments and companies of all sizes across the Middle East.

Our continuous focus on developing innovative value propositions and offering a superior customer experience to enterprise customers delivered strong revenue growth in 2018.

Zain is addressing the ICT needs of governments and companies with a comprehensive mobile, fixed, IoT, IT security and cloud portfolio; building end-to-end solutions.

Our recently introduced fixed portfolio is a strong revenue growth lever. Zain currently offers fixed solutions in Jordan, Kuwait, Saudi Arabia and Bahrain.

We continue to invest in our customer-facing staff and capabilities. In 2018 we expanded the key account manager teams, the Zain B2B shop-in-shop locations and after-sales care teams.

Zain B2B 2018 milestones included:

- Roll-out of Zain Business brand across all Zain markets
- Zain booth at GITEX to showcase Zain smart cities, cloud and drone solutions
- Successful implementation of the MEW project in Kuwait to connect 880,000 smart meters to a central IT platform and billing system
- Smart meter projects in Jordan, Iraq and Bahrain
- Expansion of our fixed, data and voice, offers to reach all B2B segments
- Launch of IT security services in Jordan
- Launch of dedicated B2B care self-service app in Saudi Arabia



CUSTOMER EXPERIENCE

Zain has invested a significant amount on improving customer experience and as a result our customers now have access to more digital channels than ever, enjoying greater accessibility, simplicity and freedom to manage their accounts, buy new services, pay bills and send digital gifts to loved ones.

Zain Kuwait and Bahrain launched multiple digital channels in 2018, with an artificial intelligence (AI)-driven chatbot solution to offer our customers instant service and support via our website, mobile applications and Facebook messenger.



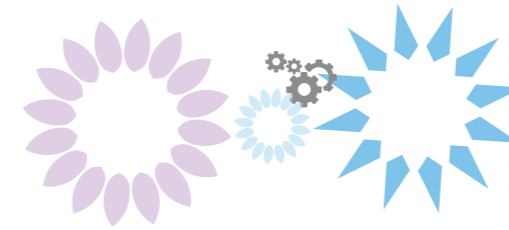
Zain Jordan celebrated a key milestone with one million downloads of its mobile application. A new digital indirect sales application and a new corporate digital sales tool were also launched, providing faster service management and improved productivity.

Zain Saudi Arabia achieved significant enhancements in its digital channels by simplifying the customer journey with respect to new payment options such as credit card installments, recurring payments, other online payments. In 2018, we relocated contact centers onshore in the Kingdom creating employment opportunities for Saudi nationals.

Zain Bahrain introduced E-Signature across its retail and indirect sales channels, which helped in enhancing customer effort scores (CES), reducing handling time by approximately 50% and directly benefiting the environment.

Zain Sudan introduced new customer-friendly digital channels like Whatsapp and e-payments. Focus was placed on training and upskilling front-end staff.

touch in Lebanon worked on improving the customer experience by opening new service centers as well as two new retail outlets in August 2018.



DIGITAL

PIONEERING NEW DIGITAL CONTENT AND SERVICES

2018 saw several first-to-market digital products and content service offerings from Zain across its footprint.

Zain markets intensified their focus on content offerings, as exclusive regional and international content was made available to our customers. Notably, in Kuwait we introduced an exclusive Amazon Prime Video offer – a first in the market, whilst Zain Iraq launched WAVO by OSN and a new music subscription service. iFlix continued to be rolled out in Zain's markets, providing unlimited entertainment anytime, anywhere.

We also invested in developing children's entertainment and education offerings with the introduction of several child-friendly interactive applications in Sudan, Iraq, and Lebanon.

It was also a rewarding year for Zain customers who love to play games in Kuwait, Saudi Arabia, Iraq, Jordan and Lebanon, as a series of new partnerships with DoCoMo Digital and Gameloft presented customers with a large selection of branded games. The introduction of enhanced direct carrier billing functionalities via our Zain Group API platform was a significant step forward in simplifying how customers pay for these and other services.

Zain Cash, the online payment solution that enables Zain customers to purchase products and services in Jordan and Iraq, grew revenues through sales of digital products including iTunes and Google Play cards whilst also increasing merchant payments. In a first, Zain Iraq linked MasterCard to its mobile wallet, allowing customers to purchase online as well as when they are travelling abroad.

Zain Iraq also started to offer insurance services, diversifying its digital services portfolio in partnership with GlobeMed, providing Zain customers with innovative life and accident insurance policies.

In Kuwait, Zain Smart Branch was launched, a first by a local operator. The service allows customers to experience a new way of interacting with Zain with the help of latest technology touch screen do it yourself interface. With the innovative feature of the facial recognition, the Smart Branch can easily and rapidly match the customer's face with the picture on the civil ID. It allows Zain customers to issue SIM replacements and new prepaid simcards on the spot, pay bills, recharge eeZee lines, and subscribe or unsubscribe to the wide range of services.

zain

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A Wonderful World

BRANDING AND ADVERTISING

THE IMPORTANCE OF OUR BRAND

First introduced in 2007, the Zain brand is our most valuable asset, and is at the heart of everything we do, driving our promise to our customers, and defining our vision and focus within the company. Through the collaborative efforts of Zain employees and partners, Zain continues to build its brand every day.

From what the brand does, to the way it is projected, Zain aims to deliver consistency and individuality across all brand touchpoints and assets. The Zain brand identity is considered unique, recognizable, memorable, and reflective of what is expected from a dynamic brand.

In 2017, Brand Finance, a leading global independent brand valuation consultancy (headquartered in London) ranked Zain as the second most powerful home-grown brand in the region, with a brand Strength Index score of 81.8 and a Brand Rating of A++. In 2018, Brand Finance recognized Zain as one of the top 300 most valuable telecom brands in the world, ranking it 62nd.

Today, the Zain brand is worth over USD 2 billion. This brand equity is driven by tangible developments occurring within the company across its different markets; from talent development, to customer-centric programs, heavy investments in our network upgrades, and technology innovations to positively impact our customer experience efforts.

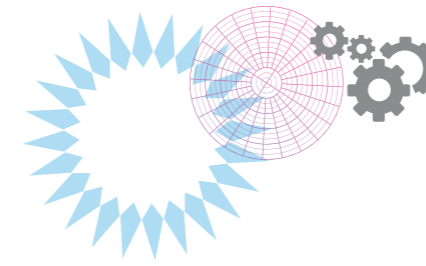
A REFRESHED LOGO AND NEW BRAND POSITIONING – OPPORTUNITY

We launched our refreshed logo and brand positioning in September 2017, marking Zain brand's 10th anniversary. The new brand positioning strategy and the refreshed brand were developed after conducting extensive quantitative brand trigger research and qualitative customer empathy research across our markets.

Our refreshed logo and brand elements reflect the dynamism of the world around us and Zain's own digital lifestyle strategy aspirations. Our brand has been designed to appeal to customers who are living a progressive digital lifestyle.

In November 2018, we hosted a brand strategy workshop to engage our operations and their key creative partners in putting our new brand positioning strategy into action. The workshop was designed to start building the new and exciting Zain Opportunities platform together. Around 100 great ideas were generated covering a variety of areas, from social media and retail to Zain's internal culture and new products and services. In 2019, we will see these ideas come to life.

The new brand positioning strategy – Opportunity – focuses on empowering customers and connecting them to the new opportunities the world offers, as they grow, share and enjoy life.



AWARDS

Since its introduction in 2007, the Zain brand has been awarded numerous accolades across the MENA region for its marketing campaigns and television commercials. In 2018, fifth consecutive year, Zain was crowned "Best Telecom Brand" by the Telecoms World Middle East Awards.

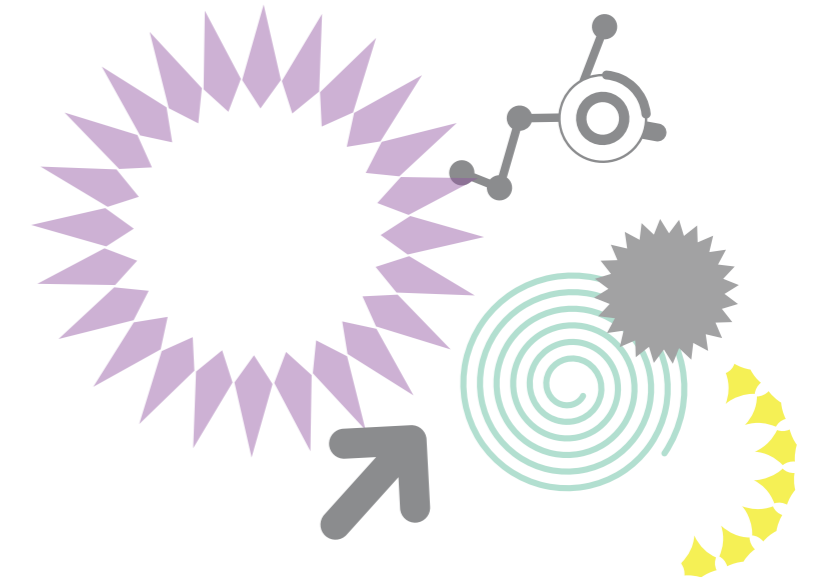


SOCIAL MEDIA

Zain's effort across its footprint to highlight its brand and activities through social media contributes to increasing customer loyalty and attracting new customers. Given the nature of today's digital world, it is particularly pleasing to see significant growth in customer advocacy – demonstrated by the number of fans, comments and views on all our social media channels.

Every year, the region's Ramadan audience keenly awaits Zain's annual Ramadan campaign. In 2018, Zain's Ramadan television commercial reached over 20 million organic views on YouTube, while the Eid television commercial reached over 30 million views on YouTube. By the end of 2018, Zain Group and its local operations reached 10 million fans on Facebook (11% annual increase), more than 6.6 million followers on Twitter, and 1.5 million on Instagram (25% annual increase). During 2018, the YouTube channels of Zain Group and its operations had a remarkable 216 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 142,000 (30% annual increase).

-  **10 MILLION FANS**
11.11% ANNUAL INCREASE
-  **1.5 MILLION FOLLOWERS**
25% ANNUAL INCREASE
-  **141,888 FOLLOWERS**
30.3% ANNUAL INCREASE
-  **MORE THAN 6.6 MILLION FOLLOWERS**
1.53% ANNUAL INCREASE
-  **216.5 MILLION VIEWS**



CORPORATE SUSTAINABILITY



For Zain, 2018 continued to be a year of significant growth in the area of Corporate Sustainability. The Group maintained efforts to advance its sustainability agenda and set in place key performance indicators with the aim of developing a more structured and measured approach for all its markets. Zain further aligned to planetary boundaries and social thresholds integrating the measurements to the UN Sustainable Development Goals (SDGs).

Last year also marked the formal launch of the Zain Youth Platform across Zain markets with the objective to have a more strategic approach to youth development and empowerment.

The year also saw Zain Group's 4th consecutive year of partnering the MIT Enterprise Forum Pan Arab Startup Competition with the final being held in Muscat, Oman in April 2018.

The various operating companies within Zain Group took great strides to address key deficits by launching or continuing with programs and initiatives that provide immeasurable value to all. The programs ranged from providing greater engagement within the community to playing a role in helping facilitate educational needs. The various initiatives are all linked to the SDGs as a key objective. These activities ensured that our various communities benefit directly from the programs that are introduced.

As in previous years, Zain will provide in-depth information on the various corporate sustainability activities in the annual Zain Group Sustainability Report. For further details, please visit: www.zain.com/sustainability

BAHRAIN



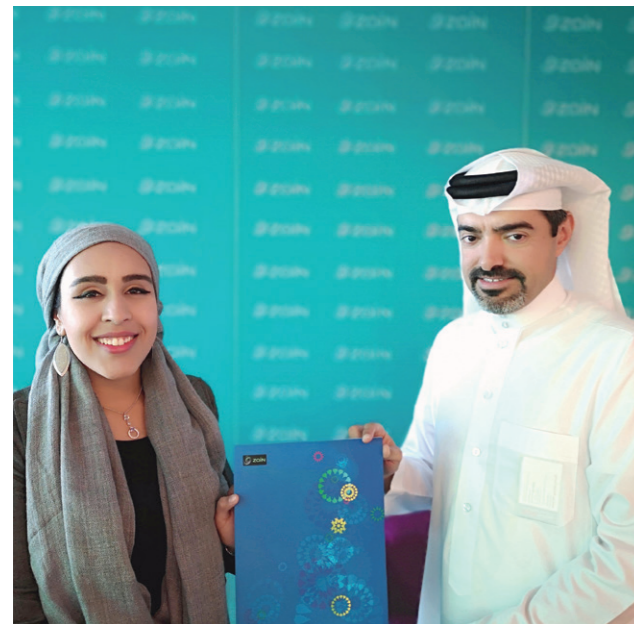
ZAIN COMMUNITY ENGAGEMENT PROGRAM

Zain Bahrain's Community Engagement Program aims to instill a culture of volunteering into the company by providing employees opportunities to give back to the community. Established in 2018, the program aims to contribute to various areas such as health, the environment, gender equality, youth mentorship programs and capacity building. Through a well-rounded engagement approach, Zain Bahrain was able to establish several partnerships with organizations that included National Bank of Bahrain Elderly Home, Salmaniya Hospital, The Cancer Ward, Bahrain Society for Training and Development, Women Tech Makers, and Bahrain Philanthropic Society. During the year, Zain Bahrain was able to provide 69 volunteering opportunities with more than 80 employees participating in the various programs.



GOOGLE DEVELOPER GROUP WOMEN TECH MAKERS

In partnership with Google Developers Group (GDG) Manama, Bahrain, Zain entered a memorandum of understanding that aims to further Zain's leadership position in empowering women in the technology space. Through this partnership, Zain Bahrain will provide access to its facilities to host events and workshops, provide knowledge exchanging opportunities with Zain employees, and encourage and promote entrepreneurship and innovation in the field of technology. In 2018, 25 women participated in the GDG Women Tech Makers events and workshops.



IRAQ



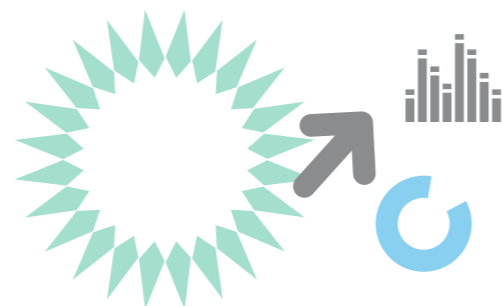
JAMEATY IN PARTNERSHIP WITH MINISTRY OF EDUCATION

In 2018, Zain Iraq launched the Jameaty initiative, which aims to fulfill the needs of the scientific and administrative departments in public and private universities. Through the initiative Zain Iraq distributed 1680 printers, more than 500 ZainFi devices, and 4800 e-Go devices. Additionally, e-Go modems were provided to high-achieving students in each university as a form of recognition for their hard work and accomplishments. Through this initiative Zain Iraq was able to fulfil social opportunities and improve the quality of education for students attending universities in Iraq.



KNOWLEDGE SPACE

Knowledge Space is a newly formed coding and technology developer space, which is a collaborative work space created to support the making, learning, exploring and sharing of knowledge in the fields of science, technology, engineering and math (STEM). This space is considered the first supporting facility for the ICT community in Kirkuk. Through this facility, training programs are being offered in topics such as 3D printing and data science.



KUWAIT



ZAIN KUWAIT AND CODED

In order to address the skills gap occurring across the region, Zain Kuwait, in partnership with Coded, created a training program for young people, which teaches coding and technology using robots, arts and science, by utilizing the latest tools and technologies. The four-week program covered introductory topics to coding and robotics such as block coding, text coding, python, coding logic, sensors, building a computer, and robotic controls. Some of the tools used included KANO Computer Kit, Sony KOOV Kit, Lego Boost, Lego Mindstorm, Cubetto, and Bottley. 39 students were trained through the Coded Junior Summer Camp.



ZAIN KUWAIT PARTNERSHIP WITH LOYAC

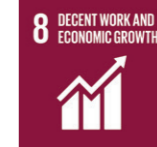
Zain and LOYAC's strategic partnership is centered on the development of the Education and Youth sectors in Kuwait. Through this partnership, Zain engages with various public, private, and non-profit organizations that cater to youth's talents and skills, ultimately contributing to the further progression of the national economy. Through the partnership Zain has been able to support KON, a social entrepreneurship program, offered in Kuwait in collaboration with Babson College in Boston. Another program established through this partnership is the IFAD Internship Program, where talented young Kuwaiti are sent abroad to learn from international experts. Lastly, LOYAC AC Milan Soccer School is a program that has become one of the leading soccer schools in the region over the course of its nine years of existence. Since inception, Zain's partnership with LOYAC has been able to impact more than 52,000 students positively.

This year, the partnership was involved in the following programs:

- Kon Social Entrepreneurship Program: 54 entrepreneurs
- Cultural Awareness Committee: 24 volunteers
- Media Awareness Committee: 27 volunteers
- Environmental Awareness Committee: 13 volunteers
- AC Milan Soccer School: 300+ registrations

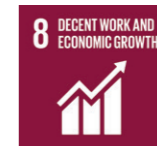


SAUDI ARABIA



MITEF PAN ARAB STARTUP COMPETITION

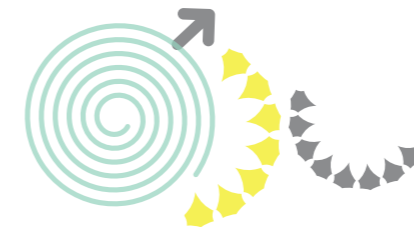
Zain's annual partnership with MITEF Pan Arab Startup Competition aims to create opportunities for growth and development in the MENA region based on innovation and value creation. The competition, saw a local version hosted in Saudi Arabia, is divided into three main categories: Ideas, Startups, and Social Entrepreneurship. Each of these tracks has three winners who were awarded cash prizes and other benefits including training, mentorship, media exposure and networking opportunities. Various stakeholders supported the competition along with Zain KSA and included the General Authority for Small and Medium Enterprises; Kind Abdullah Economic City; King Khaled Foundation; Saudi Aramco Entrepreneurship Center Wa'ed; Saudi Investment Bank; Microsoft; Oracle, and others.



COOPERATIVE TRAINING

Zain Saudi Arabia is committed to upskilling, training and recruiting nationals, and as a result the company has collaborated with Saudi University to provide co-operative training opportunities for undergraduate students. Upon completion of the program, Zain Saudi Arabia was able to hand pick top performers to become full-time employees, providing them meaningful employment. This year, the company hired 30% of those who completed the training program.





JORDAN



MOBILE CLINIC FOR CHILDREN

Ongoing since 2002, Zain Jordan's Mobile Clinic provides health services for hundreds of children in remote areas across the Kingdom. The clinic offers free medical consultation, dental treatment and medication dispensed by a fully equipped and qualified medical team. To ensure children receive quality treatment, the clinic facilitates patient transfers to different health centers and hospitals under the Ministry of Health network of affiliates. Serving children up to the age of 15 years, the clinic treated 200,000 children in 2018.



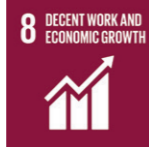
KNOWLEDGE STATIONS

In 2018, Zain Jordan provided connectivity to six knowledge stations across the Kingdom. This initiative was undertaken in collaboration with the National Information Technology Center in several governorates including Amman, Karak, Ma'an, Na'our, Jordan Valley and Irbid. Through the Knowledge Station, approximately 8,620 people are estimated to have benefitted from the services. Objectives identified for the Knowledge Stations include:

- Bridging the digital divide in Jordan across its governorates
- Enhancing the use of ICT in the Kingdom to improve socio-economic development
- Improving IT literacy and skills by providing training and education in ICT



LEBANON



TOUCH INNOVATION PROGRAM (TIP)

The touch Innovation Program's objective is to create an initiative that supports startups, while nurturing a pool of high-potential entrepreneurs to be able to invest in. The selected "touch innovators" are offered benefits set to develop of their ideas and businesses further. TIP identifies and selects 8-12 startups every year with six companies being selected to participate in the initiative every six months. Those selected entities are given access to touch Lab, touch's flexible work space that accommodates meetings, product launches, workshops, and training courses.



TOUCH IN PARTNERSHIP WITH FE-MALE

touch, in partnership with Fe-male, established a nine-month training program targeting young girls and women in Bekaa and Akkar. This training program offered women part-time courses on ICT-related skills such as computer literacy, the use of smartphones, and social media tools. The participants were educated on cybercrimes, cybersecurity, and how to overcome online attacks. The program also extended to awareness raising sessions on women's rights, business planning, entrepreneurship, leadership, public-speaking, decision-making, and self-assertion. Women living in rural areas often suffer from a lack of access to education and knowledge on their rights. The skills and knowledge gained from this program will allow the participants to play a more active role in their communities, contributing to society and positively impact future generations. 60 women have completed the training.



SUDAN



STUDENT MEAL PROJECT

In collaboration with Mujdidoon Organization, Zain Sudan provided annual Iftar meals to ensure temporary food security for those who are less fortunate. Since its launch in 2011, 3,000 meals per day every year have been handed out to students in Khartoum. Every year, approximately 528,000 meals are given out to students in need, adding up to in excess of 4.22 million meals having been distributed during the life-time of the initiative.



ZAINX

Established in 2017, ZainX is an annual event in which people with disabilities are given a platform to share their stories and experiences that shed light on the challenges they face. This year, more than 70 candidates from across Sudan applied to represent the disabled community in the event and eight representatives were selected. Two blind people participated, as did two deaf and mute people, two physically disabled participants, and two with developmental disorders such as autism. The TEDx inspired event attracted 700 attendees including three ministers and heads of universities and NGOs.

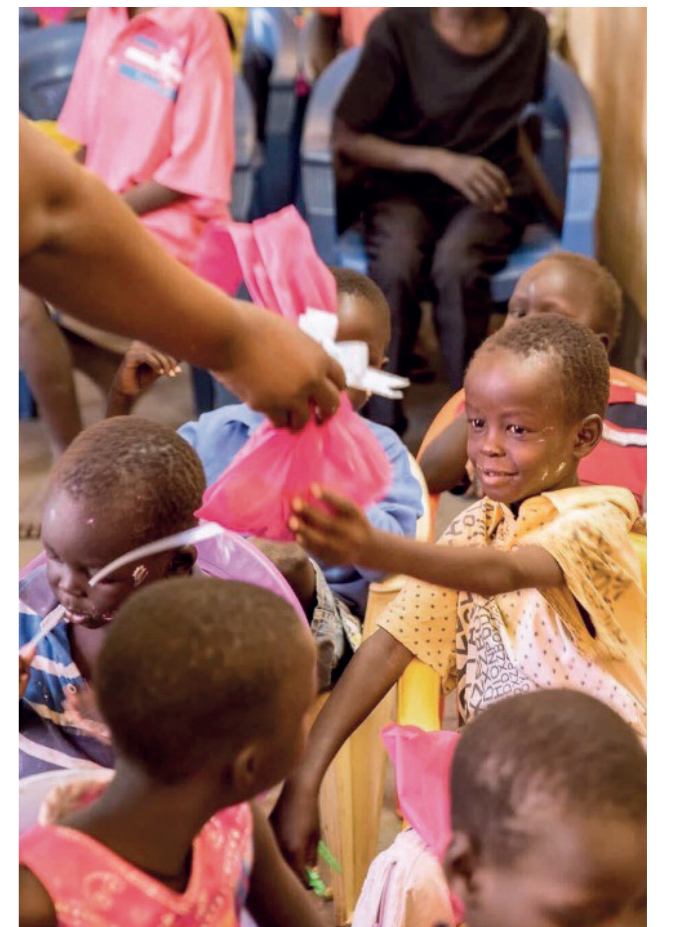


SOUTH SUDAN

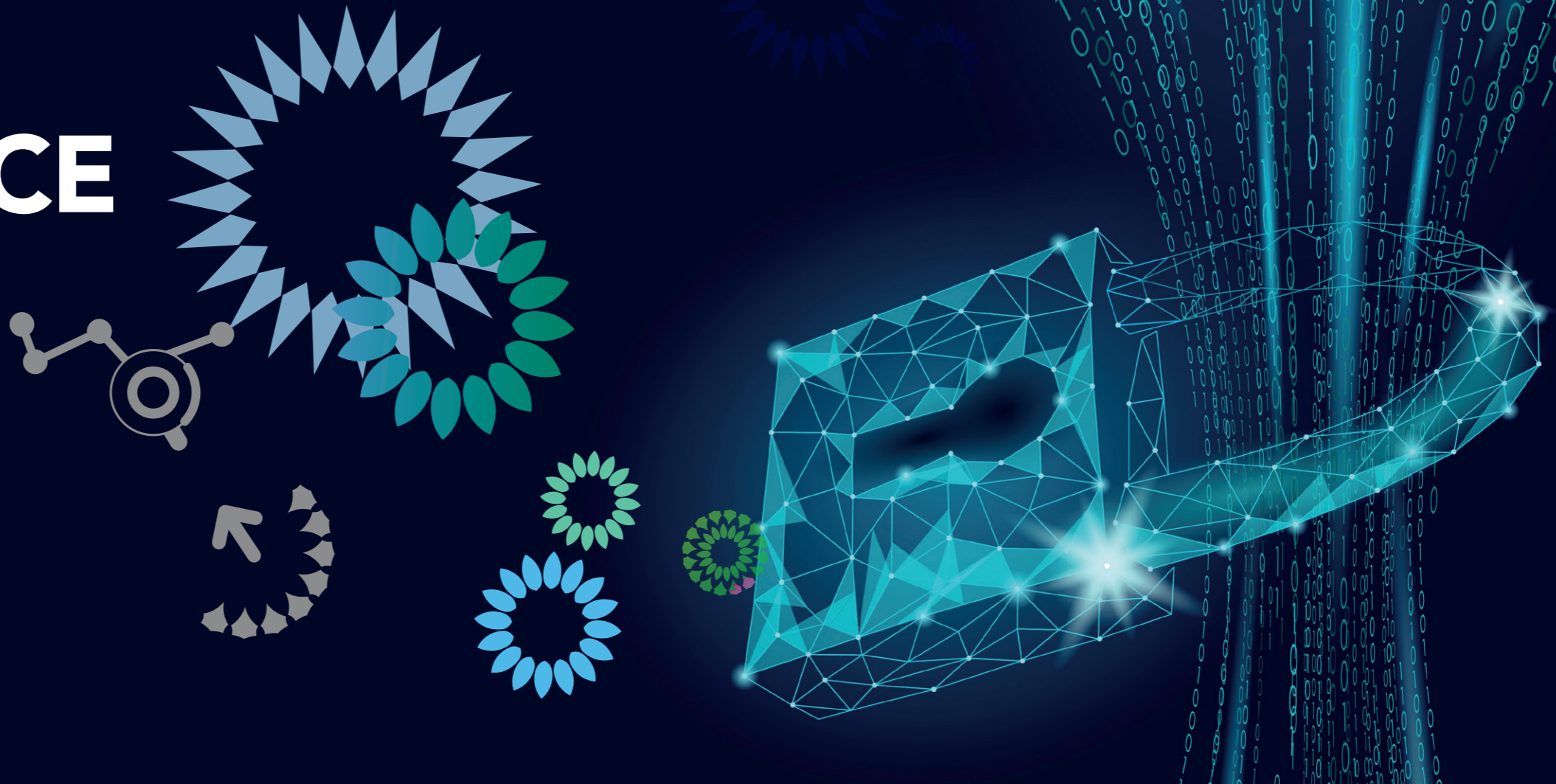


ZAIN YOUTH (ZY) INITIATIVES

Under the Zain Youth (ZY) Platform established in 2018, Zain South Sudan launched a variety of initiatives that aim to develop the youth through capacity building projects, programs in schools, and spreading awareness on inclusivity. This platform targets the youth segment from ages 18-30 years old. As such, stringent KPIs were put into place to measure the impact of the programs and ensure the targets are being met. Under ZY, Zain South Sudan launched an entrepreneurial business training program that targets some of the most vulnerable populations such as single mothers, girls who have dropped out of school, and widows with HIV/AIDS. Moreover, on International Hand Wash Day the company organized an event to raise awareness on the importance of handwashing with soap as it is an effective and affordable tool that significantly minimizes diseases and illnesses. 15 schools participated in the event and 6,150 school children attended.



ANNUAL CORPORATE GOVERNANCE REPORT



Mobile Telecommunications Company K.S.C.P. (Zain) continuously works to adhere to the best practices of governance in all its operations and to maximize value for shareholders and other stakeholders. Zain aspires to be a leader in the Kuwaiti market in this field, to comply with the requirements of different stakeholders and to improve the level of its operations and disclosures to the highest standards.

The Board of Directors provides the strategic plans necessary to develop and review the company's vision and objectives. Therefore, the Board determines the strategic direction of the company by adopting the company's strategy, vision, mission, business plans, capital structure, financial objectives, organizational structure, functional structures and policies.

The Board is committed to creating long-term benefits for stakeholders while ensuring that the company's operations are conducted in an ethical, legal and responsible manner towards the environment and society. An effective governance framework enables all stakeholders to better understand, plan and implement strategies in response to challenges and risks arising from changes in laws, markets, and financial and operational factors.

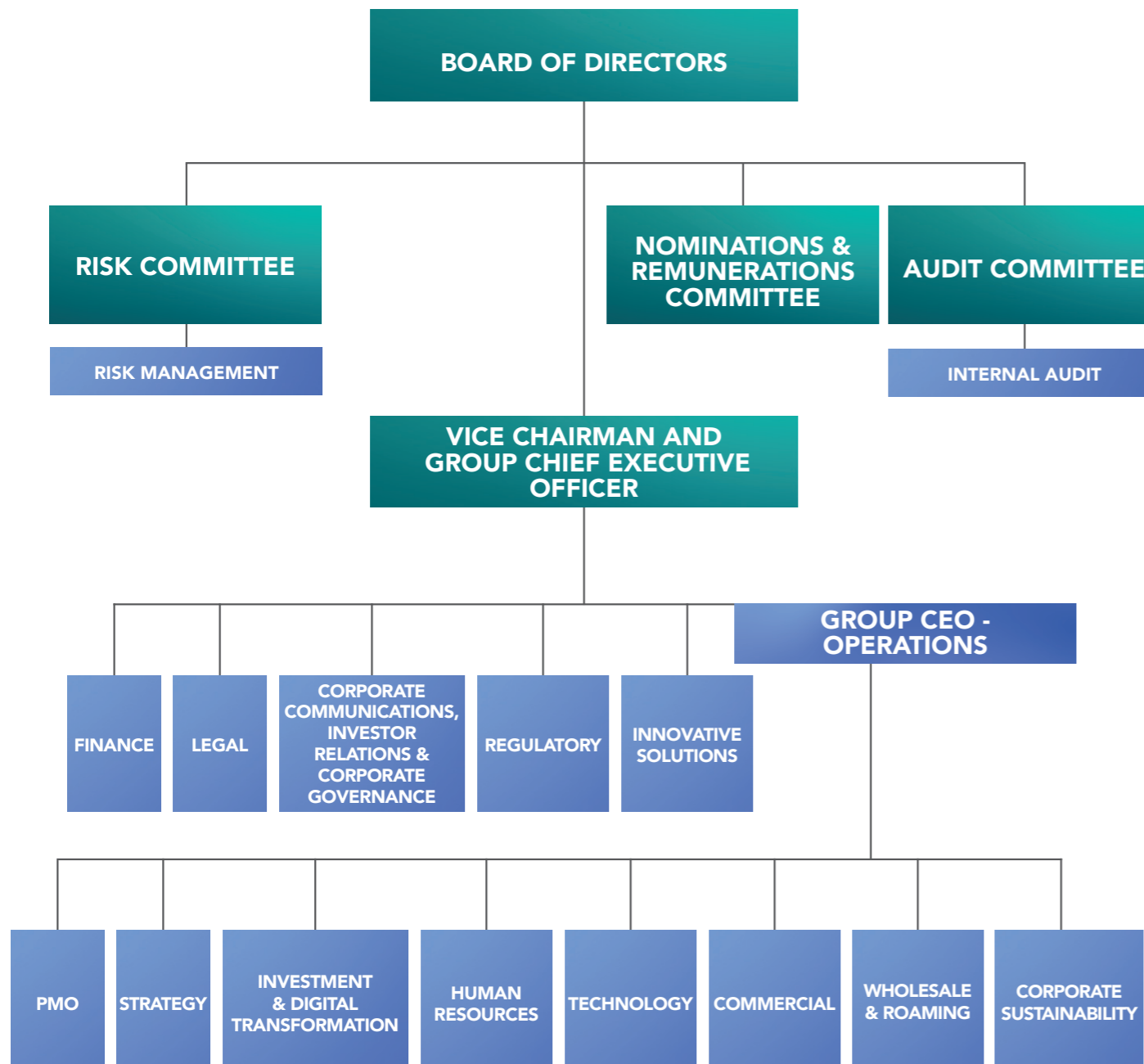
The Corporate Governance Framework is best implemented by an effective and knowledgeable Board of Directors. The Board consists of a group of experienced members who are committed to their roles, including dealing with the issues presented by Executive Management, and discharging their responsibilities towards shareholders.

The company's business is carried out by the company's executive management led by the CEO with the supervision of the Board.

The Fundamental Principles of the Corporate Governance Framework are followed at various levels of business, including operations outside of Kuwait, in line with the instructions of the Capital Markets Authority (CMA), and other regulatory bodies and in compliance with the leading practices in governance.

The Board of Directors ensures the protection of the interests of shareholders, customers, employees and other stakeholders, and maintains an effective, positive and productive working environment. The Board's efforts in this area during 2018 have been highlighted through several agreements in digital transformation, which correspond to the migration of technological developments in the field of communications and the application of a digital lifestyle compatible with best practices in the global markets.

Zain is committed to transparency when communicating with stakeholders in order to guarantee the integrity of its operations. In this report we will highlight the most important steps taken during 2018 to balance the achievements and interests of the company and stakeholders at various levels.

RULE I: CONSTRUCT A BALANCED BOARD COMPOSITION**ABOUT THE BOARD OF DIRECTORS**

One of the most significant changes during 2018 was the amendment to the Articles of Association of the Company in the Extraordinary General Assembly on 15 March 2018 and the addition of a ninth member to the Board of Directors. Pursuant to this amendment, elections were held in the Ordinary General Assembly on 28 March 2018. The Board of Directors was restructured as follows:

COMPOSITION OF THE BOARD OF DIRECTORS

NAME	CLASSIFICATION	EDUCATION	PROFESSIONAL EXPERIENCE	DATE OF ELECTION/ APPOINTMENT
Ahmed Tahous Al Tahous Chairman	Non-executive	Bachelor's Degree in Business Administration	34 years in the banking and investment sectors in the global and Kuwaiti markets	12 Mar 2017
Bader Nasser Al-Kharafi Vice Chairman & Group CEO	Executive	Master of Business Administration	Industrial and banking sector, Investment and business sectors, Non-profit institutions, Telecommunications and mechanical engineering sector	12 Apr 2011
Talal Said Al Mamari	Non-executive	Bachelor's Degree in Business Administration	Finance experience in the telecommunications sector	15 Oct 2017
Mehdi Mohamed Jawad Abduwani	Non-executive	Bachelor's Degree in Economics Post-graduate diploma	29 years in communications, economic planning, banking, corporate management, finance, energy, industry, Sectors of tourism and maritime transport	19 Dec 2017
Saud Ahmed Abdulkarim Al Nahari	Non-executive	Postgraduate Diploma in Port Management	Economic and commercial sectors, insurance, port management and corporate governance	19 Dec 2017
Martial Antoine Marcel Caratti	Non-executive	Bachelor's Degree in Finance and Accounting	30 years of financial experience In the telecommunications sector in the Middle East and Europe	19 Dec 2017
Nigel Kevin Govett	Non-executive	Bachelor of Arts in History	20 years in Investment, Finance, Telecommunications, Strategies, Acquisitions, Fellow of the Chartered Accountants Association	19 Dec 2017
Abdulrahman Mohammad Ibrahim Al Asfour Independent	Independent	Bachelor's Degree in Business Administration – Accounting Major	Technical expertise in the application of IT solutions, audit and finance	28 Mar 2018
Yousef Khaled Al-Abdulrazzaq	Non-executive	Bachelor's Degree in Business Administration – Finance Major	Audit and investment expertise within the general reserve sector and investment funds	30 May 2018
Hatmal Farouq Al Qadi	Secretary	Master of Laws (L.L.M)	Legal Consultancy Telecommunications sector	12 May 2015

BOARD OF DIRECTORS' MEETINGS

NAME	MEETING (1) 7/2/2018	MEETING (2) 28/3/2018	MEETING (3) 10/5/2018	MEETING (4) 31/7/2018	MEETING (5) 7/11/2018	MEETING (6) 11/12/2018	TOTAL ATTENDED
Ahmed Tahous Al Tahous Chairman	✓	✓	✓	✓	✓	✓	6
Bader Nasser Al Kharafi Vice Chairman and Group CEO	✓	✓	✓	✓	✓	✓	6
Talal Said Al Mamari	✓	✓	✓	✓	✓	✓	6
Mehdi Mohamed Jawad Abduwani	✓	✓	✓	✓	✓	✓	6
Saud Ahmed Abdulkarim Al Nahari	✓	✓	✓	✓	✓	✓	6
Martial Antoine Marcel Caratti	✓	✓	✓	✓	✓	✓	6
Nigel Kevin Govett	✓	✓	✓	✓	✓	✓	6
Abdulrahman Mohammad Ibrahim Al Asfour Independent¹	N/A	✓	✓	✓	✓	✓	5
Yousef Khaled Al-Abdulrazzaq ²	N/A	N/A	✓	✓	✓	✓	4

The table includes all board meetings held during the year.

¹ Mr. Abdulrahman Mohammad Al Asfour joined Zain Group Board of Directors on 28 March 2018.

² Mr. Yousef Khaled Al-Abdulrazzaq joined Zain Group Board of Directors on 30 May 2018 as a representative of Kuwait Investment Authority (KIA).

MANAGEMENT OF BOARD MEETINGS

The Secretary of the Board of Directors shall be responsible for assisting the Chairman in all matters relating to the Board, including coordinating, organizing and attending Board meetings, ensuring compliance with all relevant regulatory requirements, preparing the agendas and sending invitations to Board meetings. The Secretary provides the members of the Board of Directors with the agenda at least three working days prior to the meeting of the Board, excluding emergency meetings. All decisions and discussions of Board members are recorded, in addition to the results of voting sessions at Board meetings. The secretary is the custodian of all documents relating to board affairs.

The Board Secretary ensures compliance with procedures adopted by the Board, which relate to providing information to members, committees and executive management, under the supervision of the Chairman. The Secretary obtains approval by the Board to distribute decisions to the concerned departments for implementation and follows-up on the implementation of the Board's resolutions.

In addition, the Secretary of the Board carries out the same responsibilities with regards to the Board Committees which include the preparation and issuance of agendas and invitations to meetings as per the approval of the Chairman of the Committee and providing the supporting documents to each member of the Committee.

These procedures include recording the attendance of members at all meetings, preparing the minutes for each meeting of any committee and presenting it to the chairman of the concerned committee and its members for approval.

RULE II: ESTABLISH APPROPRIATE ROLES AND RESPONSIBILITIES

THE ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

In accordance with the Company's Memorandum and Articles of Association, the Board of Directors has been delegated with the responsibility for the effective leadership of the Company in order to raise its value in a profitable and consistent manner. The corporate governance framework includes charters defining the responsibilities of the board of directors, its members, and its committees.

The Board of Directors formed committees in accordance with the charters which define the duration of the Committee, its authorities and responsibilities, and the manner of the Board's oversight thereof. The charters also include the committees' functions, rights and duties. The board also evaluates the performance of these committees and their members. The committees must report to the board the results and decisions with absolute transparency.

The Board of Directors is the key decision maker in the areas of strategy, policy, planning, finance, auditing, governance, compliance, risk management and internal control. The Board aims to ensure fair treatment of all shareholders, in accordance with regulatory requirements. In addition, the board ensures that transparent procedures for regulating the relationship with shareholders are in place.

The Executive Management is appointed by the Board of Directors. The Board selects members of the executive management based on competencies and capabilities that ensure that the Company's strategy is consistent with the expected performance to maximize the value of stakeholders. Therefore, the executive management follows the policies and regulations adopted by the Board. The Board holds periodic meetings with the executive management to discuss the operations, obstacles and opportunities. Accordingly, performance standards are set for executive management consistent with the company's objectives and strategy.

Each member of the Board and Executive Management acts in the best interests of shareholders, the Company and the stakeholders, in compliance with the Code of Conduct of the Board and the Executive Management.

The Company has detailed the responsibilities of the Board of Directors including independent, executive and non-executive members. In addition, responsibilities and duties of the Board Committees and the Executive Management have been defined.

BOARD ACHIEVEMENTS IN 2018

- Amendment of the company's Articles of Association during the Extraordinary General Assembly on 15 March 2018.
- Approval of the company's financial statements for 2017 and recommending a dividend of 35 fils.
- Approval of the Group's new strategy, which determines the future direction of its operations and seeks investment opportunities that will enhance cashflows.
- Continuous support to Zain Saudi Arabia with its business plans and strategies which have contributed to its turnaround and the achievement of record and historical financial indicators since its inception.
- Approval of an agreement with a group of regional and international banks to refinance a five-year credit facility of US \$ 700 million, which will be used for general purposes serving the Group's strategy.
- Assisting Zain Saudi Arabia in refinancing and extending its SAR 5.9 billion (US \$ 1.57 billion) Murabaha contract for a period of five years, up to 30 June 2023 providing additional liquidity to fund its business growth plans focused on digital services.
- Ongoing support and consultation with Zain Saudi Arabia in seeking the best options for its operational model have been instrumental in advancing the discussions on the sale and leaseback of the towers, a step aimed at increasing the focus on increasing the network's operational efficiency, and expansion of investments with higher returns in the future.
- Establishment of Zain Innovation Center (ZINC) in Kuwait as part of the Group's efforts in its digital transformation strategy, at the company's headquarters, as one of the leading incubators for local and regional entrepreneurship initiatives.
- As part of the Board's quest to provide complementary and parallel services, the Company has launched its new operating entity, "Zain Drone", opening up new opportunities for the wide use of UAV technology in the Middle East and Africa.

BOARD COMMITTEES

Board Risk Committee

Formed: 12 May 2015

Term: Membership period is the same as the term of the Board of Directors, and not more than three years, renewable.

Responsibilities:

The responsibilities of this committee include reviewing and adopting risk strategies, risk management and overall risk governance and submitting them to the Board for final approval. The Committee shall ensure that the Company does not exceed the risk tolerance levels approved by the Board of Directors and that any irregularities in this regard shall be submitted to the Board.

The responsibilities of this committee include reviewing the risk management structure of the company, the tasks, responsibilities and methodologies prepared and making recommendations to the Board of Directors for approval on annual basis. The Committee reviews and ensures the adequacy of the risk management function, ensuring the availability of resources and infrastructure, and the efficiency of information systems and access to information in such a way that the risk management function can effectively assume the functions entrusted to it.

The responsibilities and authorities of the committee have been defined in the internal charters according to the applicable laws and regulations.

Achievements of BRC during 2018

- Reviewed policies and procedures and ensured compliance with leading global standards.
- Ensured compliance with the Capital Markets Authority's risk management requirements.
- Increased risk awareness at the company and its subsidiaries by enabling a risk management culture.
- Discussed and approved the principles and criteria for risk assessment and monitored the effectiveness of management controls on a regular basis.
- Reviewed and assessed the performance of subsidiaries in risk management, and the extent of coordination between risk units in subsidiaries.
- Reviewed risk management reports and submitted them to the Board for discussion and definition of an action plan accordingly.

Committee Members:

Saud Ahmed Abdulkarim Al Nahari (Committee Chairman)

Bader Nasser Al-Kharafi

Talal Said Al Mamari

Number of committee meetings in 2018: 3

MEMBER	MEETING (1) 10/5/2018	MEETING (2) 31/7/2018	MEETING (3) 7/11/2018
Saud Ahmed Abdulkarim Al Nahari (Committee Chairman)	✓	✓	✓
Bader Nasser Al Kharafi	✓	✓	✓
Talal Said Al Mamari	✓	✓	✓

Board Audit Committee

Formed: 9 June 2011

Term: Membership period is the same as the term of the Board of Directors, and not more than three years, renewable.

Responsibilities:

The Committee's responsibilities include assessing the adequacy of internal control systems applied within the Company and preparing reports containing the Committee's opinion and recommendations in this regard, including: 1. Data Protection. 2. Accounting and financial control tools and business risk management control system. 3. Effectiveness of the overall governance framework. 4. legal and ethical compliance, and appointment of external consultants if required.

The Committee is also responsible for the technical supervision of the internal audit function at the company in order to ensure its efficiency in the tasks entrusted to it by the Board of Directors. In addition, the Committee reviews and evaluates the performance of external auditors and makes recommendations about their services to the Board.

The Committee reviews the periodic financial statements before submitting them to the relevant regulators, in addition to the supporting notes and disclosures in the report and ensures that they reflect the appropriate accounting standards and principles.

Achievements of BAC during 2018

- Monitored the work of the Internal Audit Department for the year 2018.
- Followed-up with the internal audit function on a quarterly basis and worked on the implementation of corrective measures of the observations contained in the reports.
- The Internal Audit Department evaluated the corporate governance framework which includes the board and its committees. Accordingly, a gap report was prepared and recommendations to address areas of development were made and documented. The gap report was submitted to the Audit Committee in November. The final matrix that reflects the best governance standards in Zain will be completed by early 2019.
- All departments were instructed to keep the Internal Audit Department informed of any fraud incidents occurring in any of the Group companies within one week, in accordance with the rules of governance.
- Reviewed the Internal Audit reports and submitted them to the Board for discussion and to determine the action plan accordingly.
- As of the beginning of 2019, consideration should be given to overcoming medium-level risks when calculating the annual bonuses for the executive management of subsidiaries, which was previously set on high-level risks.
- Approved the Internal Audit Plan for 2019.
- Prepared the Audit Committee report, which shall be read by the Chairman of the Board during the General Assembly.

Committee Members:

Martial Antoine Marcel Caratti (Committee Chairman)

Nigel Kevin Govett

Abdulrahman Mohammad Ibrahim Al Asfour (independent)

Yousef Khaled Al-Abdulrazzaq

Number of committee meetings in 2018: 4

MEMBER	MEETING (1) 7/2/2018	MEETING (2) 9/5/2018	MEETING (3) 30/7/2018	MEETING (4) 6/11/2018
Martial Antoine Marcel Caratti (Committee Chairman)	✓	✓	✓	✓
Nigel Kevin Govett	✓	✓	✓	✓
Abdulrahman Mohammad Ibrahim Al Asfour (Independent) Joined on 28 Mar 2018	N/A	✓	✓	✓
Yousef Khaled Al-Abdulrazzaq Joined on 30 May 2018	N/A	N/A	N/A	✓
Ahmad Tahous Al Tahous (Al Tahous was appointed the chairman of the board during Q1-2018, and Martial Caratti was appointed as the committee chairman)	✓	N/A	N/A	N/A

Board Nominations and Remunerations Committee

Formed: 12 May 2015

Term: Membership period is the same as the term of the Board of Directors, and not more than three years, renewable.

Responsibilities:

This committee is responsible for nominating and re-nominating members of the Board of Directors and the Executive Management. It also conducts an annual review of the required skills and competencies in the Board of Directors and Executive Management, considering the Company's approved strategic objectives and corporate governance rules issued by the Capital Markets Authority. In coordination with the Executive Management, the Committee shall prepare the succession plan for the Executive Management, including emergency cases or unexpected vacancies to ensure the sustainability of the company's business.

The Committee maintains a training system to develop the skills of employees. The committee also evaluates the performance of the executive management and facilitates the evaluation of the board of directors. The Committee also plays a key role in the remuneration of the Board and the Executive Management in accordance with applicable rules and regulations.

Achievements of BNRC during 2018

- Reviewed the company's strategy and policy regarding remunerations and nominations, and discussed the mechanism of bonus distribution for 2018 and submitted them to the Board of Directors for approval.
- Reviewed the salaries and benefits report of the executive management.
- Identified required training programs for Board members and submitted them to the Board of Directors for approval.
- Monitored the evaluation of the Board and the Executive Management and submitted the results to the Board.
- Worked with the relevant departments and committees to identify the required competencies in the company according to regulatory requirements.
- Prepared the remuneration report according to regulatory requirements and submitted it to the Board for approval and to be read during the General Assembly.

Committee Members:

Mehdi Mohamed Jawad Abduwani (Committee Chairman)

Bader Nasser Al-Kharafi

Talal Said Al Mamari

Abdulrahman Mohammad Ibrahim Al Asfour (Independent)

Number of committee meetings in 2018: 2

MEMBER	MEETING (1) 25/3/2018	MEETING (2) 29/5/2018
Mehdi Mohamed Jawad Abduwani (Committee Chairman)	✓	✓
Bader Nasser Al Kharafi	✓	✓
Talal Said Al Mamari	✓	✓
Abdulrahman Mohammad Ibrahim Al Asfour (Independent) Joined 28 Mar 2018	N/A	✓

Relationship between the Board of Directors and the Executive Management

The Board of Directors shall have direct and unrestricted access to the executive management and shall receive periodic reports from the Company's executive management. The Board may request any information from any of the Company's employees from time to time. The members of the Board shall have the authority to conduct any investigations into any matter of the Company.

The Board of Directors has delegated some of its duties to the committees of the Board of Directors, executive management or executive committees based on documented decisions. Such delegations shall not be general or indefinite. These delegations do not exempt the Board from its responsibility to ensure an effective, comprehensive governance framework that provides transparency in the company. The Board may also invite the management of the Company or its employees or any external party to attend its meetings, in order to obtain information, recommendations or clarifications as required.

The Board supervises the performance of the Executive Management and ensures that they operate in accordance with the policies and regulations. The Board also holds periodic meetings with the executive management to discuss obstacles and problems, and to review important information related to the company's activity.

In addition, the Board of Directors approves and develops internal policies and charters, ensuring transparency and clarity, and separating the authorities between the Board and the executive management.

The management ensures that the Board and its committees are informed of all material information related to their responsibilities immediately.



RULE III: RECRUIT HIGHLY QUALIFIED CANDIDATES FOR THE MEMBERS OF A BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

ABOUT THE BOARD OF DIRECTORS



Ahmed Tahous Al Tahous – Chairman

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 Executive Director of the Marketable Securities at 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.



Talal Said Al Mamari – Board Member

Talal Said Al Mamari has been a member of the Board of Directors of Zain Group since October 15, 2017. He holds a Business Administration degree from Duke University -

Pittsburgh - Pennsylvania, USA. Al Mamari has been the Chief Executive Officer of Omantel since June 29, 2014. Prior to his appointment as CEO, Al-Mamari has held a number of leadership positions at Omantel, most recently as Chief Financial Officer. He has been involved in several major projects and initiatives, including the initial public offering to sell part of the government's stake in the company, the company's restructuring project through the integration of fixed telecommunications services, and mobile telecommunications services in one entity, and then the completion of Oman Mobile's legal merger with Omantel. Talal Al Mamari also managed the acquisition of Omantel's 9.84% of the capital of Zain Group, which was completed on 24 August 2017.

Talal Al Mamari is a member of the board of directors at a number of investment companies and funds, most importantly, his board membership at Oman Governance Center and Al-Amal Investment Fund.



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.



Mehdi Mohamed Jawad Al-Abduwani – Board Member

Mehdi Al-Abduwani officially joined Zain Group on November 13, 2017. He is a member of the Board of Directors of Oman Telecommunications Company (Omantel) since 2005. Mr. Al-Abduwani

is the CEO of National Ferries Company (NFC), a subsidiary of Oman International Logistics Group. The company specializes in shipping and manages a fleet of high-speed crafts (HSCs) in addition to other models to transport passengers, vehicles and landing ships.

He was selected within the best 100 CEOs in the Arab world, at the "Arab Best" awards in 2017, while NFC received the Arab Best Company award in maritime transport.

Mehdi Al-Abduwani has diverse interdisciplinary experience gained over 29 years in domains such as communications, economic planning, banking, corporate management, finance, energy, and the industrial field.

He holds a BA in Economics from Yarmouk University in Jordan, a postgraduate degree in development planning techniques from the Netherlands. He also has a significant presence in the management of public shareholding companies, as well as membership of the Board of Directors of Zain Group and Omantel Group. He is the Chairman of the Board of Directors of the Computer Stationery Industry (CSI) and the International Maritime College in Oman. He is also a Board Member of several other companies.



Saud Ahmed Abdulkarim Al Nahari – Board Member

Saud Ahmed Al Nahari joined Zain Group on 13 November 2017. He is currently Chief Executive Officer of Port Services Corporation SAOG (Sultanate of Oman). He holds a

Post-graduate Diploma in Port Management. He is a Deputy Chairman in Oman United Insurance Co. SAOG and board member in Oman Al Arabi Fund. He has extensive management experience and is familiar with corporate governance systems and a board member licensed by the Capital Market Authority in Oman.



Nigel Kevin Govett – Board Member

Nigel Kevin Govett officially joined Zain Group Board of Directors on 13 November 2017.

Govett is the Chief Financial Officer of Oman Investment Fund having joined on 1st October 2014 with 20

years of experience in the Investment and Finance sectors having begun his career in the UK. Prior to joining Oman Investment Fund Govett was a Director for EQT Partners, the Swedish based private equity organization with excess of 45 Billion Euros of raised capital.

Govett has played an active role in a number of strategic telecom sector initiatives and acquisitions carried out by Oman Investment Fund. He is a senior member of the OIF Investment Committee.

He sits on the boards of several companies as well as the charity Outward Bound Oman. He is a Fellow of the Association of Chartered Certified Accountants and holds a Bachelor of Arts Degree in History from University of Sunderland, UK.



Abdulrahman Mohammad Ibrahim Al Asfour – Independent Board Member

Abdulrahman Mohammad Al Asfour joined Zain Group Board of Directors on 28 March 2018. He has expertise in applying IT solutions which he gained as an ERP consultant at EQUATE

Petrochemical Company, a global producer of petrochemicals and the owner and single-operator of several fully integrated world-class petrochemical complexes in Kuwait, North America and Europe.

Moreover, his career included an auditing role in the petroleum industry at the State Audit Bureau of Kuwait where he was assigned. He also served as a board member at WABA medical insurance company. Al Asfour is the Chief Executive Officer of Alpha Group Holding Company. Al Asfour holds a Bachelor's degree in Business Administration with a major in Accounting from Kuwait University. He has also completed multiple certifications in SAP systems in addition to other finance and accounting courses.



Martial Antoine Marcel Caratti – Board Member

Marital Caratti has been a member of Zain Group since 13 November 2017. He joined Omantel in 2015 as Group Chief Financial Officer. Caratti has more than 30 years of experience

in the telecom industry in the Middle East and Europe. He began his career in 1986 at NCR in France, an Omni-channel technology provider. He continued his career in the telecommunications sector in France, where he served as CFO at a subsidiary of France Telecom from 1992 to 1996.

In 1996, he became France Telecom Group's Controller of customer branches and Financial Director at Itineris, part of the France Telecom / Orange Group. Between 2000-2006, he served as Vice President of Finance - Content Division at Orange Group France, along with the role of Orange International Finance Vice-President in London. In 2007 he joined KAZ Europe as CFO of EMEA region. Thereafter between 2008 and 2015 Caratti served as CFO for a Tunisian telecom operator. He holds a Bachelor's degree in Finance and Accounting from ESLSCA University in Paris.



Yousef Khaled Al-Abdulrazzaq – Board Member

Yousef Khaled Al-Abdulrazzaq joined Zain Group Board of Directors on 30 May 2018 as a representative of Kuwait Investment Authority (KIA). Joining the KIA in 2006, he is

currently an investment manager within the General Reserve Sector under the local equities department. Al-Abdulrazzaq holds office as Board Member and other key roles in several Kuwaiti entities. In 2010, he was involved in the Kuwait Airways privatization project. Since 2005, Mr. Al-Abdulrazzaq has been the Investment Manager in the Private Equity and Local Investment Funds Unit of the KIA. Since 2012, he has been a member of the Board of Directors at Touristic Enterprises Company where he also serves as Member of the Executive Committee and Chairman of the Audit Committee. Since 2015, he also served as a member of the Board of Directors and Chairman of the Audit Committee and Chairman of the Human Resources Committee at the Public Utilities Management Company, Kuwait, a fully owned subsidiary of the KIA.

Over the years, Al-Abdulrazzaq has attended numerous accredited training courses and conferences. Al-Abdulrazzaq holds a Bachelor's degree in business administration with a major in Finance from Kuwait University.

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 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.


Kamil Hilali – Chief Strategy Officer

Hilali was appointed Chief Strategy Officer of Zain Group effective March 2018. In this role, Hilali is responsible for the development and implementation of Zain's corporate and growth strategy, including

business development, strategic investments and portfolio management. With 15 years of track record in Strategy, Mergers and Acquisitions, Corporate Development and Portfolio Management, Hilali comes to this important role within Zain Group with excellent leadership capabilities, solid technical skills and business acumen. Hilali joined Zain Group in 2011 as Corporate Finance and Business Planning Director. Hilali attained his Master's in Finance from London Business School (UK), his MBA from Suffolk University (USA) and holds a Bachelor's degree in Industrial Engineering from the National School of Mineral Industry (Morocco). He is a Board Member of INWI Corp, Morocco based telecom operator.


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.


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 Chief Finance Officer.


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.


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 18 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 in Business Administration with a double major in Finance & Management Information Systems.


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. 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's degree from the University of Paris in International Business Law.


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 an MBA in Finance and Marketing from the University of Miami, USA. He also has a Chartered/Board Secretary diploma from India.


Dr. Andrew Arowojolu – Chief Regulatory Officer

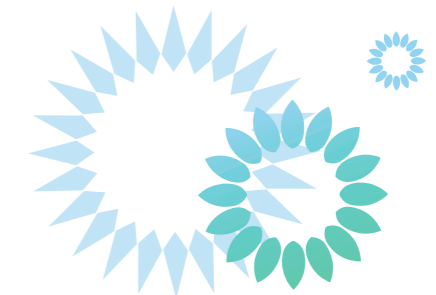
Dr. Andrew Arowojolu was appointed Group Chief Regulatory Officer, effective October 2016. He liaises with Regulatory Authorities across the company's eight-country footprint. A

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 an 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 the University of Lagos (1988).


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.



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 Board of Directors designs the remuneration policy. This policy sets the basis for the remuneration of the Board of Directors and the Executive Management and its compatibility with the objectives and performance of the Company. The policy reflects the objectives of the company and takes into account the integrity of its operations and its financial position. This policy is part of the corporate governance framework. The Board implements this policy through the Nominations and Remuneration Committee (BNRC).

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 remuneration policy of the company determines the reward system in line with the objectives of the company, shareholders and stakeholders. This policy reflects standards and principles of best practices in good governance based on the relevant regulatory requirements.

The BNRC is responsible for the implementation of this policy. It is also responsible for reviewing the policy on an annual basis and when necessary, taking into consideration the extent of compliance with the laws and guidelines issued by the relevant regulatory bodies such as the Capital Markets Authority and others. The Committee submits proposed policy amendments to the Board for approval.

The Board of Directors is keen to promote the principles of effective governance within the company's remuneration system. The Board of Directors, through the Nomination and Remuneration Committee, continues to prepare and update the remuneration policy in line with the Company's strategy and overall risk framework.

The executive management is responsible for designing the staff reward system in accordance with the approved policy, as well as the responsibility of following up the implementation of the approved system.

The KPIs are based on the Company's overall strategy and are approved by the Board of Directors. The Executive Management implements this strategy and reports thereon to the Board of Directors on a regular basis.

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 2018, the total remuneration granted to the Board members was KD 420,000 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 (NRC), 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 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 recommendation.

Category	No. of Employees	Fixed Remuneration (KWD 000')	Variable Remuneration (KWD 000')	Total (KWD 000')
Executive Management at Zain Group	10	2,393	1,814	4,207

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) has 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 286,200 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. The 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

The role of the Board of Directors is to oversee the proper application of internal control and risk management systems through the Risk Committee and the Audit Committee. The Board must also ensure, through the relevant committees, that the Internal Audit and Risk Management Department operate appropriately and independently in accordance with the relevant regulatory requirements.

In accordance with applicable regulations and laws, risk management reports to the Board Risk Committee. The Internal Audit Department reports to the Board Audit Committee.

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.

RULE VI: PROMOTE CODE OF CONDUCT AND ETHICAL STANDARDS

PROFESSIONAL CONDUCT AND VALUES:

The Company maintains a Code of Business Conduct for the Board of Directors, in addition to the employee Code of Conduct which is applicable to all departments and management levels. The company has also developed internal policies and charters conforming to the laws and regulations. Board members ensure that the interests of customers, employees and other stakeholders are protected, and they maintain an effective, positive, and productive working environment.

The Board of Directors, Executive Management and all employees follow the Code of Business Conduct while assuming the duties and responsibilities assigned to them. Moreover, they conform to the Company's values such as honesty and integrity, maintaining the confidentiality of information and allocating sufficient time to assume responsibilities.

CONFLICT OF INTERESTS:

Each member of the Board of Directors and Executive Management shall be responsible for disclosing to the Board any cases that may result in a conflict between their interests and the interests of the Company. The Board shall monitor and deal with cases of conflict of interest reported by the members of the Board, the Executive Management or the Company's employees and ensure that such cases have been dealt with in an appropriate and timely manner with the necessary approvals in accordance with the relevant regulatory requirements.

The Conflict of Interest policy applies to the Board of Directors, the Executive Management, and all employees in accordance with the company's professional conduct and principles, to ensure that any cases of conflicts of interest may not negatively affect the interests of the Company, stakeholders and related parties. All employees of the Company comply with the requirements of this policy, the instructions of the Capital Markets Authority, the Companies Law and other relevant laws and regulations.

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

DISCLOSURE MECHANISMS AND CHARACTERISTICS

The Company is committed to providing accurate disclosures of all material information, while ensuring fairness and equality of access to such information. The Board of Directors monitors the process of disclosure and communication with stakeholders within and outside the Company and ensures that all disclosures are fair, comprehensive, transparent, clear, accurate and timely, reflecting the nature and extent of the risks inherent in the Company's business activities.

The Corporate Governance and Compliance Department is responsible for overseeing the disclosure process in accordance with the requirements of the Capital Markets Authority and applicable laws and regulations. Accordingly, The Corporate Governance and Compliance Department provides any clarification or advice regarding the disclosure requirements of the Capital Markets Authority. The Corporate Governance and Compliance Department is responsible for communicating with and responding to CMA's inquiries and related regulatory authorities.

DISCLOSURE RECORDS

The company has retained the essential information and disclosures within the internal electronic library, which facilitates the work of the concerned departments and organizes the information in such a way as to ensure that the information is available to the concerned persons in a timely manner. The electronic library includes a record of all disclosures, such as disclosures of directors, executive management and insiders, which are amended as required. Any person may access this register during official working hours without charge. The Company periodically updates its data.

The company's official website contains a record of all the company's market disclosures, which dates back to more than eight years.

INVESTOR RELATIONS

The Investor Relations team includes multiple competencies and expertise, ensuring easy communication with potential shareholders, potential investors, analysts and the media. The Board adopted a policy to regulate the communication with shareholders and investors to ensure compliance with all legal and regulatory requirements. The main principles of this policy are: protecting shareholders' rights, communicating with shareholders, and disclosure of material information to shareholders. Material information is provided to shareholders through appropriate disclosure means such as periodic reports, annual report, company website, Kuwait Stock Exchange website (Boursa Kuwait), quarterly analyst calls and related Investor relations conferences.

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 company to the Board of Directors, Executive Management, shareholders and analysts.

IT INFRASTRUCTURE AND DISCLOSURE PROCESSES:

- The company's website includes all the disclosures which date back to more than eight years. The website also includes the periodic financial reports, in addition analyst reports and other facts and indicators.
- The website contains the information of the board of directors, the executive management and the company's code of conduct, as well as the main principles and values that support the company's operations.
- The CMA is addressed by e-mail (in addition to mail) to provide the required information and disclosures.
- The company follows the electronic system of disclosures through the Boursa Kuwait website, in order to update disclosures and data.
- The company's intranet includes an electronic library that contains all the details and information, which are easily accessible at any time with the correct credentials.

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 THE KUWAIT CLEARING COMPANY (KCC)

In April 2004, Zain signed an agreement with the 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 KSE.
- 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

THE PROTECTION OF STAKEHOLDERS' RIGHTS

The oversight and supervisory role of the Board is one of the most important components of the effective governance framework. The Board therefore has the primary responsibility for protecting the rights of stakeholders. Briefing the Board on any developments in the Company's internal and external environment is important and essential, providing the Board with the ability to intervene immediately if necessary. The executive management is responsible for the day-to-day management of the company's operations and the implementation of its strategy. Therefore, it is a key responsibility of the board to select the executive management members who can carry out these tasks efficiently. The Board of Directors shall carry out its supervisory duties either directly or through its committees.

One of the most important principles for protecting the rights of stakeholders is equality. This principle is based on easy and regular access to information and data about the company.

The Code of Business Conduct of the Board of Directors, Executive Management and staff includes guidelines for compliance with the laws governing the Company's operations to protect the rights of stakeholders. The company is committed to protecting the rights of all stakeholders, maximizing their value, and achieving stability and continuity by ensuring a good financial position for the company. The stakeholder protection policy has been designed to identify parties considered stakeholders for the company and to develop guidelines on how to protect their rights.

STAKEHOLDER PARTICIPATION AND FOLLOW UP OF THE COMPANY'S ACTIVITIES:

For the Board to be able to discharge its responsibilities successfully, effective and communication channels must be in place to build the necessary confidence among stakeholders, executive management and the Board of Directors. Financial reports must be prepared in a timely manner in accordance with the regulations of the CMA and any other regulatory bodies. The Company provides information, data, the required books, records and tools from the relevant stakeholders in accordance with applicable regulations and laws.

The Company shall provide information and disclosures in a timely and accurate manner in accordance with the requirements of the CMA and any other regulatory bodies. The company also invests in information technology in order to provide alternative means of communicating with stakeholders and electronic services to enhance the experience of dealing with the company.

The Company is subject to a set of laws, regulations and guidelines 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. The Company also guarantees the protection of the rights of stakeholders. It also expects all stakeholders to fulfill their obligations under the contracts.

RULE X: ENCOURAGE AND ENHANCE PERFORMANCE

BOARD TRAINING AND DEVELOPMENT PLAN

All members of the Board are committed to allocating sufficient time to perform the tasks assigned to them. Accordingly, all members allocate time to review any material / reports related to the meetings of the Board or any of the committees of which they are members. They also review the performance reports received from the Board Committees and the Executive Management and make recommendations on any problems to the Board; the members commit to the proposed development plan as by the Nomination and Remuneration Committee as it provides an added value in relation to the interests of the Board of Directors and the company. As a result of the Board's assessment process, a training plan is prepared for all members covering all development needs identified during the evaluation process.

BOARD ASSESSMENT AND VALUE CREATION EFFORTS TO ACHIEVE STRATEGIC GOALS

The periodic assessment enables the Board of Directors to assess the efficiency and effectiveness of the Board in discharging its responsibilities. Since the Board of Directors determines the general climate of professional and ethical conduct within the organization, it is necessary to regularly assess the governance and performance of the Board. This provides the Board with a comprehensive overview of performance and allows the Board to fill the gaps through the planned training plan and work to improve the performance of the Board and its supervisory capacity. This process will help in solving the company's problems and challenges related to governance and compliance which is in the best interest of shareholders and stakeholders.

The assessment of the Board of Directors is also a means of improving performance and reducing constraints that may prevent the full implementation of their responsibilities. The Board of Directors adopted a new, more neutral and independent method of assessing the performance of the Board, Members and Committees, which is the third-party evaluation. The third-party evaluation is an independent evaluation conducted by a neutral, seasoned third-party. The objective of this assessment is to provide an unbiased assessment of the operations of the Board of Directors. This assessment helps the company to raise the efficiency and improve the performance of the Board and its members and committees, which is reflected on the performance of the company as a whole. Such an assessment helps the Company to identify potential problem areas, improve its ability to manage risks related to Board performance, and measure Board performance indicators against governance standards and applicable legal and regulatory requirements.

RULE XI: FOCUS ON THE IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY

The aim of the Corporate Sustainability Policy is to ensure that the Sustainability strategy and direction is imbedded to achieve the company's goals and targets in a holistic and inclusive manner. The purpose of the policy is to provide an official statement that affirms Zain's commitment to achieving sustainable growth, socio-economic development while ensuring that its business processes are monitored and reported as well as to ensure that relevant community deficits and challenges are being addressed in an effective manner. In order to do so, the company provides and focuses on capacity building, youth and women empowerment, social innovation, job opportunities, poverty reduction, and addresses aspects of broadband connectivity that can lead to the abuse, trafficking, violence, and exploitation of children. Furthermore, the company states its alignment and commitment to the Sustainable Development Goals which is a global agenda set by the United Nations. Therefore, the company adjusted the responsibility matrix where the Chief Sustainability Officer is determined to ensure that the company's Corporate Sustainability Policy is in line with international best practices and standards on both an internal and external basis.

As with any policy, a revision was done during 2018 to ensure key developments in the area of sustainability were captured and included in the policy. For Zain, the policy is a key document that provides guidance and frames the company's sustainability approach in relation to its business activities, stakeholders, and communities. The revision of the CS Policy was made in alignment to the latest developments that reflect issues associated with rapid changes and advancements in technology (fourth industrial revolution and technological disruptions) related to mobile connectivity and associated socio-economic development.

SOME OF ZAIN'S CORPORATE SUSTAINABILITY ACTIVITIES/INITIATIVE/PROJECTS INCLUDE:

BAHRAIN

Zain Community Engagement Program

Established in 2018, the program aims to contribute to various areas such as health, the environment, gender equality, youth mentorship programs and capacity building. Zain Bahrain was able to establish several partnerships with organizations that included National Bank of Bahrain Elderly Home, Salmaniya Hospital, The Cancer Ward, Bahrain Society for Training and Development, Women Tech Makers, and Bahrain Philanthropic Society. During the year, Zain Bahrain was able to provide 69 volunteering opportunities with more than 80 employees participating in the various programs.

Google Developer Group Women Tech Makers

In partnership with Google Developers Group (GDG) Manama, Bahrain, Zain entered a memorandum of understanding that aims to further Zain's leadership position in empowering women in the technology space. Through this partnership, Zain Bahrain will provide access to its facilities to host events and workshops, provide knowledge exchanging opportunities with Zain employees, and encourage and promote entrepreneurship and innovation in the field of technology. In 2018, 25 women participated in the GDG Women Tech Makers events and workshops.

IRAQ

Jameaty in partnership with Ministry of Education

In 2018, Zain Iraq launched the Jameaty initiative, which aims to fulfill the needs of the scientific and administrative departments in public and private universities. Through the initiative Zain Iraq distributed 1680 printers, more than 500 ZainFi devices, and 4800 e-Go devices. Additionally, e-Go modems were provided to high-achieving students in each university as a form of recognition for their hard work and accomplishments. Through this initiative Zain Iraq was able to fulfil social opportunities and improve the quality of education for students attending universities in Iraq.

Knowledge Space

Knowledge Space is a newly formed coding and technology developer space, which is a collaborative work space created to support the making, learning, exploring and sharing of knowledge in the fields of science, technology, engineering and math (STEM). This space is considered the first supporting facility for the ICT community in Kirkuk. Through this facility, training programs are being offered in topics such as 3D printing and data science.

KUWAIT

Zain Kuwait and Coded

Zain Kuwait, in partnership with Coded, created a training program for young people, which teaches coding and technology using robots, and arts and science, utilizing the latest tools and technologies. The four-week program covered introductory topics to coding and robotics such as block coding, text coding, python, coding logic, sensors, building a computer, and robotic controls. Some of the tools used included KANO Computer Kit, Sony KOOV Kit, Lego Boost, Lego Mindstorm, Cubetto, and Bottley. 39 students were trained through the Coded Junior Summer Camp.

Zain Kuwait Partnership with LOYAC

Zain and LOYAC's strategic partnership is based on the development of the Education and Youth sectors in Kuwait. Through this partnership, Zain engages with various public, private, and non-profit organizations that cater to youth's talents and skills, ultimately contributing to the further progression of the national economy. Zain has been able to support KON, a social entrepreneurship program that is offered in Kuwait in collaboration with Babson College in Boston. Another program established through this partnership is the IFAD Internship Program, where talented young Kuwaiti are sent abroad to learn from international experts. Lastly, LOYAC AC Milan Soccer School is a program that has become one of the leading soccer schools in the region over the course of its nine years of existence. Since inception, Zain's partnership with LOYAC has been able to impact more than 52,000 students positively.

SAUDI ARABIA

MITEF Pan Arab Startup Competition

Zain's annual partnership with MITEF Pan Arab Startup Competition aims to create opportunities for growth and development in the MENA region based on innovation and value creation. The competition, saw a local version hosted in Saudi Arabia, is divided into three main categories: Ideas, Startups, and Social Entrepreneurship. Each of these tracks has three winners who were awarded cash prizes and other benefits including training, mentorship, media exposure and networking opportunities. Various stakeholders supported the competition along with Zain KSA and included the General Authority for Small and Medium Enterprises; King Abdullah Economic City; King Khaled Foundation; Saudi Aramco Entrepreneurship Center Wa'ed; Saudi Investment Bank; Microsoft; Oracle, and others.

Cooperative Training

Zain Saudi Arabia is committed to upskilling, training and recruiting nationals, and as a result the company has collaborated with Saudi University to provide co-operative training opportunities for undergraduate students. Upon completion of the program, Zain Saudi Arabia was able to hand pick top performers to become full-time employees, providing them with meaningful employment. This year, the company hired 30% of those who completed the training program.

JORDAN

Mobile Clinic for Children

Ongoing since 2002, Zain Jordan's Mobile Clinic provides health services for hundreds of children in remote areas across the Kingdom. The clinic offers free medical consultation, dental treatment and medication dispensed by a fully equipped and qualified medical team. To ensure children receive quality treatment, the clinic facilitates patient transfers to different health centers and hospitals under the Ministry of Health network of affiliates. Serving children up to the age of 15 years, the clinic treated 200,000 children in 2018.

Knowledge Station

In 2018, Zain Jordan provided connectivity to six knowledge stations across the Kingdom. This initiative was undertaken in collaboration with the National Information Technology Center in several governorates including Amman, Karak, Ma'an, Na'our, Jordan Valley and Irbid. Through the Knowledge Station, approximately 8,620 people are estimated to have benefitted from the services.

LEBANON

touch Innovation Program (TIP)

The touch Innovation Program's objective is to create an initiative that supports startups, while nurturing a pool of high-potential entrepreneurs to be able to invest in. The selected "touch innovators" are offered benefits set to develop their ideas and businesses further. TIP identifies and selects 8-12 startups every year with six companies being selected to participate in the initiative every six months. Those selected entities are given access to touch Lab, touch's flexible workspace that accommodates meetings, product launches, workshops, and training courses.

touch in partnership with Fe-male

touch, in partnership with Fe-male, established a nine-month training program targeting young girls and women in Bekaa and Akkar. This training program offered women part-time courses on ICT-related skills such as computer literacy, the use of smartphones, and social media tools. The participants were educated on cybercrimes, cybersecurity, and how to overcome online attacks. The program also extended to awareness raising sessions on women's rights, business planning, entrepreneurship, leadership, public-speaking, decision-making, and self-assertion. 60 women have completed the training.

SUDAN

Student Meal Project

In collaboration with Mujdidoon Organization, Zain Sudan provided annual Iftar meals to ensure temporary food security for those who are less fortunate. Since its launch in 2011, 3,000 meals per day every year have been handed out to students in Khartoum. Every year, approximately 528,000 meals are given out to students in need, adding up to 4.22 million meals having been distributed during the life-time of the initiative.

ZainX

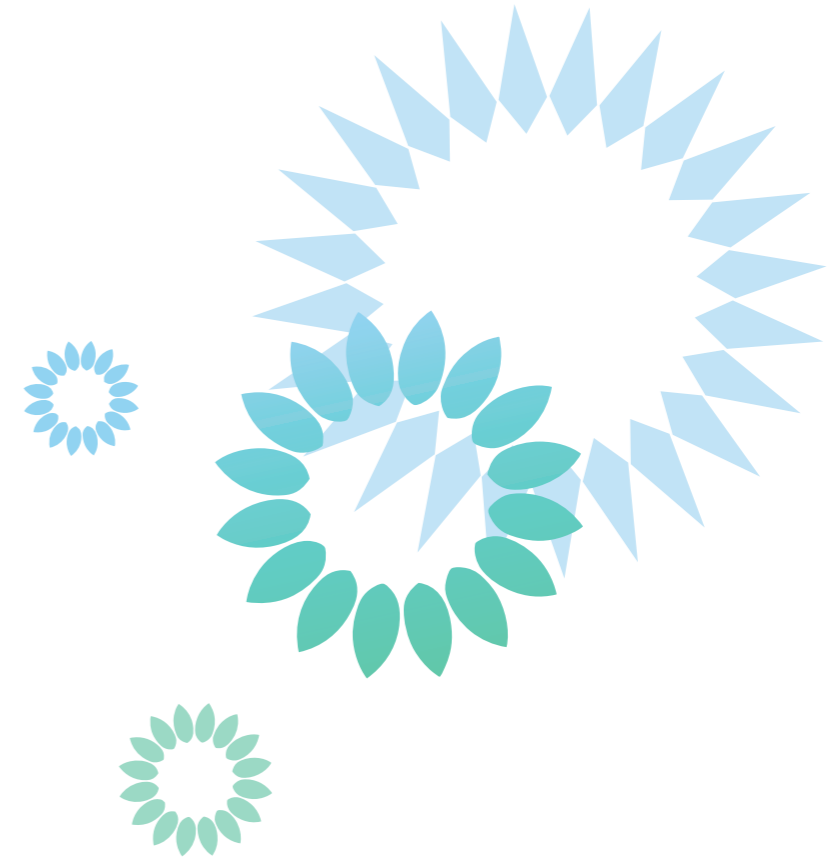
Established in 2017, ZainX is an annual event in which people with disabilities are given a platform to share their stories and experiences that shed light on the challenges they face. This year, more than 70 candidates from across Sudan applied to represent the disabled community in the event and eight representatives were selected. Two blind people participated, as did two deaf and mute people, two physically disabled participants, and two with developmental disorders such as autism. The TEDx inspired event attracted 700 attendees including three ministers and heads of universities and NGOs.

SOUTH SUDAN

Zain Youth Empowerment Initiatives (ZY)

Under the Zain Youth (ZY) Platform established in 2018, Zain South Sudan launched a variety of initiatives that aim to develop the youth through capacity building projects, programs in schools, and spreading awareness on inclusivity. This platform targets the youth segment from ages 18-30 years old. As such, stringent KPIs were put into place to measure the impact of the programs and ensure the targets are being met. Under ZY, Zain South Sudan launched an entrepreneurial business training program that targets some of the most vulnerable populations such as single mothers, girls who have dropped out of school, and Widows with HIV/AIDS. Moreover, on International Hand Wash Day the company organized an event to raise awareness on the importance of handwashing with soap as it is an effective and affordable tool that significantly minimizes diseases and illnesses. 15 schools participated in the event and 6,150 school children attended.

Board of Directors



MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P KUWAIT

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2018

118
INDEPENDENT
AUDITOR'S REPORT

121
CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

122
CONSOLIDATED STATEMENT
OF PROFIT OR LOSS

123
CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

124
CONSOLIDATED
STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY

126
CONSOLIDATED STATEMENT
OF CASH FLOWS

127
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

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 2018, 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 possible 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 2018, 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 with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29.

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 28 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 Group has recognized revenue from telecom services amounting to KD 1,318 million (2017: KD 1,030 million) for the year ended 31 December 2018. There is an inherent risk around the accuracy of telecom services revenue recognition because of the complexity of the related Information Technology ("IT") environment, processing large volumes of data through a number of different IT systems and involves a combination of different products, prices and price changes. Application of "IFRS 15 – Revenue from Contracts with Customers" during the year resulted in significant change in the accounting policy for revenue recognition of multiple element contracts. This requires considerable judgment from management in determining the stand alone selling price of each performance obligation in the multiple element contracts and allocation of the total transaction price to those performance obligations. Due to the complexities and judgement required in the revenue recognition process, we have considered this as a key audit matter. The accounting policy for revenue recognition is set out in note 2.19 and the related disclosures are disclosed in note 19 and note 25 to the consolidated financial statements.

Our audit procedures included evaluation of the relevant IT systems, implementation and design of internal controls related to revenue recognition including the changes resulting from application of IFRS 15. We also 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. Further, we have assessed the appropriateness of management's processes and judgments relating to determination of stand alone selling prices and their allocation to performance obligations under IFRS 15.

b) Impairment of Goodwill

As at 31 December 2018, goodwill is carried at KD 609 million (2017: KD 602 million) which represents 13.57% 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 growth, expected inflation rates and yield. Therefore, we identified the impairment testing of goodwill as a key audit matter. The Group's policy on assessing impairment of goodwill is in note 2.12 and related disclosure is in note 13 to the consolidated financial statements.

We evaluated the design and implementation of controls over the impairment assessment process. With the support of our valuation experts, we benchmarked and challenged 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 assessed differences, if any, 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 notes to the consolidated financial statements about those assumptions to which the outcome of the impairment test is more sensitive.

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 and related disclosure are given in note 2.23 and 33 respectively 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. Therefore, we identified application of IAS 29 as a key audit matter.

We compared the general price index used for restatement of non-monetary items, re-computed 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 2018. 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 2018 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 when it becomes available 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. As described in the Basis for qualified opinion for the consolidated financial statements section above, we were unable to obtain sufficient appropriate audit evidence about non-adoption of IAS 29 by the Group over its subsidiaries in the Republic of Sudan. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 the 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 2018 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
13 February 2019

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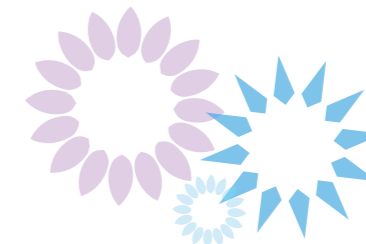
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS	NOTES	2018	2017
		KD '000	
Current assets			
Cash and bank balances	4	311,916	244,398
Trade and other receivables	5	572,783	455,801
Contract assets	19.2	66,062	-
Inventories	6	45,957	34,402
Investment securities at fair value through profit or loss	7	15,519	778
Non-current assets held for sale	8	7,656	7,656
		1,019,893	743,035
Non-current assets			
Contract assets	19.2	16,940	-
Investment securities at FVOCI	7	7,040	-
Investment securities available for sale	7	-	16,118
Investments in associates and joint venture	9,10	69,851	188,412
Dues from associates	11	-	415,759
Other assets		11,953	15,131
Property and equipment	12	1,198,775	743,586
Intangible assets and goodwill	13	2,163,267	911,630
		3,467,826	2,290,636
Total Assets		4,487,719	3,033,671
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	956,272	467,616
Deferred revenue	19.2	105,308	47,768
Due to banks	15	412,971	199,564
		1,474,551	714,948
Non-current liabilities			
Due to banks	15	1,033,565	670,637
Other non-current liabilities	16	336,325	38,482
		1,369,890	709,119
Equity			
Attributable to the Company's shareholders			
Share capital	17	432,706	432,706
Share premium		1,707,164	1,707,164
Legal reserve	17	216,353	216,353
Foreign currency translation reserve	17	(1,367,018)	(1,189,469)
Investment fair valuation reserve		864	3,251
Other reserves		(4)	(326)
Retained earnings		287,143	281,919
		1,277,208	1,451,598
Non-controlling interests	26	366,070	158,006
Total equity		1,643,278	1,609,604
Total Liabilities and Equity		4,487,719	3,033,671

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



Ahmed Tahous Al Tahous
Chairman




Bader Nasser Al Kharafi
Vice Chairman &
Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS YEAR ENDED 31 DECEMBER 2018

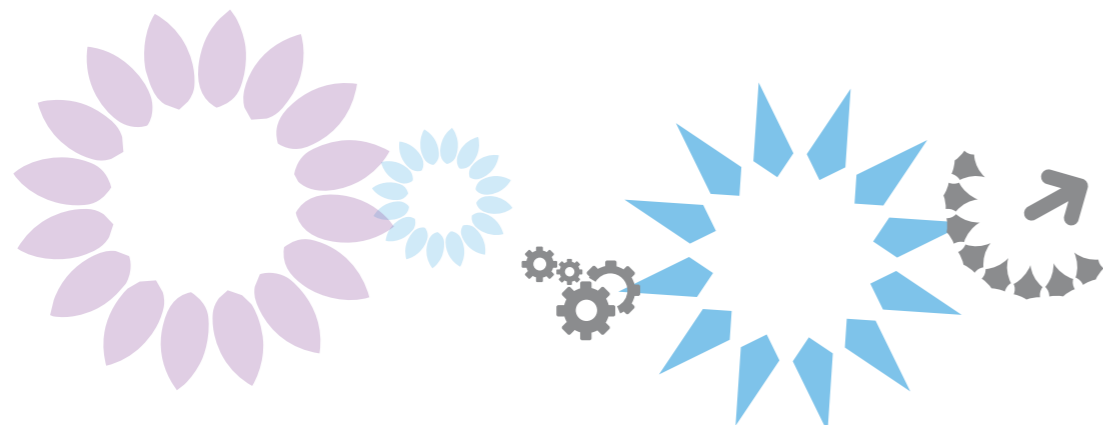
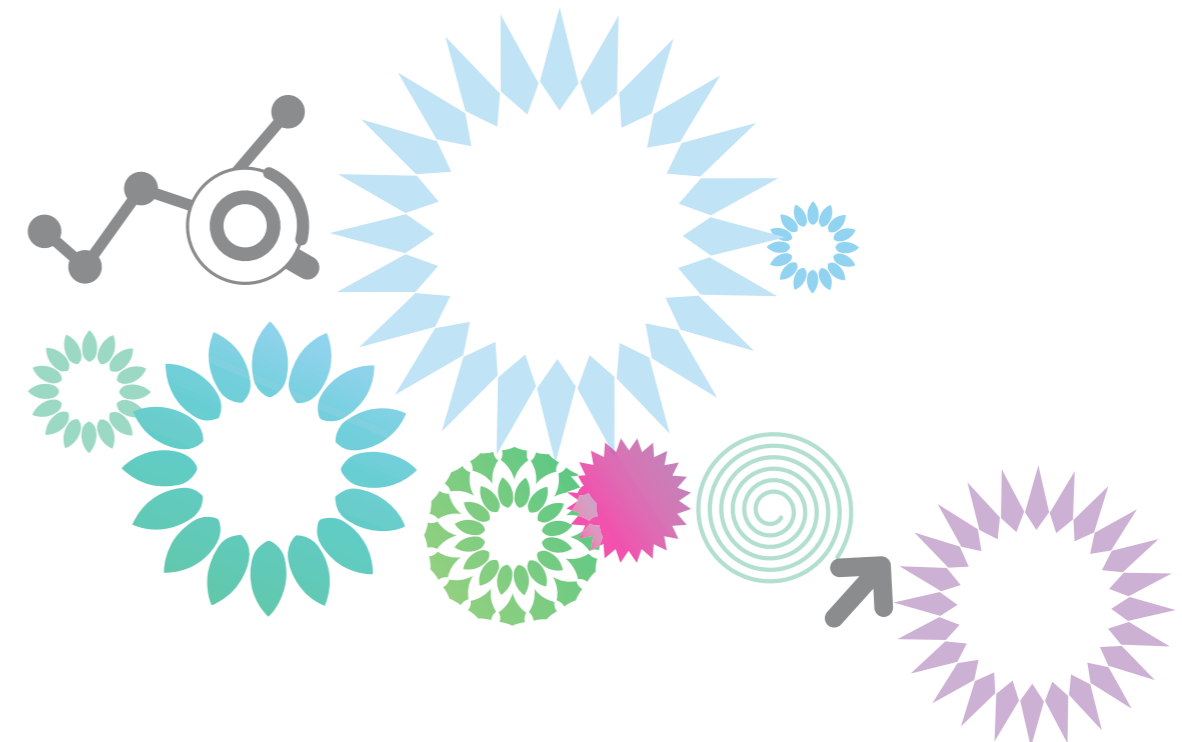
	NOTES	2018 KD '000	2017
Revenue	19	1,317,613	1,029,547
Cost of sales		(375,517)	(290,891)
Operating and administrative expenses	20	(409,996)	(313,964)
Depreciation and amortization	12,13	(229,532)	(185,050)
Provision for impairment – trade and other receivables		-	(10,256)
Expected credit loss on financial assets (ECL)		(13,188)	-
Interest income		18,320	27,850
Investment income	21	3,930	781
Share of results of associates and joint venture	9,10	(2,444)	127
Other expenses		(41,696)	(12,207)
Gain on business combination	35	30,931	-
Finance costs		(69,173)	(40,100)
Provision for impairment loss on property and equipment	12,33	(9,648)	(37,826)
Loss from currency revaluation		(14,764)	(32,120)
Net monetary gain	33	46,935	45,789
Profit before contribution to KFAS, NLST, Zakat, income taxes and Board of Directors' remuneration		251,771	181,680
Contribution to Kuwait Foundation for Advancement of Sciences		(1,667)	(1,100)
National Labour Support Tax and Zakat	22	(4,476)	(5,753)
Income tax expenses	23	(19,752)	(10,400)
Board of Directors' remuneration		(420)	(275)
Profit for the year		225,456	164,152
Attributable to:			
Shareholders of the Company		196,500	159,817
Non-controlling interests		28,956	4,335
		225,456	164,152
Earnings per share (EPS)	24		
Basic – Fils		45	39
Diluted – Fils		45	39

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 2018

	2018 KD '000	2017
Profit for the year	225,456	164,152
Other comprehensive income:		
Other comprehensive income transferred or reclassifiable to consolidated statement of profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(160,697)	(91,284)
Net unrealised gain on available-for-sale investments	-	2,564
Net gain transferred to consolidated statement of profit or loss on sale of available-for-sale investments (net of impairment losses)	-	(2,797)
Share of reserves of associates	-	(206)
Other reserves	(430)	-
Share in associate transferred to consolidated statement of profit or loss on business combination (note 35)	(16,395)	-
Other comprehensive income for the year	47,934	72,429
Items that will not be reclassified to consolidated statement of profit or loss:		
Changes in the fair value of equity investments at FVOCI	(857)	-
Total comprehensive income for the year	47,077	72,429
Total comprehensive income attributable to:		
Shareholders of the Company	18,416	70,003
Non-controlling interests	28,661	2,426
	47,077	72,429

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



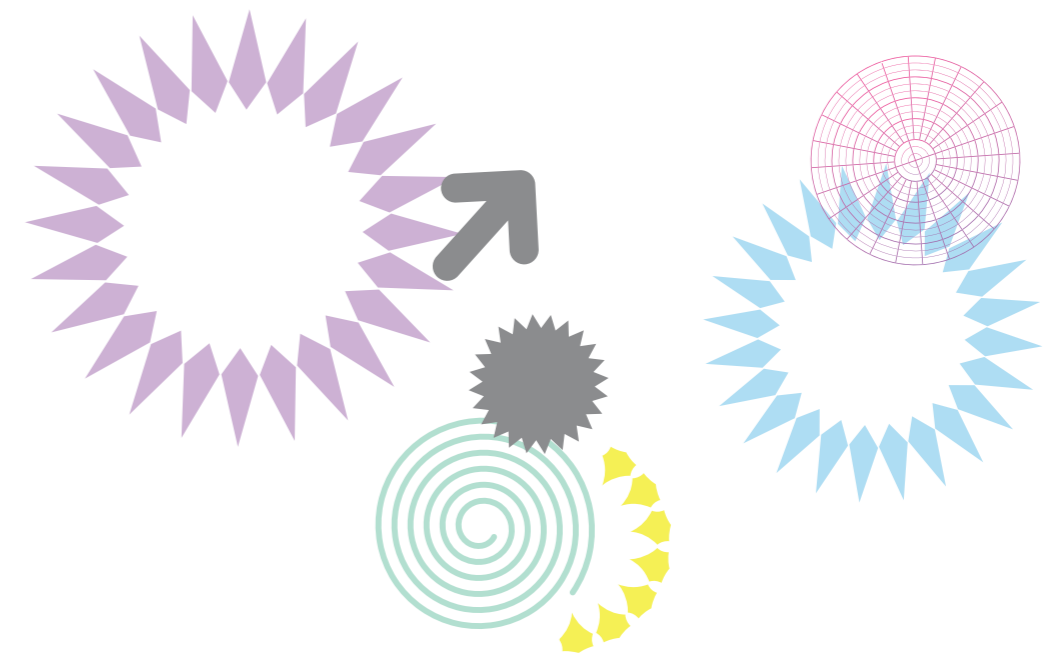
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY YEAR ENDED 31 DECEMBER 2018

	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 2018	432,706	1,707,164	216,353	(1,189,469)	-	-
Transition adjustment on adoption of IFRS 9 and IFRS 15 at 1 January 2018 (Note 2.26)	-	-	-	-	-	-
	432,706	1,707,164	216,353	(1,189,469)	-	-
Total comprehensive income for the year	-	-	-	(177,549)	-	-
On business combinations	-	-	-	-	-	-
Realised loss on equity securities at FVOCI	-	-	-	-	-	-
Cash dividends (2017)	-	-	-	-	-	-
Balance at 31 December 2018	432,706	1,707,164	216,353	(1,367,018)	-	-
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 18)	-	-	-	-	567,834	(1,967)
Balance at 31 December 2017	432,706	1,707,164	216,353	(1,189,469)	-	-

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



EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS			NON-CONTROLLING INTERESTS	TOTAL EQUITY
INVESTMENT FAIR VALUATION RESERVE	OTHER RESERVES	RETAINED EARNINGS		
KD '000				
3,251	(326)	281,919	158,006	1,609,604
(2,218)	-	(39,141)	(1,357)	(42,716)
1,033	(326)	242,778	156,649	1,566,888
(857)	322	196,500	28,661	47,077
-	-	-	182,367	182,367
688	-	(688)	-	-
-	-	(151,447)	(1,607)	(153,054)
864	(4)	287,143	366,070	1,643,278
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



CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 DECEMBER 2018

		2018	2017
	NOTES	KD '000	
Cash flows from operating activities			
Profit for the year before income tax		245,208	174,552
Adjustments for:			
Depreciation and amortization	12,13	229,532	185,050
ECL/provision for impairment – trade and other receivables		13,188	10,256
Interest income		(18,320)	(27,850)
Investment income	21	(3,930)	(781)
Share of results of associates and joint venture	9,10	2,444	(127)
Gain on business combination	35	(30,931)	-
Finance costs		69,173	40,100
Provision for impairment loss on property and equipment	12,33	9,648	37,826
Loss from currency revaluation		14,764	32,120
Net monetary gain	33	(46,935)	(45,789)
Loss/(gain) on sale of property and equipment		202	(163)
Operating profit before working capital changes		484,043	405,194
Increase in trade and other receivables		(84,716)	(63,158)
Increase in inventories		(3,730)	(18,483)
Increase/(decrease) in trade and other payables and deferred revenue		118,545	(50,610)
Cash generated from operations		514,142	272,943
Payments:			
Income tax		(10,629)	(13,735)
Kuwait Foundation for Advancement of Sciences (KFAS)		(319)	(250)
National Labour Support Tax and Zakat		(5,492)	(7,491)
Net cash from operating activities		497,702	251,467
Cash flows from investing activities			
Deposits maturing after three months and cash at bank under lien	4	30,286	(6,364)
Proceeds from sale of investment securities		1,919	9,829
Investments in securities		(4,132)	(4,184)
Increase in dues from associates		(7,039)	(11,750)
Acquisition of property and equipment (net)		(173,837)	(133,657)
Acquisition of intangible assets (net)		(43,977)	(11,863)
Net cash on acquisition of subsidiaries		101,993	(516)
Interest received		6,028	28,089
Dividends received		253	249
Net cash used in investing activities		(88,506)	(130,167)
Cash flows from financing activities			
Proceeds from bank borrowings	15	203,019	323,387
Repayment of bank borrowings	15	(288,901)	(491,111)
Proceeds from sale of treasury shares	18	-	255,172
Dividends paid		(151,017)	(136,834)
Dividends paid to non-controlling interests		(1,569)	(1,741)
Finance costs paid		(52,966)	(35,340)
Net cash used in financing activities		(291,434)	(86,467)
Net increase in cash and cash equivalents			
Effects of exchange rate changes on cash and cash equivalents		117,762	34,833
Transition adjustment on adoption of IFRS 9 (Note 2.26)		(13,461)	(5,551)
Cash and cash equivalents at beginning of year		(6,497)	-
Cash and cash equivalents at end of year	4	206,432	177,150
		304,236	206,432

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2018

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 2017 - 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 systems; and invests surplus funds in investment securities.

The Company is 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 13 February 2019 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

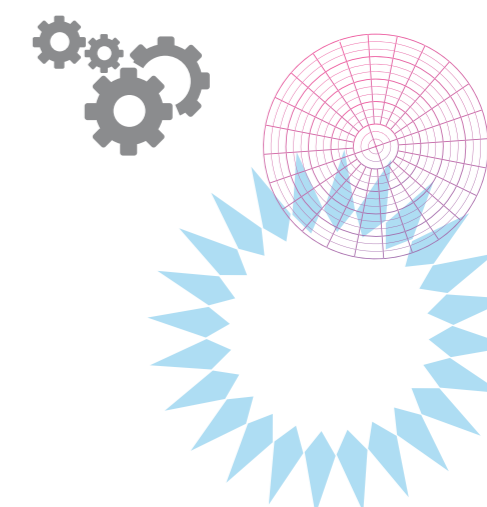
These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated 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", "at fair value through comprehensive income" 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 2017 to be around 57% and thus, applying IAS 29 in 2015, could have entailed going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, Group believes that there is no definitive basis to apply IAS 29 at this stage. However, Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 in 2018.

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 34.



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:

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) on its effective date of 1 January 2018. IFRS 15 introduces a 5-step approach to revenue recognition. The core principle of IFRS 15 is that the entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods and services. Under IFRS 15, an entity recognizes revenue when or as the performance obligation is satisfied.

The implementation of IFRS 15 does not impact the quantum or the phasing of cash flows. The adjustments made are purely a timing difference between the cash flows and accounting recognition, with the difference recognized on the balance sheet and reflected in the working capital changes and other cash flow line items.

The Company's accounting policies for its revenue streams are detailed in note 2.19 below.

IFRS 9 – FINANCIAL INSTRUMENTS

The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The impairment model in IFRS 9 also applies to lease receivables, loan commitments and financial guarantee contracts. The Company's accounting policies are detailed in note 2.5 below.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

IMPACT ON ADOPTION OF THE IFRS 9 AND IFRS 15 - TRANSITION

Changes in accounting policies resulting from the adoption of IFRS 15 and IFRS 9 have been applied with effect from 1 January 2018, using the modified retrospective method and accordingly the comparative periods have not been restated. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 and IFRS 15 are recognised in opening retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and 15 and therefore is not comparable. The impact on adoption is disclosed in note 2.26 below.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

NEW AND REVISED IFRSS	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 16 Leases	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing costs.	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation.	1 January 2019
Amendment to IAS 19 Employee Benefits relating to amendment, curtailment or settlement of a defined benefit plan	1 January 2019
Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures.	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
Amendment to IFRS 3 Business Combinations relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The management do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the consolidated financial statements of the Group in future periods, except as noted below:

IFRS 16 LEASES

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees.

IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

IMPACT ON LESSEE ACCOUNTING

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

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 March 31, 2019 that includes the effects of its application from the effective date.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS
IFRIC 23 sets out how to determine the accounting tax

position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

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

In the normal course of business the Group uses financial instruments, principally cash and bank balances, deposits, receivables, contract assets, investments, trade and other payables, due to banks and derivatives.

CLASSIFICATION

Classification of financial instruments-applicable from 1 January 2018

The Group classifies its financial assets as follows:

- Financial assets at amortised cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial assets at Fair Value Through Profit or Loss (FVTPL)

To determine their classification and measurement category, all financial assets, except equity instruments and derivatives, is assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities, which continue to be at amortized cost.

BUSINESS MODEL ASSESSMENT

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

CONTRACTUAL CASH FLOW CHARACTERISTICS TEST

The Group assesses whether the financial instruments' cash

flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies a financial asset only when its business model for managing those assets changes.

The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

FINANCIAL LIABILITIES

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

Classification of financial instruments-applicable up to 31 December 2017

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

RECOGNITION/DERECOGNITION

The criteria for recognition and de-recognition of financial instruments remains unchanged under IFRS 9.

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.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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

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".

Measurement of financial instruments- applicable from 1 January 2018

Financial assets at amortised cost

A financial asset is measured at amortised cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Cash and cash equivalents, trade and receivables, contract assets, due from associates and other assets are classified as financial assets at amortised cost.

Financial assets at FVOCI

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in OCI. Interest income calculated using effective interest method, foreign exchange gains/losses and impairment are recognized in the consolidated statement of profit or loss. On de-recognition, gains and losses accumulated in the OCI are reclassified to SOI.

Financial asset at FVTPL

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the consolidated statement of financial position at fair value.

For an equity instrument; upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognised in the consolidated statement of profit or loss when the right to receive has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in shareholders' equity.

Changes in fair values and dividend income are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

Financial liabilities

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Interest expense and

foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. 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.

Measurement of financial instruments- applicable upto 31 December 2017

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.

IMPAIRMENT

Impairment of financial assets –applicable from 1 January 2018

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'Expected Credit Loss' (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Group recognizes ECL for cash and bank balances, due from associates and other assets using the general approach and uses the simplified approach for trade receivables and contract assets as required by IFRS 9.

General approach

The Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Simplified approach

The Group applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled customer receivables and have substantially the same risk characteristics as the trade receivable for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised

and the time value of money.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group incorporates forward-looking information based on expected changes in macro- economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Impairment of financial assets –applicable upto 31 December 2017

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each consolidated 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.

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.

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

2.6 CASH AND CASH EQUIVALENTS

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

2.7 INVENTORIES

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

2.8 INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Group has significant influence but not control, generally accompanying a direct or indirect shareholding of more than 20% of the voting rights. The excess of the cost of investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recognised as goodwill. Goodwill on acquisition of associates is included in the carrying values of investments in associates. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases.

Under the equity method, the Group recognises in the consolidated statement of profit or loss, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate.

Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

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 consolidated 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. Freehold land is not depreciated.

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.

Prior to 1 January 2018, handsets provided below cost as part of the telecom service connection, were 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 consolidated statement of financial position date.

Deferred income tax is provided using the liability method on all temporary differences, at the consolidated 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 consolidated 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 consolidated 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 consolidated 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.

Handsets and telecommunication services

Revenue from mobile telecommunication services provided to postpaid and prepaid customers is recognized as services are transferred. When the customer performs first, for example, by prepaying its promised consideration, the Group has a contract liability. If the Group performs first by satisfying a performance obligation, the Group has a contract asset. Consideration received from the sale of prepaid credit is recognized as contract liability until such time the customer uses the services when it is recognized as revenue.

The Group provides subsidized handsets to its customers along with mobile telecommunication services. IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. This resulted in reallocation of a portion of revenue from trading revenue to service revenue which was earlier recognized upfront on signing of the customer contract and correspondingly a creation of contract asset, which includes also some items previously presented as trade and other receivables. Contract asset represents receivable from customers that has not yet legally come into existence. The standalone selling prices are determined based on observable prices. Revenue from device sales is recognized when the device is delivered to the customer. This usually occurs when a customer signs the contract. For devices sold separately, customer pays in full at the point of sale. Revenue from voice, messaging, internet services etc. are included in the bundled package and are recognized as the services are rendered during the period of the contract.

Value added services - Principal vs. agent

Revenue from value added services (VAS) sharing arrangements depend on the analysis of the facts and circumstances surrounding these transactions. Revenue from VAS is recognized when the Group performs the related service and, depending on the Group's control or lack of control on the services transferred to the customer, is recognized either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Significant financing component

If a customer can pay for purchased equipment or services over a period, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is 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 is 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 distributors and employees.

Intermediaries are given incentives by the Group to acquire new customers and upgrade existing customers. Activation commission and renewal commission paid on post-paid connections are amortized over the period of the contract. In case of prepaid customers, commission costs are expensed when incurred. However, the Group may choose to expense such commission costs if the amortization period of the resulting asset is one year or less or if it is not significant.

Customer loyalty programs

The Group operates a customer loyalty program that provides a variety of benefits for customers. The Group allocates the consideration received between products and services in a bundle including loyalty points as separate performance obligation based on their stand-alone selling prices.

Installation and maintenance contracts

The Group also enters into installation and maintenance contracts where the revenue is recognised over time based on the cost-to-completion method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.

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.

The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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. Presentation currency of the Group is Kuwaiti Dinar. 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 consolidated 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 FVOCI (prior to 01 January 2018 - 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 consolidated 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 financial 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 consolidated 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 consolidated 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.

2.26 IMPACT ON ADOPTION OF IFRS 9 AND IFRS 15 – TRANSITION

Net impact from the adoption of IFRS 9 and 15 on opening retained earnings and non-controlling interests as at 1 January 2018 is as follows:

	KD '000		
	RETAINED EARNINGS	FAIR VALUE RESERVE	NON-CONTROLLING INTERESTS
Closing balance - 31 December 2017	281,919	3,251	158,006
Adjustment from adoption of IFRS 9:			
On reclassification and re-measurement	2,218	(2,218)	-
On recognition of ECL on financial assets	(26,344)	-	(1,272)
Share of associate's ECL on financial assets	242	-	-
On recognition of ECL on financial guarantees	(2,631)	-	-
Adjustment from adoption of IFRS 15:			
Mainly from handset & telecommunication services	(16,271)	-	(85)
Share of associate's adjustments	3,645	-	-
	(39,141)	(2,218)	(1,357)
Opening retained earnings 1 January 2018 – post IFRS 9 and IFRS 15 restatement	242,778	1,033	156,649

On 1 January 2018, the Group's management has assessed the business models and the cash flow characteristics of the financial assets (other than equity instruments) held by the Group at the date of initial application of IFRS 9. The Group has concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018:

FINANCIAL ASSET	ORIGINAL CLASSIFICATION UNDER IAS 39	NEW CLASSIFICATION UNDER IFRS 9	ORIGINAL CARRYING AMOUNT UNDER IAS 39	RECLASSIFICATION AND RE-MEASUREMENT	NEW CARRYING AMOUNT UNDER IFRS 9
			KD '000	KD '000	KD '000
Cash and bank balances	Loans and receivables	Amortised cost	244,398	(6,497)	237,901
Trade and other receivables	Loans and receivables	Amortised cost	389,186	(14,572)	374,614
Contract assets	Loans and receivables	Amortised cost	56,467	(5,465)	51,002
Investment securities	FVTPL	FVTPL (mandatorily)	778	-	778
Investment securities	AFS	FVOCI	6,454	-	6,454
Investment securities	AFS	FVPTL	5,602	-	5,602
Investment securities	AFS	FVTPL (mandatorily)	4,062	-	4,062
Due from associates	Loans and receivables	Amortised cost	415,759	(1,082)	414,677
Other assets	Loans and receivables	Amortised cost	12,072	-	12,072
Total financial assets			1,134,778	(27,616)	1,107,162

The financial assets at amortized cost are after reclassifications and adjustments arising from the adoption of IFRS 15. Investment securities classified as Available for Sale (AFS) under IAS 39 represent investments that the Group intends to hold long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the

date of initial application as measured at FVOCI.

Certain investment securities classified as AFS under IAS 39 have been reclassified mandatorily to FVTPL under IFRS 9 as the Group has not elected to reclassify irrevocably as FVOCI for these equity securities on the date of initial application.

2.27 IMPACT OF ADOPTION OF IFRS 9 AND 15 ON THE CONSOLIDATED FINANCIAL POSITION

	KD '000			
	AS REPORTED	IFRS 15	IFRS 9	AMOUNTS WITHOUT ADOPTION OF IFRS 15 AND IFRS 9
Current assets				
Cash and bank balances	311,916	-	4,106	316,022
Trade and other receivables	572,783	97,585	7,638	678,006
Contract assets	66,062	(69,975)	3,913	-
Inventories	45,957	-	-	45,957
Investment securities at fair value through profit or loss	15,519	-	(13,366)	2,153
Non-current assets held for sale	7,656	-	-	7,656
	1,019,893	27,610	2,291	1,049,794
Non-current assets				
Contract assets	16,940	(18,491)	1,551	-
Investment securities at FVOCI	7,040	-	(7,030)	10
Investment securities available for sale	-	-	20,396	20,396
Investments in associates and joint venture	69,851	(3,645)	(242)	65,964
Other assets	11,953	-	-	11,953
Property and equipment	1,198,775	-	-	1,198,775
Intangible assets and goodwill	2,163,267	2,369	-	2,165,636
	3,467,826	(19,767)	14,675	3,462,734
Total Assets	4,487,719	7,983	16,966	4,512,528
Current liabilities				
Trade and other payables	956,272	(611)	(3,737)	951,924
Deferred revenue	105,308	-	-	105,308
Due to banks	412,971	-	-	412,971
	1,474,551	(611)	(3,737)	1,470,203
Non-current liabilities				
Due to banks	1,033,565	-	-	1,033,565
Other non-current liabilities	336,325	-	-	336,325
	1,369,890	-	-	1,369,890
Equity				
Attributable to the Group's shareholders				
Share capital	432,706	-	-	432,706
Share premium	1,707,164	-	-	1,707,164
Legal reserve	216,353	-	-	216,353
Foreign currency translation reserve	(1,367,018)	-	-	(1,367,018)
Investment fair valuation reserve	864	-	5,920	6,784
Other reserves	(4)	-	-	(4)

Retained earnings	287,143	19,306	14,482	320,931
	1,277,208	19,306	20,402	1,316,916
Non-controlling interests	366,070	(10,852)	301	355,519
Total equity	1,643,278	8,454	20,703	1,672,435
Total Liabilities and Equity	4,487,719	7,843	16,966	4,512,528

The following table summarizes the impact on the consolidated statement of profit or loss for the year:

	KD '000			
	AS REPORTED	IFRS 15	IFRS 9	AMOUNTS WITHOUT ADOPTION OF IFRS 15 AND IFRS 9
Revenue	1,317,613	(7,440)	-	1,310,173
Cost of sales	(375,517)	4,128	-	(371,389)
Operating and administrative expenses	(409,996)	508	-	(409,488)
Depreciation and amortization	(229,532)	(8,034)	-	(237,566)
Expected credit loss on financial assets	(13,188)	-	(9,846)	(23,034)
Interest income	18,320	-	-	18,320
Investment income	3,930	-	(3,702)	228
Share of results of associates and joint venture	(2,444)	-	-	(2,444)
Other expenses	(41,696)	-	-	(41,696)
Gain on business combination	30,931	-	-	30,931
Finance costs	(69,173)	-	-	(69,173)
Provision for impairment loss on property and equipment	(9,648)	-	-	(9,648)
Loss from currency revaluation	(14,764)	-	-	(14,764)
Net monetary gain	46,935	-	-	46,935
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration	251,771	(10,838)	(13,548)	227,385
Contribution to Kuwait foundation for Advancement of Sciences	(1,667)	108	135	(1,424)
National Labour Support Tax and Zakat	(4,476)	379	474	(3,623)
Income tax expenses	(19,752)	(23)	44	(19,731)
Board of Directors' remuneration	(420)	-	-	(420)
Profit for the period	225,456	(10,374)	(12,895)	202,187

3. SUBSIDIARIES AND ASSOCIATES/JOINT VENTURE

The principal subsidiaries and associates/joint ventures are:

SUBSIDIARY	COUNTRY OF INCORPORATION	PERCENTAGE OF OWNERSHIP	
		2018	2017
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	55.40%	55.40%
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 ("KSHC")	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%
Mobile Telecommunications Company ("SMTC")	Saudi Arabia	37.045%	-
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat ("Mada Jordan")	Jordan	99.1%	99.1%
Nexgen Advisory Group FZ LLC ("Nexgen")	UAE	84.66%	84.66%

ASSOCIATE/JOINT VENTURE			
Mobile Telecommunications Company ("SMTC")	Saudi Arabia	-	37.045%
Zain Al Ajjal S.A (Wana Corporate S.A is an associate of this joint venture)	Morocco	50%	50%

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

JMTC, MTCB, Zain Sudan, Zain South Sudan, Atheer and SMTC operate the cellular mobile telecommunications network in Jordan, Bahrain, Sudan, South Sudan, Iraq and the Kingdom of Saudi Arabia respectively. MTCL manages the state owned cellular mobile telecommunications network in Lebanon. Mada Jordan provides WiMAX services in Jordan.

SMTC

In July 2018, the Group has concluded that it is able to control SMTC through its majority representation on the board of directors and accordingly considered it as a subsidiary effective that date.

During the fourth quarter of 2018, SMTC signed an agreement with the Ministry of Finance, the Ministry of Communications and Information Technology and the Communications and Information Technology Commission (CITC) to amend the annual royalty for commercial service and to the settlement of disputed amounts for the period from 2009 to 2017, as follows:

- Consolidate the annual royalty fee and reduce it to 10% from 15% of net revenues effective 1 January 2018.
- Settlement of the disputed amounts with CITC regarding the payment of annual royalty fee for the period from 2009 to 2017 and to further invest in expanding the telecom infrastructure in addition to other conditions over the next 3 years.
- Based on the above, SMTC reversed cost of sales amounting to SAR 536 million (KD 43.41 million) in the consolidated statement of profit or loss.

ZAIN SOUTH SUDAN

During the year, the Group entered into an agreement with the Government of Republic of South Sudan to regularize Zain South Sudan's telecommunication license. The Group was earlier providing telecom services in South Sudan awaiting the issue of a formal telecom license.

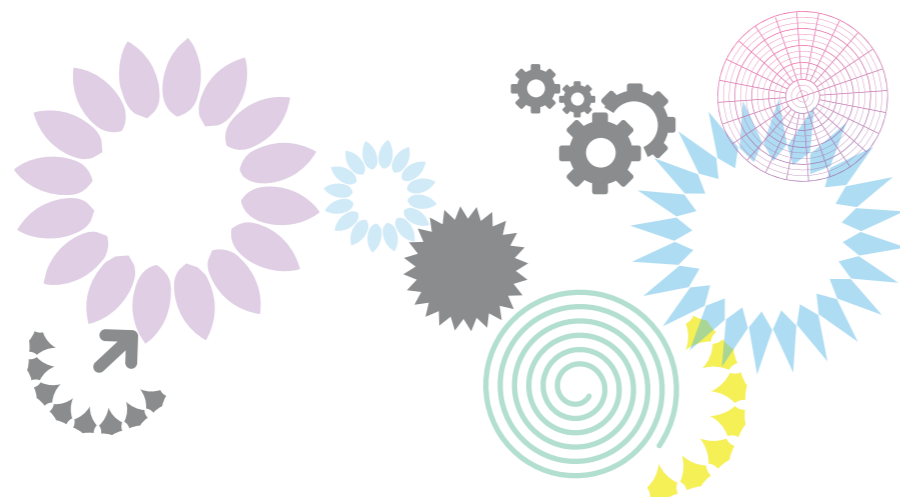
FINANCIAL SUPPORT TO GROUP COMPANIES

The Group has committed to provide working capital and other financial support to certain Group entities including Zain Jordan, SMTC, 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:

	2018	2017
	KD '000	
Cash on hand and at banks	141,699	125,484
Short-term deposits with banks	174,014	118,673
Government certificates of deposits held by subsidiaries	102	241
	315,815	244,398



Expected credit loss	(3,899)	-
Cash at bank under lien	311,916	244,398
Deposits with maturity exceeding three months	(7,578)	(7,545)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	-	(30,180)
	(102)	(241)
	304,236	206,432

5. TRADE AND OTHER RECEIVABLES

	2018	2017
	KD '000	

Trade receivables:

Customers	236,919	174,056
Distributors	22,705	8,748
Other operators (interconnect)	42,422	27,329
Roaming partners	14,382	13,180
ECL / provision for impairment	(137,918)	(60,180)
	178,510	163,133

Other receivables:

Accrued income	5,285	3,003
Staff	1,546	1,972
Deposits and other receivables	36,188	52,727
Prepayments and advances	198,593	93,123
Others (refer note below)	155,601	142,862
ECL / provision for impairment	(2,940)	(1,019)
	394,273	292,668
	572,783	455,801

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.

In 2010, the Group paid US\$ 40 million; equivalent to KD 12.124 million (2017: US\$ 40 million, equivalent to KD 12.072 million) to settle guarantees provided by the Company to lending bank for loans to a founding shareholder of 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. These amounts are secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC.

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

	2018	2017
	KD '000	
Kuwaiti Dinar	60,319	123,200
US Dollar	301,440	224,034
Bahraini Dinar	12,534	19,150
Sudanese Pound	4,427	6,633
Jordanian Dinar	21,677	18,457
Iraqi Dinar	47,406	61,770
Saudi Riyals	122,003	-
Others	2,977	2,557
	572,783	455,801

6. INVENTORIES

	2018	2017
	KD '000	
Handsets and accessories	50,547	37,737
Provision for obsolescence	(4,590)	(3,335)
	45,957	34,402

7. INVESTMENT SECURITIES

	2018	2017
	KD '000	

Current investments at Fair Value through profit or loss

Quoted equities	2,224	-
Funds -mandatorily at FVTPL	5,830	778
Other funds	7,465	-
	15,519	778

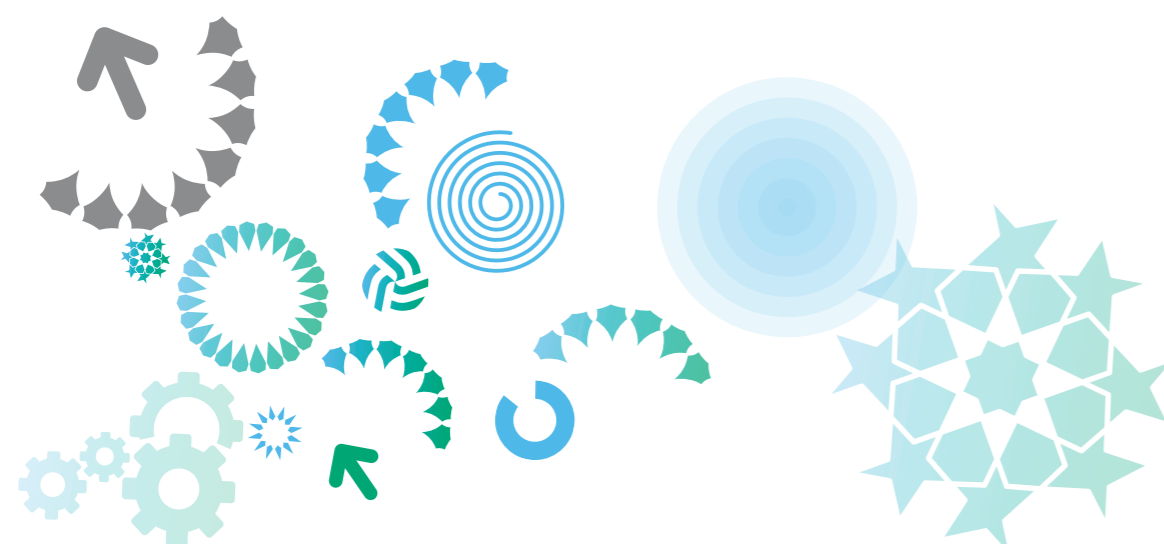
Non-current investments at fair value through other comprehensive income

Quoted equities- designated at inception	1,012	-
Funds	875	-
Unquoted equities - designated at inception	5,153	-
	7,040	-

Available for sale

Quoted equities	-	3,347
Funds	-	7,925
Unquoted equities	-	4,846
	-	16,118

Investment securities are denominated in the following currencies:



	2018	2017
	KD '000	
Kuwaiti Dinar	6,266	6,396
US Dollar	13,578	7,961
Other currencies	2,715	2,539
	22,559	16,896

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 to a Tower Company. The Company will be the anchor tenant on commercial terms on each of the towers being sold and the transaction is expected to close in 2019, subject to customary closing conditions.

9. INVESTMENTS IN ASSOCIATES

Based on an event in July 2018, the Group has concluded that it is able to control SMTC through its majority representation on the board of directors (note 35). Accordingly, the Group has changed the accounting in July 2018. Prior period numbers represent the Group's share of investments in SMTC, which was accounted for using the equity method. Summarized financial information of SMTC for the comparative period is as follows:

Summarized financial information of SMTC:

	2018	2017
	KD '000	
Current assets	-	302,248
Non-current assets	-	1,784,895
Current liabilities	-	924,335
Non-current liabilities	-	876,084
Net asset of SMTC	-	286,724
Revenue	-	604,913
Profit/(loss)	-	955
Other comprehensive income	-	(577)
Total comprehensive income	-	378
Group's ownership interest in SMTC	-	37.045%
Group's share of SMTC's net assets	-	106,217
Goodwill	-	12,367
Carrying amount of Group' interest in SMTC	-	118,584

The Group's share of loss in SMTC until the date of consolidation was KD 3.405 million (2017: share of profit 0.354 million).

10. INTEREST IN A JOINT VENTURE

This represents the Group's KD 69.831 million (31 December 2017 – KD 69.828 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 profit for the year in the joint venture amounting to KD 961 thousand (2017 – share of loss of KD 227 thousand) 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

	2018	2017
	KD '000	
Loans	-	267,494
Others	-	148,265
	-	415,759

These amounts were due from SMTC and was subordinate to its borrowings from banks. The loans comprised of a US\$ loan of US\$ 764.261 million (KD 230.655 million) and 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 included management fees and interest due on the loans. During the year, SMTC became a subsidiary of the Group and accordingly amounts due are eliminated on consolidation.

12. PROPERTY AND EQUIPMENT

	LAND AND BUILDINGS AND LEASEHOLD IMPROVEMENTS	CELLULAR AND OTHER EQUIPMENT	PROJECTS IN PROGRESS	TOTAL
	KD '000			
COST				
As at 31 December 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 33)	-	(52,650)	(3,062)	(55,712)
Exchange adjustment	(4,140)	(54,553)	(11,099)	(69,792)
As at 31 December 2017	77,382	1,510,115	107,492	1,694,989
On acquisition of subsidiaries	30,878	1,043,688	26,934	1,101,500
Additions	18,572	64,342	104,049	186,963
Transfers	5,809	64,718	(70,527)	-
Disposals	(34)	(16,813)	(790)	(17,637)
Impairment (note 33)	(3,043)	(7,401)	(827)	(11,271)
Exchange adjustments	(13,993)	(79,096)	(27,407)	(120,496)
As at 31 December 2018	115,571	2,579,553	138,924	2,834,048
ACCUMULATED DEPRECIATION				
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 33)	-	(17,886)	-	(17,886)
Exchange adjustments	323	(38,419)	-	(38,096)
As at 31 December 2017	25,484	925,919	-	951,403
On acquisition of subsidiaries	25,094	566,571	-	591,665
Charge for the year	2,131	147,015	-	149,146
On disposals	(34)	(15,060)	-	(15,094)
Impairment (note 33)	(369)	(1,254)	-	(1,623)

Exchange adjustment	(1,125)	(39,099)	-	(40,224)
As at 31 December 2018	51,181	1,584,092	-	1,635,273

NET BOOK VALUE

As at 31 December 2018	64,390	995,461	138,924	1,198,775
As at 31 December 2017	51,898	584,196	107,492	743,586

Exchange adjustments of 2018 and 2017 includes effect of hyperinflationary restatement of property and equipment in Zain South Sudan based on the respective price index changes.

13. INTANGIBLE ASSETS AND GOODWILL

	GOODWILL	LICENCE FEES	OTHERS	TOTAL
	KD '000			
COST				
As at 31 December 2016	634,661	646,966	231,944	1,513,571
Additions	-	-	7,296	7,296
On acquisition of subsidiaries	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
Impact on adoption of IFRS 15	-	-	(80,132)	(80,132)
Restated balance as on 1 January 2018	614,200	636,666	89,946	1,340,812
On acquisition of subsidiaries	40,215	1,889,232	134,456	2,063,903
Other additions	-	229	39,916	40,145
Exchange adjustments	(33,352)	(1,673)	(2,696)	(37,721)
As at 31 December 2018	621,063	2,524,454	261,622	3,407,139
ACCUMULATED AMORTIZATION				
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
Impact on adoption of IFRS 15	-	-	(71,946)	(71,946)
Restated balance as on 1 January 2018	11,942	364,455	60,971	437,368
On acquisition of subsidiaries	-	695,258	34,618	729,876
Charge for the year	-	68,971	11,415	80,386
Exchange adjustments	-	(536)	(3,222)	(3,758)
As at 31 December 2018	11,942	1,128,148	103,782	1,243,872
NET BOOK VALUE				
As at 31 December 2018	609,121	1,396,306	157,840	2,163,267
As at 31 December 2017	602,258	272,211	37,161	911,630

Impact on adoption of IFRS 15, represents reversal of customer acquisition costs.

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 are as follows:

	2018	2017
--	------	------

	KD '000	
Pella Investment Company, Jordan- Pella	79,516	79,516
Sudanese Mobile Telephone Company Limited (Zain Sudan)	24,163	57,759
Atheer Telecom Iraq Limited, Cayman Islands (Atheer)	456,127	455,615
Mobile Telecommunications Company ("SMTC")	27,171	-
Others	22,144	9,368
	609,121	602,258

Others include KD 12.874 million relating to an acquisition of an Iraqi entity by a subsidiary of the Group during November 2018. The carrying value of assets and liabilities of this entity amounted to KD 5 thousand.

IMPAIRMENT TESTING

The Group determines whether goodwill or intangible assets with indefinite useful lives are impaired, at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on value-in-use calculations or fair value less cost to sell if that is higher.

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

KEY ASSUMPTION	BASIS USED TO DETERMINE VALUE TO BE ASSIGNED TO KEY ASSUMPTION
Growth rate	<p>Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth from technology and license upgrades. The growth rates are consistent with forecasts included in industry and country reports.</p> <p>Compounded annual growth in revenue of up to 17% (2017: 13%) for Zain Sudan, 10% (2017: 11%) for Atheer and 3% (2017: 4%) for Pella during the projected five year period. Value assigned reflects past experience and changes in economic environment.</p> <p>Cash flows beyond the five year period have been extrapolated using a growth rate of up to of 3% (2017: 4%) for Zain Sudan, 3% (2017: 3.5%) for Atheer and 4% (2017: 2%) for Pella. This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates.</p>
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 23.24% (2017: 21.3%) for Zain Sudan, 13.8% (2017: 12%) for Atheer and 11.2% (2017: 9.8%) 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 five year period. The recoverable amounts so obtained were higher than the carrying amount of the CGUs.

14. TRADE AND OTHER PAYABLES

	2018	2017
	KD '000	
Trade payables and accruals	688,458	361,341
Due to roaming partners	11,852	20,854

Due to other operators (interconnect)	10,926	10,763
Dues to regulatory authorities (refer below)	146,716	4,023
Taxes payable	51,931	38,870
Dividend payable	16,335	13,048
Provisions	2,758	2,747
Directors' remuneration	420	275
Other payables	26,876	15,695
	956,272	467,616

Dues to regulatory authorities includes amount of SAR 1,759 million (KD 142.452 million) payable by SMTC.

15. DUE TO BANKS

	2018	2017
	KD '000	
COMPANY		
Short term loans	110,930	110,540
Long term loans	610,117	621,940
	721,047	732,480
SMTC		
Long term loans	568,126	-
	568,126	-
ZAIN BAHRAIN		
Long term loans	-	1,501
	-	1,501
ZAIN JORDAN		
Short term loans	4,275	-
	4,275	-
ATHEER		
Long term loans	153,066	136,220
	153,066	136,220
OTHERS		
Long term loans	22	-
	22	-
	1,446,536	870,201

Reconciliation of movements of amounts due to banks to cash flows from financing activities:

	2018	2017
	KD '000	
Opening balance	870,201	1,049,347
On acquisition of a subsidiary (refer note 35)	657,143	-
Proceeds from bank borrowings	203,019	323,387
Repayment of bank borrowings	(288,901)	(491,111)
Effect of change in foreign exchange rates	5,074	(11,422)
	1,446,536	870,201

The current and non-current amounts are as follows:

	2018	2017
	KD '000	
Current liabilities	412,971	199,564

Non-current liabilities	1,033,565	670,637
	1,446,536	870,201

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

	2018	2017
	KD '000	
US Dollar	1,148,923	836,587
Kuwaiti Dinar	20,000	32,113
Saudi Riyals	273,315	-
Others	4,298	1,501
	1,446,536	870,201

The effective interest rate as at 31 December 2018 was 2.42% to 6.16% (2017 – 2.01% 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 126.502 million (31 December 2017 - KD 301.565 million) from existing and new facilities. This included:
 - US\$ 200 million (KD 59.86 million) from an existing US\$ 200 million Murabaha facility agreement.
 - US\$ 140 million (KD 41.964 million) from an existing US\$ 500 million revolving credit facility.
 - US\$ 81.53 million (KD 24.68 million) from a long-term loan facility amounting to US\$ 200 million.
- repaid loans amounting to KD 141.426 million (31 December 2017 – KD 454.428 million). This includes:
 - US\$ 177.5 million (KD 53.152 million) of an existing US\$ 200 million Murabaha facility agreement.
 - KD 12.112 million to fully repay the term loan that was availed from a local commercial bank in 2014.
 - US\$ 140 million (KD 42.381 million) of an existing US\$ 500 million revolving credit facility.

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

SMTC

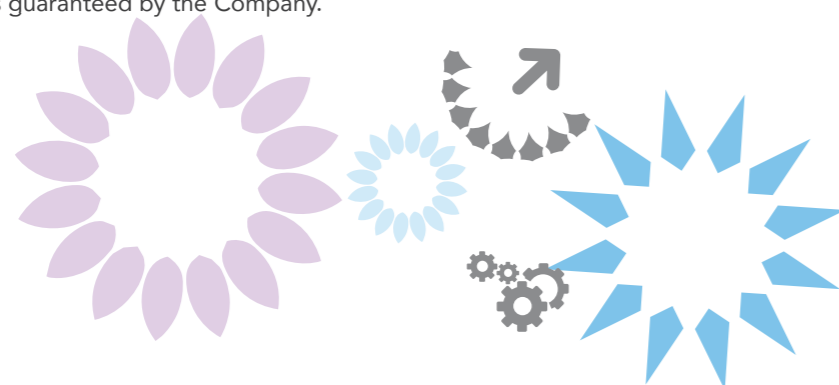
Long-term loans include:

- SAR 4,746 million (KD 384.346 million) syndicated murabaha facility availed from a consortium of banks. In June 2018, SMTC refinanced and extended the maturity of the syndicated Murabaha facility that was maturing in 2018 to a SAR 5,900 million (KD 477.841 million) facility maturing in June 2023 which includes a working capital facility of SAR 647.3 million (KD 52.425 million) for two years. During the third and fourth quarter of the year, SMTC made early voluntary payments amounting to SAR 1,125 million (KD 91.114 million).

The murabaha facility is secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables.

Under the murabaha financing agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement.

- SAR 2,269 million (KD 183.776 million) long-term loan repayable by August 2019 availed from a commercial bank. This facility is guaranteed by the Company.



ZAIN – BAHRAIN

This represented balance outstanding on the long term Bahraini dinar denominated facilities, availed in 2013, at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR), which were fully repaid in the current year.

ATHEER

Long term loans include:

- US\$ 250 million (KD 75.775 million) (31 December 2017 – US\$ 300 million equivalent to KD 90.54 million) loan from a commercial bank that was rolled over as a long term loan maturing in December 2019.
- US\$ 55 million (KD 16.671 million) (31 December 2017 – US\$ 55 million equivalent to KD 16.599 million) long-term loan repayable by March 2020 availed from a commercial bank in 2015.
- US\$ 50 million (KD 15.155 million) (31 December 2017 – US\$ 50 million equivalent to KD 15.09 million) long-term loan repayable by April 2020 availed from a commercial bank in 2017.
- US\$ 50 million (KD 15.155 million) long-term loan repayable by April 2021 availed from a commercial bank in 2018.
- US\$ 100 million (KD 30.31 million) long-term loan repayable by May 2025 availed from a commercial bank in 2018.

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

16. OTHER NON-CURRENT LIABILITIES

	2018	2017
	KD '000	
Payable to Ministry of Finance – Saudi Arabia (refer below)	234,749	-
Due to CITC for acquisition of spectrum	33,719	-
Customer deposits	5,238	5,570
Post-employment benefits	32,468	21,996
Others	30,151	10,916
	336,325	38,482

During 2013, SMTC signed an agreement with the Ministry of Finance – Kingdom of Saudi Arabia to defer payments that are due until 2021. These amounts will be repaid in seven installments starting June 2021.

17. SHARE CAPITAL AND RESERVES

	2018	2017
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 (the "threshold"), has to be appropriated towards legal reserve. As permitted by the Companies Law and the Company's Articles of Association, the Company has discontinued appropriations since the legal reserve has reached the above threshold. 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 (2017 - Nil).

FOREIGN CURRENCY TRANSLATION RESERVE

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

OTHER RESERVES

Other reserves includes hedge reserves loss amounting to KD 150 thousand.

DIVIDEND – 2017

The annual general meeting of shareholders for the year ended 31 December 2017 held on 28 March 2018 approved distribution of cash dividends of 35 fils per share for the year 2017.

PROPOSED DIVIDEND

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 30 fils per share (2017 - 35 fils per share) to the registered shareholders, after obtaining the necessary regulatory approvals.

18. TREASURY SHARES

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 was recorded in retained earnings.

19. REVENUE**19.1 DISAGGREGATED REVENUE INFORMATION**

The total revenue disaggregated by major service lines is:

	2018	2017
	KD '000	
Airtime, data and subscription	1,191,778	934,079
Trading income	125,835	95,468
	1,317,613	1,029,547

The total revenue disaggregated by primary geographical market and timing of revenue recognition is disclosed in Note 25.

The Group has recognized the following assets and liabilities related to contract with customers.

19.2 CONTRACT BALANCES

	31 December 2018	1 January 2018
	KD '000	
CONTRACT ASSETS		
Assets relating to sale of handsets		
Current and non-current	87,083	56,198
Loss allowance	(4,081)	(5,979)
	83,002	50,219
CONTRACT LIABILITIES		
Deferred revenue - prepaid customers	105,308	47,768
	105,308	47,768

As permitted under IFRS 15, the Group does not disclose transaction price allocated to the remaining performance obligations as it primarily provides services that corresponds directly with the value transferred to the customer.

20. OPERATING AND ADMINISTRATIVE EXPENSES

This includes staff costs of KD 106.955 million (2017 – KD 83.862 million).

21. INVESTMENT INCOME

	2018	2017
	KD '000	
Gain on investments at fair value through profit or loss	3,677	10
Realized gains from available for sale investments	-	2,891
Impairment loss on available for sale investments	-	(2,369)
Dividend income	253	249
	3,930	781

22. NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT

	2018	2017
	KD '000	
NLST- Kuwait	2,396	3,077
Zakat- Kuwait	1,356	1,521
Zakat – KSHC	38	42
Zakat- Sudan	686	1,113
	4,476	5,753

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.

23. INCOME TAX EXPENSES

This represents the income and other taxes of subsidiaries and withholding taxes (refer note 25).

The tax rate applicable to the taxable subsidiary companies is in the range of 15% to 24% (2017: 15% to 24%) whereas the effective income tax rate for the year ended 31 December 2018 is in the range of 17% to 27% (2017: 16% to 23%). For the purpose of determining the taxable results for the year, the accounting profits were adjusted for tax purposes. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies jurisdiction.

24. EARNINGS PER SHARE

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

	2018	2017
	KD '000	
Profit for the year	196,500	159,817
	SHARES	SHARES
Weighted average number of shares in issue	4,327,058,909	4,047,138,921
	FILS	FILS
Basic earnings per share	45	39
Diluted earnings per share	45	39

25. 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, Sudan, Iraq, Bahrain, KSA, Lebanon and South Sudan. 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, Bahrain and KSA as the basis for disclosing the segment information.

31 DECEMBER 2018								
	KUWAIT	JORDAN	SUDAN	IRAQ	BAHRAIN	KSA	OTHERS	TOTAL
	KD '000							
Segment revenues – airtime & data (Point over time)	265,842	144,269	94,861	342,427	40,597	282,929	20,853	1,191,778
Segment revenues - trading income (Point in time)	65,496	4,925	504	1,704	12,391	40,786	29	125,835
Net profit before interest and tax	82,105	33,800	16,863	32,749	4,126	74,357	40,971	284,971
Interest income	6	460	856	81	57	1,408	214	3,082
Finance costs	-	(5,912)	-	(12,329)	(40)	(39,501)	(40)	(57,822)
Income tax expenses	-	(6,414)	(4,263)	(5,554)	-	-	(2,954)	(19,185)
	82,111	21,934	13,456	14,947	4,143	36,264	38,191	211,046
Unallocated items:								
Investment income	-	-	-	-	-	-	-	3,930
Share of results of associates and joint venture	-	-	-	-	-	-	-	(2,444)
Others (including unallocated interest income, income tax and finance costs)	-	-	-	-	-	-	-	12,924
Profit for the period	-	-	-	-	-	-	-	225,456
Segment assets including allocated goodwill	358,820	311,598	123,718	1,027,961	76,222	2,159,097	83,655	4,141,071
Unallocated items:								
Investment securities at FVTPL	-	-	-	-	-	-	-	15,519
Investment securities at FVOCI	-	-	-	-	-	-	-	7,040
Investment in associates and joint venture	-	-	-	-	-	-	-	69,851
Others	-	-	-	-	-	-	-	254,238
Consolidated assets	-	-	-	-	-	-	-	4,487,719
Segment liabilities	115,021	136,482	45,869	158,297	19,771	1,238,847	77,213	1,791,500
Due to banks	-	4,275	-	153,066	-	568,126	-	725,467
	115,021	140,757	45,869	311,363	19,771	1,806,973	77,213	2,516,967
Unallocated items:								
Due to banks	-	-	-	-	-	-	-	721,069
Others	-	-	-	-	-	-	-	(393,595)
Consolidated liabilities	-	-	-	-	-	-	-	2,844,441
Net consolidated assets	-	-	-	-	-	-	-	1,643,278
Capital expenditure incurred during the period	34,377	23,592	32,904	52,337	929	70,709	5,714	220,562
Unallocated	-	-	-	-	-	-	-	6,546
Total capital expenditure	-	-	-	-	-	-	-	227,108
Depreciation and amortization	28,097	24,905	10,012	77,414	8,325	75,020	3,742	227,515
Unallocated	-	-	-	-	-	-	-	2,017
Total depreciation and amortization	-	-	-	-	-	-	-	229,532

31 DECEMBER 2017							
	KUWAIT	JORDAN	SUDAN	IRAQ	BAHRAIN	OTHERS	TOTAL
	KD '000						
Segment revenues	331,115	150,544	126,861	333,881	59,971	27,175	1,029,547
Net profit before interest and tax	80,330	40,279	24,420	21,658	3,652	3,752	174,091
Interest income	14	238	630	141	32	164	1,219
Finance cost	-	(5,221)	-	(13,055)	(226)	(3,930)	(22,432)
Income tax expense	-	(8,046)	(5,479)	-	-	3,742	(9,783)
	80,344	27,250	19,571	8,744	3,458	3,728	143,095
Unallocated items:							
Investment income	-	-	-	-	-	-	781
Share of results of associates and joint venture	-	-	-	-	-	-	127
Others	-	-	-	-	-	-	20,149
Profit for the year	-	-	-	-	-	-	164,152
Segment assets including allocated goodwill	339,782	312,895	217,878	1,027,967	84,996	94,302	2,077,820
Unallocated items:							
Investment securities at fair value through profit or loss	-	-	-	-	-	-	778
Investment securities available for sale	-	-	-	-	-	-	16,118
Investment in associates and joint venture	-	-	-	-	-	-	188,412
Due from associates	-	-	-	-	-	-	415,759
Others	-	-	-	-	-	-	334,784
Consolidated assets	-	-	-	-	-	-	3,033,671
Segment liabilities	85,418	136,571	46,576	185,239	29,221	213,471	696,496
Due to banks	-	-	-	136,220	1,501	-	137,721
	85,418	136,571	46,576	321,459	30,722	213,471	834,217
Unallocated items:							
Due to banks	-	-	-	-	-	-	732,480
Others	-	-	-	-	-	-	(142,630)
Consolidated liabilities	-	-	-	-	-	-	1,424,067
Net consolidated assets	-	-	-	-	-	-	1,609,604
Capital expenditure incurred during the year	25,357	18,283	40,421	35,297	6,115	516	125,989
Unallocated	-	-	-	-	-	-	16,239
Total capital expenditure	-	-	-	-	-	-	142,228
Depreciation and amortization	42,676	28,131	14,538	75,930	14,070	8,334	183,679
Unallocated	-	-	-	-	-	-	1,371
Total depreciation and amortization	-	-	-	-	-	-	185,050

26. 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.

	SMTC		AL KHATEM, IRAQ		ZAIN BAHRAIN	
	2018	2017	2018	2017	2018	2017
	KD '000					
Current assets	319,472	-	148,060	136,875	25,471	27,131
Non-current assets	1,812,454	-	710,070	721,990	50,750	57,865
Current liabilities	(595,407)	-	(233,857)	(168,327)	(19,530)	(30,464)
Non-current liabilities	(1,211,566)	-	(77,506)	(153,132)	(241)	(257)
Equity attributable to:						
- Owners of the Company	120,379	-	415,430	408,402	31,273	29,732
- Non-controlling interests	204,574	-	131,337	129,004	25,177	24,543
Revenue	323,715	-	344,131	333,881	52,988	59,971
Profit for the year	36,264	-	14,946	8,745	4,143	3,457
Other comprehensive income	(6)	-	-	-	-	-
Total comprehensive income	36,258	-	14,946	8,745	4,143	3,457
Total comprehensive income attributable to:						
- Company's shareholders	13,432	-	11,276	6,646	2,295	1,894
- Non-controlling interests	22,826	-	3,670	2,099	1,848	1,563
	36,258	-	14,946	8,745	4,143	3,457
Cash dividend paid to non-controlling Interests	-	-	-	-	(611)	(630)
Net cash flow from operating activities	207,006	-	58,889	44,085	6,343	11,280
Net cash flow from/(used in) investing activities	26,990	-	(52,655)	(48,348)	(872)	(6,080)
Net cash flow used in financing activities	(119,506)	-	(14,942)	(20,852)	(2,948)	(7,995)
Effects of exchange rate changes on cash and cash equivalents	251	-	754	(256)	3	(24)
Net increase / (decrease) in cash flows	114,741	-	(7,954)	(25,371)	2,526	(2,819)

27. RELATED PARTY TRANSACTIONS

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

TRANSACTIONS

	2018	2017
	KD '000	
Revenue	1,239	3,421
Cost of sales	1,363	1,565
Management fee (included in other income)	2,026	3,130
Interest income on loans to an associate	11,587	22,357
Key management compensation		
Salaries and other short term employee benefits	3,552	2,951
Post-employment benefits	654	439
Balances		
Trade receivables	-	16,553
Trade payables	193	9,851

28. COMMITMENTS AND CONTINGENCIES

	2018	2017
	KD '000	
Capital commitments	127,757	37,727
Capital commitments – share of associates	-	60,835
Uncalled share capital of investee companies	963	4,685
Letters of guarantee and credit	81,809	453,691

The above includes guarantees amounting to KD Nil (2017 - KD 396.316 million) relating to loans and other vendor financing availed by SMTC.

The Company is a guarantor for credit facilities amounting to KD 7.274 million (2017 – KD 10.551 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 CMC claimed an amount of US\$ 100 million from Atheer, citing non-compliance with certain license terms. After adverse decisions of the CMC Board of Appeals, Atheer took the matter to the Iraqi courts. Finally the Civil Committee at the Court of Cassation ruled that the fine has no legal basis and decided to drop the fine. Based on the report of its attorneys, Atheer believes that this decision is final and unchallengeable.

Income taxes in Iraq

In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which, among other concessions, it obtained the right to submit its objection to the income tax claimed by the Income Tax Authority for the years from 2004 to 2010 amounting to US\$ 244 million (KD 73.956 million). According to the terms of the agreement, Atheer had to pay minimum 25% of the amount claimed and the balance US\$ 173 million (KD 52.436 million) in fifty equal monthly instalments from December 2016. Atheer would thus reserve the right to file an objection for each of these years.

Accordingly, Atheer submitted its objections against the US\$ 244 million tax claim in November 2016 objecting to the full amount of the claim, and commenced payment of the amount agreed. As of 31 December 2018, Atheer has an obligation to pay a balance of US\$ 86 million (KD 26.067 million) (31 December 2017: US\$ 128 million, equivalent to KD 38.63 million), net of previous payments in twenty-five instalments remaining.

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 a further 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. On 12 February 2018, the Cassation Committee issued decisions in favour of Atheer in relation to the years 2004-2010, by upholding Atheer's right to appeal and instructing the Appeals Committee to reconsider those appeals on their merits on the basis that Atheer's agreement with Ministry of Finance was not invalid. Appeals Committee resumed its session in June 2018 in which Atheer submitted a statement to clear its grounds. On 25 September 2018, the Appeals Committee decided to suspend the final decision on this case until getting the response from the Council of Ministers in respect of this matter based on recommendations by an internal committee at the Ministry of Finance. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.

Pella - Jordan

Pella is a defendant in lawsuits amounting to KD 12.371 million (31 December 2017 – KD 12.474 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella. Pella has initiated legal proceedings against the claim by regulatory authorities of KD 9.533 million (31 December 2017 - KD 9.504 million) for the years 2002 - 2005 on the grounds that it has already paid the 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 11.671 million (31 December 2017: KD 11.934 million) of earlier years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella.

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:

	2018	2017
	KD '000	
Not later than 1 year	62,531	19,682
Later than 1 year and no later than 5 years	109,474	23,005
Later than 5 years	61,701	11,840
	233,706	54,527

29. FINANCIAL RISK MANAGEMENT

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

	AMORTIZED COSTS	AT FAIR VALUE THROUGH PROFIT OR LOSS	FAIR VALUE THROUGH COMPREHENSIVE INCOME
	KD '000		
31 December 2018			
Cash and bank balances	311,916	-	-
Trade and other receivables	374,094	-	-
Contract assets (current and non-current)	83,002	-	-
Investment securities	-	15,519	7,040
Other assets	1,039	-	-
	770,051	15,519	7,040

	LOANS AND RECEIVABLES	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	362,349	-	-
Investment securities	-	778	16,118
Dues from associates	415,759	-	-
Other assets	12,072	-	-
	1,034,578	778	16,118

All financial liabilities as of 31 December 2018 and 31 December 2017 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:

	2018	2017
CURRENCY	KD '000	
US Dollar	49,348	14,572
Euro	158	33
SAR	-	1,412

(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 as FVOCI (2017: AFS). 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:

	2018		2017	
MARKET INDICES	IMPACT ON NET PROFIT	EFFECT ON EQUITY	IMPACT ON NET PROFIT	EFFECT ON EQUITY
	KD '000			
Kuwait Stock Exchange	±322	±51	±39	±395

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 carried at amortized cost. Borrowings issued at variable rates expose the Group to cash flow 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. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

At 31 December 2018, 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 5.81 million (2017: KD 3.773 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, trade and other receivables, contract assets and loans to associates.

The Group manages the credit risk on bank balances by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to trade receivables and contract assets is limited due to dispersion across large number of customers. Group manages credit risk of customers by continuously monitoring and using experienced collection agencies to recover past due outstanding amounts. Credit risk of distributors, roaming and interconnect operators, due from associates and others including third parties on whose behalf financial guarantees are issued by the Group is managed by periodic evaluation of their credit worthiness or obtaining bank guarantees in certain cases.

EXPECTED CREDIT LOSS (ECL) MEASUREMENT

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition wherein if a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and backstop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. For customer, distributors, roaming and interconnect trade receivables significant increase in credit risk criteria does not apply since the group is using simplified approach which requires use of lifetime expected loss provision.

For amounts due from banks, the Group uses the low credit risk exemption as permitted by IFRS 9 based on the external rating agency credit grades. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Group considers it as significant increase in credit risk.

Financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

Credit impaired assets

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, there is sufficient doubt about the ultimate collectability; or the customer is past due for more than 90 days.

Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified Gross Domestic Product (GDP) of each geography in which they operate as the key economic variables impacting credit risk and ECL for each portfolio. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Incorporating forward-looking information increases the degree of judgement required as to how changes in GDP will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The following table contains an analysis of the maximum credit risk exposure of financial instruments for which an ECL allowance is recognized:

	31 DEC 18				1 JAN 18	
	ECL STAGING					
	STAGE 1	STAGE 2	STAGE 3	SIMPLIFIED APPROACH		
	12-MONTH	LIFETIME	LIFETIME	LIFETIME	TOTAL	TOTAL
	KD '000					
Cash and bank balances	242,124	73,691	-	-	315,815	244,398
Less: ECL	-	-	-	-	(3,899)	(6,497)
	242,124	73,691	-	-	311,916	237,901
Customers	-	-	-	236,919	236,919	107,109
Distributors	-	-	-	22,705	22,705	8,748
Contract assets	-	-	-	87,083	87,083	56,198
Less: ECL	-	-	-	(134,414)	(134,414)	(64,207)
	-	-	-	212,293	212,293	107,848
Roaming partners	-	-	-	14,382	14,382	13,180
Other operators (interconnect)	-	-	-	42,422	42,422	27,329
Less: ECL	-	-	-	(7,585)	(7,585)	(9,972)
	-	-	-	49,219	49,219	30,537
Due from associates	-	-	-	-	-	415,759
Less: ECL	-	-	-	-	-	(1,082)
	-	-	-	-	-	414,677
Other receivables	-	37,734	-	-	37,734	54,699
Less: ECL	-	(2,940)	-	-	(2,940)	(3,022)
	-	34,794	-	-	34,794	51,677
Financial guarantees	-	7,274	-	-	7,274	10,551
Less: ECL	-	(1,129)	-	-	(1,129)	(2,631)
	-	6,145	-	-	6,145	7,920

ECL allowance of trade and other receivables are assessed as follows:

	31 Dec 18	1 Jan 18
	KD '000	
Collectively assessed	134,414	64,207
Individually assessed	10,525	14,076
	144,939	78,283

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables:

	COLLECTIVELY ASSESSED	INDIVIDUALLY ASSESSED	TOTAL
	KD '000		
1 January 2018 under IAS 39	54,635	6,564	61,199
Adjustment on initial application of IFRS 9	13,463	6,574	20,037
1 January 2018 under IFRS 9	68,098	13,138	81,236
On business combination	54,684	474	55,158
Recoveries	556	-	556
Amounts written off	(3,834)	-	(3,834)
Foreign exchange gains and losses	(371)	(1,091)	(1,462)
Net increase in loss allowance	15,281	(1,996)	13,285
31 December 2018	134,414	10,525	144,939

For customer, distributor and contract assets the Group uses a provision matrix based on the historic default rates observed and adjusted for forward looking factors to measure ECL as given below.

AGING BRACKETS OF POSTPAID TRADE RECEIVABLES	31 DEC 18			1 JAN 18 (RESTATED)		
	ESTIMATED TOTAL GROSS CARRYING AMOUNT AT DEFAULT	EXPECTED CREDIT LOSS RATE	LIFETIME ECL	ESTIMATED TOTAL GROSS CARRYING AMOUNT AT DEFAULT	EXPECTED CREDIT LOSS RATE	LIFETIME ECL
	KD '000	%	KD '000	KD '000	%	KD '000
Not due /< 30 days	148,737	3%	5,188	68,077	9%	6,297
31 – 60 days	20,323	5%	1,049	15,622	8%	1,241
61 – 90 days	8,395	20%	1,674	4,748	35%	1,646
91 – 180 days	16,045	35%	5,673	7,619	48%	3,635
> 181 days	153,207	79%	120,830	75,989	68%	51,388
	346,707		134,414	172,055		64,207

Credit quality of roaming, interconnect and other balances:

	31 Dec 18	1 Jan 18
Credit quality – Performing	85,710	84,277
Impaired	8,828	10,931
ECL	(10,525)	(12,994)
	84,013	82,214

The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default, on account of acquisition of SMTC.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

As of 31 December 2017, trade receivables of KD 100.432 million were neither past due nor impaired. Trade receivables of KD 62.701 million were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. These trade receivables were uncollateralized and were due as follows:

	31 Dec 17
	KD '000
Up to 3 months	14,119
3 – 6 months	12,380
6 – 12 months	7,650
More than 12 months	28,552
	62,701

As of 31 December 2017, trade receivables of KD 60.18 million were impaired against which the Group carries a provision of KD 60.18 million. The individually impaired receivables mainly relate to post-paid customers. It was assessed that a portion of the impaired receivables was expected to be recovered.

(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 11.356 million (2017: KD 16.001 million) equivalent held in Sudanese pounds and KD 1.848 million (2017: KD 1.017 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 2018				
Bank borrowings	489,586	218,592	1,215,650	87,871
Trade and other payables	902,830	-	-	-
Other non-current liabilities	15,072	17,908	222,787	85,932
At 31 December 2017				
Bank borrowings	234,152	163,456	416,131	133,503
Trade and other payables	466,635	201	302	478
Other non-current liabilities	-	823	-	2,625

30. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

	NOTIONAL AMOUNTS BY TERM TO MATURITY		
	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT
	KD '000		

At 31 December 2018:

Derivatives held for hedging:

Cash flow hedges	-	1,749	241,350
Profit rate swaps	-	-	-

At 31 December 2017:

Derivatives held for hedging:

Cash flow hedges	-	-	-
Profit rate swaps - share of an associate	-	78	96,454

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.

31. CAPITAL RISK MANAGEMENT

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

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

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

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

	2018	2017
	KD '000	
Total borrowings (refer note 15)	1,446,536	870,201
Less: Cash and bank balances (refer note 4)	(311,916)	(244,398)
Net debt	1,134,620	625,803
Total equity	1,643,278	1,609,604
Total capital	2,777,898	2,235,407
Gearing ratio	41%	28%

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

31 December 2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	KD '000			
Financial assets at fair value:				
Investments at fair value through profit or loss	3,829	11,690	-	15,519
Investments at fair value through other comprehensive income	1,012	875	5,153	7,040
Total assets	4,841	12,565	5,153	22,559
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

Available for sale investments include unlisted securities amounting to KD Nil (31 December 2017 – KD 4.846 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.

33. 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 2018	6,306	1.00
31 December 2017	4,502	1.40
31 December 2016	2,068	3.05
31 December 2015	357	17.67
31 December 2014	170	37.09
31 December 2013	155	40.76

Based on the above, the Group determined net monetary gain to be local currency equivalent of KD 46.935 million (2017: KD 45.789 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 9.648 million (31 December 2017: KD 37.826 million). 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. The impairment loss is subject to reassessment at the end of each reporting period to determine if it no longer exists or may have decreased in which case it is reversible to that extent.

34. 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, 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.

Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)

The Group considers that it controls SMTC though it owns less than 50% of the voting rights. In assessing whether the Group has de factor control management exercised significant judgment which takes into account many factors such as it being the single largest shareholder in SMTC, its majority representation in the Board, voting patterns of other dominant shareholders etc.

Identifying performance obligations in a bundled sale of equipment and installation services

The Group provides telecommunications services that are either sold separately or bundled together with the sale of equipment (hand sets) to a customer. The Group uses judgement in determining whether equipment and services are capable of being distinct. The fact that the Group regularly sells both equipment and services on a stand-alone basis indicates that the customer can benefit from both products on their own. Consequently, the Group allocated a portion of the transaction price to the equipment and the services based on relative stand-alone selling prices.

Principal versus agent considerations

Revenue from value added services (VAS) sharing arrangements depend on the analysis of the facts and circumstances surrounding these transactions. The determination of whether the Group is acting as an agent or principal in these transactions require significant judgement and depends on the following factors:

- The Group is primarily responsible for fulfilling the promise to provide the service.
- Whether the Group has inventory risk
- Whether the Group has discretion in establishing the price

Consideration of significant financing component in a contract

The Group sells bundled services on a monthly payment scheme over a period of one to two years.

In concluding whether there is a significant financing component in a contract requires significant judgements and is dependent on the length of time between the customers payment and the transfer of equipment to the customer, as well as the prevailing interest rates in the market. The Group has concluded that there is no significant financing component in its contract with customers after such assessment.

In determining the interest to be applied to the amount of consideration, the Group has concluded that the interest rate implicit in the contract (i.e., the interest rate that discounts the cash selling price of the equipment to the amount paid in advance) is appropriate because this is commensurate with the rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception.

Assets held for sale

In 2017, the Board of Directors announced its decision to sell some of the telecom tower assets in Kuwait. This is considered to have met the criteria as held for sale for the following reasons:

- These assets are available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage

These assets continued to be classified as non-current assets held for sale as the Group is committed to its plan to sell the assets and the delay was caused due to events and circumstances beyond the Group's control.

Classification of equity investments

On 1 January 2018, i.e, the date of initial application of IFRS 9, or on acquisition of an equity investment security, the Group decides whether it should be classified as fair value through profit or loss or fair value through other comprehensive income.

Prior to 1 January 2018, the Group on acquisition of an investment decided whether it should be classified as "at fair value through profit or loss", "available for sale" or as "loans and receivables". In making that judgement the Group considered the primary purpose for which it was acquired and how it intended to manage and report its performance. Such judgment determined whether it was subsequently measured at cost or at fair value and if the changes in fair value of instruments were reported in the consolidated statement of profit or loss or directly in equity.

Impairment

Prior to 1 January 2018, 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 assessed, whether there was any indication that non-financial assets may be impaired. The determination of impairment required considerable judgment and involved evaluating factors including, industry and market conditions.

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities 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 venture 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.

Provision for expected credit losses of customer, distributor receivables and contract assets

The Group uses a provision matrix to calculate ECLs for customer, distributor receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 29.

Prior to 1 January 2018, the Group estimated an allowance for doubtful receivables based on past collection history and expected cash flows from debts that were 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.

35. BUSINESS COMBINATION

Acquisition of Mobile Telecommunications Company Saudi Arabia (SMTC)

In July 2018, the Group concluded that it is able to control SMTC through its majority representation on the board of directors.

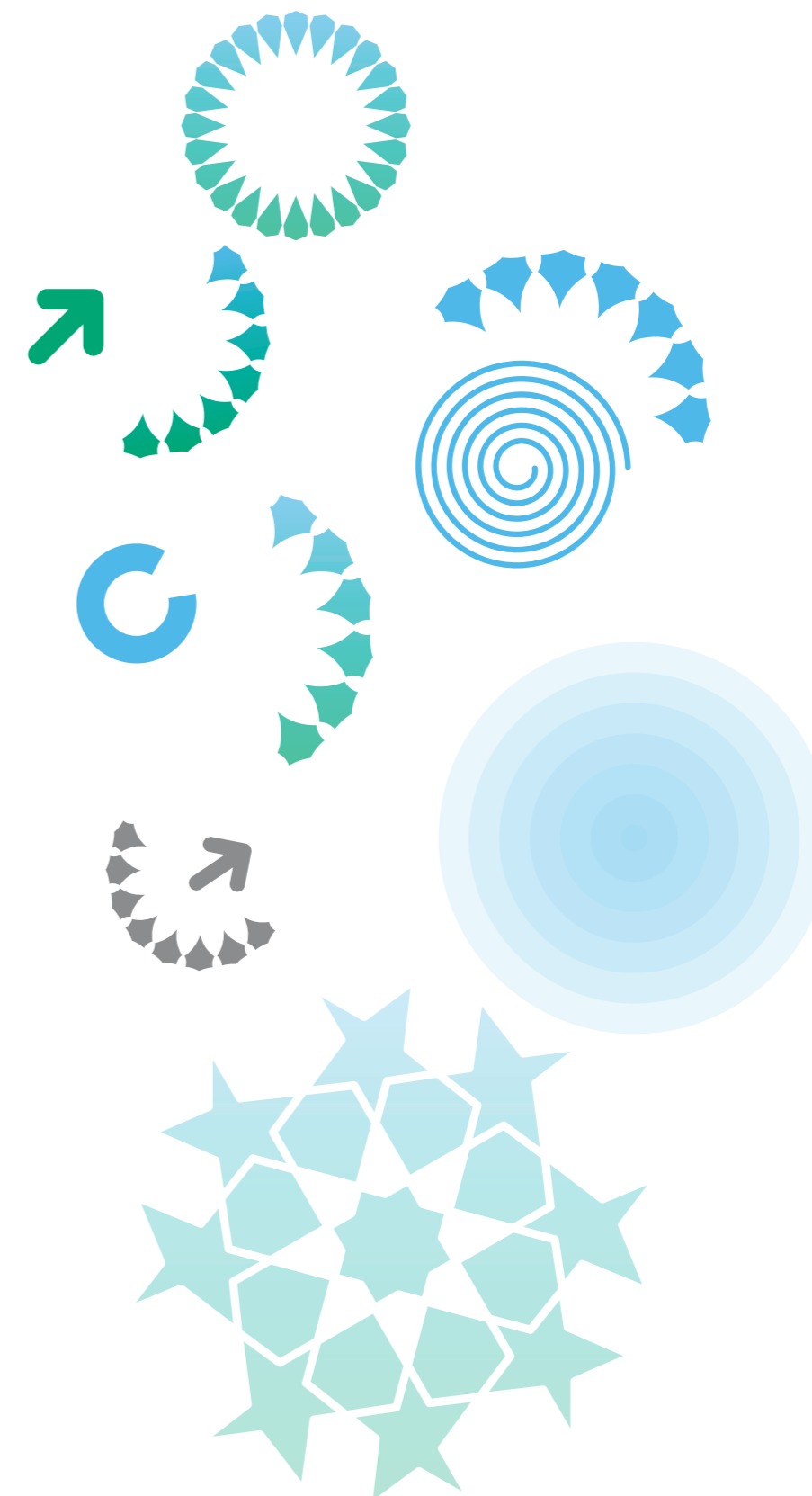
The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, which are subject to review within one year of acquisition on finalisation of the Purchase Price Allocation (PPA), are shown below:

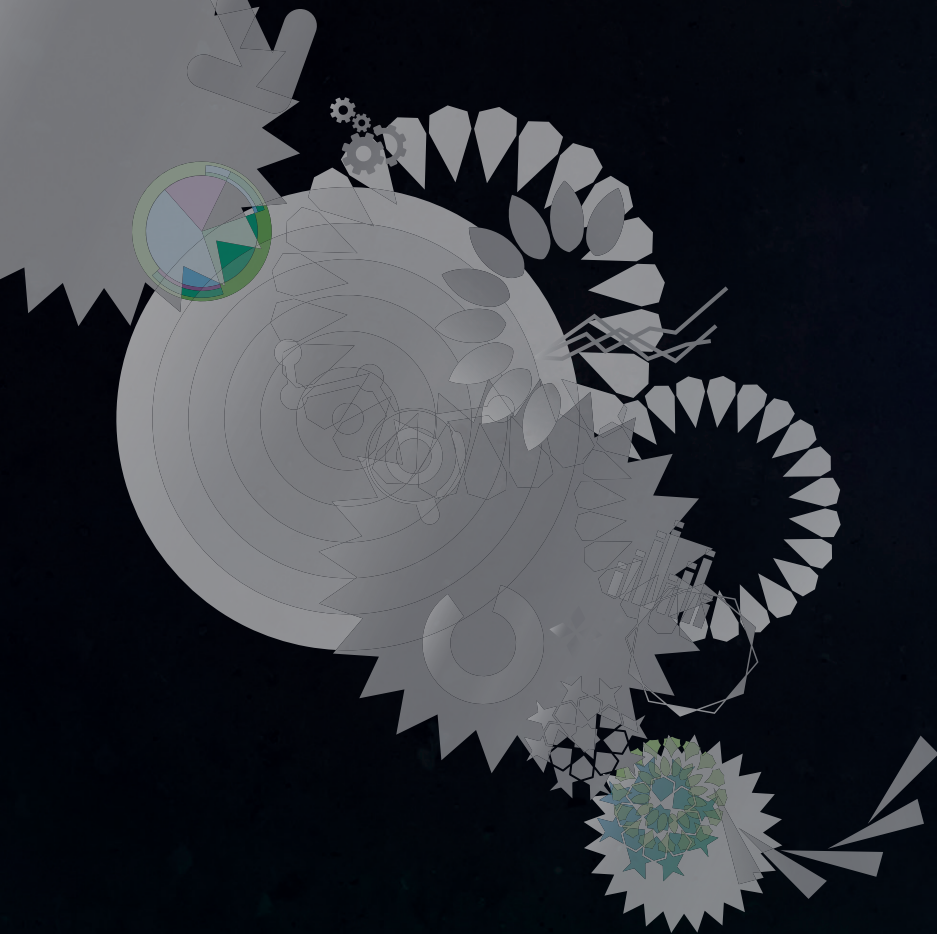
	KD '000
Consideration transferred in cash	200
Acquisition date fair value of the previously held equity interest	133,720
Non-controlling interest share	181,483
	315,403
Less	
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	103,802
Trade and other receivables	138,937
Inventories	6,990
Property and equipment	504,878
Intangible assets	1,304,250
Other assets	44,161
Trade and other payables	(388,360)
Due to banks	(657,143)
Other non-current liabilities	(769,240)
Total identifiable net assets	288,275
Goodwill arising from business combination	27,128

The net cash on acquisition of the above subsidiary and others amounted to KD 101.993 million (2017: cash outflow of KD 0.516 million).

The above goodwill is attributable to the profitability of the acquired business. From the date of acquisition, SMTC contributed revenues of KD 323.715 million and profit for the period of KD 36.264 million to the net results of the Group. If the acquisition had taken place on 1 January 2018, the Group revenue for the period would have been higher by KD 282.537 million.

The acquisition date fair value of the Group's previously held voting equity interest in SMTC, was estimated at KD 133.720 million. Since the business combination was achieved in stages, the Group remeasured the previously held equity holding at fair value and recognized the resultant gain of KD 30.931 million in the consolidated statement of profit or loss, net of amounts reclassified from other comprehensive income.





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