GROWTH IN EMERGING TECHNOLOGY

ANNUAL REPORT 2020

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

AMIR OF THE STATE OF KUWAIT

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

CROWN PRINCE OF THE STATE OF KUWAIT

H.H. SHEIKH SABAH KHALID AL-HAMAD AL-SABAH

PRIME MINISTER OF THE STATE OF KUWAIT

WELCOME TO OUR 2020 ANNUAL REPORT

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47.8 MILLION
ACTIVE CUSTOMERS

$5.3 BILLION
IN REVENUE

$605 MILLION
IN NET INCOME

14 CENT
IN EPS

16,220 TB
AVERAGE DAILY DATA VOLUME

MARKET LEADER
IN KUWAIT, IRAQ, SUDAN & JORDAN

2.0x
IN NET DEBT/EBITDA

5G TECHNOLOGY
IN KUWAIT, KSA & BAHRAIN

$2.2 BILLION
IN EBITDA
EBITDA MARGIN 41%

27%
FEMALE EMPLOYEES

$1.4 BILLION
IN CAPEX
26% OF REVENUE

45
NATIONALITIES

OVER 7,500
EMPLOYEES

FREE DATA AND VOICE TO 2.6m
CUSTOMERS DURING THE LOCKDOWN PERIOD

9%
DATA REVENUE GROWTH

4SIGHT

Creating our sustainable and digital future

EVOLUTION OF TELCO

01 Digital Transformation

Transforming the telecom core to provide customers with the best experience, while simultaneously streamlining the back end and reaping the best of analytics for Zain to thrive and even lead in the digital era.

02 Enterprise and Government

Working closely with organizations of all sizes to provide them with the necessary connectivity and the latest solutions required to achieve their business and operational objectives.

03 Fixed and Convergence

Transforming from a mobile centric telecom into an integrated player offering fixed-mobile domestic and international convergence serving the needs of consumers and businesses.

04 Portfolio Optimization

Continuously seeking opportunities to realize synergies and unlock potential value through M&A activities.

GROWTH VERTICALS

ICT 01

Establishing a regional center of excellence developing and providing the latest infrastructure, managed services and digital solutions.

Digital Infrastructure 02

Building a leading independent digital infrastructure player in the region.

Fintech 03

Introducing a suite of digital financial and insurance services contributing to the evolution of the region's digital ecosystem.

Digital Health 04

Leading the development of the digital healthcare landscape in the region as well as widening and facilitating access to medical services.

01 STRATEGIC REVIEW

Board of Directors Statement for the Financial Year ended December 31, 2020

The Board of Directors would like to welcome you to the annual meeting of the esteemed General Assembly and present the Zain Group annual report, in which we showcase the financial results and important achievements of our operations and subsidiaries across the Middle East and Africa for the financial year ended December 31, 2020.

The COVID-19 pandemic broadly affected economies across the globe, which were plunged into a state of uncertainty. However, the telecommunications sector proved to be the first line of defense during the crisis, being a critical element that all societies depended on to remain in contact with loved ones and access other vital day-to-day services and important information, given the limitations on mobility, locally and travel abroad.

As a consequence of the fast-spreading pandemic, organizations were required to make drastic changes to their operating structures, to reduce costs and expenses, and to focus more on improving their digital presence. Thanks to these critical steps, markets began to see signs of recovery, albeit partial in some areas, and we hope the worst is behind us.

Society, governments and all economic activity relied more than ever on telecommunication networks, as the exceptional circumstances increased the demand for data use, further highlighting the vital importance of communications infrastructure and digitization.

On its part, Zain Group mobilized all its resources to provide vital and meaningful connectivity during the lockdowns, implementing more digitalization initiatives to better serve businesses, governments, and societies, aiming to lessen the impact of the pandemic on society. The extensive coverage of Zain's mobile networks and digital solutions contributed to the continuation of many economic, health and educational activities as well as to keeping people connected and being able to work remotely.

During these challenging times, Zain Group undertook proactive measures to drive efficiencies and improve costs, such as renegotiating contracts and managing cash flows. The company used its infrastructure and digital solutions for quick access to clients and followed through on key operational activities across all operations to mitigate the impacts of the economic slowdown. These intensive measures helped us reduce operational expenses by USD 168 million in 2020.

Financial indicators

The Group's performance for 2020 reflects the reality of the COVID 19 pandemic's disruption on economic-social activity and the unavoidable impact it had on the financial results. For the full-year 2020, Zain Group generated consolidated revenue of KD 1.63 billion (USD 5.3 billion), reflecting a 2% Year-on-Year (Y-o-Y) decrease, while consolidated EBITDA for the period declined by 8% Y-o-Y, to reach KD 673 million (USD 2.2 billion), reflecting a healthy EBITDA margin of 41%. Consolidated net income reached KD 185 million (USD 605 million), down 15% and reflecting Earnings Per Share of 43 Fils (USD 0.14).

The Group estimates that the COVID-19 pandemic disruption on economic activity such as lockdowns and travel ban across all Zain markets, adversely impacted revenue by USD 417 million for the full year.

Moreover, for the full-year, foreign currency translation impact, mainly due to the 16% currency devaluation in Sudan from an average of 45.6 to 54.4 (SDG / USD), cost the Group USD 110 million in Revenue, USD 50 million in EBITDA and USD 16 million in Net Income.

Our commitment to providing our customers with the best mobile experience and offering them the latest technologies, saw our CAPEX amount to USD 1.4 billion, representing 26% of revenues, spent on 5G rollouts, coupled with FTTH and 4G expansion, as well as spectrum license fees in key markets.

At its meeting held on 23 February 2021, the Board of Directors agreed that despite the COVID 19 impact on revenues and the currency translation impact on the Group's results, it would adhere to its three-year minimum cash dividend policy commitment of 33 fils per share that was approved at the Ordinary General Assembly for the year 2019. This 33 fils per share dividend for the fiscal year ended 31 December, 2020 reflects a 77% payout ratio, one of the highest in the region.

Furthermore, the Board recommended the distribution of directors' remuneration for the total of KD 435,000 for the financial year ended 31 December 2020. It should be noted that these two recommendations are subject to the approval of the Annual General Assembly and regulatory approvals.

Investing in networks to create value

Zain continued to make heavy investments in its 4G, 5G and Fiber (FTTH) networks, as well as the provision of attractive products and services that extend beyond the field of communications.

Zain Saudi Arabia's 5G deployment was the largest in the Middle East and North Africa and fourth largest in the world, cementing Zain's presence on the 5G map globally, having also launched 5G networks in Kuwait and Bahrain. Zain also introduced 4G in Iraq in early 2021, following the Iraqi Communications and Media Commissions approval that extended Zain Iraq's operating license for eight years to 2030.

Moreover, operations in Bahrain, Jordan and Sudan expanded their 4G networks to cater to the growing demand for broadband services.

Among the prominent milestones in 2020 include the success of Zain Saudi Arabia's capital restructuring and offering of priority rights shares. This initiative is expected to improve the financial performance, profitability and leverage rates of the operator. Moreover, with the lifting of economic sanctions on Sudan, the future prosperity of the country and our mobile operation there is looking very positive.

New growth opportunities

Our strategy is based on business development through ongoing digital transformation, continuous development, and modernization, with the aim of unleashing the potential of our resources, and entering new business verticals that enhance available growth opportunities.

Amid the changing landscape, Zain Group continues to provide technological capabilities, reinventing its business, and exploring new investment areas to keep pace with strategic shifts in the market. The company strives to provide meaningful connectivity that meets customer aspirations, and creates positive impacts, while creating a prosperous digital future.

As part of this strategy, Zain invests in building new business areas that are integrated with the telecom sector. 2020 has represented an exceptional milestone for digital transformation, as COVID-19 demonstrated the critical importance of digital platforms as a major driver of business continuity, as well as the importance of the digital economy.

Supporting Governments and Businesses

Zain Group is focused on strengthening its leading brand position in the telecom sector in the Middle East and is implementing an ambitious strategy to transform into a digital lifestyle provider. Accordingly, Zain has developed its business portfolio by launching attractive product packages as it strengthens its position in the enterprise sector, becoming the preferred operator for government entities and businesses of all sizes. Zain has made strategic investments in its digital platforms and innovative services to meet the ever-changing needs in the areas of fixed and mobile communications, IoT, and managed security services.

The Zain Business brand achieved strong revenue growth in 2020, driven by the expansion of the customer base as well as the increased penetration of non-mobile products and fixed services.

Zain realizes that the entrepreneurial ecosystem needs to return to growth, as the region requires the economic diversification that arises from innovation, and on this basis, the company focuses on numerous digital initiatives to support emerging companies.

Corporate Governance and Compliance

Zain Group adopts a conservative approach to making decisions related to risk management, and adheres to the highest standards of corporate governance, as the Board of Directors works to ensure that the culture of accountability and compliance with laws, regulations and best practices is adopted Group-wide. Every employee across Zain is committed to the Group's Code of Conduct, all operating in a transparent manner and championing the principles of good corporate governance. Through these values and principles, the Group looks to have a positive impact on the telecom sector, and across the communities it serves.

Making the world a better place

Zain's sustainability, diversity and inclusion program confirms the Group's commitment to be a pioneer in the region by addressing social, economic and environmental challenges, and bringing about positive changes in its societies through initiatives related to youth, poverty reduction, climate change, women empowerment and the inclusion of people with disabilities, thus creating equal opportunities for all.

The company has been keen to ensure the health and safety of its employees, having taken decisive measures to support them, while maintaining workflow efficiencies throughout the course of the pandemic. Zain regards its employees as the greatest competitive advantage it possesses. The Group is proud of its efforts in supporting gender diversity and developing employee skills, raising the level of productivity.

Appreciation

We would like to take this opportunity to express our sincere appreciation for the confidence shown to us by our valued customers and shareholders, as well as by all the government ministries and regulatory authorities across our markets for their wisdom and understanding of the emerging industry dynamics.

We would also like to extend our deep gratitude to the executive management team at Zain Group and all employees for their outstanding and dedicated efforts during these challenging times, ensuring the continuity of work and the success in achieving the strategic goals that have contributed to the solid performance in 2020.

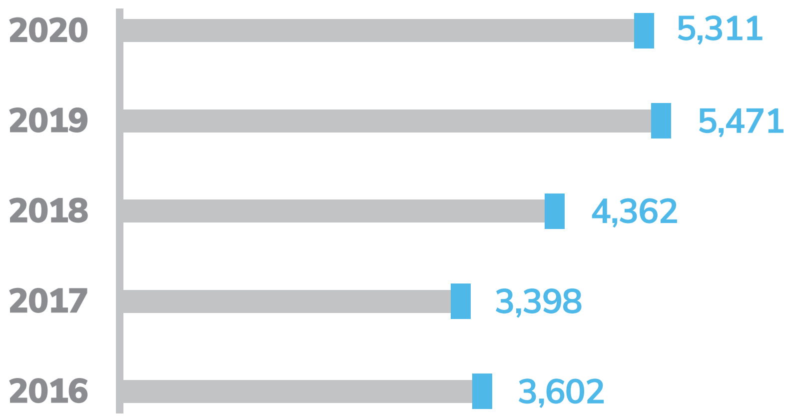
On behalf of all members of the Board of Directors, executive management and employees of Zain Group, we would like to offer our deepest gratitude and appreciation to His Highness the Amir of Kuwait, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, as well as to His Highness the Crown Prince, Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah and to His Highness the Prime Minister and Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah and to the esteemed members of the government for their continued support of Kuwait's national organizations.

Zain Group Board of Directors

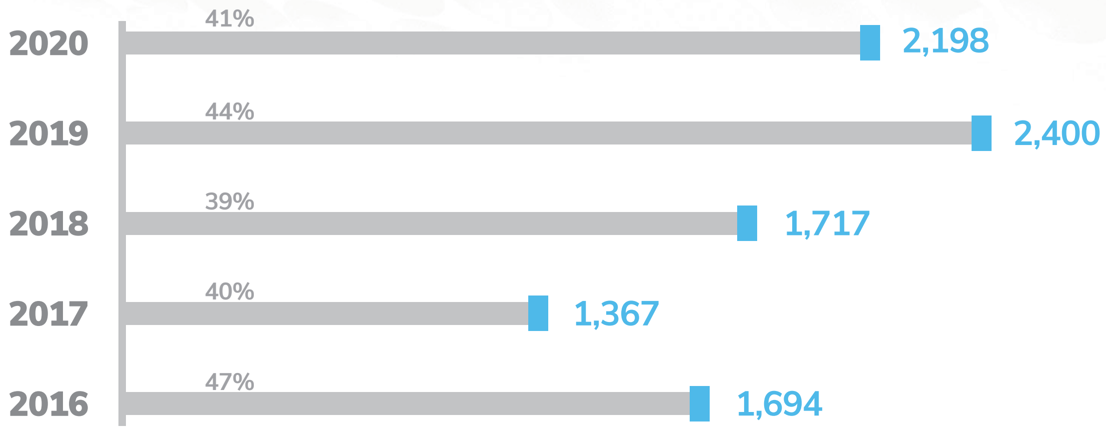
GROUP KEY PERFORMANCE INDICATORS

Customers (000)

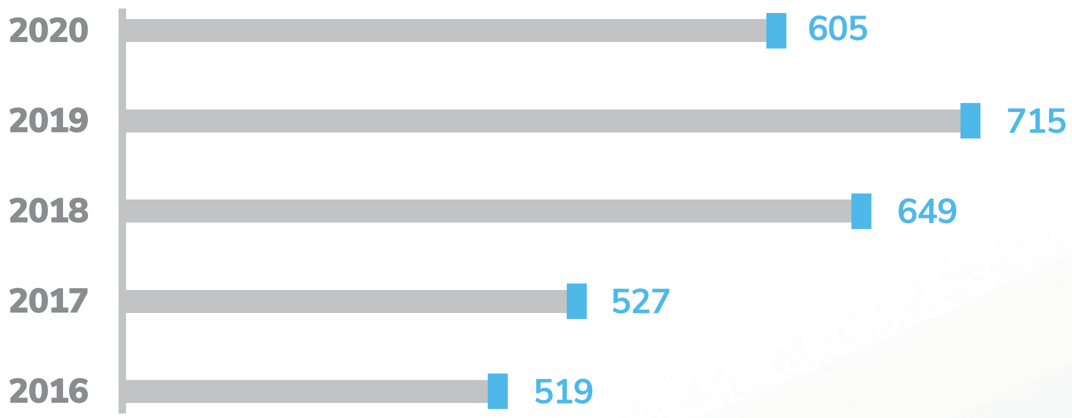
Revenues (USD m)



EBITDA (USD m) & EBITDA Margin



Net Income (USD m)



YEAR IN REVIEW

January

Zain Kuwait concludes its Zain Great Idea tech startup accelerator program introducing 11 aspiring entrepreneurs to Kuwait's investment community

Zain Kuwait launches a SME App, a comprehensive digital platform for SMEs offering immediate online onboarding and more to Zain Business solutions

A first in Saudi Arabia, Zain KSA offers Google's Mobile Data Plan services offering Android customers personalized data solutions

Zain Jordan launches new esports platform: "ZE Sports" Center to develop young people's skills in programming electronic games and developing a new generation of professional players, casters and streamers

February

A regional first as Zain concludes sale and lease back of its telecom towers in Kuwait to IHS for USD130 million

In presence of HM King Abdullah II, Zain Jordan launches "Innovation and Development Center for the Public Security Directorate" to enhance the skills of the directorate's cadre

March

Zain Group holds its annual general assembly for the first time in the open air with livestreaming due to the COVID-19 exceptional circumstance

Zain publishes thought leadership report, 'The Circular Economy: Embedding Sustainable Solutions in a bid to Save the Planet

Zain KSA celebrated International Women's Day with a unique initiative replacing voices in its Interactive Voice System with female voice of "Roaa" for all call center auto answer prompts

Due to COVID-19, all Zain operations change network names to STAY HOME, spreading the message fight the spread of the pandemic as well as extending data usage limits to customers

April

Zain Kuwait in collaboration with MOH and CAIT, launches 'Shlonik' app to support country's efforts to monitor the compliance of citizens who recently returned to Kuwait with regardsself-quarantine directives

Goodbye to SIM cards in KSA as Zain launches Electronic Sim (eSIM), a first in the Kingdom providing many unique high-efficiency features

May

Zain's inspirational Ramadan television commercial exceeds 12 million views

Zain partners Mentor Arabia Foundation to launch #StayZain campaign

Zain KSA launches "Zain Cloud" service dedicated to businesses, SMEs, entrepreneurs, and government sectors in partnership with AliBaba Cloud, one the world's largest cloud computing companies

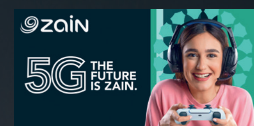
June

Zain Group published 9th annual sustainability report, titled "The Road to the Future'

A regional first as Zain Group joined Hedera Governing Council to create a safer, fairer, more secure internet

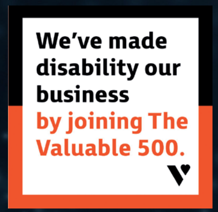
Hedera Hashgraph

Zain Bahrain launches 5G commercial services



July

Zain Group joins 'The Valuable 500' to unlock opportunities for people with disabilities



Zain Group partners Mentor Arabia to launch "Youth Awareness Film Competition"

Zain KSA wins OOKLA's Speedtest Award™ for Kingdom's fastest fixed network

A new era for Saudi ICT services as Zain KSA launches the Open Access Agreement for fixed communication networks to provide Zain Fiber services to all regions and cities of the Kingdom

August

Zain launches 'Zain Health' remote patient monitoring platform, allowing healthcare providers to remotely monitor patients using smart medical devices

Zain Kuwait receives 'Country's Fastest Fixed Broadband Network' award from Speedtest by Ookla, the global leader in transparent Internet testing applications, data and analysis

September

Zain Saudi Arabia refinances and extends Murabaha facility at preferential terms

Zain Jordan establishes its customer service call center in Ma'an Governorate focusing on training and providing job opportunities for women and reduce unemployment and poverty rates among youth

October

Zain crowned 'Best Brand' at 2020 Telecom World Middle East Awards for 7th consecutive year

Forbes

Zain ranked best Telecom employer in region by Forbes' World's Employers list for 2020; Also ranked 4th best employer across all industries in region and only company from Kuwait included in Forbes list

November

Zain Saudi Arabia completes capital restructuring, remaining offer of priority shares oversubscribed by 469%

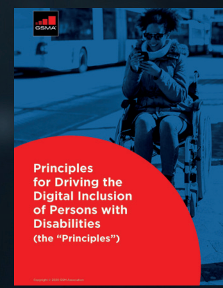
Zain KSA wins three Telecom Review Excellence Awards recognized in three separate categories for 'Best 5G User Growth', 'Best Cloud Provider', and 'Best 5G Infrastructure Deployment'

"Zain KSA" increases its 5G network coverage to 50 cities enabled by more than 4,600 towers, the largest in the region

December

A new regional gaming powerhouse: 'Zain esports' launched to boost the online gaming ecosystem, holds FIFA21 tournament with 3000 players

Zain joins a global effort with GSMA to launch Principles for Driving and improving Digital Inclusion of Persons with Disabilities to help close the mobile disability gap



Zain receives six awards at Arab Media Forum's Creativity Award

Shlonik' App wins Salem Al Ali Informatics Award 2020

Zain evolves its graduate program to a data science focused initiative called 'CODE 7'

KEY MILESTONES

1983
- Established Mobile Telecommunications Company (MTC) in Kuwait

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

2004
- Awarded management agreement in Lebanon

2005

2006
- Acquired the remaining 61% of Mobitel in Sudan
- Acquired 65% of V-mobile in Nigeria

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

2008
- Merged MTC Atheer and Iraqna, and rebranded to Zain
- Rebranded from Celtel to Zain in all African operations
- Commenced operations in KSA
- Commenced operations in Ghana

2009
- Invested in 15.5% of Moroccan operator Inwi

2010
- Sold mobile operations in 15 African countries (excluding Sudan and Morocco) to Bharti Airtel for $10.7 billion

2011
- Separated operations between Sudan and South Sudan

2012
- Zain KSA raised $1.6 billion in rights issue and Group increased stake in the operation to 37%
- Increased stake in Zain Iraq to 76%

2013
- Zain celebrates its 30th Anniversary

2014
- Listed Zain Bahrain on Bahrain Bourse

2015
- Listed Zain Iraq on Iraq Stock Exchange

2016
- Zain Sudan launched 4G LTE high speed technology
- Zain KSA mobile operating license extended for additional 15 years
- Zain KSA granted Unification telecommunication license

2017
- Zain sells 425.7m treasury shares representing 9.84% of its capital to Omantel for $846.1m

2018
- Zain Saudi Arabia becomes a subsidiary of Zain Group due to step-up acquisition in Q3-2018

2019
- Launch of commercial 5G services in Kuwait and Saudi Arabia

2020
- Launch of commercial 5G services in Bahrain
- In a regional first, Zain Kuwait successfully completes the sale and leaseback of its 1,620 towers for $130m
- Zain Iraq 2G+3G licence extension and grant of technology-neutral 4G licence for 8 years
- Zain KSA successfully completes capital restructuring and right issue

VICE-CHAIRMAN & GROUP CEO STATEMENT

Bader Nasser Al-Kharafi

"I am pleased to report that Zain Group's response to the modified operating circumstances has been nothing but exemplary. We refocused on digital transformation to better serve businesses, governments, and societies, granting increased digital access to essential medical, commercial and financial services.

A year that allowed us to show our true character

It is an honor to address shareholders in these exceptional times, which have been impacted so profoundly by the global pandemic. 2020 has been a turbulent year in ways that governments, businesses, and individuals could not have imagined or predicted at the start of the year. Zain Group stands in solidarity with the multitudes of people around the world who have been affected by the scourge of the COVID-19 pandemic.

Like many businesses, we were faced with the twin responsibilities of protecting our own staff from the ravages of the virus, while also ensuring we continued to provide meaningful connectivity with minimal disruption given the central importance the telecom sector has continued to play in keeping people socially distanced while remaining connected and productive.

I am pleased to report that Zain Group's response to the modified operating circumstances has been nothing but exemplary. We refocused on digital transformation to better serve businesses, governments, and societies, granting increased digital access to essential medical, commercial and financial services.

We took numerous proactive measures across our footprint to ensure we take into consideration the needs and challenges that our communities face during this global pandemic. The company created a Group Crisis Response Committee led by Executive Management to ensure that all country operations implement appropriate measures to rapidly respond to the evolving situation. Accordingly, Zain operations created similar committees to help address the situation locally.

Early on, we equipped and empowered staff across our operations to be able to work from home, while also improving our digital sales channels to enable customers to stay connected and continue dealing with us from the safety of their homes.

Our fixed and mobile broadband networks responded well to the increased data traffic being exchanged as remote learning and working became the new norm. Since March 2020, we experienced over a 50% increase in high-speed broadband data traffic in our footprint in various markets.

To guarantee network resilience and continued connectivity at high service quality levels, Zain continued to actively engage with national regulatory authorities. In some markets, national regulatory authorities have granted Zain additional radio frequency spectrum free-of-charge on a temporary basis, to expand radio network capacity. In other markets, access has been granted to increase international bandwidth to meet increasing demands for data.

Zain collaborated closely with government entities across various sectors to ensure that additional internet capacities and ICT solutions are provided to support educational and health services online. We supported governments directly and indirectly in alleviating pressure on national resources, and in Kuwait for example, in collaboration with the Ministry of Health and the Central Agency for Information Technology (CAIT), we developed and launched the Shlonik app, which utilized the latest tech solutions to monitor the compliance of citizens who had recently returned to the country facing self-quarantine directives.

Internally, we took a decision not to reduce salaries of Zain staff during the pandemic in a move aimed at expressing our appreciation for their ongoing efforts despite difficult circumstances, as well to incentivize them to keep giving their best. It is this type of regard for the well-being of staff that saw Zain being selected as the only company from Kuwait to be included in Forbes magazine's 'The World's Best Employers' list for 2020. The list saw Zain ranked fourth across all employers in the Middle East, and as the region's highest ranked telecom group.

Company fulfills its dividend commitment of 33 fils for second consecutive year

Last year, in a first by any corporate entity in Kuwait, the Board of Directors recommended a new cash dividend policy committing the company to a minimum 33 fils for three years commencing 2019. Despite the USD 417 million loss of revenue due to the impact of COVID-19 on the business and a foreign currency translation impact of USD 110 on revenue, I am pleased to reaffirm the Board's commitment for 2020 will be fulfilled. This confirmation is a result of the impressive operational performance attained by the Group, that saw the company achieve a relatively stable consolidated revenue of USD 5.3 billion, an EBITDA of USD 2.2 billion (41% margin) and a net income of USD 605 million. This achievement was supported by our decisive efficiency drive that succeeded in reducing operational expenses by USD 168 million since the beginning of the pandemic. It is also a result of several beneficial regulatory initiatives that we achieved and the healthy revenue we attained from our strategic and forward-looking investments in 5G, fiber and network upgrades across key markets, which supported the ever-increasing demand for mobile and fixed broadband services by individuals, businesses and governments during the pandemic.

The capital restructuring of Zain Saudi Arabia in the last quarter of 2020, coupled with the overall performance of all operations, allowed Zain Group to reduce the total net debt by approximately USD 1 billion, an achievement that has bolstered our financial position and helped reduce net debt / EBITDA ratio (including guarantees) to be at 2.0 times. This is below industry averages, and Zain aims to reduce such levels to avoid future interest rate increases and associated costs.

Huge investments in digital transformation proved effective in countering the crisis

Despite the unprecedented market conditions, Zain maintained robust commercial activity throughout 2020, investing USD 1.4 billion in its 4G and 5G networks as well as spectrum and license fees across its footprint, and producing strong financial results that reflected our continuing market leadership. Seeking to exploit the multiple and lucrative opportunities in the B2B space and provide customers an enhanced mobile experience, we launched 5G services in Kuwait and Saudi Arabia during 2019, followed by Bahrain in June 2020.

Zain Kuwait and Zain Saudi Arabia are the leading 5G providers in their respective markets, having the largest 5G presence, with 5G network coverage in Kuwait extended nationwide and Saudi Arabia covering over 50 cities with 4,450 towers, making it the fourth largest 5G network in the world. Zain Kuwait and Zain KSA's 5G networks gained international recognition by earning the award for Kuwait's and Saudi Arabia's "fastest fixed Internet" from Ookla, operator of SpeedTest, the globally acclaimed Internet speed measuring website.

In addition, Zain continued to focus on 4G LTE technology in multiple operations. In Iraq and South Sudan, we paved the way for the introduction of LTE by modernizing the network, with Jordan and Sudan expanding their LTE networks to meet demand for broadband during the pandemic, providing critical and meaningful connectivity to the communities we serve. We are confident that with the launch of 4G LTE in Iraq in early 2021, which will contribute immensely to the socio-economic development of country and we forecast the Iraqi community to heavily subscribe to the technology.

The COVID-19 pandemic brought to light the critical importance of fixed and mobile telecommunications infrastructure and the use of digital data and digital services as an essential economic and social enabler.

Zain benefited from regulatory initiatives accelerating digital transformation

Across the Zain footprint, in order to support the upsurge in demand, national regulatory authorities granted Zain temporary spectrum or rights to use existing frequencies on a technology-neutral basis. Moreover, Zain acquired additional spectrum in several of our markets.

The regulators also applied a mandatory non-disconnection policy during the lockdown period even where customers defaulted on payments to ensure continuity of service as well as asking operator to offer free data consumption capacity on top of an existing subscription with mandatory access to online educational platforms and healthcare services. Zain was very pleased to abide by and support all governmental requirements and requests.

In Iraq, the authorities granted Zain a 4G license with the 2G & 3G mobile license extended to 2030. This license extension had a favorable impact on the company's financials, and we expect exponential growth in revenues with the rollout of 4G commercial services in early 2021.

In Lebanon, effective October 30, 2020, Zain handed back the managment of one of the mobile networks to the country's Ministry of Telecom, ending Zain's long-standing management agreement dating back to 2004. Zain looks forward to returning whether it be under a management agreement by acquiring a license. We have an unwavering commitment to the telecom sector in Lebanon.

The region also witnessed the enactment of various forms of legislation and regulations by the telecom and financial sectors regulators to accelerate digital transformation including in the areas of cloud computing, electronic payments and enforcement of electronic contracts through the judicial system. These initiatives will serve to boost the take-up of digital services going forward, and Zain is primed to exploit the unlimited opportunities in this space.

'4Sight' strategy gaining momentum and creating opportunities for new revenue streams

Zain made significant progress on its '4Sight' strategy, centered on evolving the company's core telecom business to maximize value and building on its many strengths to selectively invest in growth verticals beyond standard mobile services to support Zain's vision of becoming a leading ICT and digital lifestyle provider.

As we continue to rollout and implement different elements of the strategy, new opportunities to diversify revenues, increase shareholder value, and generate sustainable growth for our operating communities arise. This is proving successful as evidenced by our strong financial performance and other operational achievements.

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

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

The sale and leaseback of the passive physical infrastructure of Zain Kuwait's 1,620 mobile tower portfolio for USD 130 million (KD 40 million) to IHS Holding Limited in February 2020 confirmed Zain's pioneering role in the region, as the transaction was the first sale and leaseback of telecom towers in the Middle East by a licensed mobile operator. This historical transaction unlocks value for shareholders as it gives us greater flexibility to focus on higher yielding digital investments, 5G expansion and operational efficiencies in Kuwait.

In order to take advantage of the full potential of our infrastructure investments across our footprint, we have entered into a strategic partnership with TASC Towers Holding with respect to digital infrastructure.

Furthermore, we are enthusiastic about the rollout of Zain Data Park (ZDP) in Kuwait and Jordan, providing our government and enterprise customers with the very best IT support services focused on cloud hosting and managed services across the ICT stack, including applications, cybersecurity and networking.

In Jordan, ZDP's platforms are hosted in The Bunker, a nuclear-grade regional data and disaster recovery center in Amman, which is the first-of-its-kind in the region. As a certified Tier III Data Center, The Bunker gives comfort to ZDP's clients that their data will be preserved under all circumstances.

In Kuwait, in the South Sabahiya area, situated a safe 30km outside of the city in case of emergency, Zain has built the country's first uptime-certified Tier III co-location data center that will change the digital landscape in the country. ZDP is to contribute to Zain's offer of world-class telecom and IT infrastructure to Kuwait's business and SME community. We are currently planning to expand ZDP to another location in Kuwait and we are working closely with the visionary team at CITRA to achieve this.

Leading the region in 5G services to enhance the customer mobile experience

Launch of many innovative digital initiatives in B2B and consumer segments

Zain is constantly setting up new structures and entering into key partnerships in the fintech, e-Health, esports, and insurance arenas, and opening our APIs across key markets to offer appealing entertainment and gaming services, so as to reap the lucrative opportunities in the digital space. Throughout 2020, Zain remained focused on our digital strategy of monetizing our broadband infrastructure and the Group API platform through compelling initiatives and packages for the B2B sector covering government, business, IoT, and smart city sectors, as well as focusing on gaming, entertainment, fintech and e-health services.

This focus proved instrumental in countering the negative impact of the global crisis prompted by COVID-19, with data revenues (excluding SMS and VAS) growing 9% year-on-year in 2020, representing 41% of the Group's consolidated revenue at the end of the year.

The Zain Group API platform has been hugely successful, enabling faster deployment of digital partnerships, and continues to grow exponentially, resulting in over 5.2 million transactions per month with a total of 70 million transactions processed since launch in 2018. During the course of 2020, Zain built upon its API program, offering customers top-tier regional and international content. Digital partnerships provided unified connectivity for partners to use services including direct operator billing and attracted key content providers such as Apple, Google, OSN, Digital Virgo, and others across Zain markets.

Zain Kuwait, Bahrain, Iraq, Jordan, Saudi Arabia and Omantel all benefit from new revenue streams from this cloud service. In 2020, Zain Group also launched Sudan's largest digital entertainment platform - www.zainsudangames.com - offering over 1,000 games for Zain Sudan customers, using the Group API platform. We will continue to foster this lucrative and loyalty-generating platform that provides customers access to multiple mobile-led services.

Moreover, investing in the world of venture capital provides Zain with a vast range of opportunities to diversify and expand its reach in the startup ecosystem. We have expanded our relationship with regional and international venture capital funds such as MEVP, Wamda and Colle Capital, supporting their respective portfolio companies. Moreover, we continued our active engagement in direct strategic investments in a variety of startups across the region, offering them access to a wide geographical reach and progressive customer base, as well as offering them access to our ZINC facilities and supporting resources in Jordan and Kuwait.

Launch of Zain esports: A new regional powerhouse in gaming

Continuing our efforts to reach out to the youth of the region and find better propositions for the broadband services being offered by Zain operations, Zain esports was launched in November 2020. It has held several major tournaments to date, and plans to organize more throughout 2021, along with multiple engagement activities to bolster the gaming ecosystem and build an active community for gamers in the region.

Zain is a pioneer by nature, and the introduction of this latest initiative reiterates our outlook on being first-to-market with products and services that enhance the lives of people in the communities we serve and beyond. This initiative also meets a number of different goals for Zain, including youth development, enriching the brand, and fostering innovation and digital opportunities across our 4G, 5G and fiber networks, all with the aim of creating shareholder value. Zain is confident that Zain esports will develop into a regional and international gaming powerhouse.

Key achievements futureproof Zain Saudi Arabia

The successful completion of Zain KSA's capital restructuring during Q4 2020 and the massive demand in the remaining priority rights subscription that was oversubscribed by an unprecedented 469%, reflected the confidence of shareholders and investors in the operator's operational strategy and future growth plans, reinforced by the company's profitability over the last four years. The transaction enhances Zain KSA's ability to expand its strategic investments in the Kingdom's telecommunications sector, growing its profitability and paving the way for dividends.

This followed the successful signing of an agreement to reschedule the Zain KSA's SAR 3.85 billion syndicated Murabaha financing facility with a consortium of eight banks on preferential terms that also extended the term for a period of five years to 2025, with facilities of up to SAR 6 billion. In addition, the agreement includes working capital facilities worth SAR 1 billion until 2025, which will provide additional liquidity to finance the company's business growth plans. The funds will be drawn down according to the company's requirements, at a much lower interest than previously, and with better commercial terms in place that will reduce the cost of the debt, improve the company's financial performance and profitability.

The first week of January 2021 witnessed a milestone in our regional Fintech ambitions with the Saudi Central Bank (SAMA) granting Zain fintech subsidiary, 'Tamam', the first consumer micro-financing license in region. This Shari'a compliant platform offers consumer micro-finance in less than 5 minutes via a seamless digital customer experience through a mobile app. Innovation is key and investing in viable digital services such as the fintech sector is critical to Zain's sustained evolution and success.

Collaborative focus on Sustainability, Gender Diversity and Inclusion initiatives

Zain recognizes that contributing to the socio-economic development of our operating countries, providing meaningful connectivity, aligning to the climate change target and developing our employees, ultimately leads to a more successful and profitable organization. Through digitization, our wide range of services, and reach, we aim to unlock the many opportunities that the UN's Sustainable Development Goals (SDGs) offer, as both Sustainability and Diversity & Inclusion are an intrinsic part of our corporate culture.

The sustainability vision for our operating markets is centered on four strategic focus areas: Reduce Inequalities, Safeguard the Planet, Foster Innovation and build Prosperous Communities. Our membership to the Climate Disclosure Project (CDP) paves the way to a structured reduction of our environmental footprint.

The company's Diversity & Inclusion program is one of the most progressive of any entity in the region, with initiatives focusing on gender diversity (WE); and our aim to become disability inclusive by 2022 (WE ABLE). We became a signatory to the International Labor Organization (ILO) Global Business and Disability Network Charter; implemented Reverse Mentoring through our Generation Z graduate program (ZY); and our internal innovation program (ZAINIAC) have all become central to our development as an organization. The overwhelming success of these initiatives has seen all our operations enjoy numerous direct benefits as well as being appreciated by our own people and external stakeholders.

Our inclusion in The Valuable 500, an international initiative striving to place disability on the leadership agenda within corporates, complements our already well-defined and proactive diversity and inclusion program aimed at helping improve the business, social and economic prospects of people living with disabilities.

THANK YOU

On a final note, I would like to recognize and thank all the 7,500 dedicated and talented Zain colleagues across all our operations who have remained committed to their duties and provided exemplary services, helping deliver on the critical role we play in maintaining connectivity and supporting the communities we serve throughout these exceptional times. Zain was committed to ensuring their wellbeing and safety, and the company took decisive actions to support and provide them with the tools needed to adapt and deliver during this time of crisis.

I would also like to express my deep, personal gratitude to our customers, the Board of Directors, and government agencies and bodies we cooperate with to deliver the mobile experience we do at such a high level across our footprint. We look forward to the subsiding of the pandemic and look ahead with confidence as we continue to make considerable progress and help deliver a significant and lasting positive impact on the societies we serve.

A tribute to the colleagues we have lost to COVID-19

Ahmad Sabah Hameed
Zain Iraq

Mostafa Abdel Khaleq Latif Mohammed
Zain Iraq

Mahdi Musalam Hmoud
Zain Iraq

Abbas Ahmed Bashir Ahmed
Zain Kuwait

Atef Yasin Ahmad Yasin
Mada Comm. - Kuwait

Mahmood Ahmed Abdul Razak
Zain Iraq

We tragically lost six Zainers to COVID-19, and we feel it necessary to include a heartfelt tribute to them as well as to share their photos in honor of their lives. We are forever grateful for their wholehearted dedication to Zain and for the community we proudly serve.

It is very hard to lose a colleague, a person with whom we shared many beautiful memories. These colleagues who were also friends to many supported us in all our endeavors, including through the most difficult moments. They always stood with us in overcoming challenges; and shared in our successes and achievements.

There have been days that have been cruel for us all, in which anxiety and fear dominated our lives. But the most difficult thing to have to endure is the loss of loved ones and loyal colleagues on account of the pandemic. We continue to exhibit heavy hearts on account of their departure.

We share in the grief of their families and loved ones, and pray to God that the departed be blessed with forgiveness and mercy.

May God bless all.

4SIGHT

Creating our sustainable and digital future

Over the past years, the world has changed at an accelerated rate. The volumes and patterns of data and technology consumption has evolved in ways that have transformed human life. Consumers and institutions have developed new requirements to keep up with the new digital revolution. Since inception and throughout its successful journey, Zain has strived to bring meaningful connectivity to customers and create a positive impact in the countries in which it operates. It is this profound commitment to customers and shareholders that drives Zain to reinvent itself, transform, and to lead the region in the creation of a prosperous digital future.

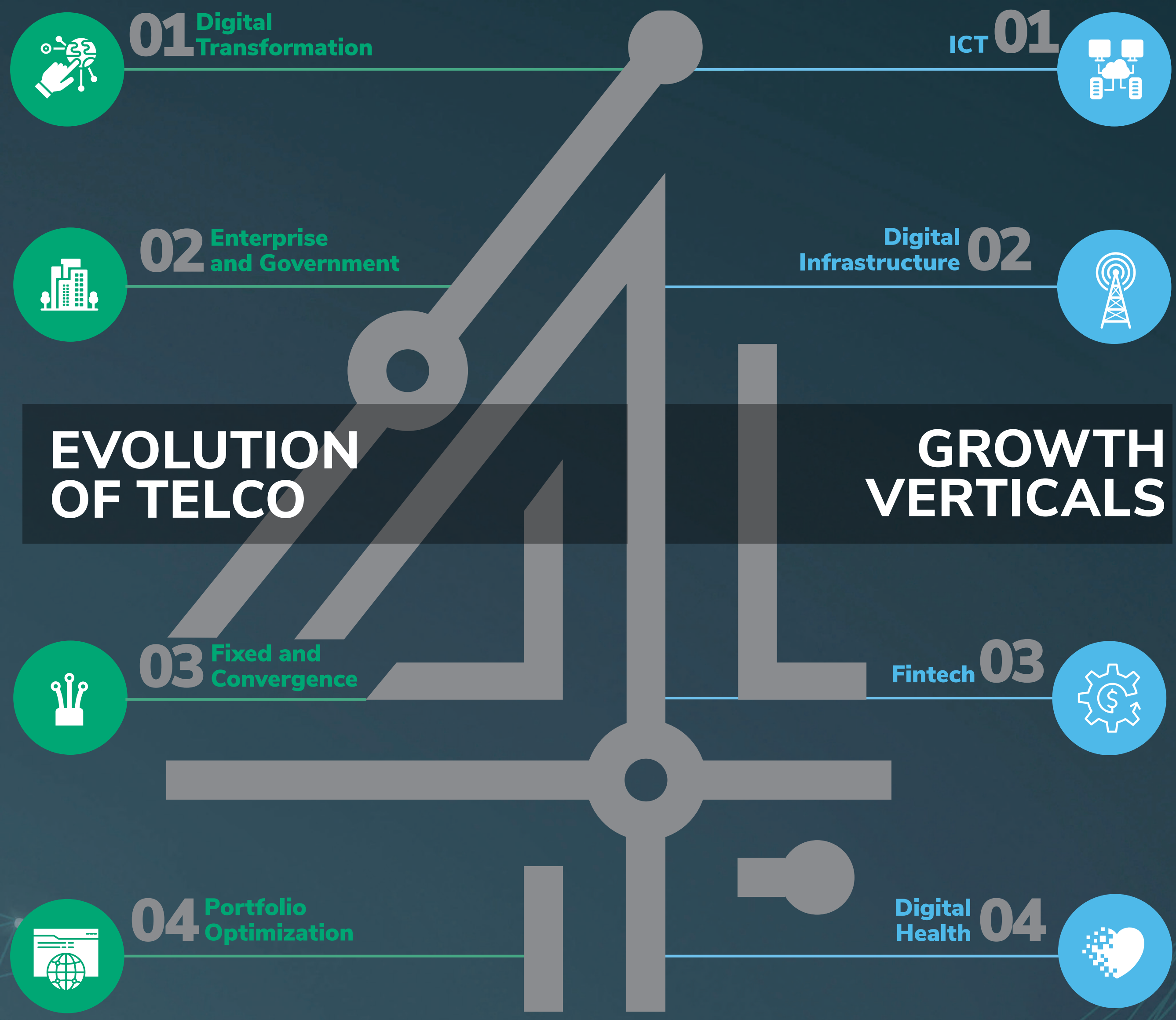
In 2019, Zain devised a strategy that fulfills its transformation vision and encompasses the digital ambitions of the Group. The strategy is centered on evolving Zain's core telecom business to maximize value and building on the company's many strengths to selectively invest in growth verticals beyond standard mobile services, hence supporting its vision to become a leading ICT and digital lifestyle provider.

Since 2019, Zain has been refining the strategy to carefully select new growth verticals. The new businesses Zain has developed create shareholder value, spur economic growth and contribute to the digital upskilling of the communities in which Zain operates. Zain has already begun implementing initiatives stemming from the strategy and delivering on the promise of enriching individuals' lives, providing businesses and organizations with a plethora of digital services and solutions.

Zain's growth strategy, coined 4Sight, demonstrates the company's readiness to navigate the uncertainties of the world. Through the challenges brought about through COVID-19, Zain was better prepared to address the shift in consumer needs and behaviors. The investments made over the years to transform and digitize touchpoints and channels have resulted in an advanced capability to service customers amid lockdowns and restrictions.

The extensive coverage and reliable connectivity provided by Zain ensured the continuity of the flow of economic and educational activities, and most importantly maintained the contact between families and loved ones. The digital solutions that Zain has been developing and introducing to businesses, including cloud and cybersecurity services, provided a haven for remote work alongside work efficiencies under the new world realities.

The essence of 4Sight revolves around evolving Zain's mobile telecom business through digitization, optimization and modernization to free up resources in order establish new verticals promoting the growth of Zain and contributing to the economic and technological evolution of the region. The strategic framework is therefore divided into two inter-related themes (evolution of telco and growth verticals), each of which encompasses four strategic pillars.



Evolution of Telco

As a prominent Group of telecom operations, Zain carries on the journey of evolving the telecom business to maximize returns and improve efficiencies. The Group is also committed to enhancing the customer experience whether by making the right investment decisions in assets or by enriching the portfolio with the latest and most relevant offerings.

The main pillars that fall under this theme can be summarized as below:

01 Digital Transformation

The journey of digitizing the customer experience for Zain started a few years ago. Across its operations, more transactions are taking place digitally, utilizing continuously improving digital channels such as the Zain app and zBot, as well as the different Zain e-stores. These channels allow Zain to better serve customers, even in challenging times like during the COVID-19 pandemic, and optimize use of resources leading to a more efficient and streamlined operation. Restrictions imposed by the spread of the pandemic during 2020 and Zain's positive response to this situation, expedited the load shifting and growth in digital touchpoints, accelerating the optimization of Zain's telecom operations.

Furthermore, the digital transformation adopted by Zain entails a deeper use of analytics in managing operations. A deeper understanding of what individuals need, permits Zain to offer them a tailored, relevant and timely value proposition that both enriches their lives and maximizes the utility derived from the use of resources. From an operational perspective, Zain's strategy promotes the more efficient approach of using software defined networks and asset sharing in addition to streamlining the back-end operations for a more rationalized and agile business ecosystem.

02 Enterprise and Government

Zain is committed to working closely with organizations of all sizes to provide them with the necessary connectivity and the latest solutions required to grow their businesses efficiently and effectively. During this year, and in spite of the global pandemic, Zain continued to invest in assets and innovations to anticipate the evolving needs of B2B customers across industries by productization and hand-in-hand collaboration with clients to design and implement state-of-the-art tailormade solutions.

In addition to enabling the digital transformation of large businesses, the suite of data hosting and cloud services Zain offers across all its markets avails access to products and services that are not always available for SMEs. Such virtual and digital solutions have contributed considerably to the continuity of businesses and the increasingly needed efficiency brought about the new reality presented by the COVID-19 pandemic. Zain also played an instrumental role through supporting governments with the latest technological platforms and extensive connectivity to jointly combat the pandemic and enable virtual education.

03 Fixed and Convergence

Zain's long-term ambition is to transform into a fixed – mobile convergent player serving consumers and businesses. Zain thrives on providing superior connectivity to all households and businesses across its operations. The company believes that superior broadband connectivity will enable and accelerate the evolution of information, education, and the digital transformation of societies. 2020 has witnessed the ultimate reliance on broadband to carry out day-to-day professional and educational activities. Throughout the months of the pandemic, Zain has managed exponentially increasing demand for broadband connectivity. It shall continue to bring the latest and best technologies to its operating markets, both in the mobile and fixed domains.

04 Portfolio Optimization

Zain constantly seeks opportunities to maximize shareholder returns through rationalizing the Group's portfolio and assets to create value. Zain also actively participated in local sharing of assets with other market players, and ultimately plans to sell its towers and lease them back, which in turn allows sharing of passive network infrastructure. This would accelerate the region's journey towards digital transformation and fostering a wiser collective use of resources.

Growth Verticals

The Group has designed its 4Sight strategy with the purpose of transcending the historical role of providing only telecom services. Zain has gone through a process to select four digital growth areas to focus on. These areas needed to be relevant digital services that are still new to the region, where Zain can shape the industry, enjoy a sustainable early mover advantage, and play an instrumental role in the development of the digital scene. Equally important is Zain's ability to leverage its assets and capabilities in scaling up the new verticals, while seeking complementarities with the existing telecom core. Since 4Sight was formulated, Zain has been relentless in executing the strategy and building these digital verticals. The new initiatives that Zain has embarked on will lead technological evolution and bring the latest digital developments to the region. They will continue to grow and generate significant returns to shareholders in the medium to long term horizon, and are based on the following areas:

01 ICT

4Sight places special emphasis on the enterprises and government segment as an important growth vector. Zain also believes that it is duty-bound as a socially conscious and positive organization to contribute to the region's economic development, helping businesses and governments achieve their strategic, operational, and financial objectives. Zain is committed to enriching its portfolio with products and services that increase efficiency, strengthen security, and trust to enable clients to offer better services to their own customers.

Zain is establishing a regional hub to deliver infrastructure, managed, and professional services. This hub works closely with local Zain Business teams to extend reliable ICT and digital services, responsive support, and seamless experience to Zain's enterprise and government customers.

Zain Data Park (ZDP) represents one key component of the ICT core and is Zain's hub for cloud hosting and advanced managed services, incorporating everything from cloud to cybersecurity. ZDP is already operational in Kuwait and Jordan and will soon offer local services in other Zain markets.

02 Digital Infrastructure

The vision that Zain adopts is to play an active and significant role in leading the development of the nation-wide digital infrastructures in the region.
This vision builds on the direction adopted by Zain in recent years of separating the network operations from the telecom business and the ensuing sale of the company's passive network infrastructure in Kuwait and planned sale in Saudi Arabia. To exploit the full potential of our infrastructure investments across our footprint, Zain entered into a strategic partnership with TASC Towers Holding, an independent tower operating company with a focus on developing markets. With Zain's vision of becoming a leading digital infrastructure player and TASC's solid experience and strong operating skills in the field, this partnership is set to significantly contribute to the technological and digital evolution of the region.

03 Fintech

Over the past few years, Zain Group achieved milestones in realizing its fintech strategic objectives. Zain continues to drive and scale its mobile banking services to the communities it operates in. By offering such digital tools across the board, the company is providing revolutionary and far-reaching benefits to the most disadvantaged and vulnerable groups.

To support digital innovation and solution development in the fintech space, Zain is cooperating with FOO, a regional fintech entity offering a full spectrum of innovative end-to-end mobility related digital solutions. FOO is supporting the launch of one of the first digital currencies in the region during 2021.

TAMAM KSA

Licensed by Saudi Central Bank (SAMA), 'Tamam' is the first consumer micro-financing license in region. The platform is Shari'a compliant and offers consumer micro-finance in less than five minutes via a seamless digital customer experience through a mobile app.

ZAIN CASH JORDAN

In addition to maintaining its position in the market as the largest mobile financial services provider in Jordan, Zain Cash Jordan has expanded its service portfolio and broadly extended its footprint and partnerships by becoming the main provider for the government's financial aid disbursement programs covering more than 500K beneficiaries. The demand of such a service was reflected in a surge of transaction to 6 million totalling $650 million.

ZAIN CASH IRAQ

New financial digital services were introduced to the underbanked population in Iraq. 2020 witnessed an exponential growth in Zain Cash Iraq's customer base and volumes along with a variety of initiatives to assist the government funding support to reach out to beneficiaries. During the pandemic, Zain Cash ran a series of awareness campaigns in Jordan and Iraq including updates on the latest COVID-19 developments, promoting the use of digital payments instead of cash, promoting digital grocery shopping with free delivery, and initiatives to have people wash their hands.

Our teams managed to successfully work from home while maintaining the best customer experience and journey. The demand of such a service was reflected in a surge of transaction to 7.6 million totalling $490 million.

04 Digital Health

Zain aims to expand its reach to the healthcare sector with a focus on transforming the patient care journey through the implementation of a series of digital initiatives in the sector. The company's infrastructure, technological capabilities and strong customer base offers healthcare providers a prime opportunity to partner with Zain and create much needed e-health services. It is expected that several e-health services will be launched in 2021 and across key Zain markets.

WASFA PILOTS

Al Rashed Allergy Center and Al Amiri Cardiology Center

Wasfa is an end-to-end e-prescription digital platform. By connecting medical stores, pharmacies, and prescribing doctors, Wasfa allowed the Ministry of Health to control end-to-end prescription and dispensing of drugs in Kuwait. Wasfa provides insights and analytics on the purchasing habits and behavior of patients, doctors and pharmacists in order to minimize waste and fraud, and generate significant savings for the Ministry of Health. The platform also introduces the concept of preventive care. Operational in two sites since August 2019, Wasfa generated over 350,000 e-prescriptions.

SHLONIK PLATFORM

Another milestone for Zain in 2020 was with Kuwait's Ministry of Health, where Zain's team played a key role in supporting the authorities in the control of the spread of COVID-19, ensuring the safety of all citizens.

Zain developed a state-of-the-art digital platform, Shlonik, in collaboration with the Ministry of Health and Central Agency for Information Technology, to manage the quarantine process for those arriving from overseas. The platform was developed in record time and was ready for operation during one of the largest repatriation campaigns ever undertaken in Kuwait in April and May 2020 to bring Kuwaiti citizens back to the country from abroad. The platform has become a vital tool for the Ministry of Health to manage the quarantine process.

Shlonik is an excellent demonstration of Zain's capabilities as a trusted digital provider for public authorities and the app has gone on to win a series of awards highlighting the importance of private/public sector partnerships.

ZAIN GROUP INVESTMENT AND DIGITAL

Our digital transformation journey continued in an exceptional year in which technology has created the necessary cohesion during the pandemic to connect people, to ensure business continuity, and to adapt to the new status quo.

Zain has taken pro-active steps into securing digital services to its environment in various markets, adapting to the needs of each market and providing tools with which to fight the pandemic.

01. zain Ventures

Investing in the world of venture capital provides Zain with a vast range of opportunities to diversify and expand its reach in the surrounding ecosystem. Zain has expanded its relationship with regional and international venture capital funds such as MEVP, Wamda and Colle Capital, supporting the respective portfolio companies whenever appropriate.

Zain has also continued its active engagement in direct strategic investments in a variety of startups in the region, offering the companies a wide geographical reach and progressive customer base.

EXPAND OUR NETWORK :
Investing in multiple venture capital funds focused on technology startups

	COMMITMENT
MIDDLE EAST VENTURE PARTNERS II	USD 5 Million Apr 2015
wamda capital	USD 3 Million May 2015
COLLE CAPITAL	USD 2 Million Dec 2016
MIDDLE EAST VENTURE PARTNERS III	USD 8.5 Million Apr 2020

Invested	Received
$16.5m	$13.2m
Oustanding Value	**Value Generated**
$20.2m	2.02x

02. zain esports

A new regional gaming powerhouse

Continuing its efforts to reach out to the youth of the region and find better propositions for the broadband services being offered by Zain operations, Zain esports was launched as a sub-brand in November 2020. It plans to organize tournaments, along with multiple engagement activities to build an active community for gamers in the region.

Zain esports launched with the EA SPORTS FIFA21 PS4 Middle Eastern Challenge in December 2020, in partnership with Sony PlayStation and EA Sports. The event was one of the largest FIFA 21 tournaments held on the PlayStation Network in the region, with more than 3,000 gamers participating. It was broadcast live on Twitch, with more than 350,000 views across the English and Arabic streams.

In 2021, Zain esports is introducing multiple other tournaments, and at the same time ensuring that it creates a safe gaming community free from bullying,online abuse and other risks outlined by UNICEF and other global bodies.

This initiative meets a number of different goals for Zain, including youth development, enriching the brand, fostering innovation and digital opportunities on our 4G, 5G and Fiber networks, and creating shareholder value.

Zain is confident that its entry into gaming will develop Zain esports into a regional and international gaming powerhouse, as is seen from the traction already picked up on its social media handles:

ZainEsports	@zain.esports	@ZainEsports
3.2k	20.2k	2.4k

03. Livestreaming: A new digital service

LIVESTREAMING POWERED BY ZAIN

Zain Live Streaming is a web application that provides digital attendance for events in line with social distancing government directives. During 2020, the platform hosted Zain Group's annual general assembly for the first time in the open air with livestreaming as a result of the exceptional circumstances brought about by the presence of COVID-19. It also hosted a musical event and other annual general assemblies for entities in Kuwait. This servic will be extended across Zain's footprint during 2021 and beyond.

04. Zain Group API: A single digital hub for Zain markets

In 2020, Zain built upon its Zain Group API Program, offering customers top-tier regional and international content. Zain Group API digital partnerships provided unified connectivity for partners to use services including Direct Operator Billing and attracted key content providers such as Apple, Google, DOCOMO Digital, OSN, Digital Virgo, Codapay and Centili across Zain markets.

This efficient, one-stop shop platform allows Zain Group to scale its partnerships and prosper in the digital age. Global digital players are able to seamlessly use Zain Group API as one common platform to reach 50 million customers with a single connection and contract.

Zain Kuwait, Bahrain, Iraq, Jordan, Saudi Arabia and Omantel all benefit from new revenue streams from this cloud service. In 2020, Zain Group launched the country's largest digital entertainment platform for Zain Sudan - www.zainsudangames.com - using the Group API platform. The new entertainment platform in Sudan offers over 1,000 games in partnership with Digital Virgo. This development was the first digital service that Zain Group launched in Sudan, reflecting the expansion and success of the Zain Group API platform.

Today there are 12 partners who have agreed to participate on the API platform offering 24 different digital entertainment services to Zain customers through Direct Operator Billing.

docomo digital · DIGITAL VIRGO SMART DATA PERFORMER · centili · ZAIN KIDS · PLAYVOD · Zain Games UNLIMITED games, one destination. · Google · GAMEMINE · osn · STARZPLAY · CODASHOP · beIN CONNECT

ZAIN GROUP API REVENUE GREW
17x
SINCE 2018

49.6 MILLION
CUSTOMERS CONNECTED
One of the largest reaches offered by a single connection across the Middle East

7 COUNTRIES
ALREADY ON BOARD

2018 — 3 COUNTRIES

2019 — 6 COUNTRIES

2020 — 7 COUNTRIES

2021 — EXPANSION INTO NEW BUSINESSES

THE WORLD OF ZAIN

Middle East

91%
TOTAL REVENUE CONTRIBUTION

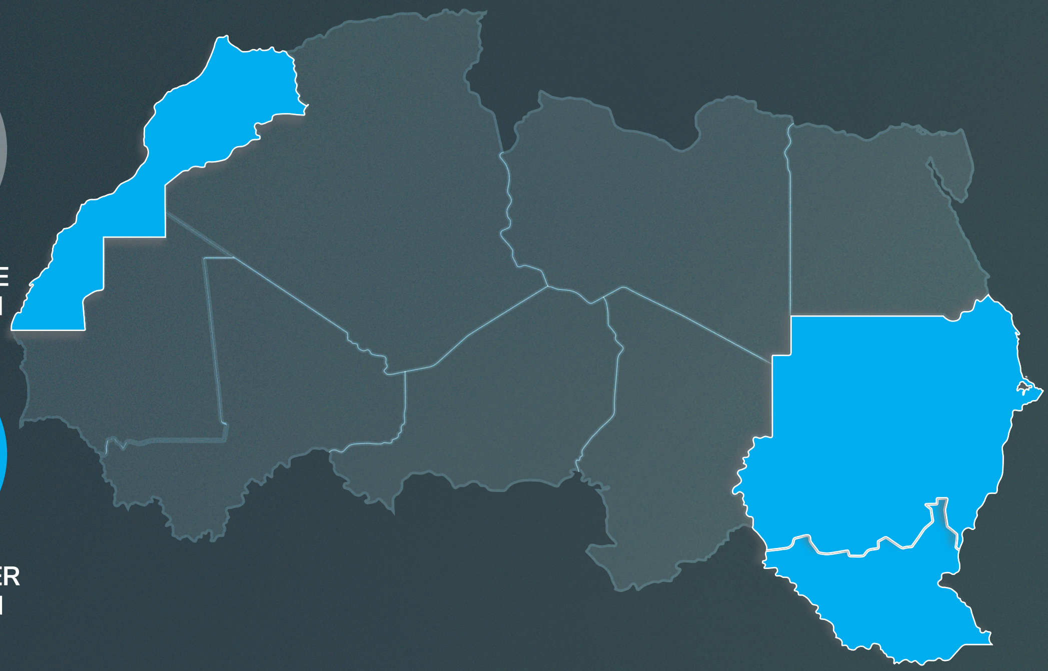
63%
TOTAL CUSTOMER CONTRIBUTION

	OWNERSHIP	REVENUE	CUSTOMERS	MARKET SHARE	TECHNOLOGY	DATA USERS
KUWAIT	100%	$1.05B	2.6M	37%	5G	38%
KSA	37%	$2.1B	7.0M	_	5G	50%
IRAQ	76%	$943M	16.2M	52%	3G	_
JORDAN	96.52%	$487M	3.6M	35%	4G	46%
BAHRAIN	55.4%	$164M	_	_	5G	51%

Africa

9%
TOTAL REVENUE CONTRIBUTION

37%
TOTAL CUSTOMER CONTRIBUTION



	OWNERSHIP	REVENUE	CUSTOMERS	MARKET SHARE	TECHNOLOGY	DATA USERS
SUDAN	100%	$416M	16.6M	48%	4G	26%
S. SUDAN	100%	$83M	1.1M	_	3G	_
MOROCCO	15.5%	_	_	_	_	_

ZAIN KUWAIT

1983 Year of launch

100% Ownership

5G Technology

164% Penetration

2.6 m Customers

100% Coverage

$24 ARPU

35% EBITDA Margin

38% Data revenue

2,596 Number of sites

37% Market Share

The Group's flagship, Mobile Telecommunications Company (Zain), was founded in Kuwait in 1983, and went on to become the first telecom operator to launch a commercial GSM service in the region in 1994. Listed on the Boursa Kuwait in 1985 and incorporating all the Group's operations and assets across all markets, Zain Group's market capitalization stood at USD 8.6 billion as of 31 December, 2020.

Operationally, Zain Kuwait remains the most profitable company within the Group and maintains its market lead in terms of both value share and customer base, serving 2.6 million customers. Its market leadership across key financial indicators is highlighted by its revenue representing 39% of the total market revenue and 76% of the industry's net income.

2020 was an extremely challenging year given the spread of the COVID-19 pandemic and resulting lockdown impacting the operation on many different levels through the slowdown in economic activity and lower roaming revenue due to travel restrictions. For the full-year, revenue dropped by 4% year-on-year (Y-o-Y), to KD 321 million (USD 1.05 billion), with the COVID-19 impact estimated at KD 19 million (USD 62 million).

Government directives to support the community during the crisis by providing free local interconnect airtime and free 5GB data usage impacted revenues.

In order to mitigate the impact on revenues, several cost optimization initiatives implemented by the operation managed to limit the decline in EBITDA for the year to 11%. Accordingly, net income for the year decreased by 8% Y-o-Y to KD 76 million (USD 248 million) mainly on account of the pandemic and increase in depreciation due to significant investments in the 5G network rollout.

Given Zain's commitment to enhance customer experience, the operator accelerated 5G deployment to cater for the surge in data demands during the pandemic while carefully balancing the network. The operation invested USD 101 million (10% of its revenue) in CAPEX during 2020, deploying more than 500 new 5G sites and providing connectivity nationwide via 2,596 network sites.

Supporting the country's efforts in counteracting the pandemic, Zain established new mobile sites in field hospitals, airports and other quarantine locations.

To ensure business continuity, digital channels experienced a significant acceleration, reaffirming how strategic investments and operational efforts have paid off, as the operator implemented an entire range of new data monetization initiatives. Over 90% of all prepaid services and the majority of postpaid services are now activated digitally. The benefits of such investment and focus are reflected in data revenue representing 38% of total revenue compared to 37% in 2019.

Zain Kuwait's focus on lucrative B2B opportunities resulted in the acquisition of many prominent corporations through the offer of a multitude of new dynamic services such as cybersecurity, cloud hosting, and managed services. The operator is able to provide such through the country's first uptime-certified Tier III co-location data center (Zain Data Park).

On February 12, 2020, Zain Kuwait completed the sale and leaseback of the passive physical infrastructure of its 1,620 mobile tower portfolio for USD 130 million to IHS. The transaction is the first sale and leaseback of telecom towers in the Middle East by a mobile operator.

The next phase of growth for Zain Kuwait will see it exploiting its dominant 5G network and focusing on digital services to individuals, corporates and the government sector.

Operational & Financial Performance	2020	2019	Growth
Customers (000s)	2,568	2,777	-8%
Revenue (USD m)	1,047	1,098	-4%
EBITDA (USD m)	367	417	-11%
EBITDA %	35%	38%	-
Net Profit (USD m)	248	273	-8%
ARPU	$24	$25	-
Capex (USD m)	101	210	-52%

NETWORK KPIs

3,530 Average Daily Data Volume (TB)

100% 2G Population Coverage

100% 3G Population Coverage

100% LTE Population Coverage

91% 5G Population Coverage

100% Contact Centre Availability

ZAIN SAUDI ARABIA

2008 Year of launch

37% Ownership

5G Technology

113% Penetration

7.0 m Customers

99% Coverage

$20 ARPU

43% EBITDA Margin

50% Data revenue

9,897 Number of sites

Zain Saudi Arabia (KSA) launched commercial operations in the Kingdom on August 26, 2008, a year after it was awarded its mobile license. Zain Group holds a 37% equity stake in the operation, while the remaining shareholding is held by a Saudi consortium that owns 21%, and 42% is free floating on the Tadawul Stock Exchange (ZAIN Saudi Arabia, 7030). The company's market capitalization stood at approximately USD 3.2 billion as of 31 December, 2020, reflecting a share price of SAR 13.6.

Despite the extremely challenging year for KSA, which was characterized by travel restrictions that led to a huge reduction in numbers of visitors for business and Umrah, the operator remained profitable for the fourth consecutive year. The customer base dropped 8% Y-o-Y to 7 million, mainly due to expats leaving the Kingdom.

Revenue for the year amounted to USD 2.1 billion compared to USD 2.2 billion in 2019, with the decrease in revenue attributable mainly to the impact of the COVID-19 pandemic, estimated at USD 176 million, MTR reduction, and VAT increase from 5% to 15% commencing July 2020. Zain KSA is the largest revenue contributor to the Group, representing 40% of Group consolidated revenue.

Zain KSA EBITDA decreased by 10% to USD 918 million, reflecting a healthy EBITDA margin of 43%. Net income fell by 46% to USD 69 million on account of the top line performance, lower CITC waiver compared to last year, and higher depreciation (5G rollout) and amortization (due to acquisition of new spectrum in 2020).

During 2020, Zain KSA invested USD 785 million (37% of revenue) on CAPEX (Fiber-to-the-Home and 5G rollout), and spectrum and license fees, providing connectivity through 9,897 network sites, including over 4,500 5G sites across 50 cities as well as installing 12,000 public Wi-Fi locations.

An immediate benefit of such significant investments can be seen in the 1.4% Y-o-Y increase in ARPU, indicative of the success of the company's focus on attractive high-value postpaid customers and a range of data monetization initiatives. Data revenue currently represents 50% of total revenue, which grew 8% Y-o-Y, and helped secure the Kingdom's position as being ranked first in 5G speeds regionally.

The launch of Zain KSA's B2B services saw the operator offer many new lucrative services through Zain Cloud, in partnership with AliBaba Cloud, targeting the business and government sectors.

Zain KSA successfully refinanced and extended the maturity date of its existing five-year syndicated Murabaha facility that had an outstanding amount of SAR 3.85 billion as of 30 September, 2020, until 2025 for a total amount available up to SAR 6 billion with two years grace period, at better commercial terms. In addition, the agreement includes working capital facilities worth SAR 1 billion, providing additional liquidity to finance the company's business growth plans. This refinancing reduces the cost of the debt and improves the company's financial performance and profitability.

The successful completion of Zain KSA's capital restructuring during Q4 2020 and the massive demand in the remaining priority rights subscription that was oversubscribed by an unprecedented 469%, reflected the confidence of shareholders in the operator's operational strategy and future growth plans.

The operator's digital-only mobile platform Yaqoot witnessed enormous growth during 2020, counting over one million installations of the app. Yaqoot offers customer centric services such as eSIM and Apple Pay, and a chatbot service, as well as coordinating the delivery of eSIMs and SIMs to over 170 cities in the Kingdom.

The first week of January 2021 saw the Saudi Central Bank (SAMA) grant Zain fintech subsidiary, Tamam, the first consumer micro-financing license in the region.

On the back of its capital restructuring and new Murabaha financing arrangements, Zain KSA is poised to invest further in its 5G rollout and in digital innovative solutions to B2B and individual customers that will drive growth for all key financial indicators.

Operational & Financial Performance	2020	2019	Growth
Customers (000s)	7,015	7,596	-8%
Revenue (USD m)	2,112	2,240	-6%
EBITDA (USD m)	918	1,021	-10%
EBITDA %	43%	46%	-
Net Profit (USD m)	69	130	-46%
ARPU	$20.3	$20	-
Capex (USD m)	785	512	53%

NETWORK KPIs

6,990 Average Daily Data Volume (TB)

99% 2G Population Coverage

98% 3G Population Coverage

94% LTE Population Coverage

60% 5G Population Coverage

100% Contact Centre Availability

ZAIN IRAQ

2003 Year of acquisition

76% Ownership

3G Technology

100% Penetration

16.2m Customers

100% Coverage

$5 ARPU

40% EBITDA Margin

52% Market Share

4,883 Number of sites

Zain has been providing mobile services in Iraq since December 2003. After securing a 15-year license in August 2007, the operator has grown to become the largest mobile operator in the country, with an approximate market capitalization of USD 2.95 billion as of 31 December, 2020.

2020 has been a year of significant change with the materialization of high impact initiatives disrupting the Iraqi market status quo, leading to a customer base growth for Zain Iraq of 3.3% Y-o-Y to 16.2 million active customers, an all-time high with an increase of over 500,000 as compared to 2019.

Zain Iraq successfully acquired a 4G license, giving the company the opportunity to improve its customers' experience with unprecedented internet speeds throughout all of Iraq.

The company was able to quickly equip his customers with adequate SIMs in anticipation of the launch through various channels including an unprecedented digital SIM swap delivery campaign through new digital delivery partners, putting the operator at the forefront of digital innovation in the Iraqi market.

All in all, the operator has invested USD 257 million, 27% of its total revenues in CAPEX this year, to expand and upgrade its network to support the increasing demand in data and improve the mobile experience for its customers.

Together with the new 4G license, Zain's 2G and 3G licenses have been extended up until 2030 enabling Zain to continue to provide high quality services whilst solidifying its position as the leading mobile operator in the Iraqi market.

Lower amortization costs following the license extension and lower cost of financing resulted in a net income increase by 27% to USD 80 million USD for the full year.

Throughout 2020, Zain increased its focus on diversifying its product range, for example in the B2B market which has seen significant uptake and value-add to enterprises. Within this segment, Zain launched new business solutions such as VPN offerings, alongside DIA and ISP services as well as customized bundle offerings.

Furthermore, Zain has pushed its digitization efforts forward to achieve a seamless customer experience across all segments, with an app/web launch alongside smart digital marketing campaigns to target sharply and efficiently current and new customers. Zain enhanced its customer smart services throughout social media channels reaching an increasing number of users and an even higher response rate.

The operator's fintech arm, Zain Cash, saw exponential growth, doubling the number of transactions in 2020, and is still expected to continue growing at a similar speed in the years to come.

2020 was also marked by the COVID-19 pandemic though, which struck Iraq even harder than most other countries. In this challenging environment, Zain has maintained operations providing vital internet connectivity throughout the entire country and to large portions of the overall population.

Zain was able to support its customers through a variety of customer-oriented initiatives, including free validity extensions and bonuses on recharges. The company further extended its customer care team to ensure that customers continued to receive exceptional customer service. Zain further offered free internet gifts to its customers during the pandemic, enabling users to remain connected during these challenging times.

Business offerings included initiatives to facilitate a changing lifestyle imposed by forced health prevention measures: Zain offered three free months of Webex use alongside six months of MS Teams to mitigate against the impact of the COVID-19 pandemic.

While the business environment in Iraq remains challenging and operational and country risks such as the recent currency devaluation of the Iraqi Dinar persist, Zain Iraq is well positioned to tackle these challenges and turn them into an opportunity to increase its market share and further build out its reputation as the Iraqi people's mobile operator of choice.

Operational & Financial Performance	2020	2019	Growth
Customers (000s)	16,176	15,658	3%
Revenues (USD m)	943	1,078	-12%
EBITDA (USD m)	378	465	-19%
EBITDA %	40%	43%	-
Net Profit (USD m)	80	63	27%
ARPU	$5	$6	-
Capex (USD m)	257	133	93%

NETWORK KPIs

827 Average Daily Data Volume (TB)

100% 2G Population Coverage

97% 3G Population Coverage

100% Contact Centre Availability

ZAIN SUDAN

2006 Year of acquisition

100% Ownership

4G Techology

76% Penetration

16.6m Customers

90% Coverage

$2 ARPU

41% EBITDA Margin

26% Data revenue

2,814 Number of sites

49% Market Share

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

With a leading customer market share of 49% as of 31 December, 2020, Zain Sudan was able to further improve its market position by reporting customer growth of 4.4% Y-o-Y to 16.6 million, representing 35% and the largest contributor of Zain Group's total customer base.

The economy in Sudan was heavily impacted by COVID-19, which was further compounded by the worst flooding of the Nile River experienced in Sudan for over 100 years. This catastrophe resulted in 34 sites being rendered non-functional, three destroyed, and all were inaccessible resulting in massive airtime loss.

The pandemic also impacted Sudan exports, especially livestock given the cancellation of the Hajj season in Saudi Arabia.

Accordingly, the official exchange rate vs the USD increased from SDG 45.6/USD in December 2019 to SDG 54.4/USD in December 2020, a 16% devaluation that impacted the Group's results.

Nevertheless, despite the impact on revenues from the pandemic, estimated at approximately USD 11 million, Zain Sudan reported its best performance ever since 2016. The operator witnessed the highest increase in its financial performance in both SDG and USD terms Y-o-Y.

For the full-year 2020, revenue grew by 62% Y-o-Y to SDG 22.5 billion (USD 417 million, up 37% in USD terms) due to a number of price revamps in 2020. EBITDA increased by 67% to SDG 9.3 billion (USD 171 million, up 41% in USD terms), and net income increased by 47% to reach SDG 3.3 billion (USD 61 million, up 23% in USD terms).

Sudan entered a state of hyperinflation in 2020, estimated to be in the vicinity of 270%, with the USD exchange rate impacted. Most of the negative effects of the inflation impacted the currency variance, which had an effect on net income, though the operator frequently revamped prices to try to keep up with inflation.

The expansion of 4G and 3G services to key cities across the country combined with data marketing initiatives saw data revenues grow by an impressive 142%, representing 26% of total revenue in SDG terms (104% growth in USD terms).

Zain Sudan invested USD 110 million in CAPEX or 26% of its revenue, expanding and acquiring multiple spectrum bands to enhance its 4G LTE network across the country. By the end of 2020, the operator's mobile network covered 90% of the population via 2,814 network sites.

The operator also launched Sudan's largest digital entertainment platform - www.zainsudangames.com - offering over 1,000 games for its customers, using the Group API platform. The team will continue to foster this lucrative and loyalty-generating platform, which provides customers access to multiple mobile-led services. Additionally, the operator implemented an extension of the validity of top-up cards and a refund process during the pandemic.

Zain Sudan's focus and current business streams center around, IoT & cloud services such as Cloud Zain Blue, IoT and smart cities, DSP and digital solutions; Electronic services such as eGovernment, eEducation, eCommerce and eHealth; Mobile financial services and payment gateways.

To better understand and serve its customers, the operator implemented a sentiment analysis system allowing the company to make sense of structured text by automating business processes, and receiving actionable insights, thus automating VOC coding and analysis by deriving high-quality information from text (reviews and feedbacks). This was achieved through a machine learning approach delivered via an interactive dashboard.

Operational & Financial Performance	2020	2019	Growth
Customers (000s)	16,572	15,870	4%
Revenues (USD m)	417	304	37%
EBITDA (USD m)	171	122	41%
EBITDA %	41%	40%	-
Net Profit (USD m)	61	49	23%
ARPU	$2	$2	-
Capex (USD m)	110	51	113%

Operational & Financial Performance	2020	2019	Growth
Customers (000s)	16,572	15,870	4%
Revenues (SDG m)	22,542	13,895	62%
EBITDA (SDG m)	9,253	5,557	67%
EBITDA %	41%	40%	-
Net Profit (SDG m)	3,309	2,256	47%

NETWORK KPIs

454 Average Daily Data Volume (TB)

90% 2G Population Coverage

63% 3G Population Coverage

38% LTE Population Coverage

100% Contact Centre Availability

ZAIN JORDAN

2003 Year of Acquisition

96.52% Ownership

4G Technology

78% Penetration

3.6m Customers

100% Coverage

$10 ARPU

44% EBITDA Margin

46% Data revenue

3,041 Number of sites

35% Market Share

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. Zain Jordan has maintained its status as the country's leading mobile entity from inception.

2020 was an extremely challenging year for Jordan, as the government imposed strict curfew hours, lockdowns and travel bans.

Zain Jordan remains the market leader, serving 3.6 million customers. Despite an estimated USD 22 million impact on revenues due to COVID-19, and the drop in interconnect revenue (resulting from the new regulated interconnection rates from 8.4 fils to 5.2 fils), revenue for the year amounted to USD 487 million, down 2% Y-o-Y. Consequently, EBITDA was down 2% to USD 216 million, reflecting a healthy margin of 44%. Notably, net income for the year increased by 3%, despite the increase in depreciation and amortization on account of investments in 4G and FTTH.

CAPEX in Jordan amounted to USD 68 million in 2020, reflecting 14% of the company's revenue. CAPEX was mainly spent on FTTH expansion and 4G network sites, which reached 3,041 locations, with the operator to further expand its FTTH rollout across Amman and other governorates. This, and related digital offerings including a concerted focus on B2B services, saw data revenue grow by 12% Y-o-Y to represent 46% of total revenue.

To mitigate the impact of the pandemic, the operation focused on the expansion of sales channels, focusing on new points of sale and express shops to increase the reach of Zain products and services. Promotions were also launched through eShop and digital channels, encouraging customers to move online, resulting in an increase of prepaid ARPU and postpaid sales. Zain Jordan tripled its social care team to support the growing need for online support and launched an AI chatbot on WhatsApp.

Zain Jordan focused on utilizing digital channels to capitalize on its FTTH and 4G networks, increasing home and broadband revenues and market share. The operator also focused on enriching value propositions by offering streaming applications, cloud services, gaming, and new IoT devices and services.

There is a major focus on expanding Zain Data Park's offering of cybersecurity, cloud hosting and managed services that are hosted in The Bunker, the regional first-of-its-kind nuclear-grade Tier III Data Center and disaster recovery facility in Amman.

Zain Jordan's focus on youth and creating a digital lifestyle for its customers saw it partnering with ZE Sports and establishing a center equipped with the latest computers and gaming consoles to qualify a new generation of professional Jordanian players, casters and streamers in this booming sector.

Furthermore, the operator is supporting innovation and the entrepreneurship ecosystem in Jordan via its ZINC Academy and programs, Zain Al-Mubadara startup competition, hackathons and DeZain Space.

There has been a focus on the skills development of younger people and women empowerment, with the inauguration of several Fiber Labs and Call Centers.

Zain's agreement with Ahli Fintech to use its artificial intelligence and Blockchain-based eKYC-as-a-service platform (MeenWorld) allowed Zain to identify and verify the identity of its clients electronically, a feature that support e-commerce.

Zain Jordan's focus on fintech saw Zain Cash, the country's most prominent wallet, increase its customer base by over 200% and witness a doubling of card payment transactions during the year. Many new service features were introduced on Zain Cash as well as having 400 locations for card-less ATM services for cash in/out.

Operational & Financial Performance	2020	2019	Growth
Customers (000s)	3,551	3,614	-2%
Revenues (USD m)	487	496	-2%
EBITDA (USD m)	216	221	-2%
EBITDA %	44%	45%	-
Net Profit (USD m)	79	77	3%
ARPU	$10	$10	-
Capex (USD m)	68	51	35%

NETWORK KPIs

2,288 Average Daily Data Volume (TB)

100% 2G Population Coverage

100% 3G Population Coverage

100% LTE Population Coverage

100% Contact Centre Availability

ZAIN BAHRAIN

2003 Year of launch

55% Ownership

5G Technology

116% Penetration

100% Coverage

$18 ARPU

34% EBITDA Margin

51% Data revenue

645 Number of sites

Zain Bahrain began commercial operations in the Kingdom in December 2003 as MTC Vodafone until its rebranding to Zain in 2007. With its pioneering efforts in rolling out the latest technologies, Zain has played a key role in placing Bahrain on the global telecom map. Zain Bahrain is listed on the Bahrain Bourse (ZAINBH) with a market capitalization of approximately USD 116 million (share price BD 0.120) as of 31 December, 2020.

Despite the challenges brought up by the pandemic, 2020 was another year of growth and getting future ready for Zain Bahrain. Revenues came in relatively stable at USD 164 million, while EBITDA increased by 2%, reflecting an EBITDA margin of 34%. Net income amounted to USD 14.3 million, reflecting a 3% increase Y-o-Y. Data revenue represented 51% of overall revenue, up 7% on last year.

The company invested USD 62 million in Capex which included launching its 5G services commercially, further modernizing its network infrastructure and expanding its 4G LTE layer which resulted in a significantly enhanced customer experience.

The operator currently provides connectivity through a network of 645 sites, with its focus remaining on rolling out appealing, innovative digital services that provide greater value to enterprise (B2B) and consumer customers.

The Board of Directors of Zain Bahrain recommended distributing annual dividends to shareholders representing 6% of the company's paid-up capital, equivalent to 6 fils per share.

Operationally, Zain Bahrain focused on the launch and expansion of 5G commercial services to accelerate business opportunities for numerous sectors; and enhanced the 4G mobile experience with faster internet speeds and improved indoor coverage. The operator's focus on expanding its B2B offerings and portfolio enrichment resulted in it securing major new lucrative deals across different sectors.

In a year that saw online service channels and remote support take center stage, the operator enhanced its smart branch self-service machines, enhanced its AI web chat robot zBot, and launched the Be Safe initiative to enable customers to utilize Zain Bahrain's digital channels in a secure manner from the safety of their homes. Zain Bahrain also launched a WhatsApp business channel backed by zBot and self-care channels resulting in a double-digit increase in usage.

Users of the operator's app have increased by over 300% since 2017 due to numerous initiatives, promotions and a gamification approach, with overall Digital self-care interactions reaching 95% of total customer interactions. zBot interactions reached over 40% of total live chat interactions, the smart AI of the bot resulted in fully automated service interactions reaching 60% and the zBot Net Promoter Score doubling.

The company also continued to maintain a strong focus on delivering a superior customer experience; through initiatives such as "proactive customer care" and focusing on customer journeys; resulting in improved Net Promoter scores

Zain Bahrain launched the Zain delights program phase two, offering more personalized and relevant offers to customers, which increased ARPU and customer engagement, improved communication effectiveness and customer reach. The operator also introduced a remote teleworker solution and the AI Zain postpaid platform.

Conscious of the effects of the pandemic on society, the operator offered free internet access for home broadband customers to online educational platforms, enabling students to continue their education virtually. These educational platforms included, Google Classroom, Google Hangout, Microsoft Teams, University of Bahrain Black Board, https://www.edunet.bh/, and eduNET.BH app.

Operational & Financial Performance	2020	2019	Growth
Revenues (USD m)	164	167	-1%
EBITDA (USD m)	57	56	2%
EBITDA %	34%	33%	-
Net Profit (USD m)	14.3	14	3%
ARPU	$18	$18	-
Capex (USD m)	62	53	17%

NETWORK KPIs

494 Average Daily Data Volume (TB)

100% 2G Population Coverage

100% 3G Population Coverage

98% LTE Population Coverage

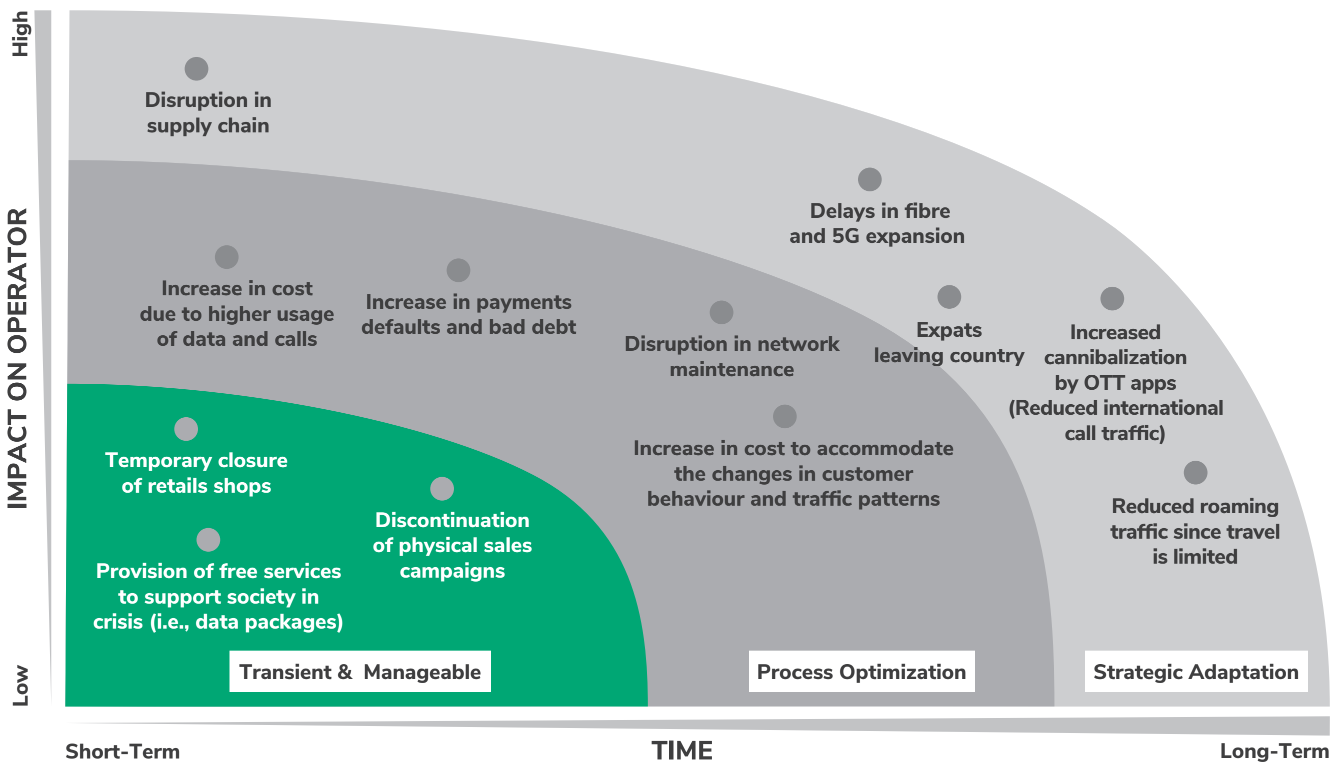
100% Contact Centre Availability

REGULATORY AFFAIRS

Zain's operating companies are subject to laws and regulations governing the operations' business activities. Such rules typically take the form of cross-sector legislation such as Personal data protection laws, or sector-specific rules and licensing obligations such as those covering telecoms (competition, consumer protection, coverage, quality of service, numbering, spectrum allocation and many others) or digital financial services (anti-money laundering, customer protection, and credit information) or digital health. Zain works closely with national telecommunications regulatory authorities, the data protection supervisory bodies and financial services regulators to ensure compliance with regulatory legislation.

The COVID-19 pandemic has brought to light the critical importance of fixed and mobile telecommunications infrastructure and the use of digital data and digital services. With the lock-downs and the restrictions on the movement of people within and beyond national borders, telecommunications operators witnessed (a) a dispersion of traffic from central business districts to residential areas to cope with the working-from-home mandate and online education for stay-at-home students (b) a significant increase in traffic - reaching up to 50% increase in some markets - as a consequence of further data consumption of video-on-demand or immersive gaming and other services (c) a need to selectively share location data with government medical authorities to aid in implementing social distancing measures to stem the spread of the virus (d) telecommunications networks as an essential social enabler which provides a means of communication and social cohesion.

ORGANIZATIONAL RESPONSE



Other critical issues as a consequence of COVID-19

Across the Zain footprint, regulatory intervention came in various forms: (a) grant of spectrum temporarily in critical bands to enable operators to cope with the sudden surge in traffic (b) permitting operators to use spectrum available to them on a technology-neutral basis in an erstwhile technology-specific regulatory regime (c) mandatory non-disconnection policy during the lock-down period even where customers defaulted on payments to ensure continuity of service (d) offer of free data consumption capacity (up to 5 GB per month) on top of an existing subscription (e) mandatory access to online educational platforms and healthcare services.

Apart from the COVID-19 impact, the regulatory landscape witnessed several developments all designed to accelerate digital transformation. These include launch of new policies such as national spectrum strategy plans to implement outcomes from WRC-19; and new cloud computing policies. Other measures included the larger-scale provision of fiber-to-the-home (FTTH) to cater to customers' demand for fixed home broadband (HBB), and a fixed-mobile converged quadruple play.

Zain's approach to regulatory matters focuses on eight core areas with critical impacts on the company's business and enablers for the realization of Zain's Group's '4Sight' strategy.

Spectrum and Licenses

- Sufficient IMT Spectrum
- Backhaul Spectrum
- Favourable Spectrum Roadmaps
- Optimal Spectrum Costs

Customer Affairs

- Consumer Protection
- Personal Data Protection
- SIM Registration
- Universal Service Fund Reforms

Infrastructure

- Ubiquitous Fiber Access
- Infrastructure Sharing
- Fixed Network Licenses
- International Connectivity

5G

- Making Rollout Obligations Less Onerous
- Strategic Approach To Verticals
- Security and Privacy
- Government Demand Stimulation

Industry Taxation

- Optimizing revenue share / regulatory levies / air-time taxes
- Negotiating favorable payment terms on all regulatory cost items

B2B

- License enablers for B2B
- Cloud Computing Regulatory Support
- Favorable M2M/IoT Frameworks
- Support for Cross border flow of data

Competition & Market Developments

- Effective competition enablers (Licensing review, strategic market reviews, cost-orientation, ex-ante and ex-post remedies)
- Enforcement of anti-competition controls

Digital Services

- Digital Identity / Facilitation of e-KYC/e-signature/E2E digital contracts
- FinTech: AML/CFT Regulations / Open Banking
- Digital Health Regulations

Spectrum and Licenses

In 2020, several developments occurred within the spectrum domain. Firstly, **as a short-term measure to support COVID-19 impacts**, national regulatory authorities in Kuwait, Jordan and Saudi Arabia granted temporary spectrum or rights to use existing frequencies on a technology-neutral basis. In other markets such as Sudan and South Sudan, Zain acquired new frequencies. Finally, in Jordan and Iraq spectrum licenses were renewed.

Temporary Spectrum

KUWAIT

- 2 x 3.3 MHz in 1800 MHz band
- March 2020 – December 2020

JORDAN

- 2 x 5 MHz in 900 MHz band and 10 MHz in 3500 MHz band; Technology-neutrality applied to 900 MHz band
- March 2020 – February 2021

SAUDI ARABIA

- 2 x 10 MHz in 800 MHz band in selected regions
- March 2020 – February 2021

New Spectrum Acquisition

SUDAN

- 2 x 5 MHz in 1800 MHz
- 2 x 5 MHz in 2100 MHz
- Licence until Jan 2029
- Cost of USD 30m
- Payable in 3 installments over 3 years and in local currency.

SOUTH SUDAN

- 2 x 5 MHz in 900 MHz band
- 2 x 5 MHz in 2100 MHz band
- Licence until November 2029
- Cost of USD 400K
- Payable in local currency

Licence Renewals

JORDAN

- Renewal of 2 x 12.5 MHz in 900 MHz band
- Technology-neutral 15-year licence commencing from 22 February 2021
- JD 156.375m, payable in three equal installments (each every five years)

IRAQ

- Renewal of 2G/3G licence
- Acquisition of 4G authorization
- Licence until August 2030
- USD 233m, payable up-front as well as any outstanding liabilities to CMC

BAHRAIN

- Extension of the use of 10 MHz (which forms part of 100 MHz in C-Band used for 5G)
- Until end of 2021

Temporary allocation, new spectrum acquisition and license renewals

Countries are also taking steps to issue spectrum roadmaps. Saudi Arabia plans to release more than 23 GHz spectrum as part of the Kingdom's five-year national spectrum strategy. Bands to be released include millimetre wave bands, extended C-band (3.8 – 4.2 GHz) and other mid-bands (1427 – 1518 MHz and 5925-7129 MHz). CITC is exploring innovative uses such as spectrum sharing and trading, spectrum allocations for verticals, for vehicle-to-X applications. **In its most recent spectrum roadmap, CITC has outlined plans to release 3.8 - 4.0 GHz, 600 MHz, additional spectrum in the 700 MHz or 800 MHz for IMT use in 2021. 26 GHz and L-Band are expected in 2022.** In Jordan, the TRC launched an industry process to assess shared spectrum access' merits, including impacts on competition, innovation, and investment.

On the spectrum cost front, Zain Kuwait and other MNOs in the country have continued to engage with CITRA to obtain a two-year grace period for the annual payment of the recurring KWD 2 million spectrum fees.

In line with its regulatory strategy, Zain continues to advocate critical messages to national regulatory stakeholders on the radio access network, backhaul spectrum and the advanced publication of national spectrum roadmaps.

Lowering of spectrum costs for new acquisitions and license renewals	Grant Longer License Duration (>20 years)	Guarantee technology neutrality across all bands	Favorable Payment Models: Installment over license tenure; deferred payment for 5G spectrum
Accelerated release of IMT spectrum in markets with limited spectrum holdings	Regulator-led cross border frequency and synchronization coordination across all bands	Ensure availability of E-Band Spectrum for Microwave Backhaul	Proactive Publication of National Spectrum Roadmap for Coordinated Planning

Infrastructure

In 2020, several infrastructure-focused policies and initiatives were proposed by governments across Zain's footprint.

In Kuwait, CITRA published a new bylaw (coming into effect on 28 January 2020) governing the **minimum specifications, site rectification procedures and annual audit requirements** for the construction and maintenance of tower infrastructure including requisite approvals from CITRA, municipalities, and other authorities. The long-awaited licensing framework, which has been in development for over three years, is expected to be published sometime in 2021. The framework may introduce the grant of universal licenses, enabling mobile operators to have access to fixed infrastructure and operate international gateways.

In Jordan, in May 2020, the Telecommunications Regulatory Commission (TRC) issued a decision to permit operators to establish more Internet Exchange Points (IXP). More IXPs will reduce operational costs for ISPs, improving access speeds and caching traffic locally.

In Saudi Arabia, in February 2020, CITC initiated the process for an open-access agreement on fiber, granting all operators the opportunity to provide fiber-to-the-home (FTTH) connectivity to customers, independent of infrastructure ownership. This agreement came into force in July 2020. **The open-access agreement facilitates fiber backhaul connectivity, critical for 5G services and enables strong fixed-mobile converged plays.**

In 2020, CITC also issued public consultations on access rules to physical facilities and interconnection to enable stricter controls to be imposed on dominant players. In June, CITC articulated its position to enhance the regulatory environment to promote investment in tower ownership to boost 5G deployment.

In Bahrain, Zain continues to leverage the infrastructure of BNET, the national fiber-based national broadband network and fixed wholesale infrastructure player in the Kingdom. BNET provides regulated access to fiber-to-the-home (exceeding 78% of households) on a wholesale basis for resale by licensed operators in the retail market; and access to fiber for backhaul / fronthaul circuits with the price and non-price terms defined in a BNET Reference Offer.

In Sudan, Zain is still exploring opportunities to enter the fixed network and services space by applying for a fixed licence.

Separately, fiber infrastructure and voice and data international gateway and cable landing facilities remain monopolies in Iraq and Kuwait. There are no definitive timelines for liberalization, despite significant advocacy efforts.

In South Sudan, mobile operators are no longer permitted to roll out their fiber but are mandated to enter into commercial agreements with separately licensed fiber companies.

Zain's regulatory strategy advocates critical messages to national regulators on infrastructure initiatives:

- Ubiquitous fibre networks: Support right to deploy fibre or regulated access to fibre on fair price and non-price terms
- Advocate liberalization of international gateway and open access cable landing stations to enhance international connectivity
- To lower IP transit costs, advocate establishment of more Internet Exchange Points
- Advocate for favourable legislation for passive and active infrastructure sharing and TowerCo establishment
- Advocate universal 'service-neutral' licence to permit fixed and mobile services to allow converged fixed and mobile offerings
- Advocate for Government-led Broadband Cost Reduction initiatives

Industry Taxation

Zain's regulatory strategy promotes the lowering of industry-specific costs given the significant investments that need to be made to deploy 4G/5G, next-generation access networks, digital services, and many other solutions.

Within the industry taxation focus area, some favorable outcomes have been realized. In 2020, in a bid to boost the take-up of M2M/IoT services in Jordan, the TRC agreed to create a new numbering range that will not be subject to the JD2.6 new subscriber line tax imposed on other voice and data SIMs.

Through extensive engagement with the TRA, Zain was able to achieve **BHD 868K in saving** including reduction on the unified URL blocking filtering solution **(BHD 45K)**, credit note of **BHD 524K** corresponding to the postponement of the application of higher rates in the Schedule of Fees for frequencies and **BHD 299K** based on a recalculation of the annual compliance fees for masts.

On the other hand in Sudan, Zain anticipates an increase in VAT from 35% to 40% and income tax, specific to mobile services, as a percentage of gross revenue from 7% to 10% in Q1 2021.

Zain continues to advocate key messages on industry costs:

- Lower levels of industry-specific fees (revenue share, regulatory fees, numbering fees, mast fees) on national players
- Where possible, eliminate industry-specific utility prices or differential tax rates
- Create incentive to deploy IoT/M2M by lowering regulatory costs to enable these to thrive
- Lower Government-imposed activation charges on customers (SIM, connection taxes)
- Lower Usage Taxes (excise duties, higher VAT rates....)
- Lower handsets taxes to enhance affordability

Competition and Market Developments

The competition landscape within Zain's footprint continues to evolve rapidly. Several regulatory decisions and actions were initiated or implemented in 2020, including the entry of new players.

In Kuwait, the mobile virtual network operator (MVNO) licensing process initiated by CITRA, resulted in selecting one bidder, Connect Arabia WLL, which the STC network will host with the license expected to be issued in Q1 2021. CITRA also published interconnection and access bylaws early in 2020.

In Bahrain, the Kingdom published its fifth National Telecom Plan (NTP-5). NTP-5 includes policies supporting the award of more spectrum for 5G deployment. It also includes considerations for treating other licensed operators' fiber assets to meet the single network objective and plans to enhance international connectivity. It also addresses the possible award of IoT virtual network licenses within a 3 year timeline.

In Jordan, the TRC completed and published its strategic market review report on the mobile, fixed, and dedicated capacity markets in October 2020. The outcomes are favorable to Zain. Firstly, this entailed removing the obligation to ensure that off-net tariffs do not differ from on-net tariffs by more than 200%. It also resulted in the removal of the mobile-access-and- call-origination obligation. Finally, it placed a responsibility on the dominant operator in the fixed market to offer access to its civil engineering infrastructure.

In Saudi Arabia, CITC embarked on several initiatives. Firstly, in January 2020, the Kingdom initiated the process to award two MVNO licenses with final bid submissions being made on 10 December 2020. Separately, CITC issued two new IoT Virtual Network Operator licenses to entities in the Kingdom - Dawiyat and Machine Talk. In June, CITC reduced the mobile termination rate by 60% to 2.2 Halalas and the fixed termination rate by 48% to 1.1 Halalas over rates last reduced in 2017. The reduction is favourable to Zain. CITC also issued regulations (a) concerning minimum internet throughput for fixed broadband connections (minimum 85% of advertised throughput for fiber services) to be effective as from April 2021 (b) tariff regulations which became effective on 9 September 2020. CITC also issued the final market determination, designation, and dominance (MDDD) report identifying STC as dominant in eight wholesale markets and three retail markets. Zain will benefit from obligations imposed on the dominant operator. These obligations include the non-discrimination of services and cost orientation of fees. CITC has also taken steps to implement margin squeeze testing (as an outcome of a public consultation held in February 2020). This approach ensures that if a dominant player launches a product, CITC will assess whether other operators can replicate the product and secure an acceptable profit margin.

In Iraq, the parliament passed a resolution to initiate the launch of a national mobile as a 4th player. Stakeholders anticipate, however, that this process will take time. Due to COVID-19, mobile number portability (MNP) implementation is delayed, and the industry expects that MNP will become active in Q4 2021.

In Sudan and South Sudan, to accommodate inflationary impacts, Zain has made appropriate adjustments and rebalancing to retail tariffs in 2020, all approved by the national regulatory authorities. Furthermore, in South Sudan, a new operator, DigiTel Telecom Company, secured a license and plans to launch commercial services in Q1 2021.

Zain's regulatory strategy advocates putting in place controls that will foster effective competition:

- NRAs to launch periodic Strategic market reviews to determine competition status and assess effectiveness of any ex-ante obligations
- Enforcement of proposed ex-ante and ex-post remedies is critical – simply recommending measures is not enough
- Implement tariff regulations which impose proportionate obligations – for example, tariff approvals should be applied only on dominant operators
- Advocate cost-based pricing for wholesale services in the market
- Introduce functional or legal separation as a remedy in the event of persistent market failure as a result of abuse of dominance
- Introduction of new entrants should take cognizance of the ability of existing players to sustain and recoup investments

Customer Affairs and Universal Service

Zain operations place considerable focus on compliance with regulations that apply to customer affairs. These regulations include **personal data protection laws and policies**, consumer protection regulations, quality-of-service obligations, SIM registration or SIMs caps, credit and collection procedures, international roaming services, traffic management and pricing practices as well as cyber-safety policies. Zain also places a premium on an inclusion agenda through its sustainability programs and the importance of extended connectivity to the unconnected through universal service and universal access. Zain supports this agenda through recommendations on regulatory reform.

Quality of Service

KUWAIT

- CITRA issued new QoS Regulations in January 2020
- New KPIs on fixed and mobile broadband services
- Replaces QoS Regulation of 2015

Personal Data Protection

SAUDI ARABIA

- CITC issued new Personal Data Protection Guidelines
- CITC issued "General Rules for Users Personal Data Protection" in April 2020
- CITC issued "Procedures for Launching of Services or Products Based on User Personal Data" in May 2020

International Roaming

BAHRAIN

- TRA published the International Roaming Service Regulation in April 2020
- Regulation obligates service providers to set a default limit of BHD 50 on roaming charges
- Service providers must notify customers at different usage thresholds
- Data Services cease unless the roaming subscriber requests continuation of service

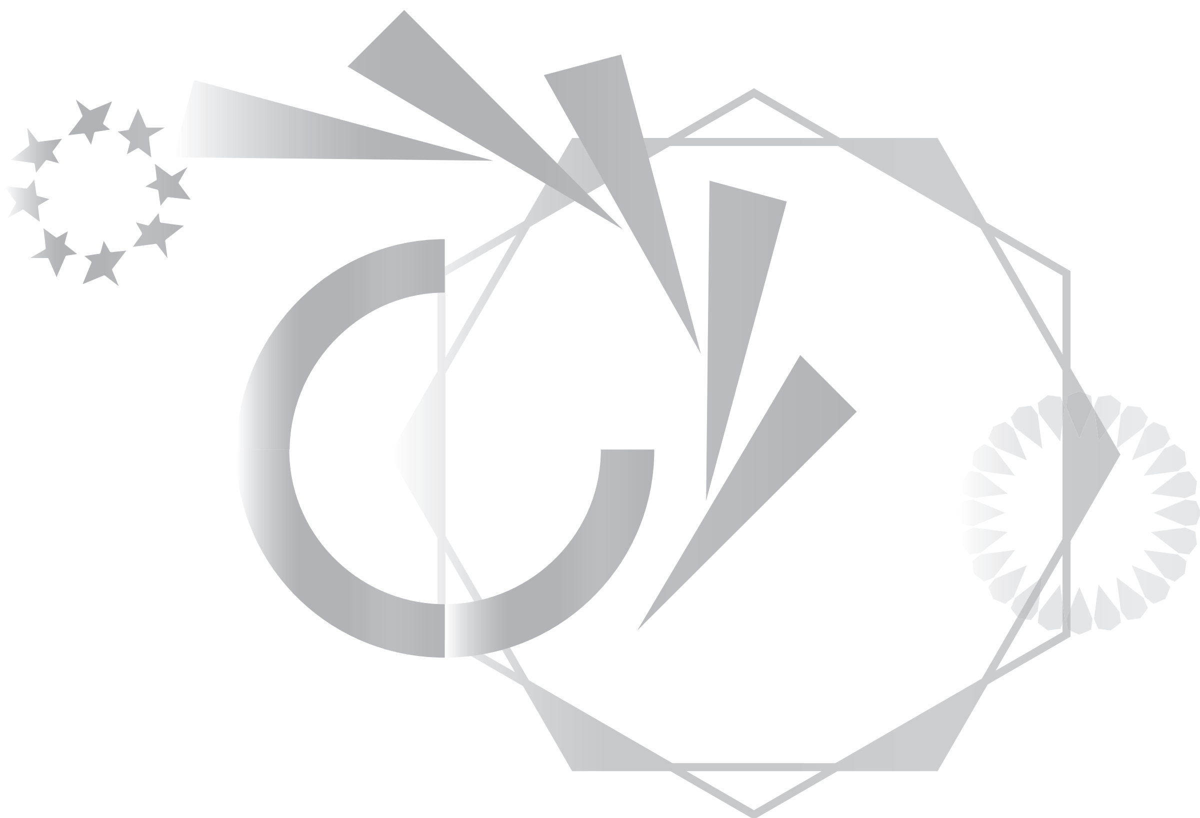
Regulations and developments in the customer affairs domain

Connecting the Un-Connected / Empowering Universal Service

Throughout 2020, Zain worked closely with the UN Broadband Commission for Sustainable Development, SAMENA Telecommunications Council, GSMA, and other like-minded organizations, as part of the 21st Century Financing Working Group, in bridging the divide between the connected and the unconnected. The Working Group is conducting a comprehensive study on innovative funding, financing, and investment strategies to Connect the 'Un-connected'. The Working Group will also provide sets of policy recommendations for governments and policymakers to foster innovative funding, financing, and investment strategies. Such guidance will include reforms to universal service funding (USF) programs.

Zain's regulatory strategy advocates key messages to foster the development of regulations governing customer affairs:

Enact consumer protection legislation which guards against unfair pricing, unfair terms and advocates transparency	Develop Robust Standalone Data Protection Laws Across All Sectors	Create Quality of Service and Quality of Experience Regulations that deliver best-in-class quality without creating an unnecessary burden for operators
Make Efficient Use of Universal Service Fund and ensure fast disbursement of funds	Broaden tax/contribution base or ICT funding for rural areas to include non-telco operators and digital players	Create a safer internet experience for consumers, businesses and society



5G

Zain has continued its rollout of 5G in Saudi Arabia, Kuwait, and Bahrain apace. As 5G network coverage and capacity continue to grow (with more spectrum availability), and accompanying technology advances in IoT, artificial intelligence, big data, cloud, and edge computing, innovative 5G use cases are beginning to emerge. Saudi Arabia and Bahrain have started to develop 5G-focused policies that will enable even faster 5G deployment and take-up through one-stop-shop-site-approvals, infrastructure sharing, lower-cost spectrum, availability of fiber for backhaul and front haul. Zain is also cognizant that authorities are studying the merits of setting aside dedicated spectrum in core IMT bands for verticals to deploy private 5G networks for connectivity across many mission-critical, industrial, and traditional enterprise organizations.

Zain's regulatory strategy is very supportive of the broad initiatives proposed by governments. However, Zain maintains that setting aside IMT spectrum for Verticals overlooks challenges with spectrum underutilization, fragmentation, and regulatory overhead. Instead, Zain continues to advocate that verticals have access to several alternatives: (a) the use of the plain vanilla or bespoke enterprise offers (b) access to IoT virtual network licenses and wholesale capacity from a mobile network operator – if the desire is to control core network elements (c) access to a 5G 'network slice' if there is a desire to control radio parameters (d) use of license-exempt spectrum for short-range devices or Wifi-6.

Zain's regulatory strategy advocates key messages to support the development of 5G rollout:

Ensure 5G rollout obligations are not onerous	Licensed spectrum dedicated to MNOs and not to Verticals	Government to develop cyber-security strategies and policies to support 5G
Government-led 5G investment support in exchange for accelerated rollout of 5G	Government to stimulate 5G demand and to accelerate sector regulators collaboration to support use-cases	Given sites-hyper-density, create one-stop-shop for sites approvals

B2B

Zain's B2B portfolio includes mobile services, fixed services, IoT, hosted and managed services and managed security. Therefore, the regulatory requirements for providing fixed services, cloud services, cyber-security, and cross border data flow are crucial to B2B services' enablement.

Fixed Services

Zain is able to offer fixed services leveraging on its licence and infrastructure or through regulated access to licensed third-party infrastructure in all markets except Sudan.

Cloud Computing

On cloud computing, Saudi Arabia, Kuwait, Bahrain, and Jordan have standalone cloud computing policies, and relevant developments occurred in the three markets in 2020.

Cloud Computing

SAUDI ARABIA

- CITC issued Version 3 of its cloud computing framework in December 2020
- CITC also issued Guidelines for Cloud Service Providers
- Framework obligates Service Providers to register with CITC
- Service Providers can transfer data outside Kingdom subject to customer's consent
- Data for Saudi Government entities cannot be transferred outside Kingdom unless permitted under any other Kingdom law

JORDAN

- Ministry of Digital Economy & Entrepreneurship (MoDEE) issued in August 2020
- Policy espouses benefits of adopting stylised Jordan Cloud architecture
- Proposes Government private Cloud Platform for Government use only and public cloud for private use managed by Cloud Service Providers (CSPs) inside and outside Jordan
- MoDEE has mandated TRC to issue instructions for CSPs including instructions, guidelines, service level agreements and to manage certification, approval and audit of CSPs.

KUWAIT

- CITRA issued a draft cloud computing framework to regulate cloud computing use within Kuwait which contains onerous obligations
- Policy proposes data classification, controls and obligations on Cloud Service Providers (CSPs)
- Policy also advocates data localisation and promotes extra-territorial obligations on CSPs
- Policy outlines privacy obligations and data protection principles
- Policy obligates organisations to notify subscribers within 1 hour following data breach

Changes to cloud computing regulatory frameworks

IoT

Zain is increasingly focused on cross-border IoT/M2M services. For this area, IoT regulations covering licensing, permanent roaming, the use of eSIMs, addressing of IoT devices, availability of IPv6 versus IPv4 are all essential. M2M brings up special requirements including the need to support eCall services and to support permanent roaming to enable in-factory installation of SIMs before vehicle shipment across borders.

Within the IoT space, regulatory developments took place in Saudi Arabia, Jordan, and Bahrain.

Internet of Things (IoT)

SAUDI ARABIA

In March 2020, CITC issued two IoT-Virtual Network Operator licences to Dawiyat and machines Talk

JORDAN

In November 2020, TRC issued a consultation on IoT services with the objective of further enhancing its existing IoT Regulatory Framework

BAHRAIN

In October 2020, the Ministry of Transportation and Telecommunications issued its 5th National Telecom Plan (NTP-5) which advocates possible award of IoT-Virtual Network Licences

Changes to IoT regulatory policies or market landscape

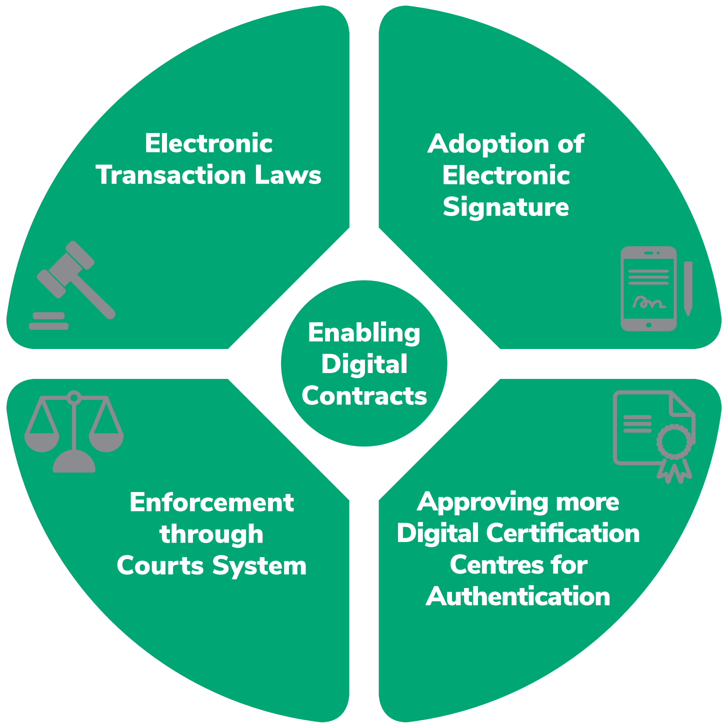
As of January 2021, the other markets do not have standalone IoT policies, and Zain anticipates significant development in this area in 2021.

Zain's regulatory strategy calls for regulatory authorities to put in place enablers to support the development and growth of B2B services:

Lobby for Unified Licenses or Right to Offer Fixed Services	Accelerate adoption of Cloud regulations through favourable legislation	Permit cross-border transfer of non-personal data for centralized processing
Create favourable rules for IoT/ M2M – including separate numbering range, permanent roaming, cross border data flow	Lobby for robust legislation and controls on cyber-security	Advocate for fair share of government spend in B2B Space

Digital Services

Zain's digital portfolio focuses on group-API initiatives, digital financial services, e-commerce, digital health, and e-sport (immersive gaming). As such, developments in digital identity regulations, direct carrier billing rules, e-commerce laws, electronic payments laws and fintech anti-money laundering regulations are fundamentally essential to Zain. Over the last twelve months, significant developments have taken place in some markets in the Zain footprint to support the enablement of such digital services – particularly in the wake of COVID-19.



BAHRAIN

- In Bahrain, several relevant statutory orders have been passed
- Order 35 of 2020 permits small civil and commercial cases (~ BHD 1000) to be entirely electronic
- Order 42 of Regulations of Procedures for Civil Cases permits electronic case procedures

SAUDI ARABIA

- In Saudi Arabia, early in January 2020, banks launched the process of accepting electronic signatures
- National Centre for Digital Certification (NCDC) accredited several government establishments as Government certification service providers to activate digital authentication services (identity verification, electronic signatures, and data encryption for electronic contracts)

JORDAN

- In Jordan, in a bid to accelerate the onboarding of customers to e-wallets, the Central Bank of Jordan authorised electronic KYC procedures eliminating the need for paper-based signed documents.

Adoption of Electronic Contracts, e-Signature, enforcement through courts

Digital Financial Services and E-Commerce

The markets within Zain's footprint have a high unbanked population. As such, mobile money and digital payment methods continue to witness significant growth. Against the backdrop of the COVID pandemic, e-wallets, contactless platforms, and payment solutions have had significant take-up and adoption to respond to the need to reduce physical interactions.

Zain's markets have witnessed significant developments in regulations governing financial services. Firstly, the regulatory sandboxes in Saudi Arabia, Kuwait and Bahrain have continued to thrive, enabling fintech companies to experiment with new financial solutions.

In Saudi Arabia, the Saudi Arabia Central Bank (formerly the Saudi Arabia Monetary Authority) issued a new Payment Service Providers (PSP) Regulation in August 2020. The regulation covers credit transfers, direct debits, and payment transactions through a payment card or similar physical or digital device. Invariably, this will impact direct operator billing activities currently undertaken by Zain Saudi Arabia. These will likely come under the purview of the SAMA rather than just the telecom regulator (CITC). Similarly, SAMA issued a consumer micro-financing regulation in December 2019, which has enabled Tamam, Zain Saudi Arabia's micro-lending subsidiary to secure the first consumer micro-lending licence in the Kingdom.

The Ministry of Commerce and Investment in Saudi Arabia has adopted the Implementing Regulations of the E-commerce Law (effective from 31 January 2020) to accompany the recent shift towards electronic transactions in the Kingdom. The new extraterritorial regulation, which regulates commercial transactions between service providers (both located in Kingdom and abroad) and consumers, aims to increase confidence in e-commerce transactions.

In Kuwait, in 2020, the Central Bank of Kuwait took further steps to ensure compliance with the Instructions for Regulating Electronic Payments (Resolution No. 44/430 of 2018). The statutory instrument that regulates electronic payment infrastructure providers (EPIP) and Electronic payment Agents (EPA) calls for all direct operator/carrier billing activities undertaken by telecommunications operators to now fall under the purview of the CBK and requiring an electronic payments licence. CBK has requested that all telecom operators register to obtain electronic payment licenses to act as intermediaries on any financial transaction.

Digital Health

One of the primary outcomes of the COVID-19 pandemic is an acceleration of digital services in the healthcare sector. Zain has been active in supporting government healthcare initiatives, including developing contact-tracing mobile applications (such as the Zain Shlonik app in Kuwait). Zain continues to monitor the development of regulations in the healthcare space.

Zain's regulatory strategy calls for governments to create enabling legislation to support the growth of digital services:

Build national digital ID infrastructure with wide coverage and open APIs to support digital identity	Accelerate adoption of e-KYC and e-Authentication procedures – including licensing of digital certification service providers	Enforcement of electronic contracts and signatures in judicial system	Demand stimulation by Government through acceleration of take-up of e-Government services
Enactment of laws - e-commerce, payment - which are supportive of FinTech growth	Enactment of laws and regulations which are supportive of digital health	Enactment of legislation which is supportive of e-gaming growth and development	Promote creation of regulatory sandboxes for emerging technologies

RISK MANAGEMENT

A. Overview

A robust and agile Risk Management framework enables the achievement of Zain's strategic objectives by identifying, analyzing, mitigating, monitoring, and governing risks or potential threats to strategic objectives.

Zain Group's Risk Management function plays a vital role within the company, reporting to the Board Risk Committee (BRC), which meets quarterly to discuss the risk profile of the organization. The BRC oversees the implementation of a comprehensive risk assessment exercise covering all of Zain's operations, while also reviewing and approving the risk management framework on an annual basis.

In addition, the BRC oversees compliance with risk management policies and procedures, and reviews adequacy of the risk management framework in relation to the risks faced by the organization.

B. Framework

Zain's Risk Management framework has been benchmarked with leading global risk management standards and guidance such as ISO 31000 and the Committee of Sponsoring Organization (COSO) framework.

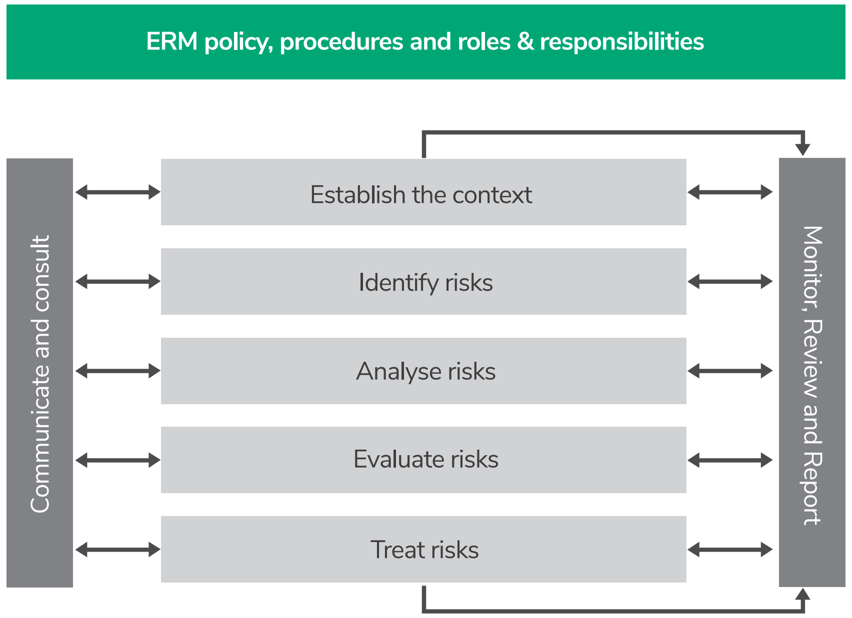


Figure 1: Zain Risk Management Framework (alignment to ISO 31000)

This framework continues to use an impact-likelihood matrix to determine the risk rating of events facing the company across its operations. The impacts are assessed across multiple parameters that include financial, reputational, climate change, markets, customers, and employees, among others. The rating also takes into consideration the pre- and post-mitigated status of the risks, providing information on both the status of inherent and residual risk status to the organization. The Risk Management function uses key risk indicators (KRIs) that are monitored and analyzed by Zain Group and its operating companies to ensure that risk profiles are within the acceptable risk appetite set by the BRC.

The table below illustrates some of the key risks across Zain Group and how they are being mitigated through the various mitigation options.

Table 1: Key Risks for Zain

	Description	Impact	Mitigation
Evolving Regulatory Regime	As our business is undergoing digital transformation, the regulatory implications bring new challenges.	Increased cost of operations (license fees, cost of regulatory compliance) leading to lower profits; delay or rejection in launching new businesses and services to create new revenue streams.	Collaborate with market regulatory authorities and other stakeholders, engage on market issues, with a clear focus on common benefit. Innovation on new products and services to enhance revenues and overcome increased regulatory costs.
Cybersecurity	As technologies advance rapidly, cybersecurity threats are also evolving and need continuous monitoring.	Customer data breach, financial, reputational or regulatory consequences.	Continuous enhancement of our cybersecurity capabilities by updating: 1. Policies and procedures 2. Latest security tools 3. Training and awareness programs 4. Periodic security assessments
Over the Top (OTT) Applications	Disruptive technologies are being adopted at an extremely fast rate, where competitors are infringing on traditional voice and SMS revenue streams.	These OTT players continue to impact revenue for all mobile network operators without having to conform to regulatory implications.	Transform our business from a pure telecommunications model to a digital lifestyle provider by creating innovative products and services and reinventing business models.
Geopolitical & Macro-economic Situation	Zain operates in multiple markets, and changes to macro-economic indicators impact operations enormously.	Reduced customer spending ability leads to reduced revenues impacting the execution of the company's strategy. Weakening currencies impact the profitability of Zain's operations and asset valuation. Geopolitical hindrances lead to reduced access to capital and technology.	Ensure cost optimization initiatives and access to long and short-term capital options through varied sources of funding. Employ various hedging instruments to prevent value erosion of assets. Ongoing improvement of our business continuity capabilities across our operations.
Price Wars & Irrational Competition	Unrestrained competitors or irresponsible operators with low value and market share could perpetrate market erosion through price pressures.	Impacts revenue, profitability and customer experience metrics.	Observe the competitor landscape in all markets, and counter suitably. Ensure the market is fair and competitive, while trying to create value propositions to maintain customer loyalty.

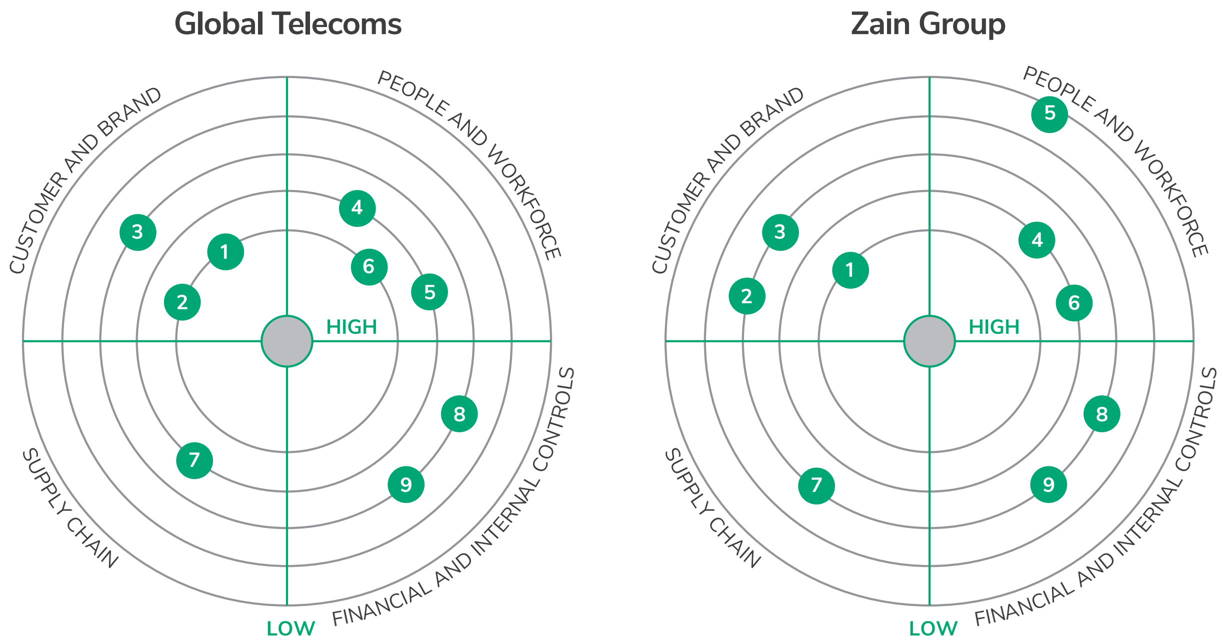
C. Impact of COVID-19

Due to COVID-19, Zain's operations were affected by lockdown measures imposed by respective government authorities that resulted in activation of remote work procedures. Group Risk established a Crisis Management Committee at the Group level and at respective operations to establish COVID-19 response plans. Execution of the plans was monitored on a weekly basis from March 2020.

The focus of the committee was on employee safety, business scenario planning, opex management, supply chain, network performance, work from home, and calibrated restart of business as the operations began to emerge from lockdowns.

Figure 2: COVID-19 response plan

Below illustrates the top COVID-19-related risks, with a comparison of their impact and relevance to Zain Group and other telecom operators.



Risks due to COVID Impact
1. Subscriber addition impacted due to retail store closure
2. Inaccessibility to offline recharges impact feature phone
3. Customer support services under strain
4. Pressure on telecom networks as data consumption spirals
5. Low adoption of business collaboration and productivity tools impact remote working
6. Surge in teleworking increases cyber and data security risks
7. Telecom and OEM companies exposed to long-term supply side risks
8. Inability to contain costs to adversely impact net margin and working capital
9. Financial accounting and reporting considerations in book of accounts

Figure 3: COVID-19 impact

Cybersecurity response during COVID-19

Comprehensive cybersecurity guidelines were developed and communicated to the operations. The guidelines outlined the best practices and minimum activities required to secure Zain from rising cyber threats, particularly due to the increased reliance on remote working.

Group Risk prepared a framework for all the operations to assess their security posture. The framework was used to track activities currently performed, and ones that needed to be implemented, with dates for Group Risk's oversight on the security requirements per operation.

Cybersecurity Assessments

Overseen by Group Risk Management, Zain operations continue to invest in automated detection and prevention solutions to address evolving cybersecurity threats. Rigorous security reviews and testing across operations are performed by Group Risk Management to validate effectiveness of security controls on both telecom and IT security. Group Risk continued enhancing its comprehensive cybersecurity awareness program to detect security threats, and to protect corporate and personal information. The program was designed across various channels such as email newsletters, SMS, roll ups, banners and electronic displays and was communicated to operations for dissemination.

Business Continuity Management

Zain Group is committed to ensuring the continuity of its businesses in the event of an incident or disaster that could cause major disruption. In response to the COVID-19 pandemic, Zain Group developed a framework for seamless work from home. The exercise involved identification and prompt deployment of tools, assets, and trainings for staff to continue offering services to customers.

Group Risk developed critical continuity indicators to monitor the response to the pandemic in its operations. The indicators were presented and reviewed by the COVID-19 Crisis Management Committee at Zain Group.

Further, Zain Group developed the Safe Return to Work plan for gradual return of staff to the office.

ISO Certifications

Maintenance of existing ISO 27001 Information Security Management System at Zain operations.

TECHNOLOGY

ENERGY EFFICIENT SOLUTIONS

Optimization of Sites

In 2020, Zain deployed outdoor cabinets in Bahrain, Iraq, Jordan, and Saudi Arabia (KSA) as part of its effort to reduce energy requirements at its base stations, which would lead to reductions in CO_2 emissions. Those cabinets are less energy-hungry than the conventional equipment housing premises known as shelters because they rely on reduced cooling solutions such as free cooling units or direct current (DC) cooling technology instead of the usual alternating current (AC) cooling systems. Given that the usual AC cooling systems requirements tend to represent 40 to 45% of total base stations energy consumption, cutting this consumption by more than 50% using outdoor cabinets on more than 250 base stations in 2020 has had a significant positive impact on Zain's carbon footprint.

Base Stations

Zain focused on the deployment of high efficiency DC power systems in Kuwait, the deployment of green power solutions in South Sudan, and the connection of off-grid sites to commercial power in South Sudan and KSA. The objective of using high efficiency DC power systems is to reduce energy losses due to conversion from AC to DC power as required by telecom equipment. Green power solutions help achieve around 60% saving on sites' energy consumption. Connecting off-grid sites to commercial power results in at least 80% saving on fuel consumption. By reducing the losses in energy due to power conversion, deploying green power solutions where feasible, and connecting off-grid sites to commercial power, Zain reduced its CO_2 emissions on some of its base stations in 2020.

Data Center

In 2020, Zain successfully deployed its second-TIER III data center in Kuwait, following the establishment of 'The Bunker' in Jordan in 2019. This co-location data center obtained the approval of Uptime Institute for Design Documents and Constructed Facility, a first for Kuwait. This outcome-based infrastructure was designed with energy use efficiency in mind, ensuring the associated CO_2 emission is kept as low as possible following the best available practices in the field of data center facility management. The deployment of this infrastructure is in line with Zain strategy of providing the best digital experience to its customers in a sustainable way, fulfilling its mission of providing world-class telecom and IT infrastructure to Kuwait's business and SME community.

5G Core & Cloud Native

With all the challenges we faced in 2020, Core evolution continues to progress as per our roadmap and in line with industry trends. 5G Standalone (SA) has been implemented in some operations and the work is ongoing to integrate it successfully with other areas of the network. 5G SA plays a major role towards adopting Cloud Native infrastructure that will enable our networks to be more efficient in terms of speed, resiliency, agility, automation and performance. The evolution from the exiting Network Functions Virtualization Infrastructure (NFVI) to Cloud Native Infrastructure constitutes a major part of our plans for the foreseeable future. Cloud Native Infrastructure will facilitate the optimum development of networks, providing enhanced latency. Zain has also shown resilience in sustaining reliable service during the COVID-19 pandemic across all its operations.

Evergrowing Demand for Data

COVID-19 has given rise to extraordinary challenges in 2020 forcing individuals, families, and companies to rely more heavily on online communications. This exceptional situation increased the demand for network data usage. With all the challenges we faced in 2020, Zain KSA managed to expand 5G coverage to 50 cities. The company has thus established itself as the leading 5G operator in the region in terms of national coverage. Zain Kuwait achieved nationwide 5G coverage, and Bahrain expanded its 5G coverage to new areas. Committing to the technology roadmap and in line with industry trends, Zain KSA and Kuwait have been advancing their 5G network and were able to successfully complete trial and launch 5G SA, creating new capabilities for commercial 5G use cases supporting industrial requirements.

In addition, Zain continues to focus on LTE technology in multiple operations. In Iraq and South Sudan, Zain managed to pave the way for the introduction of LTE by modernizing the network to cater for LTE and enhanced LTE technologies, and deliver the expected customer experience. Likewise, Bahrain, Jordan, and Sudan expanded their LTE networks and introduced Advanced LTE to meet demand for broadband during the pandemic.

Segment Routing IPv6- Based Transport Network

Zain is looking to benefit from the premium transport services that come with the promising new Segment Routing over IPv6 (SRv6) technology, and as such in 2020 started deploying / migrating its transport networks to the new solution in some Zain operations including Zain KSA, Zain Kuwait, and Zain Iraq. SRv6 helps overcome current challenges faced by existing IPMPLS transport technology, reduces complexities in the network, and adds more capabilities to the transport network. SRv6 will play a vital role in enhancing and facilitating the evolution of advanced 5G services, supporting the highly needed network slicing in the future. The new solution will also help in simplifying the transport network architecture, enhancing the quality of experience for end customers as well as opening the door to the development of more new digital services, mainly those that are extremely sensitive to low latency or require specific quality of service.

On the AI Journey

Artificial Intelligence (AI) together with 5G are set to supercharge the telecom industry. Hence, AI, advanced analytics and automation form a major part of Zain corporate strategy and as the telco looks to evolve to become a digital lifestyle provider. AI/machine learning (ML) is considered to be the technology that will drive the next wave of data value creation. AI has already been applied in some areas of the business, specifically customer experience management through virtual assistants and AI-based customer value management.

Zain is going further in exploring the benefits of AI and ML broadly in network management functions and other user cases as Zain continues to rollout 5G networks and services.

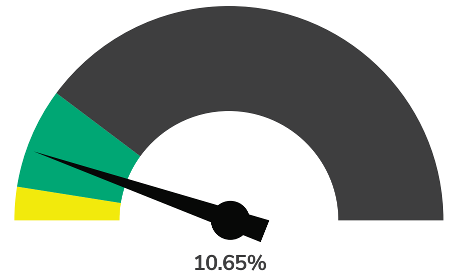
To ensure that Zain adopts a holistic approach to AI and leverages existing capabilities, a blueprint was developed to provide a framework for an enterprise architecture. The architecture forms the basis for providing AI capabilities, including data services, model training/retraining, model management, and network knowledge base. It lays the foundations for enabling intelligent automated network operations and digital service innovations that rely on AI and ML. It was also critical that use cases are identified with better potential economic benefits starting with reducing network/IT costs (energy saving, network operations) and optimization of business processes (e.g., security, service optimization), enabling external new businesses powered by 5G in the future.

Measuring Network Customer Satisfaction

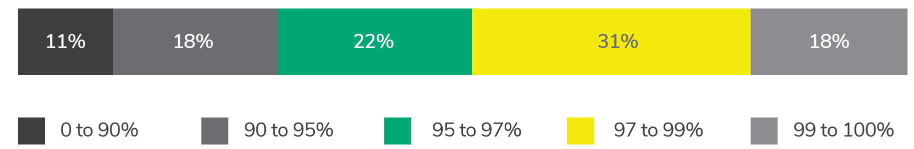
As Zain continues to put customer experience at the heart of its business and digital transformation, the company finds ways to monitor and measure how customers utilize the network and gauges their experience while using it. In 2020, Zain introduced the Network Customer Satisfaction Index (NCSI), with the main aim of the statistic being to measure and identify customers whose experience of the network is not positive while using selected services.

The index calculates the extent to which each customer does not receive the set thresholds for specific experience indicators. These metrics, round-trip delay, and data speed are measured for a number of selected data services, including video, messaging, gaming, and social media among others. The use case brings a new way of measuring customer satisfaction based on customer level indicators contrary to traditional network-based indicators.

% UNSATISFIED CUSTOMERS



DISTRIBUTION OF CUSTOMER SATISFACTION LEVEL



Zain will be able to identify customers who are impacted and what specific services are contributing to the below-par experience of each individual customer and take immediate action to improve the customer's experience quicker than before with traditional metrics.

The index will continue to be improved with ML and advanced analytic capabilities, enabling correlation of other metrics, integration over the customer's journey, and prediction of customers' experience, helping to proactively manage actual customer experiences.

Containerization

Digital transformation is one of the key strategic initiatives Zain is using to simplify and optimize the delivery of its service offerings in order to expand beyond the scope of standard telecom services and diversify revenues.
To achieve this goal, IT must play a vital role in the deployment of new solutions to keep pace with emerging business requirement. The best infrastructure resource utilization is required, which can be achieved through Software Containerization.

Software Containerization is going to be the key driver to Data Park realization. This technology will provide improved time-to-market, optimized deployment cost and re-usability of the code in different cloud platforms.

Zain has begun to establish guidelines and master plans for a containerized environment by introducing a blueprint on containerization orchestration. This blueprint covers the motivation for containerization; different deployment approaches; how to secure the containerized environment; and what considerations need to be taken while deploying any orchestration layer or containerized solution.

Currently Zain operating companies are evaluating different solutions through proof-of-concept efforts.
In the future, most operating companies are set to incorporate a containerized production environment, hosting major internal or external applications.

RPA use cases implemented in OPCOs

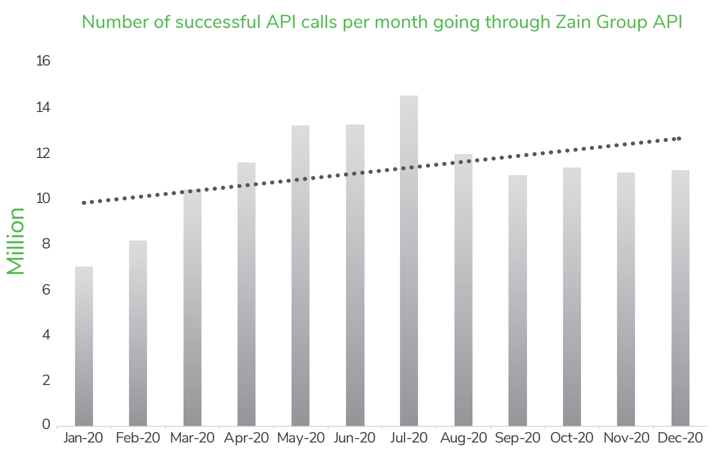
Robotic Process Automation (RPA) is a journey that Zain and several of its operations commenced in 2019. Significant milestones included selecting the best fit technologies for Zain through conducting a number of proof of concepts across different functions; to determining the processes that are best targeted for automation, and injecting new RPA robots to learn, mimic, and then execute rules-based business processes. The aim was to achieve greater efficiency, better performance, enhanced consistency, reduced risk, optimized cost, increased productivity, and elevated customer experience.

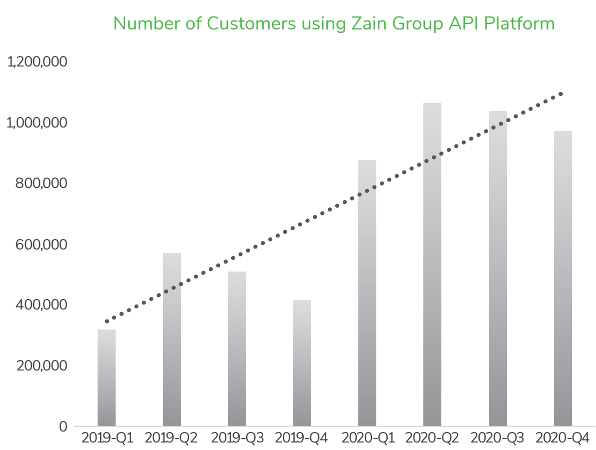
Despite the COVID-19 pandemic, numerous use cases were incorporated utilizing RPA in 2020 and are set to continue during 2021. Use cases were focused on functions including finance, procurement, human resources, shop reconciliation processes, pre-sales and technology (network operations centers, data centers and business support systems (BSS).

Digitization

Zain has continued to capitalize on its well-established Group API layer to diversify digital services offered to customers. The Group API Layer ended this year providing more than 24 different digital products/services and serving over 1.5 million customers on a monthly basis across seven countries.

The Group API is spearheading Zain's efforts to become a fully-fledged digital service aggregator by 2021, supported by the introduction of a Customer Life Cycle Management Layer. This initiative will be driven by a backend system revamp that Zain is planning through the introduction of state-of-the-art Digital Business Support Systems (BSS).

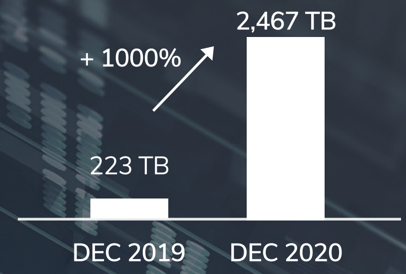




5G DATA VOLUME

2,467

TERABYTES PER DAY



5G DATA GROWTH

(DAILY VOLUME)

15%

OF TOTAL DATA TRAFFIC IS 5G

6,389

5G SITES BUILT IN KUWAIT & KSA MAKING UP 21% OF OUR NETWORK IN 1 YEAR

91% KUWAIT
60% KSA

OF THE POPULATION COVERED BY 5G

ZAIN BUSINESS: THE OPERATOR OF CHOICE FOR GOVERNMENT AND ENTERPRISES

In 2020, Zain strengthened its position as the operator of choice for governments and enterprises of all sizes, across our markets. The company made strategic investments in assets and innovative service platforms to address the evolving needs of B2B customers in mobile, fixed, IoT, hosted managed solutions and managed security services.

ZAIN BAHRAIN

Zain Bahrain launched fiber based broadband offerings, with speeds up to 500Mbps, to support and enhance customers' digital transformation journey.

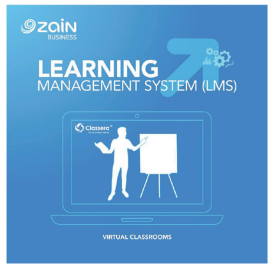
Launched a unified threat management service, in partnership with Fortinet. This is a cloud-based comprehensive security solution designed to increase network protection, security, and control through anti-virus, anti-malware protection, content filtering, firewall, Intrusion Detection System, Intrusion Protection System, and threat monitoring.

The operator introduced a suite of fiber-based solutions to address the needs of SMEs in Bahrain.

ZAIN KUWAIT

Zain Kuwait began offering thermal camera services to its corporate customers with great success. Running on Zain's network, these cameras can measure body temperatures from a safe distance in less than a second. The camera system also facilitates the recording of temperatures of large groups of people, numbering up to 30 individuals at a time. The solution is also equipped with artificial intelligence (AI), which allows for the identification of individuals' faces, and matches the images with past recorded body temperatures. The matching function works in scenarios where people are wearing face masks. These cameras also function as CCTV surveillance cameras that record footage around-the-clock.

The operator partnered with Classera to offer learning management solutions (LMS) to facilitate e-learning and support universities, schools, teachers, students, and families, to better cope with remote learning during the COVID-19 pandemic.



Zain live stream service was used to run shareholder assembly meetings for Zain and other companies, as an alternative platform to physical meetings. The solution supports capital market regulations on the organization of shareholder meetings, while keeping participants at a safe distance.

ZAIN SUDAN

Republic of Sudan
Ministry of Petroleum
Sudanese Petroleum Corporation

The Sudanese Petroleum Corporation (SPC) Project is a business connectivity solution providing fuel distributers and service stations with secure, private, and customized remote access to their HQ and to the Ministry of Petroleum using the Zain network.

The project enables the Ministry and distribution companies to successfully monitor fuel distribution by providing secure and cost-effective connectivity to fuel stations.

HECOOL is the first smart agriculture product provided by Zain Sudan, aiming to support farmers to increase productivity and decrease OPEX. HECOOL provides farmers with four indexes generated from high-quality satellite images enabling them to monitor and analyze crop health, soil moisture, and green coverage.

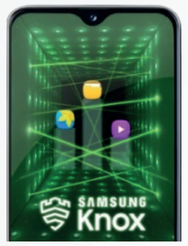
حقول
SMART AGRICULTURE

As part of Zain efforts to support innovative learning experiences in Sudan through information and communication technologies, Zain Sudan launched ZEES e-education management system, which provides a quality education platform for teachers and students.

ZEES is a comprehensive, integrated, and advanced system for managing remote learning institutions that can be applied in universities, schools, institutes, and colleges. It is designed to raise the level of interaction between students, teachers, parents, and management.

ZEES I changed traditional administrative systems and educational activities within institutions, to an intelligent, interactive electronic system accessible from anywhere through the cloud.

ZAIN SAUDI ARABIA



Zain KSA launched Samsung Knox, a multi-layer mobile device security solution to address security concerns on Android.

Launched the "Teachers bundle", a mobile broadband offer with a PC to support remote schooling.

e-SIM launch in KSA for business customers, providing a contactless selling experience. E-SIM is now available for business customers in Kuwait, Saudi Arabia, Bahrain, and Jordan.

Zain KSA launched Fiber-to-the-Business services, providing B2B customers with very high bandwidth internet connectivity over fiber.

Launched dedicated IP-VPN services over 5G by leveraging the ultra-fast Zain KSA 5G network to build data networks and connect customer headquarters, warehouses, branches, shops, etc., on a single network.

Launched Direct Internet Access (DIA) services over 5G. DIA is a fixed-mobile substitution technology, where Zain utilizes its leading 5G network to provide B2B customers with high-speed dedicated internet connectivity.

Launched a managed router service providing customers with end-to end LAN-WAN service management, which includes bandwidth, internet connectivity and LAN devices.

Zain launched a full suite of cloud services that range from IaaS to SaaS.

The infrastructure offer includes elastic compute services, object storage services and server load balancer.

Zain offers telemedicine-as-a-service, tele radiology-as-a-service, thermal screening-as-a-service, and unified communications-as-a- service

ZAIN JORDAN

Zain Jordan launched integrated fixed-mobile ICT offers for SMEs, delivering on the promise of the offer of a one-stop-shop for SoHo's and SMEs.

Zain Business believes that an innovative approach and flexibility are enablers of business growth. Expanding our portfolio to include cloud and security solutions bundled with our voice and connectivity services, Zain Business has developed solutions that support Zain customers in managing the complexity of business communication. In 2020, Zain Jordan launched a full suite of cloud and security services in collaboration with Zain Data Park and hosted directly from the Bunker including WAF, DDOS and IaaS solutions.

ZAIN IRAQ

Zain Iraq launched location-based SMS service enabling businesses to promote their products to an audience within a certain geographical location.

The operator's two-way SMS service enables companies to engage better with their customers, by establishing meaningful interactions with their audiences.

Zain Iraq launched a new mobile broadband offer, targeting business and government institutions in Iraq.

Through the operator's partner Awal Telecom, Zain Iraq B2B began providing SME/large enterprises with Microsoft 365 products to run their businesses effectively.

2020 A YEAR OF REVENUE GROWTH FOR ZAIN BUSINESS

Despite the slowdown in economic activity caused by the COVID-19 health crisis and government mitigation policies, Zain's B2B business unit delivered robust revenue growth in 2020.

This was driven by both the expansion of the customer base including SoHo's and SMEs accounts, large corporations and Government accounts, as well as increased penetration of non-mobile products, with a focus on fixed services.

Another area of growth was IoT, where Zain acquired hundreds of thousands of new smart meter contracts in Jordan, Iraq, and Bahrain, consolidating our market leadership position in the smart meter sector.

ZAIN B2B teams across operations worked alongside public health authorities to implement awareness and information campaigns, and deployed technology to track COVID-19 infections and quarantine, joining efforts with governments to mitigate the effects of the pandemic.

In Kuwait, Zain's role has ranged from equipping first responders and quarantine centers with the connections they need, to a full-fledged solution to monitor government self-quarantine directives. The latter was achieved through the creation of a mobile application (Shlonik) internally and equipping the users with smart bracelets. These efforts have helped curb the spread of the virus and protecting the public.

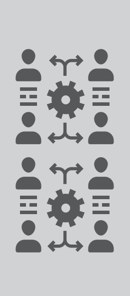
Customers were top of our minds in the development of COVID-19 response plans. Zain operations implemented the following support initiatives to help B2B customers mitigate the impact of the pandemic, and the associated business disruption:

Stock Delivery
Home/Office delivery of SIMs and Devices to B2B Customers, securing business continuity despite curfews and movement restrictions

Free Microsoft Teams
Exclusive offer of free MS Teams licenses (limited time) offered to support business customers in managing & communicating their employees

Cisco Webex
Zain Business customers offered free of charge 3 months of Webex free of charge

Free Microsoft O365
Exclusive offer of free MS Office 365 licenses (limited time) offered to support business



Free Minutes
Supported the business clients during the pandemic with free voice minutes

Payment Facilitation
Extending the bill payment period without deactivating the lines for most of the accounts. Design payment plans to support customer's cashflows

Free Data Package
Free date package offered during the pandemic to business customers

Work from Home Solution
Introduced high-bandwidth connectivity solutions to support remote workers

DIGITALIZATION TO BETTER SERVE B2B CUSTOMERS

The ecosystem of Zain Partners, who like most businesses were affected by the slowdown in the economy, were supported by specific cash lines, which helped them maintain their sales and service capabilities, staffing levels, and the high standards of service to Zain customers.

In pursuing the full digitalization of our operations, 2020 has seen the implementation of important milestones.

SME app in Kuwait - As part of its strategic focus on the SME segment, Zain Kuwait was the first and only telecom operator in Kuwait to offer a comprehensive digital platform. This application enables SME customers to access Zain Business' wide range of digital services through the click of a button, without the need for physical presence.

This advanced solution received wide acceptance from the market, as over 1,000 companies are registered on the application and are using it actively.

Digital lead generation - all Zain operations enable potential customers to request service quotes, sales meetings, and product information, via social media. Potential customers for each Zain service line are targeted with relevant product information based on their profile.

Digital contract – Zain KSA introduced the full digitalization of its contract process by dematerializing contracts while securing the transaction end-to-end through government database integration and OTP procedures to authenticate signing parties.

PROMOTING THE ZAIN BUSINESS BRAND

The ecosystem of Zain Partners, who like most businesses were affected by the slowdown in the economy, were supported by specific cash lines, which helped them maintain their sales and service capabilities, staffing levels, and the high standards of service to Zain customers.

In pursuing the full digitalization of our operations, 2020 has seen the implementation of important milestones.

معرض كويتك الدولي KuwaitTech EXPO2020

Saudi IoT

Zain Kuwait was the strategic sponsor of Kuwait's biggest technology expo: Kuwait Tech Expo 2020. Zain's strategic support of this event affirms the company's commitment to being present at the various activities and programs that contribute to Kuwait's digital transformation journey. Large global and local companies from the tech and telecom sectors participated in the expo, as well as numerous government entities, and was attended by over 25,000 attendees.

Through its futuristic booth at the event, Zain showcased its capabilities as an active partner in empowering a smart life, a safe community, and an efficient business sector by offering the most advanced digital services and solutions.

Zain KSA showcased its business solutions at the Saudi IoT event held in March 2020 in Riyadh. Through "Zain Business," the Zain KSA team presented state-of-the-art technologies, IoT, and smart city solutions. Additionally, showcased 5G network connectivity packages encompassing IoT bundles and connectivity options and applications for M2M devices to enable managing and integrating businesses throughout various sectors. These included, transportation, logistics, healthcare, energy, facilities management, general services, retail, and more.

Moreover, Zain KSA presented "Zain Cloud" for businesses and SMEs, as well as drone applications via "Zain Drone," where data collection and analysis services utilize AI analysis and cloud network technologies.

ZAIN DATA PARK- DELIVERING HOSTED MANAGED AND SECURITY SERVICES

Zain Data Park (ZDP), a new company playing a critical role in Zain's journey to become a digital service provider was launched in Kuwait and Jordan. ZDP is responsible for the hosted managed and security service portfolios, which are available to Zain B2B customers through Zain operating companies. Our sales teams, supported by solutions architects, design integrated solutions with LAN/WAN data connectivity, data storage, data transformation and data security.

ZDP is a key component in Zain's B2B strategy to become an integrated ICT player, and address customer needs to transport, transform, store and secure data, across Zain markets.

Leveraging on Zain's regional datacenter network, which includes the Bunker – the only military nuclear grade datacenter in the Middle East, ZDP's hosted managed services portfolio includes a wide range of cloud services, from virtual machines to virtual private datacenter services, which can be implemented in a variety of scenarios such as on-premise, from a Zain datacenter, or in hybrid set-ups.

Zain Kuwait Datacenter

Zain Jordan Datacenter

With the data management capabilities of ZDP, our service offerings include disaster recovery services, where our solution architects work together with Zain customer CTOs and CIOs to implement data resilience strategies to deliver high availability solutions for critical corporate data and systems.

ZDP is expanding its services from the infrastructure layer – IaaS to the Software-as-a-Service layer, with an expanding offer that already includes Video Surveillance-as-a-Service, and Banking-as-a-Service.

The security portfolio is organized in three pillars: Risk assessment, risk prevention, and risk management. Our security consultants can identify security risks and vulnerabilities in government and corporates through auditing and intrusion test methodologies. They can then mitigate risks through security policy design, technology deployment, and management practices.

ZDP also operates the Zain Security Operation Center, from where Zain manages the security platforms and policies for its corporate and government customers.

Hosted managed services and security solutions from ZDP are already integrated with Zain Kuwait's and Zain Jordan's B2B portfolio, and these services are being deployed in some of the largest organizations in both countries. Zain has ambitious plans to extend ZDP's footprint and compelling service offering across the region.

NXN- DELIVERING SMART AND DIGITAL SERVICES

NXN is Zain's smart and digital services arm, driving the development of Zain's digital products and big data offerings. NXN has prioritized the development of smart security, digital healthcare, asset tracking and smart cities/ district solutions.

NXN smart security-as-a-service is a state-of-the-art, end-to-end service that enables businesses to protect their people, assets, and facilities, while featuring advanced video surveillance management and analytics capabilities that cater to evolving surveillance needs. NXN offers a unique, cost effective and innovative digital security service that seamlessly functions with the highest level of IoT integration, automation, intelligence, control, and simplicity. It blends video surveillance, video artificial intelligence, smart video analytics, and incident management within one solution, in a pay-per-use pricing model.

The digital healthcare solution from NXN is a comprehensive platform of services for the healthcare cluster to manage the patient journey end-to-end, from medical appointments through the teleconsultation digital platform, prescription management, and electronic medical records.

NXN was present at the Kuwait Tech event in February, with its remote patient monitoring solution, one of NXN services in the healthcare vertical.

NXN demonstration of the remote patient monitoring solution to Zain's Vice-Chairman and Group CEO at Kuwait Tech.

NXN has developed a unique and powerful advanced analytics service, allowing it to help customers design, transform, and run intelligent operations leveraging AI and embedded analytics. NXN advanced analytics can deploy business intelligence to support any type of operation, process, or customer interaction as it happens.

NXN advanced analytics seamlessly integrates data sources from disparate systems allowing the creation of AI-powered, cross-functional, embedded data insights. We make it easy for customers to combine business and data strategy, data science and technology, in order for the customer organization to become more agile, efficient, and profitable.

NXN digital capabilities were recognized by tahawultech.com in the "Future Enterprise Awards 2020", as the winner of "Smart cities solutions provider of the year".

NXN is one of the leading companies in Gartner's Hype Cycle for smart city technologies and solutions 2020, where it was recognized as a leading vendor across five categories: city operations center; smart city-as-a-service; data exchange; greenfield smart city framework; and smart city framework. This showcased the key elements of NXN's value proposition.

BRANDING AND ADVERTISING

A BRAND THAT CAPTURES THE IMAGINATION OF THE ENTIRE REGION

Throughout 2020, Zain Group focused on safeguarding and enhancing the company's brand position as the most powerful and loved telecom icon in the region. Zain initiated awareness and tactical campaigns across its markets aimed at continuing the company's transformation into a leading digital lifestyle brand, and helping customers keep up with the rapidly changing world. This activity helped reinforce Zain's standing as being more than a mere telecom provider.

Zain's COVID-19 related digital innovation, corporate sustainability programs, and eye-catching marketing and social media campaigns captured the region's imagination.

13 years after the Zain brand launch in 2007, its valuation has consistently exceeded US$ 2 billion with the 2020 valuation increasing 9.9% to more than US$ 2.55 billion, according to the BrandFinance 2020 Global Telecom and Middle East brands report. This valuation and brand rating of AA maintains Zain's unrivaled position as the number one home grown brand from Kuwait.

This remarkable valuation some 13 years after the brand's introduction is testament to the investment Zain has made in this area and more importantly the quality mobile and data services that the brand represents. We continue to develop this valuable brand equity by investing in our operations, network, and customer experience.

DIGITAL TRANSFORMATION TO LESSEN IMPACT OF COVID-19

Since March 2020, Zain has been under mission-critical conditions as all operations have been focused on providing connectivity during the lockdown to minimize the impact of COVID-19 on socio-economic development. At the same time, Zain has doubled down on digital transformation to better serve businesses, governments, and societies, granting increased digital access to essential medical, commercial, and financial services.

The company has also focused on enhancing its entire network to offer the latest technology and digital services across its operations, developments that are positively impacting brand recognition and customer experience at every touch point they deal with Zain, whether they be individuals, enterprises or government bodies.

These investments in nascent technologies and network capabilities including 5G positions Zain to be able to offer compelling products and service that extend beyond telecom into a vast array of digital services, content, entertainment, wearables, home automation, health and fitness as well as smart cities and drones.

Over the past 12 months, Zain has invested approximately US$1 billion in expanding, upgrading, and rolling out 4G and 5G networks across its footprint, successfully rolling out 5G services in Kuwait, Saudi Arabia, and Bahrain. Zain Saudi Arabia's 5G rollout remains the largest in the MENA region and the fourth largest globally. The campaign celebrating these historic milestones helped place Kuwait, Saudi Arabia and Bahrain on the global 5G telecom map, embodying our ethos of leveraging new opportunities.

SUPPORTING THE REGIONAL STARTUP ECOSYSTEM

Zain recognizes that now more than ever, the entrepreneur ecosystem needs to grow as the region requires the economic diversification that arises from the ensuing innovations. Accordingly, the company is focused on numerous digital innovation and startup initiatives across operations.

The company's digital partnership with the MIT Enterprise Forum Pan Arab Competition since 2015 has evolved to become an annual occurrence that is awaited by thous ands of young Arab entrepreneurs, who see it as a platform to showcase, test and develop their creative and innovative ideas. We have supported this competition in the firm belief that today's innovators are tomorrow's differentiators.

Through this partnership, we look forward to encouraging opportunities that enhance the power of innovation through building up our future entrepreneurs and making the world a better place. Furthermore, supporting such events aligns perfectly to Zain's aspirations of becoming a leading digital lifestyle operator.

The Zain Innovation Center (ZINC) in Kuwait and Jordan are vibrant co-working hubs geared towards encouraging young minds to think and act creatively in an open and supportive environment. The goal of these centers is to create a conducive atmosphere for entrepreneurs to generate new ideas and develop them into viable opportunities.

In January 2020, Zain Kuwait completed its fifth edition of its Zain Great Idea (ZGI) tech startup accelerator program. The conclusion came during the company's Zain Demo Day event, under which Zain's 11 entrepreneurs met Kuwait's investment community. Zain Jordan's 'Al-Mubadara' competition saw six startups win prizes in a local competition and go on to participate in the MIT Enterprise Forum Pan Arab Competition, with one of these startups, Draw It, being awarded first prize in the Ideas track. Draw It is a tool that allows users to express their emotions through the guided drawings of the human figure.

AWARDS

Our brand grew from strength-to-strength in 2020, continuing to set high standards, ensuring our customers, stakeholders and employees had the best experience with Zain.

Most distinct was Zain's categorization as the region's highest ranked telecom group and only company from Kuwait in Forbes magazine's The World's Best Employers list for 2020. The list also saw Zain ranked fourth best employer across all industries in the Middle East.

Zain also won the 'Best Brand' at the 2020 Telecoms World Awards Middle East, marking a record seventh consecutive year that Zain has won this award, having also been recognized as the 'Best Telecom Operator' across the MENA region on numerous occasions over the years.

Zain Saudi Arabia's 5G network won three Telecom Review Excellence Awards, being recognized in three separate categories for 'Best 5G User Growth', 'Best Cloud Provider', and 'Best 5G Infrastructure Deployment'.

In December, Zain received six creativity awards at the Arab Media Forum's eighth Creativity Awards, which recognizes creativity by Kuwaiti organizations - in three categories: Television commercial Creativity, PR Creativity and Best Government App. Four awards came under the TV Commercial Creativity category for its most celebrated TVCs of the year: Ramadan TVC, National Celebrations TVC, Eid TVC, and its TVC on the heroic role of mothers during the pandemic. Zain also received an award in the Best Government App category for its 'Shlonik' app, which the company developed during the pandemic along with the Ministry of Health and the Central Agency for Information Technology (CAIT). Additionally, Zain's flagship operation in Kuwait received the PR Creativity award.

Across our footprint, all of our operations were recognized with awards for achievements in marketing, sustainability initiatives or for the introduction of innovative new services.

SOCIAL MEDIA

Zain's strategy of promoting its brand and activities across its markets and the wider region through social media channels saw an impressive increase in the number of followers, comments and views across all social media channels.

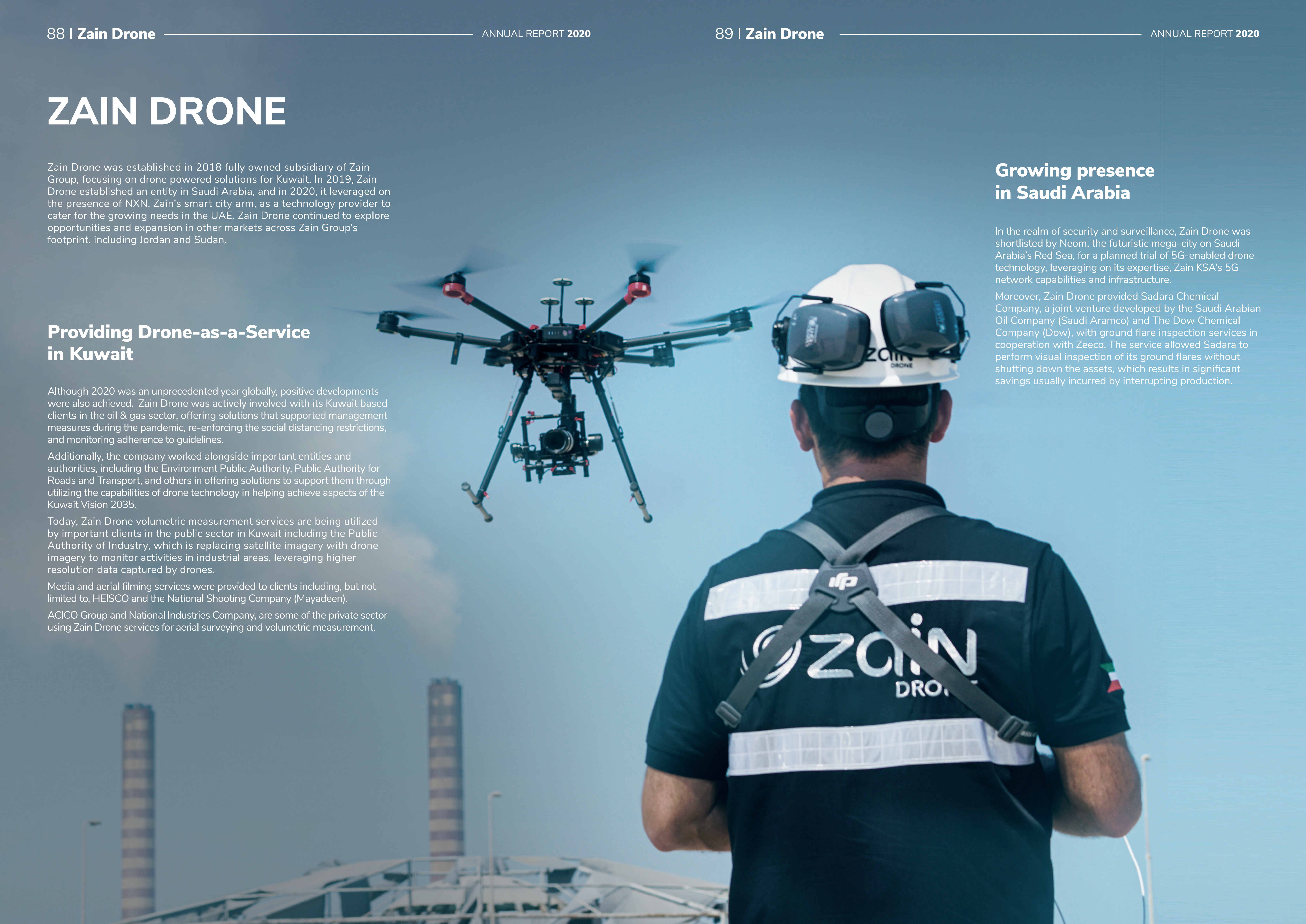
Every Ramadan, Zain seeks to present a new message that touches upon the most relevant issues in life in its television commercials as the region's Ramadan audience keenly awaits Zain's annual campaigns. The 2020 Zain Ramadan commercial immediately amassed significant interest across social media platforms, with the 2.35 minute-long content having exceeded 42 million YouTube views to date. The Zain Ramadan 2020 Eid commercial, 'Open the Doors' garnered 43 million YouTube views, going viral along the way. Both commercials aired to millions of viewers on regional satellite and local TV networks.

And given exceptional times require exceptional measures, both the Ramadan and Eid films were shot using unconventional production methods. Every available technology was used, from video conferencing to messaging, making it possible to create and supervise the production in Kuwait and Saudi Arabia, shoot in Egypt, direct from Kuwait and Lebanon, with Bahrain, Iraq, and Jordan lending valuable support. All this ensured the films received tailor-made footage, instead of resorting to stock footage, adding to the authenticity and impact of the films, and preserving Zain brand standards.

The strength of the Zain brand is further reflected in its growing and loyal social media base where its followers across its footprint number over 23 million, with Zain's Facebook fan base across all operations counting over 12 million followers; Twitter 7.2 million; Instagram 2.2 million; and LinkedIn 600,000. Zain's YouTube channels rack up approximately 100 million views annually.

Zain's numerous initiatives across operations have all contributed to the reinforcement of the Zain brand's promise and business ethos. The company aspires to unlock opportunities for customers and for the communities it serves, remaining wholeheartedly committed to the region's economic and social prosperity.

ZAIN DRONE



Zain Drone was established in 2018 fully owned subsidiary of Zain Group, focusing on drone powered solutions for Kuwait. In 2019, Zain Drone established an entity in Saudi Arabia, and in 2020, it leveraged on the presence of NXN, Zain's smart city arm, as a technology provider to cater for the growing needs in the UAE. Zain Drone continued to explore opportunities and expansion in other markets across Zain Group's footprint, including Jordan and Sudan.

Providing Drone-as-a-Service in Kuwait

Although 2020 was an unprecedented year globally, positive developments were also achieved. Zain Drone was actively involved with its Kuwait based clients in the oil & gas sector, offering solutions that supported management measures during the pandemic, re-enforcing the social distancing restrictions, and monitoring adherence to guidelines.

Additionally, the company worked alongside important entities and authorities, including the Environment Public Authority, Public Authority for Roads and Transport, and others in offering solutions to support them through utilizing the capabilities of drone technology in helping achieve aspects of the Kuwait Vision 2035.

Today, Zain Drone volumetric measurement services are being utilized by important clients in the public sector in Kuwait including the Public Authority of Industry, which is replacing satellite imagery with drone imagery to monitor activities in industrial areas, leveraging higher resolution data captured by drones.

Media and aerial filming services were provided to clients including, but not limited to, HEISCO and the National Shooting Company (Mayadeen).

ACICO Group and National Industries Company, are some of the private sector using Zain Drone services for aerial surveying and volumetric measurement.

Growing presence in Saudi Arabia

In the realm of security and surveillance, Zain Drone was shortlisted by Neom, the futuristic mega-city on Saudi Arabia's Red Sea, for a planned trial of 5G-enabled drone technology, leveraging on its expertise, Zain KSA's 5G network capabilities and infrastructure.

Moreover, Zain Drone provided Sadara Chemical Company, a joint venture developed by the Saudi Arabian Oil Company (Saudi Aramco) and The Dow Chemical Company (Dow), with ground flare inspection services in cooperation with Zeeco. The service allowed Sadara to perform visual inspection of its ground flares without shutting down the assets, which results in significant savings usually incurred by interrupting production.

Unlocking Opportunities from Above

Zain Drone's services are demanded by a wide variety of industry sectors, including energy and utilities, tower companies, agriculture, construction, media, logistics, defense, and contracting.

Continually seeking new technologies to leverage Zain Group's 5G network in Kuwait and Saudi Arabia to bring new possibilities to the region such as using drones for delivery projects, Zain Drone is also exploring opportunities in solar plant inspection, working alongside international industry experts and tier one technology providers.

Zain Drone's services provide environmentally friendly and sustainable means of data collection and analysis, as they use equipment that reduces the carbon footprint, while efficiently executing the task at-hand.

Helping organizations make data-driven decisions rather than time-driven decisions, Zain Drone services optimize the utilization of resources, reducing unnecessary costs, speeding up the process, and increasing the accuracy of the collected data.

Offering a diversified fleet of world-class drones available for multiple business models such as Drone-as-a-Service (DaaS), Zain Drone also offers a BoT model.

Visual and thermal inspections of assets such as flares, chimney stacks, and solar panels are available, as well as topographical surveys, project progress monitoring, 3D models, volumetric measurements, and applications related to precision agriculture like crop monitoring and informed fertilization.

The company's services also include sampling of water and gas as well as oil spill detection for purposes of environmental protection, aerial filming including photography and videography, and security and surveillance solutions along with anti-drone systems.

Recognition and Agreements

Zain Drone achieved ISO 9001:2015 (an international standard that specifies the requirements for a quality management system QMS) certification, the first drone service provider in the region to obtain the certificate. Zain Drone has successfully demonstrated its adherence to the standard's requirements and had its certificate renewed.

Zain Drone has formed alliances and signed agreements with multiple industry leaders, including an MoU with Talabat, the online food delivery company; a partnership agreement with Esri, an international supplier of GIS mapping software and geodatabase management applications; and an alliance formed with Zeeco, a global leader in the design, engineering and manufacture of next-generation combustion equipment and advanced environmental systems.

The solid in-house expertise Zain Drone has, the engagement of international experts, and the sound relationships it possesses with regional governmental entities as well as its access to the latest technology and communication infrastructure as part of the Zain Group, provides the company with great leverage in offering advanced technological services.

D&I: OUR PASSION IN BUILDING A DIVERSE AND INCLUSIVE ORGANIZATION

We are proud to be among the first telecom providers in the region to have established a Diversity and Inclusion office, as an indicator of how seriously the company takes the subject of uplifting our entire workforce and benefiting society.

Under the vision and leadership of Zain Vice-Chairman and Group CEO, Bader Al-Kharafi, the remit of this function is to nurture a diverse and inclusive culture, and through a series of carefully crafted programs and initiatives, we are beginning to see the fruits of our labor.

Zain has always believed that its people are the company's greatest single differentiator, and as such we take pride in our ongoing efforts to support and uplift our employees. As we continue to grow and adapt to foster a diverse and inclusive workforce, we seek to harness the power of our differences to position Zain as a global catalyst for change.

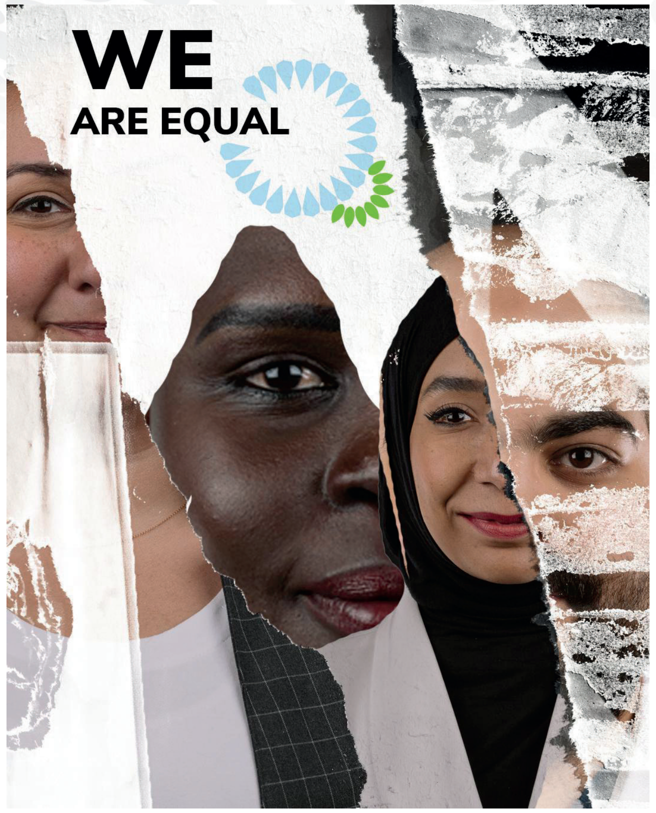
Our diversity and inclusion pillars consist of four strategic programs:

- **WE, our gender diversity initiative;**
- **WE ABLE, our disability inclusive program;**
- **ZY, our youth development program;**
- **ZAINIAC, our internal innovation drive.**

OUR VISION FOR D&I AT ZAIN IS:

- To have every single employee know what we do and why we do it
- To have every single CEO, CXO, Director and Manager integrate D&I into their organization (behaviors, structures and systems)
- To have our Values and D&I as one

WE



Established in 2017, Zain Group's gender diversity and inclusion program initially launched under the name Women Empowerment. This was later modified to WE, broadening its inclusion credentials, and shifting the focus to gender equality rather than just women empowerment. WE launched against a backdrop where only 14.5% of Zain Group's leadership positions were held by women. WE established two targets for achievement by the end of 2022.

1. Increase female leadership to 25% of overall leadership.
2. To progress through the three stages of evolution for organizations tackling workplace gender diversity; those being awareness, realization, and motivation.

WE has made great efforts in achieving a more inclusive and diverse workforce in terms of gender. Ranging from creating powerful development programs that resulted in the promotion of over 30 women, to supporting the introduction of a progressive policy that extended maternity leave to four months, with flexible working hours afterwards on a group-wide level.

During 2020, WE started off strongly with a powerful workshop in Kuwait that hosted all of the WE Champions across the Group. The workshop set the Champions up for a challenging year and has aided in setting action plans that would result in the achievement of WE's targets.

Following the workshop, WE's most powerful International Women's Day campaign was launched, with the message of #eachforequal. The campaign aimed to showcase the WE Champions of Zain with statements that promote equality: we are men, we are women, we are human, and we are equal.

The changes that occurred in 2020 took everyone by surprise with work transferring to a virtual environment, but WE adapted and transformed its workshops with McKinsey & Company to engaging and interactive bi-weekly sessions where Champions met and were trained on skillsets needed to make change happen internally. In addition, WE launched Zain's first ever virtual datathon during the COVID-19 lockdown, which earned a very high level of engagement in a competitive environment that extended for 12 hours.

The WE Advisory Board was established during the virtual transition to work, with the team involving eight high performing women across the Group, to manage the return-to-work phase of developments during COVID-19. The goal was to create cross-functional and high performing teams to set targets and improve working conditions.

In addition, with a focus on 2022's targets, WE Champions across the Group have worked relentlessly to create new recruitment and hiring policies that promote a workforce that is diverse. Blind hiring and anti-harassment policies were also implemented in some of Zain's operating companies – and data from the Q4 Progress Report showcases a 50/50 male vs female distribution with respect to recruitment in some opcos.

D&I Magazine

The Diversity & Inclusion department aims to create a more diverse and inclusive workforce within Zain, and set a benchmark and inspire other companies to take steps towards D&I. For that reason, and under the pillar of Communication & Awareness, the first edition of the D&I Magazine was launched. The magazine highlighted all four dimensions of D&I with features being included from Champions, stakeholders, and collaborators.

WE ABLE

At Zain, diversity and inclusion are a priority as we believe that together we are stronger. WE ABLE, a disability inclusion initiative, was launched in July 2019, with the aim of making Zain disability inclusive by 2022 across all its operations. The initiative has four main targets:

1. Increase employment of people with disabilities;
2. Ensure all training programs are disability inclusive;
3. Ensure all operating locations are accessible;
4. Identify and implement assistive technologies that will enable employees with disabilities to independently complete their work.

Zain's disability inclusion initiative, WE ABLE, conducted several different projects to continue its efforts to become more inclusive in 2020.

In order to align with WE ABLE targets, and to raise awareness about assistive technologies, WE ABLE and ZAINIAC (Zain's internal innovation platform) hosted an inspirational talk by a world record winner and skydiver, Osama Kamshad, which highlighted the importance of assistive technologies in the daily lives of people with disabilities. After the talk, WE ABLE x ZAINIAC launched its first virtual hackathon focusing on assistive technologies in partnership with Project Nitrous.

More than 80 ideas related to assistive technologies were submitted to the platform and 23 of the best were selected to participate in the four-day virtual hackathon. During the event, the participants learned how to elaborate on their existing assistive technology ideas, create valid business cases and learned pitching techniques. Once complete, five winners were mentored for a month by Project Nitrous and Zain. After the month, the winners pitched their assistive technology ideas to Zain CXO's. Those who wished to continue with the development of their assistive technology ideas were supported by Zain. They continued in search of incubators and are still refining their ideas

We've made disability our business by joining The Valuable 500.

In the midst of the pandemic, Zain joined the valuable 500 movement, which is a global collective of CEOs who have prioritized disability inclusion with the aim of helping bring it to the forefront of their businesses, making Zain one of the first in the region to join this movement.

As Zain believes in upskilling and developing our employees, WE ABLE collaborated with AlQemam Consulting, a Saudi based organization that focuses on eliminating the digital and physical divide for persons with disabilities to train 70 managers from across Zain operations. All managers underwent a disability etiquette training session that focused on their specific field of work. Topics of discussion included: Disability Inclusion and Human Resources, Disability Inclusion and Recruitment, and Disability Inclusion and the Built Environment.

As our main aim at D&I is to have a culture of diversity and inclusivity, WE ABLE collaborated with Zain Youth (ZY) to spread awareness of disability among the younger people. An all-inclusive jeopardy game about disability topics for younger employees was conducted, attracting over 30 participants. The competition was conducted with a sign language interpreter.

On December 3, Zain celebrated International Day of People with Disabilities to raise awareness about the importance of disability inclusion. This year's IDPWD's main theme was "Not all Disabilities are visible." A virtual event was hosted that consisted of a series of talks revolving around mental illness and living with an invisible disability. A breathing workshop was also offered for all employees to help Zainers destress from work and COVID-19. Lastly, another jeopardy competition was held to enhance employees' knowledge on disability.

ZY

With millennials projected to constitute 75% of the global workforce by 2025, it has become essential to look to young people (age range between 18-26 years) and nurture their employment prospects. Zain Youth (ZY) was created in 2018, to encompass different programs to enhance the skills of young people. Zain aims to have 25% of its workforce classified as youth by 2025, supporting young people's development in terms of cognitive, social, emotional, and technological skills.

Through programs such as Generation Z and Reverse Mentoring, Zain is looking to empower employed youth to have the freedom and resources to perform at the highest levels while giving them opportunities to achieve their goals.

In 2020, our Zain Youth initiative progressed despite the pandemic by delivering exemplary numbers for the programs under ZY such as through Reverse Mentoring, Generation Z, and internal collaborations with other D&I initiatives.

The launch of Reverse Mentoring was a one-in-a-kind initiative, going on to exceed targets, with over 200 mentors and mentees joining the program with six months. The following topics are included: Artificial Intelligence, Emotional Intelligence, Creative Thinking, Digital Marketing, and Internal Innovation & Startup Mindset. Four Chief HR Officers have joined Reverse Mentoring 2020, Dana Bukhammas from Zain Bahrain, Shatha AlNafeesa from Zain KSA, Manal AlAsamr from Zain Jordan, and Rasha Barakat from Zain Iraq. The participants truly appreciate the impact Reverse Mentoring has on the company, empowering the youth and most importantly gaining knowledge themselves.

ZY collaborated with WE ABLE to launch its very first virtual jeopardy game focusing on young people expanding their knowledge on disability etiquette in an engaging way. A survey has been shared with all the participants, with two-thirds of participants saying their knowledge on disability improved and a third feeling that their knowledge improved greatly.

"REVERSE MENTORING IS AN EMPOWERING INITIATIVE THAT MOTIVATES US TO SHARE OUR LEARNINGS AND THOUGHTS WITH THE UPPER MANAGEMENT."

AYSHA ALMUDHAF
Diversity and Inclusion Specialist at Zain Group

KHAWLA ALJABER
Strategy and Performance Director at Zain Group

"REVERSE MENTORING WAS A GREAT OPPORTUNITY TO BE EXPOSED TO THE NEW GENERATION'S WAY OF THINKING WHILE GAINING VALUABLE INSIGHT FROM THE MENTOR'S UNIQUE AND RICH EXPERIENCE. I HIGHLY ENCOURAGE OTHERS TO EXPERIENCE IT."

"BEING A MENTEE IS A VERY INTERESTING EXPERIENCE & LEARNING. THROUGH SESSIONS, WE EXCHANGE SKILLS & KNOWLEDGE. MENTORING WILL CONTRIBUTE TO IMPROVE D&I BY REDUCING GAPS BETWEEN POPULATIONS DIVERSE IN AGE AND GENDER, AS WELL AS, SUPPORT YOUTH AT ZAIN IN DEVELOPING HIGHER COGNITIVE, SOCIAL & TECHNOLOGICAL SKILLS."

RANA ALZAID
Career Management Senior Specialist at Zain KSA

HISHAM JAMLEH
Transmission Enterprise Solutions at Zain Jordan

"MENTORING IS WHEN GENERATION Z OBTAINS WISDOM AND MANAGERIAL EXPERIENCES FROM THE MILLENNIAL GENERATION. WHILST REVERSE MENTORING GIVES THE MILLENNIAL GENERATION A GREAT CHANCE TO ACQUIRE HELPFUL INFORMATION FROM GENERATION Z FOR A MORE FUTURE VITAL VISION."

Adapting to the new normal of working remotely, the Diversity & Inclusion department has made it a priority to re-engage employees and make everyone feel included, despite the physical constraints. iN, Zain's series of quarterly virtual talks, was established to create meaningful conversations that discuss important topics relevant to D&I initiatives. Hosting a wide range of renowned, influential global speakers, iN has achieved great participation from employees, exceeding 1,000 registrants to the talks during 2020.

Generation Z 2020

The Generation Z program's fifth edition featured seven graduates from different backgrounds and of the highest caliber. The selected applicants were hand-picked by the Vice-Chairman & Group CEO, Bader Al-Kharafi, following a rigorous assessment program.

The participants have been set up for a year of development in leadership styles, future trends, and corporate culture. The program began with a week-long workshop by Yelloworks hosted by AlNowair, focusing on building the tools necessary to create a more positive workplace. Participants also met exceptional mentors who have guided them through breaking down concepts, team building, and thought-provoking reflection activities.

Following the development of soft skills, the team immersed themselves in technicalities with a month-long bootcamp provided by CODED, where they learned how to code. This was followed by a week-long Excel workshop provided by STL training, equipping the participants with the data analysis tools needed to breakdown data. Finally, the team undertook a Robotics training program with Robotna that consisted of learning about the Internet of Things, Raspberry Pi, and MODI.

The year was then virtualized due to the COVID-19 regulations. However, the graduates' journey was not influenced. They have begun their rotational experience within the Corporate Sustainability department, working on the Sustainability newsletter. The team also participated in a ZAINIAC startup & business model workshop; created and hosted Zain's first ZY podcast, and co-lead the iN initiative; and the ZAINIAC sprints.

Their year was concluded with individual rotations across different departments based on each graduate's credentials and interests.

CODE 7 2021

CODE 7, Zain's latest graduate development program evolves into one focused on developing cutting edge skills of future data analysts.

The new program, called CODE 7 targets Kuwaiti graduates who have majored in computer science-related subjects. Five dynamic young people were selected to participate in the inaugural year-long program by Zain Vice-Chairman and Group CEO, Bader Al-Kharafi. These bright young recruits, who will formally commence the program at the start of 2021, will be guided through the year with the intention that they will then go on to support digitization efforts within Zain in areas such as data analytics and data science.

Aligned to the reimagined graduate program, Zain is set to establish an in-house Data Science division that will harness the talents of the participants given the company's focus on identifying future trends and developing skill sets to match those future requirements. Ultimately, Zain expects students who pass through its CODE 7 program to grow to become highly sort-after data science professionals who support Zain's evolution to a digital lifestyle operator and beyond.

ZAINIAC

Launched in 2017, the vision of ZAINIAC is to empower Zain employees, fondly referred to as Zainers, by giving them a platform to share and develop their creative digital ideas. In August 2017, a Group-wide campaign was launched to introduce the initiative and the process needed to successfully submit an idea. As part of our Diversity and Inclusion 2022 vision, ZAINIAC's goal is to develop 3,500 Zainers on Start Up Certification and to cultivate a culture of internal innovation to further support ideation. Every week ZAINIAC conducts a 90-minute sprint for employees across Zain's footprint. The topics range from introduction to business models, the world of innovation during COVID-19 and how to come up with innovative ideas. In six months, ZAINIAC has trained over 600 Zainers and will continue to additional numbers throughout 2021.

ZAINIAC x ZY

ZAINIAC partnered with ZY to train young employees across Zain on a start-up mindset and design thinking. Over the course of four days and five hours of training ZAINIAC was able to train 300 employees and give them an insight on the world of start-ups. The goal is to train employees on the lean start-up methodology and provide them with the tools to gain customer insight.

ZAINIAC x Zain Iraq

ZAINIAC and Zain Iraq partnered up to create a program to support external youth, introducing them to digital solutions and technological trends. The goal was to motivate 500+ young people and empower them to come up with innovative ideas.At the end of the program, attendees had access to unlimited start-up tools as well as access to mentors in Iraq as well as ZAINIAC mentors.

ZAINIAC the internal innovation platform

ZAINIAC is currently re-vamping its platform for re-launch in 2021. The goal of the platform is to foster a culture of innovation and empower employees to submit their innovative ideas. Zainers will be able to submit their ideas, attend workshops, have access to expert mentors and have a chance to pitch to the Vice-Chairman and Group CEO for full funding. ZAINIAC currently has over 1,500 ideas on the platform and by the end of 2021 aims to receive over 750 innovative ideas.

CORPORATE SUSTAINABILITY

The year 2020 highlighted, if not heightened, the requirement for businesses to have a positive impact on their communities. The advent of COVID-19 demonstrated the significant role organizations could play to step up their efforts in ensuring they adhere to the triple bottom line when conducting their activities. Zain continues to contribute to the upliftment of the communities it operates in by providing Meaningful Connectivity to drive systemic and long-lasting positive change to ultimately empower and contribute to the development of the communities it serves.

As such, Zain decided to look inwards and further enhance its sustainability strategy to address the challenges of the region and continue to exemplify its role of being a purpose-driven leader. Launching its 2020-2025 sustainability strategy, the company will address developmental challenges in its markets thus spurring systemic change. The strategy is guided by metrics that measure the impact of Zain's investments, which are grounded on the Sustainable Development Goals (SDGs) and lead to socio-economic development across the region.

Centered on four strategic focus areas, Zain's mission and vision for the future of its operating markets is to:

MISSION

To provide Meaningful Connectivity that leads to equitable systemic change grounded on the Sustainable Development Goals (SDGs) to ultimately empower Zain's communities across its footprint

VISION

- **Reduce Inequalities**
- **Safeguard the Planet**
- **Foster Innovation**
- **Build Prosperous Communities**

The below indices were used to ensure Zain is aligning to best practices:

GRI, Sustainable Development Goals, MSCI, SASB, FTSE4Good, CDP, United Nations Guiding Principles on Business & Human Rights, TCFD

The strategy mission and vision will be achieved through the four following areas of focus:

1

CLIMATE CHANGE

Building climate change scenarios based on 1.5 °C compared to pre-industrial levels and set a climate action strategy to achieve a reduction in greenhouse gas (GHG) emissions, cost optimization, mitigation of risks, and new market opportunities.

2

SOCIAL BUSINESS

Reinventing purpose-driven products and services that create social and financial value.

3

INCLUSIVITY

Reducing the inequality gap related to gender divide, ethnicities, nationalities, disabilities, rural and marginalized communities, low income, elderly, refugees/internally displaced persons (IDPs), and youth unemployment.

4

GENERATION YOUTH

Empowering 16 million children and youth across Zain's footprint. Build resilience and safeguard future generations by providing them tools that will enable them to reach their maximum potential.

All topics related to this section can be found in greater detail in Zain's 2020 Sustainability Report.

Zain's Sustainability Activities during COVID-19

We experienced unprecedented times resulting in the disruption of societies, the collapse of economies, and the exposure of prevailing inequalities that exist in our world today. The world has also come to terms with the vital role that technology plays to enhance the lives of people. At Zain, we have embraced the opportunities that have come along to respond and help our communities recover from the impacts of the crisis.

Actions points taken under each of Zain's operations included:

BAHRAIN

- To support other businesses during the work-from-home period, the company offered them free broadband routers and MiFi packages for a period of 3-6 months.
- In Bahrain, Zain provided an educational package to students for free access to all educational platforms used to complete schoolwork online. This offer extended to zero-rated educational platforms that were offered to all home broadband customers:
  - Microsoft Teams
  - Google Hangouts
  - Class Dojo
  - University of Bahrain portal
  - ASU portal
  - BIBF portal
  - Polytechnic portal

IRAQ

- Zain Iraq donated 750 million Iraqi dinars (USD 630,000) in support of the healthcare sector.
- An employee-led awareness video to encourage citizens to stay at home and follow health instructions was developed. Zain Iraq produced another video that is disability inclusive, with the videos reaching over 5.7 million people via Facebook.

JORDAN

- Zain Jordan provided free internet browsing over its network for the Ministry of Education's electronic learning platform (Darsak). Students, parents, and caregivers were able to browse the Ministry's e-learning platform for free and without deduction from their balances or internet packages on their cellular lines or home internet subscriptions.
- To support the efforts of the Ministry of Social Development, Zain and its employees donated 20,000 JDs (USD 28,209) to the Alkhair Fund. The fund supported 245 underprivileged families and unemployed people who lost their income due to the crisis.
- Zain Jordan's Innovation Campus (ZINC) supported the Startup Week Jordan - COVID 19 online event, organized by ZAD Online Consulting Company in cooperation with the European Union delegation in Jordan and the Leaders International Foundation. The aim of the event was to find innovative ideas and provide workable solutions to help manage the crisis caused by the pandemic. 80 tech startups in Jordan participated in the event.

KUWAIT

- Effective April 18, Zain Kuwait in collaboration with the Ministry of Health (MoH) and the Central Agency for Information Technology (CAIT) launched the Shlonik app, which utilized the latest tech solutions to monitor the compliance of citizens who recently returned to Kuwait with self-quarantine directives. The app forms part of the Kuwait government's evacuation plan as related to home quarantine instructions. It was developed internally by Zain and is an essential tool paired with a smart wrist bracelet distributed at Kuwait International Airport to anyone taking part in home quarantine. In support of the comprehensive awareness campaign conducted by the country's various institutions, Zain Kuwait changed its network's name to Shlonik, which translates to 'how are you' in the Arabic Kuwaiti dialect.
- Zain Kuwait supported the National Counselling Program for COVID-19 (Corona Care KW), a volunteer program that offers a free online interactive platform for mental health support to the Kuwaiti community. Zain Kuwait offered free lines to the program's team to facilitate their communication and coordination, as well as sent free bulk SMS to the public to introduce the program and broadcast its cause. Zain also supported the program by posting its goals on the company's official social media channels to reach a wider audience and contribute to the mental wellbeing of the community as much as possible. Corona Care KW offers an interactive online platform to serve the mental wellbeing of people in Kuwait during the pandemic. The initiative's team includes over 900 expert volunteers, including over 70 counsellors. The program follows standards that are adopted by the World Health Organization (WHO) with a capacity of over 300 sessions per week to provide the required results and contribute to assisting anyone who may need mental support during the crisis.

SAUDI ARABIA

- Zain zero-rated all the Ministry of Health and Ministry of Information websites, as well as official educational platforms to enable customers to access important information and services free-of-charge. This service was applicable to all Zain customers across the Kingdom. Around 6.5 million students have subscribed to the service.
- Supporting people who are quarantined in hospitals, the company provided its customers in quarantine with free voice and data for the entire month of April.

SUDAN

- Zain Sudan provided a total of 50,000 liters of sanitizer to hospitals across the country and public places.
- The company renovated one of its buildings to donate to the health sector in its bid to increase capacity for people in quarantine. The building comprises six floors with a capacity for 200 beds.
- In Sudan, Zain sent out 60 million SMS to spread awareness on prevention tips and communicate advice and messages provided by the Ministry of Health and other governmental entities. In addition, the company launched awareness campaigns via its social media channels that are inclusive and accessible to people with disabilities.

SOUTH SUDAN

- Under Zain South Sudan's e-health portal, the company developed a management system that provided customers with information from credible sources such as WHO, local government entities, and international medical agencies.
- Zain South Sudan conducted staff orientation sessions on COVID-19, in addition to publishing advice and banners offering preventative tips at the headquarters, and retail stores.
- The company provided the Ministry of Health and Emergency Operations Center with 200 free voice minutes and 10 GB data per person working in the center to ease in facilitating their day-to-day work. In addition, Zain configured a hotline (6666) and donated 50 mobile handsets to support the center. The company also donated basic supplies, including:
  - 600 bottles of Dettol liquid
  - 74 laboratory coats
  - 7,720 bars of Dettol soap
  - 5,500 face masks
  - 800 bottles of surgical spirit (disinfectants ethanol-based liquids)
- Under Zain Group's Women Empowerment program, WE 2020 Champions in South Sudan helped distribute meals to displaced people, the homeless, orphans and people suffering from HIV/AIDs in Juba during the lockdown periods. This initiative was established to empower and support women who used to earn their income from small businesses that were closed down during the pandemic. 37 families were supported through this program.

CLIMATE CHANGE

Zain recognizes the urgency of addressing the impact of the climate crisis on our world today. We understand the importance of protecting our planet and preserving our resources to ensure a sustainable future. The company continues to take a leading position in the region when addressing the impacts of climate change from a risk and opportunities perspective. Through this approach, Zain addresses its environmental footprint by setting clear targets for emission reduction, minimizing waste, spreading awareness, and assessing change in behavior to create positive change.

Zain's commitment to building climate change scenarios to limit global warming to 1.5 °C compared to pre-industrial levels is based on a holistic climate action strategy that is in alignment with the Paris Agreement (2015), Task Force on Climate-Related Disclosure, and the Carbon Disclosure Project (CDP). As a member of CDP for the second year, Zain continues to disclose its climate impacts, energy, and greenhouse gas emissions. This year, Zain was recognized by CDP with a B score for its efforts and transparency on climate change. This achievement marks a great step towards ensuring that Zain continues to lead in disclosing its impacts on climate change, gain competitive advantage, identify and tackle growing risks, and capture new and emerging opportunities.

Under Zain's 2020-2025 sustainability strategy the company identified the following KPIs to assess the company's progress and achieve its targets.

Zain is the only telecom company in the region to attain a "B"score by CDP

1. Emission Reduction Targets

CATEGORY 1 UNSTABLE POWER GRID

- IRAQ 20%
- SUDAN 15%
- SOUTH SUDAN 25%

CATEGORY 2 STABLE POWER GRID

- BAHRAIN 5%
- JORDAN 10%
- KUWAIT 7%
- SAUDI ARABIA 8%

2. Reaching 30% of our customers through climate change awareness campaigns across Zain's channels by 2025.

3. Reducing waste in our warehouses by 50% by 2025.

SOCIAL BUSINESS

In order to empower communities across its footprint, Zain recognizes that it must ensure that it provides access to connectivity to empower societies. Specifically, for marginalized and disadvantaged communities, Zain is taking concerted steps in ensuring inclusivity. Through its core services, the company aims to increase access to its networks and optimize costs through digitization. Zain's digital verticals provide a wide range of opportunities in order for socio-economic development to prosper in its operating communities.

The below targets have been set in order to ensure Zain is able to create sustainable social and financial value:

1. To accelerate digital services to 75% of our operations by 2025.
2. Increase the current baseline of investment in women-led businesses by 20%

Under Zain's financial services stream the company aims to achieve the following by 2025:

1. Provide access to credit to more than 150,000 customers in Saudi Arabia through its mobile consumer microlending platform entity, Tamam.
2. Reach a total of 225,000 active customers of unbanked individuals in Jordan under Zain Cash.
3. To increase the number of women customers at Zain Jordan from 26% of the base to 45%.

Responsible Supply Chain

The company recognizes that supply chain management plays a crucial role in sustaining the organization's operations and activities. The company leveraged its supply chain to enhance and improve its existing processes to ensure that Zain manages its suppliers in a sustainable and responsible way.

The company set the following targets to guide the establishment a responsible and ethical supply chain

Target to be achieved by 2025	Status
Embedding waste management policies into supplier contracts, including aspects of the circular economy model.	Complete
Address 70% of Group suppliers and 50% of local suppliers to complete Zain's supplier self-assessment questionnaire.	Ongoing
Training 70% of Group suppliers and 50% of local suppliers on Zain's social and environmental standards.	Ongoing

Zain refined its supplier code of conduct to clearly articulate its expectations and standards towards its suppliers. The updated code reflects various material topics for the company, including compliance, climate change, labor and human rights, health and safety, and anti-corruption.

Zain also utilizes supplier self-assessment questionnaires to further ensure the integrity of its supply chain. This questionnaire allows the company to guarantee suppliers demonstrate they share Zain's commitment to responsible business practices and adhere to the company's values. This year, Zain increased the number of suppliers that completed the social and environment assessment to 156 suppliers across all our operations.

Zain continues to increase the number of suppliers that complete the self-assessment questionnaire, showcasing its commitment to establishing a responsible supply chain.

Zain **increased** the number of suppliers that completed a social and environmental assessment to **156 suppliers** across all our operations.

INCLUSIVITY

Zain continues to be committed to being an inclusive company by providing opportunities for a better future that is accessible to all, ultimately leaving no one behind. The organization aims to bridge the divides that currently exist in our operating communities, with a focus on the inclusion of vulnerable and marginalized segments of society. Designating focus areas helps operating companies work towards creating a strong stance in aligning to Zain's core and non-core activities.

Focus areas are:

- Women in Technology.
- Empower and upskill marginalized and disadvantaged communities.
- Target 260,000 people from the elderly community across Zain's footprint to promote greater digital inclusion and literacy amongst this segment.
- Address barriers and challenges that people with disabilities (PwDs) face.

Women in Tech (WiT)

In 2020, Zain established a Group-wide mentorship program for women university students studying Science, Technology, Engineering and Math (STEM) related courses. There is a great need for extensive integration of women in STEM-related areas as technological innovations continue to emanate from the evolution of a more digital economy.

This program is a five-year initiative that spans seven markets and is divided into five initial phases. This year, Zain was able to complete the first phase of the project by actively engaging and consulting with the women currently studying STEM to be able to gain a clear understanding of their challenges and needs.

Phase 1:	Phase 2:	Phase 3:	Phase 4:	Phase 5:
Gather data on univeristy students studying STEM by distributing surveys and conducting focus groups across all of our operations.	Create a platform and designate mentors (Zain employees).	Launch the program and create awareness through media channels.	Onboard mentees and follow up with their progress.	Close first cycle of the program, review and adapt to address needs and challenges.

Digital Inclusion for PwDs

Zain joined the global effort with the GSMA to improve digital inclusion for people with disabilities (PwDs). By doing so, the company aims to create initiatives that achieve systemic change and narrow the mobile disability gap. In 2020, Zain became a signatory and was part of the advisory Board of the GSMA's global effort to launch the 'Principles for Driving the Digital Inclusion of Persons with Disabilities'. The Principles aim to inspire the mobile industry to help close the mobile disability gap. In addition, Zain held a two-day workshop, in collaboration with the GSMA's Mobile for Development Assistive Technologies team, to better understand how to include products and services for PwDs. Around 70 employees from Zain's operations attended the workshop, where each operation conducted a customer journey mapping exercise for people with disabilities, recognized barriers and challenges in the customer journey and addressed pain points for pre-existing products and services. Each market ideated solutions and created roadmaps on how to be more disability inclusive as per the context of their respective market.

> Zain became a **signatory** and was part of the **advisory Board** of the GSMA's 'Principles for driving the **digital inclusion of persons with disabilities**'

GENERATION YOUTH

Under this pillar, the company set a target to empower 16 million children and youth across its footprint, enabling them to achieve their maximum potential to become active members of society. The focus areas identified under this pillar are geared towards building, creating, and supporting ecosystems that foster the well-being of young people to ensure sustainable development, inclusive growth, and social cohesion in the MENA region.

Child Online Safety

Zain recognizes that internet safety for children depends on parents and caregivers being aware of online risks and knowing how to help their children avoid the harms of being online. The rapid advancement of the Information and Communications Technology (ICT) industry provides vast opportunities and reaps tremendous benefits to enable children and youth to develop and grow. Digitization has also created unprecedented risks including different forms of violence and exploitation, such as child sexual abuse, and bullying. With COVID-19 transitioning most of our children's education and activities online, it is important for parents and caregivers to understand the dangers their children may face in the digital space.

The following action points were undertaken this year to help spread awareness and protect children online:

- Zain and UNICEF signed a memorandum of understanding (MoU), bringing them together to work towards the advancement of the rights of children in the region. To kick start the partnership, Zain Group and UNICEF hosted a webinar. The interactive session united all of Zain's operating countries with their corresponding UNICEF country offices to accelerate results for children and youth in the region. More than 70 people attended the webinar from Zain and UNICEF offices.
- Zain launched a social media campaign and an internal announcement promoting resources that offer tips on how to keep their children safe online. The internal announcement was communicated to over 6,800 employees across Zain's operations and had an interactive feature where they provided a response on if the tools and resources provided were helpful or not. 92% of employees who reviewed the resources stated that they found the tools useful.

> **MOU with UNICEF** to work towards the advancement of **the right of children**

> Zain launched a **social media campaign** and internal announcement promoting tips on how to keep their **children safe online**

Digital Literacy

Digital literacy skills are extremely relevant and are identified as a core skill youth require from aneducational, health and economic standpoint. In today's world and especially given the outbreak of COVID-19, the need for digital skills continues to rise exponentially. As a digital service provider, Zain believes that it must play an instrumental role in ensuring future generations are equipped with the tools necessary to prosper and develop in society.

By 2025 Zain aims to:

Equip 943,000 children with digital literacy skills

Increase accessibility to online educational platforms

Partner with governmental and developmental entities in addition to key NGOs

Maharat Min Google

This year, Zain Kuwait launched a program in collaboration with Google titled Maharat Min Google, where it trained 50 Zain employees to conduct a workshop for youth in Arabic. The skills provided under this training program included how to promote digital content, learning digital marketing skills, and building a strategy for digital platforms. 1,000 people completed the program.

Mental Health and Well-being

During COVID-19, societies recognized the importance of ensuring mental health is nurtured and awareness on coping mechanisms are provided. Adapting to the ever-changing realities of the world could be distressing therefore, emotional wellbeing needs to be prioritized to make sure youth develop resilience to be able to establish long and healthy relationships. Zain continues to recognize its role in promoting the wellbeing of young people through innovative solutions that are accessible to all.

The targets below help guide the company in ensuring it maximizes its services to achieve long lasting impact:

- Establish mobile applications that promote mental health.
- Raise awareness and mitigate the impact of cyber bullying.
- Partner with non-governmental organizations to reach and understand the scale of the issue.

Youth Unemployment

The MENA region continues to grapple with the overwhelming high level of youth unemployment. Having the highest number of youth in the world, the region faces tumultuous challenges across the board spanning rising conflict, geopolitical instability, and mass displacement. It is difficult to ensure that the youth have a secure and safe future.

Zain takes great pride in its extensive and sustainable programs across its operating markets that aim to upskill youth in finding meaningful employment. Under this strategy, Zain made a commitment to provide 838,000 youth with job opportunities through training programs, workshops, and mentorship opportunities.

Some of the initiatives conducted this year include:

ZAIN KUWAIT

The LOYAC 'KON' initiative in collaboration with Babson College in Boston supports social entrepreneurs in launching their business and addressing society's most pressing challenges. This workshop was conducted online with 74 attendees.

ZAIN BAHRAIN

Launched four different training programs in 2020.

1. Professional Recruitment Program: 10 youth were employed in Zain.
2. Summer Internship: Five people were recruited.
3. Z- DNA Program: Five people were employed by Zain.
4. Future Pioneers Training: Having completed the program, 56 youth joined Zain as full-time employees.

ZAIN JORDAN

Conducted eight different programs, with some falling under the company's innovation arm, ZINC. All of the programs developed skills in topics such as film making, mobile maintenance, and call center agents. The total reach of the eight programs was 267,487 youth, with 667 of them receiving full-time employment.

ZAIN IRAQ

Established several training programs supporting virtual job fairs, workshops conducted by Zain employees, entrepreneurship competitions, and partnered with entities such as Harvard University, Google Developers, and governmental entities. Zain Iraq was able to reach 44,294 youth through the various programs.

02 GOVERNANCE

Introduction

Corporate governance is an ongoing commitment shared by the Board of Directors, the Executive Management and all Zain employees, as the Board of Directors believes that good corporate governance greatly helps in the long-term business success.

Zain's main strategic business priorities are to maximize the rights of stakeholders by creating business ventures that keep pace with developments in the digital lifestyle.
It is looking to achieve operational efficiency and diversification in its revenue streams, and thus maximize shareholder value.

The Board of Directors confirms that the company has always been at the forefront of good corporate governance, and always reflects its commitment to working on continuous improvement by reviewing its governance practices periodically to ensure that they enhance the value for stakeholders. The Board believes that sound corporate governance practices enhance and maintain confidence in the company and, as such, it contributes to creating optimum value in the long run for shareholders and other stakeholders.

Given the difficult conditions in the year 2020, and the extended repercussions to date, it was clear that most Boards of Directors in companies have adopted strategies that consider the challenges and new reality imposed by the COVID-19 pandemic, including the role of technology and digital transformation in economic and commercial activity. Due to the exceptional circumstances, the Board of Directors and the Executive Management adopted a richer model of governance that places more weight on the health measures and flexibility of the company to maximize the rights of shareholders. It took the initiative to set control standards that were transparent and clear with all parties to spread reassurance to all stakeholders.

The Board of Directors took care of a whole set of factors and tools that enable the company to create real value for its business. This expanded control does not reduce the responsibility of the Board towards shareholders, but it involves changes in the nature and scope of the shareholders' accountability to the Board and the Board's responsibilities towards all stakeholders. Managing such a crisis, requires an effective, flexible and innovative governance system that unites efforts to ensure continuity, employ available resources, and execute policies more efficiently.

The COVID-19 pandemic began as a health crisis, and it quickly developed and escalated into an economic crisis in all global markets. At the beginning of this crisis, the Boards of Directors of companies faced a series of difficult decisions, the most prominent of which was cash dividend distributions. Most companies face a difficult test regarding previous practices in distributing profits. There is a state of uncertainty about the depth of this crisis and the duration of its repercussions, so these decisions represent a complex issue related to balancing many factors and achieving stability.

Amidst this uncertainty, Zain's internal policies were the main reason for protecting the rights of shareholders. Zain's General Assembly for the fiscal year 2019 approved the adoption of a minimum cash dividend policy of 33 fils per share for three years, commencing 2019. This commitment demonstrated the Board of Directors' keenness to adopt an extended vision and strategy to ensure prosperity, growth and preservation of shareholders' rights. This uncommon step in the region's markets also provided a clear picture of the extent to which the company follows internal control standards, and the risks that ensure steady performance during a crisis.

The Board of Directors always affirms its keenness to preserve the rights of shareholders and stakeholders, including employees. The Board of Directors shows top priority for the health and safety of employees and customers during these risky circumstances. This contributed to the company's continuing trend to exploit potential future opportunities. These internal policies also helped to maintain the company's strategic plans.

Shareholders' rights are the cornerstone of the governance model. All stakeholders are important in the company's ability to operate, grow and prosper. Since the beginning of the crisis, the Executive Management has been keen to provide detailed information to the Board on the situation regarding each group of stakeholders without prioritizing any specific group.

Since incorporation, the company has gone through different circumstances and times when the interests of employees must come first, other times when the interests of customers must take priority, times when public need is the highest priority, and times when the interests of shareholders must be the primary concern, depending on the nature of the interests involved and company conditions and work environment.

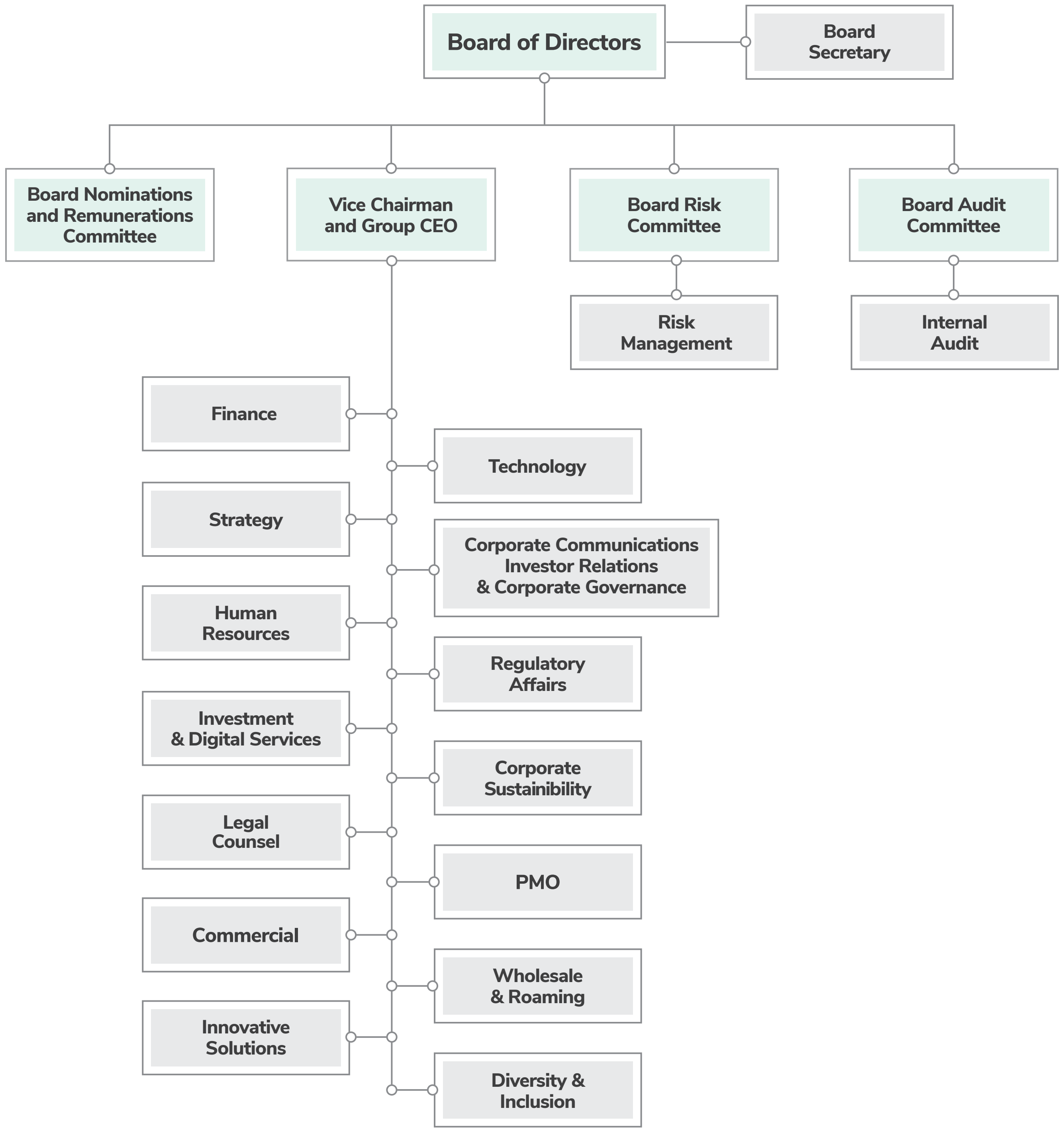
The Executive Management in the company has a shared understanding of the operational and commercial business strategy, in addition to its full familiarity with the framework of the stakeholders' work, and the type of responsibilities assigned to each of them. Accordingly, the Board of Directors works within a framework of systems to supervise these obligations and track the performance of the company for stakeholders.

The new environment imposes on companies a set of pressures and demands from various stakeholder groups, and among these demands is community participation. The change in the mentality of stakeholders is due to uncertainty about the future; these factors pose challenges to the decision-making process by the Board of Directors.

The exceptional circumstances that companies went through in the year 2020 brought a careful look back at the close connection between businesses and societies. Companies cannot separate themselves from society as a whole; these issues are not only legitimate business areas of interest, but also sources of both risks and opportunities. Societal forces can profoundly affect the business and competitive environment, and the Board of Directors works with Executive Management to ensure that the company's risk management and control systems include risks arising from these large-scale societal problems, and to ensure that the company's strategic planning and resource allocation processes take these challenges into account, so that the resulting activities do not intensify them.

Companies have a responsibility to pay more attention to societal problems and to play a more active role in helping to address them. The Board of Directors has worked to deal with new issues and challenges by offering virtual shareholder meetings, to address the issue of social distancing during the pandemic. The role of the Board of Directors is to provide strategic direction and supervision, and the Executive Management has worked to provide appropriate skills to meet the company's specific business needs and conditions, monitor the company's relationships with stakeholders, evaluate strategy, oversee risks, and review community participation.
The Corporate Governance Report for the year 2020 has been approved by the Board.

Rule I: Construct a Balanced Board Composition



About the Board of Directors

The following list includes a brief about members of the Board of Directors and contains information such as the date of appointment and the educational and professional experience of each member in addition to their position in the Board.

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 from Kuwait University	35 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 from London Business School	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 from Duquesne University, Pittsburgh	Finance experience in the telecommunications sector	17 Sep 2017
Zaki Hilal Saud Al Busaidi	Non-executive	Master's degree in Public Administration from Exeter University in the UK	20 years in the civil service sectors, port services, investment and insurance and communications	19 Mar 2020
Atif Said Rashid Al Siyabi	Non-executive	Bachelor of Engineering in Computer Hardware and Networking Technology from Coventry University in the UK	17 years in information technology, business development, innovative technological solutions and information systems, investment and communications	19 Mar 2020
Aladdin Baitfadhil	Non-executive	Bachelor's degree in Electrical and Electronics Engineering from Sultan Qaboos University.	18 years in the information and communication technology sector	12 Oct 2020
Nasser bin Suleiman Al-Harthy	Non-executive	Master's degree in business administration (MBA) from the University of Victoria, Australia	21 years in the investment, economic & financial sectors	12 Oct 2020
Abdulrahman Mohammad Ibrahim Al Asfour Independent	Independent	Bachelor's Degree in Business Administration – Accounting Major from Kuwait University	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 from Kuwait University	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) from Coventry University in the UK	Legal Consultancy Telecommunications sector	12 May 2015

Board of Directors' Meetings:

Name	Meeting No.1 12/2/2020	Meeting No.2 14/4/2020	Meeting No.3 15/7/2020	Meeting No.4 3/11/2020	Meeting No.5 23/12/2020	Total Attended
Ahmed Tahous Al Tahous Chairman	✓	✓	✓	✓	✓	5
Bader Nasser Al-Kharafi Vice Chairman & Group CEO	✓	✓	✓	✓	✓	5
Talal Said Al Mamari	✓	✓	✓	✓	✓	5
Zaki Hilal Saud Al Busaidi	⊖	✓	✓	✓	✓	4
Atif Said Rashid Al Siyabi	⊖	✓	✓	✓	✓	4
Aladdin Baitfadhil	⊖	⊖	⊖	✓	✓	2
Nasser bin Suleiman Al-Harthy	⊖	⊖	⊖	⊗	✓	1
Abdulrahman Mohammad Ibrahim Al Asfour Independent	✓	✓	✓	✓	✓	5
Yousef Khaled Al-Abdulrazzaq	✓	✓	✓	✓	✓	5
Hatmal Farouq Al Qadi	✓	✓	✓	✓	✓	5
Previous Members						
Martial Caratti	✓	✓	✓	⊖	⊖	3
Nigel Covett	✓	⊖	⊖	⊖	⊖	1
Abdullah Al Harthy	⊖	✓	✓	⊖	⊖	2
Saud Al Nahari	✓	⊖	⊖	⊖	⊖	1
Mahdi Al Abduwani	✓	⊖	⊖	⊖	⊖	1
Percentage of Members in Attendance	**100%**	**100%**	**100%**	**88.9%**	**100%**	

✓ Attended ⊖ Not Applicable ⊗ Absent

* *The table includes all Board meetings held during 2020*
* *The Board of Directors met 5 times during 2020, according to the Capital Markets Authority Resolution No. (30) of 2020 regarding the financial statements for the financial period ending on 3/31/2020, which provides an exception from the provisions of Article (1-15) of the twelfth book (listing rules) From the executive regulations of Law No. 7 of 2010 and their amendments, all companies listed on the Stock Exchange are obligated not to approve their financial statements ending on 3/31/2020 and to postpone their disclosure to both the Authority and the Stock Exchange simultaneously until the deadlines are set for their financial statements ending on 6/30/2020 and so forth*
* *All the above meetings (except for Meeting No. 1) were conducted virtually in accordance with health guidelines issued by the regulatory authorities in Kuwait and to maintain safety and security standards for members of the Board and employees during the COVID-19 pandemic*
* *New Board was elected on 19 Mar 20*
* *Aladdin Baitfadhil and Nasser bin Suleiman Al-Harthy replaced Martial Caratti and Abdullah Al Harthy respectively on 12 Oct 20 as representatives in the Board*

Management of Board Meetings

The role of the Board secretary is a very important one. Once the minutes of the Board of Directors, are approved by the Board, it becomes an official record of the company and a historical timeline of the company's growth and impact.

The secretary of the Board of Directors keeps records of the minutes of all Board meetings and committee meetings, oversees procedures related to Board membership, maintains official files and Board records, and publishes notices of scheduled meetings as specified in the company's bylaws. With the increase in the responsibilities of the Board of Directors, the size of the work and skills necessary to support the Board increases as well. The Secretary is entrusted with the tasks of compliance and performance related to Board affairs. Moreover, the role of the Secretary also includes managing the Board's operations - Board and Committee documents - and distributing agendas, minutes, discussion papers, and proposals submitted to the Board and its committees; In addition the Board Secretary is responsible for ensuring that the Board and Executive Management meetings are held in line with legal, regulatory and internal regulations requirements.

The secretary invites the concerned parties to the meetings of the Board and its committees based on the instructions of the Board of Directors; The secretary ensures that the necessary records are properly created and maintained, and that reports are prepared in accordance with legal requirements; The role of the Board Secretary includes understanding and ensuring that the company complies with its legal obligations and ensuring that regulatory requirements are met, including continuous disclosure. Accordingly, the Board Secretary advises the Board on the responsibilities and duties of the Board of Directors as per laws and regulations, the company's policies and articles of association, and standards of ethical behavior. In addition to keeping the Board of Directors informed of governance issues.

The secretary guarantees the availability of these records when needed. He is committed to maintaining various requirements such as deadlines for submitting files to Board members at least three days before its meetings, as indicated in the company's internal policies and charters. These files include the meeting agenda, minutes of the previous Board of Directors meeting, and all supporting documents related to the agenda. Among the procedures of preparing for the Board meeting, the secretary determines the duration of the meeting to ensure the availability of sufficient time to cover all the items on the agenda with the exception of emergency meetings.

The Board secretary records all the decisions and discussions of the members of the Board of Directors, records the results of the voting operations that take place during the meetings, and maintains the documents of the Board of Directors. The Secretary of the Board also makes sure that the Board decisions are implemented and ensures that the company's policies that were approved by the Board of Directors are followed, under the supervision of the Chairman. Each member of the Board has the right to access these documents and files through the Secretary. The secretary will follow up and communicate with the concerned departments to provide the information required by the members of the Board to make sound and effective decisions.

The secretary keeps abreast of the external environment to stay fully informed about the company's governance trends, emerging issues and best practices - especially those related to the telecommunications sector. Moreover, the secretary informs the Board of Directors of trends and best practices in corporate sustainability, as guided by the Chief Sustainability Officer, which leads to effectively support the company's sustainability strategic objectives.

The secretary assists and provides support to new Board members through the induction program that includes information about the company, its business and activities. In addition, it includes details about the responsibilities of the Board, its committees and Executive Management, an overview of the group's operations and results, meetings with the Executive Management, budget and business plan throughout the year.

Rule II: Establish Appropriate Roles and Responsibilities

The roles and responsibilities of the Board of Directors and Executive Management

The Board of Directors is responsible for leading the company towards maximizing shareholders and stakeholders' value. The Board of Directors determines the values and standards of the company, while ensuring that they are in line with its strategic objectives and corporate culture. It also ensures an understanding of the company's obligations towards its shareholders and other stakeholders including employees, suppliers, customers, regulatory bodies and the environment in which the company operates.

The Board of Directors manages and oversees the company's activities according to the approved governance and control framework which is based on the applicable regulations, laws, and standards. The Board adopts the strategic objectives of the group and supervises their implementation while ensuring the availability of the financial and human resources necessary to achieve these goals. Furthermore, the Board continuously supervises the company's risk management and internal control systems.

To ensure maximum efficiency in relation to the good governance of the company and to maximize the rights of shareholders and stakeholders, the Board of Directors is responsible for determining the direction and vision of the company, and overseeing the implementation. The company has established a governance structure that enables the Board to focus on the main areas of responsibility that affect the success of the business in the long run. This structure includes the formation of three committees under the Board of Directors, which are the Audit Committee, the Risk Committee, and the Nominations and Remunerations Committee. These committees were formed according to the relevant laws and regulations.The Board, within this structure, performs the main tasks, including monitoring the company's culture to ensure alignment with its goals, values, and strategy.

The Board ensures compliance with laws, objectives, statutes, and general assembly decisions while adhering to corporate governance principles, best practices standards and business ethics. This includes allocating sufficient time and realizing the importance of the company's vision, mission, directions, and strategies. Board members are dedicated to their routine tasks such as attending Board meetings, reviewing, and approving strategies and policies, as well as financial goals and operating plans of the company.

The Board of Directors encourages innovation and the use of the latest technologies in the company's operations. It supervises and monitors the management to promote compliance with the operational plans set in accordance with the company's strategy, to ensure that the management is able to deliver results efficiently, and guarantee the ability to quickly adapt to changing circumstances. The Board has set the corporate governance framework and the code of conduct that stipulate best practices for Executive Management and all employees.

The board has the authority to approve the quarterly and annual financial reports, budgets, investments, and operations of the company and its subsidiaries. The Board's authority also includes entering into material agreements, appointing members of the Executive Management, and monitoring the performance of its committees. The Board works according to procedures by which to assess the adequacy of internal control systems, efficiently audit and review potential major risks, and develop a comprehensive risk management manual. The Board also ensures that the Executive Management has effective risk management systems and procedures, implementing adequate and effective internal controls, and searching for new business opportunities, whether through new technologies and products or various markets and sectors.

The Board and the Executive Management commit to shareholders and stakeholders, to combat corruption. The role of the Board of Directors involves managing and resolving potential conflicts of interest and transactions with related parties by reviewing these important transactions to ensure maximum benefit for shareholders and stakeholders, and arranging appropriate communication channels with shareholders. The Board and management oversee the disclosure of material information to ensure accuracy, consistency, transparency and credibility of disclosures of the highest standards.

The responsibilities of the Board also include evaluating the performance of the Executive Management and implementing an appropriate system and mechanism for determining compensation for the Executive Management in the company that is consistent with their performance. The Board also evaluates its overall performance and the performance of its members and committees, and accordingly, the best ways to develop the performance of the Board in the future are determined through training programs and other means to ensure sustainable and continuous growth.

The Board and the Executive Management manage the responsible business towards society and the environment which contributes to the sustainability of the company. This is done by improving the quality of life for the people in the communities where the company operates in order for societies to coexist in a sustainable manner.

Board Achievements in 2020

- Approval of the company's 2020 financial statements and recommending a dividend of 33 fils.
- Taking a number of measures to prevent and limit the effects of the COVID-19 pandemic and to ensure the continuity of workflow in addition to the approval of expense rationalization plans to limit the decline in profits.
- Supporting departments in subsidiary companies to develop their services, such as obtaining a fourth-generation (4G) license in Iraq.
- Approval of a number of facilities and a rescheduling of a number of loans to maintain cashflows and to ensure the continuation of the operations of the group and its subsidiaries.
- Monitored and implemented a number of technical projects related to the company's strategy and vision.

Board Committees

The increasing requirements and standards imposed by government bodies, regulatory authorities, rating agencies, and other stakeholders, have increased the pressure on the Board of Directors to use its time so as to maximize efficiency and value. In some cases, the Board may require more time than allocated to fulfill certain responsibilities, hence the Board committees were formed.

The Board committee provides the necessary time to discuss various issues and allows for a wider, more accurate and focused participation by all members of the Board of Directors.

Board committees provide an effective tool for the Board to deal with specific issues that require particular areas of expertise. The purpose of forming Board committees is to utilize the talents, skills and knowledge of Board members individually to increase efficiency and fully educate Board members in specific areas of interest. The committees allow the Board to divide its work into areas that can be managed closely. Committee charters define the duties and responsibilities of the committee. Moreover, committee members are responsible for providing timely reports to the entire Board of Directors.

Since the committees have devoted time to deal with some of the Board's tasks in depth, the Board of Directors expects them to perform due diligence with high accuracy and in a timely manner. In monitoring the committees' responsibilities, the Board is looking for comprehensive information that can be presented concisely to help educate the Board about specific issues.

Zain's Board of Directors has formed three committees, namely: the Audit Committee, the Risk Committee, and the Nominations and Remunerations Committee; next we present the details of these committees and their achievements.

Board Risk Committee (BRC)

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 purpose of the Risk Committee is to assist the Board with fulfilling its responsibilities related to identifying, assessing and mitigating risks. These risks include operational risks, strategic risks and external environment risks. Therefore, the committee is generally responsible for reviewing, monitoring and approving the risk policies, frameworks, processes and practices associated with the company.

The Risk Committee is also responsible for reviewing and approving risk disclosure data in any public documents. It must ensure that the company takes appropriate measures to achieve a balance between risk and return in both ongoing and new businesses.

The BRC assesses significant risk exposures and evaluates management actions to mitigate the exposures in a timely manner, including one-off actions by the company and continuing activities such as business continuity planning and disaster recovery planning. The committee's responsibilities include coordinating with the audit committee as needed. The Risk Committee submits regular reports to the Board of Directors.

The Risk Committee reviews and reassesses the adequacy of internal procedures in this regard within the scope of its responsibility and recommends any proposed changes to the Board of Directors for approval. The Risk Committee has access to any internal information necessary to perform its role. Through the committee's role it ensures that the risk management policies and procedures implemented by the Executive Management are in line with the company's strategy and risk appetite. It also promotes a company-wide culture that supports appropriate awareness of risks, behaviors and provisions related to risks, and ensures that problems are addressed in a timely manner. The supervisory role of the committee includes evaluating the performance of the Executive Management in this regard.

Achievements of BRC during 2020

- Reviewing and discussing the report of the risk management department on a quarterly basis for the group and its subsidiaries, determining a working methodology to ensure reducing the impact of risks, and reviewing the department's activities on a quarterly basis
- Following up on the repercussions of the spread of the COVID-19 on the group and its subsidiaries, and taking necessary measures to limit the impact of these repercussions
- Developing reports on risks including environmental and climate change risks
- Contracting with companies specialized in cybersecurity and information protection, to ensure the e-security of the group and its subsidiaries
- Conducting an assessment of the various risks in subsidiary companies and working to limit their effects, especially in light of the spread of COVID-19 pandemic
- Conducting a review of the strategy, policies, procedures, and responsibilities of the risk management department
- Approving the Risk Management work plan for the year 2021
- Reviewing and approving the sanctions policy and recommending its approval by the Board of Directors

Committee Members:

Talal Said Al Mamari (Committee Chairman)
Bader Nasser Al-Kharafi
Atif Said Rashid Al Siyabi
Yousef Khaled Al-Abdulrazzaq

Notes:

- Saud Al Nahari's term ended as per the AGM resolutions which included the election of a new Board
- Talal Al Mamari was appointed committee chairman on 15 Jul 2020

Number of committee meetings in 2020: 3

Board Risk Committee Meetings:

Name	MEETING No. 1/2020 12/2/2020	MEETING No. 2/2020 15/7/2020	MEETING No. 3/2020 2/11/2020
Talal Said Al Mamari *(Committee Chairman)*	Attended	Attended	Attended
Bader Nasser Al-Kharafi	Attended	Attended	Attended
Atif Said Rashid Al-Siyabi	Not Applicable	Attended	Attended
Yousef Khaled Al-Abdulrazzaq	Attended	Attended	Attended
Previous Members			
Saud Al Nahari	Attended	Not Applicable	Not Applicable
Percentage of Members in Attendance	**100%**	**100%**	**100%**

Attended Not Applicable Absent

Board Audit Committee (BAC)

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 Board Audit Committee is responsible for assisting the Board of Directors in performing its duties in relation to:

1. Overseeing the quality and integrity of accounting practices, auditing, internal control, risk management framework, financial reporting, and the overall corporate governance framework.
2. Evaluating the performance and qualifications of the licensed independent auditor (the external auditor).
3. Maintaining the firm's relationship with the external auditors.
4. Monitoring the overall performance of the company's internal audit unit.
5. Complying with applicable laws and regulations.

The Board of Directors is responsible for risk management, internal control and corporate governance within the company. The role of the audit committee includes focusing on the various aspects of preparing financial reports, managing business operations and financial risks, overseeing compliance with applicable legal, ethical and regulatory requirements, and overseeing the performance of the internal audit department and the independent external auditors.

Achievements of BAC during 2020

- Oversee the Internal Audit function activities during 2020
- Review the internal auditor's report on a quarterly basis for the group and the subsidiaries and follow up on closing notes from all groups with the IA team
- Supporting the IA function in the group and the subsidiaries under the impact of COVID-19 pandemic
- Approval of the work plan of the Internal Audit for the year 2021
- Reviewing the auditing consolidated financial statements of the group on a quarterly basis, discussing them with the management and then submitting recommendations to the Board
- Meeting with External Auditor and discussing the report on the financial and operating performance of the group on a quarterly basis
- Evaluating the performance of Executive Management members in closing the observations with high and annual risks; in addition to linking them to the annual performance bonus and submitting a report in this regard to the concerned parties
- Preparing the audit committee report, which is read by the chairman during the general assembly

Committee Members:

Nasser bin Suleiman Al-Harthy (Committee Chairman)
Aladdin Baitfadhil
Abdulrahman Mohammad Ibrahim Al Asfour (independent)
Yousef Khaled Al-Abdulrazzaq

Notes:

- Martial Caratti was appointed committee chairman on 14 Jul 2020
- Martial Caratti was no longer a Board member on 12 Oct 2020
- Nasser Al Harthy was appointed as a representative of Naseem Al-Delta Company for the sale and purchase of shares and bonds in the membership of the Board of Directors at Zain, replacing Abdullah Al Harthy on 12 Oct 2020
- Nasser Al Harthy was appointed committee chairman on 2 Nov 2020

Number of committee meetings in 2020: 3

Board Audit Committee Meetings:

Name	MEETING No. 1/2020 11/2/2020	MEETING No. 2/2020 14/7/2020	MEETING No. 3/2020 2/11/2020
Nasser bin Suleiman Al-Harthy *(Committee Chairman)*	Not Applicable	Not Applicable	Attended
Aladdin Baitfadhil	Not Applicable	Not Applicable	Attended
Abdulrahman Mohammad Ibrahim Al Asfour *Independent*	Attended	Attended	Attended
Yousef Khaled Al-Abdulrazzaq	Attended	Attended	Attended
Previous Members			
Martial Caratti	Attended	Attended	Not Applicable
Nigel Covett	Attended	Not Applicable	Not Applicable
Abdullah Al Harthy	Not Applicable	Attended	Not Applicable
Percentage of Members in Attendance	**100%**	**100%**	**100%**

Attended Not Applicable Absent

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:

The purpose of the Nominations and Remunerations Committee is to assist the Board of Directors in fulfilling its oversight responsibilities related to the effectiveness, integrity, and compliance with the company's remuneration and nomination policies and procedures. The Nominations and Remunerations Committee must ensure that the remuneration policy is consistent with the strategic objectives of the company.

The Nominations and Remunerations Committee should also review and approve the selection criteria and appointment procedures for members of the Board of Directors and Executive Management, and ensure that the overall nomination policy and approach is consistent with the strategic objectives.

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 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 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 2020

- Approving a mechanism for calculating and distributing the annual remuneration for the members of the Executive Management and the group's chief executives
- Determine the remuneration of the members of the Board of Directors and submit it to the Board for approval
- Discussing and approving the mechanism for evaluating members of the Board of Directors and approving the appointment of an external party to make the evaluation
- Approval of conducting training programs for members of the Board of Directors
- Approving and activating the replacements policy at the Human Resources Management Department

Committee Members:

Ahmed Tahous Al Tahous
Zaki Hilal Saud Al Busaidi
Bader Nasser Al-Kharafi
Talal Said Al Mamari
Abdulrahman Mohammad Ibrahim Al Asfour (Independent)

Previous members:

Mehdi Alabduwani

Number of committee meetings in 2020: 1

Board Nominations and Remunerations Committee Meetings:

Name	MEETING No. 1/2020 12/2/2020
Talal Said Al Mamari	✓
Bader Nasser Al-Kharafi	✓
Abdulrahman Mohammad Ibrahim Al Asfour Independent	✓
Previous Members	
Mehdi Alabduwani	✓
Percentage of Members in Attendance	**100%**

✓ Attended ⊖ Not Applicable ⊗ Absent

Relationship between the Board of Directors and the Executive Management

The Board of Directors and Executive Management work to achieve the vision and goals of the company. As the focus of this relationship depends on a mutual and clear understanding of the roles and limits that allow each party to respect the responsibilities of others, their contributions, and expectations. This relationship also depends on the open flow of information in a timely manner in both directions.

The nature of the relationship and the responsibilities and expectations of each of the members of the Board of Directors and the Executive Management aim to translate the principles and promote an effective corporate culture in the interest of the company. Thus, the Board of Directors monitors the performance of the Executive Management. One of the fruits of this organized relationship between the Board and the Executive Management is the exchange of knowledge and experiences. The Board plays a supervisory role through the involvement in the details and operation of the company. The members of the Board of Directors rely on the Executive Management to obtain all the essential information needed to make decisions, allowing them to effectively fulfill their obligations. Additionally, the Board provides advice to the Executive Management when needed.

The management has expectations of the Board of Directors as well. The members of the Executive Management expect that the Board will trust them to implement the strategy and achieve the results. The Board is responsible for defining performance objectives and the scope of authority in a clear manner that ensures ease of performance.

The relationship between the Executive Management and the Board of Directors is an interdependent relationship that requires regular communication and cooperation. This relationship constitutes an important standard for other relationships, as their relationship has an effect on managers and other employees. The corporate culture and work environment is characterized by professionalism, mutual trust and respect, which reflects harmony between Executive Management and the Board of Directors. These characteristics define the nature of relationships and inspire collaborative work at all levels.

Building a strong foundation for this relationship requires time, effort and commitment to make it productive. Each member's commitment to the goals and vision of the company paves the way for achieving results. Where the responsibility for all company operations rests with the Board of Directors and Executive Management, as a result, the Board of Directors and Executive Management understand the relationship between the business operations and the potential risks. The Board and Executive Management must be aware of the external environment and how factors affect the operations and performance of the company.

The Board of Directors develops the overall business strategy and oversees the decisions taken by the Executive Management in pursuit of these goals. The Board ensures that these decisions lead to support and achieve long-term goals as determined by the Board of Directors in the policies and strategy.

The Board maintains a strong system of internal controls and effective risk management. It oversees relevant information and resources used in achieving the company's objectives in an effective manner. Moreover, the Board assesses management's compliance with applicable policies, standards, laws and regulations. The Board of Directors appoints the CEO, and ensures that the CEO has the skills, knowledge and experience necessary to manage the affairs of the company in a proper and responsible manner.

The Board of Directors evaluates the performance of the CEO and Executive Management based on clearly defined duties and responsibilities, performance standards, KPIs and measurable targets, as these criteria and goals are related to the company's success in implementing its strategic and operational plans.

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 of the Board of Directors

A representative of Kuwait Investment Authority

Member of the Board of Directors since 2017

Chairman of the Board of Directors since 2018

Date of birth: 1957

Education: Bachelor's degree in Business Administration with a major in economics from Kuwait University

Work Experience: 35 years in the banking and investment sector in the international and Kuwaiti markets.

He is the CEO of the tradable securities sector at the Kuwait Investment Authority, the world's oldest sovereign wealth fund.

Other Memberships: Member of the Board at Kuwait Fund for Arab Economic Development

Bader Nasser Al-Kharafi
Vice Chairman and Group CEO

Member of the Board of Directors since 2011

Vice Chairman of the Board of Directors since 2015

CEO since 2017

Date of birth: 1977

Education: M.B.A. from London Business School, and Bachelor's degree in Mechanical Engineering from Kuwait University

Work Experience: Exceptional record of leading business development and consulting projects for major companies and international institutions. His expertise extends in the financial, investment, and industrial sectors across a wide network of projects in the Gulf region, the MENA, Europe, and Asia.

Other Memberships: Chairman of the Executive Committee at Boursa Kuwait, Chairman of the Gulf Cables and Electrical Industries Company, Board Member of Fouladh Holding Company, Member Board of Directors of the International Refreshment Commercial Company (Coca-Cola), Member of the Board of Directors of Gulf Bank.

Talal Said Al-Mamari
Member of the Board of Directors

Member of the Board of Directors since 2017

Date of birth: 1972

Education: Bachelor's degree in Business Administration from Duquesne University - Pittsburgh - Pennsylvania, USA

Work Experience: Al-Mamari is the CEO of Omantel, 25 years of experience, played a pivotal role in many projects, the most important of which is the initial public offering to sell part of the government's share in the company, and the company's restructuring project by merging fixed communication services and mobile in a single entity, and the legal merger of Oman Mobile with Omantel, he also managed the acquisition project by Omantel of 9.84% of the capital of Zain Group in 2017.

Other Memberships: Membership of the Board of Directors of the Oman Center for Governance and the Al-Amal Investment Fund.

Abdulrahman Mohammed Ibrahim Al-Asfour
Independent Board Member

Member of the Board of Directors since 2018

Date of birth: 1981

Education: Bachelor's degree in Business Administration with a major in Accounting from Kuwait University

Work Experience: extensive technical experience in the application of information technology solutions, worked as a financial expert in the management of information systems at Equate Petrochemical Company,

He has experience in the field of auditing through his work at the State Audit Bureau.

Other Memberships: Chief Executive Officer of Alpha Group Holding. He also served as a Board member of WABA Medical Insurance Company.

Yousef Khaled Al-Abdulrazzaq
Member of the Board of Directors

A representative of Kuwait Investment Authority

Member of the Board of Directors since 2018

Date of birth: 1983

Education: Bachelor's degree in Business Administration, majoring in Finance, from Kuwait University

Work Experience: His experience extends to 12 years at Kuwait Investment Authority in the general reserve sector. In 2010, he participated in the project team for the privatization of Kuwait Airways. He is currently an investment manager within the General Reserve Sector under the local equities department at the Kuwait Investment Authority.

Zaki Hilal Saud Al Busaidi
Member of the Board of Directors

Board Member since 2020

Date of birth: 1973

Education: Master's degree in public administration from the University of Exeter, United Kingdom, and Bachelor's degree in public administration from Yarmouk University in Jordan

Work Experience: He has nearly 20 years of experience, having worked in the Ministry of Civil Service in the Sultanate of Oman in 1996 for 18 years, held the position of Director General of Organization and Job Classification, and held the position of CEO at the Institute of Public Administration since 2014.

Other Memberships: Membership in the Port Services Company and the Oman Arab Investment Fund and currently in the National Life Insurance Company, membership in the Board of Directors of Omantel

Atif Said Rashid Al Siyabi
Member of the Board of Directors

Board Member since 2020

Date of birth: 1980

Education: Bachelor of Engineering in Computer Hardware and Network Technology from Coventry University, Cetificate in Professional Leadership Development from HEC Paris.

Work Experience: He has a proven track record of accomplishment in the fields of information technology and business development spanning more than 17 years. He has extensive experience in leading innovative technological solutions and information systems, transforming business processes and driving technological developments.

Other Memberships: Director of Information Management at the General Reserve Fund (SGRF) in the Sultanate of Oman.

Aladdin Baitfadhil
Member of the Board of Directors

Board Member since 2020

Date of birth: 1978

Education: Bachelor's degree in electrical and electronic engineering from Sultan Qaboos University, He holds two certificates in Disruptive Strategies and Leading with Finance from Harvard University.

Work Experience: Experience of more than 18 years in the ICT sector. Joined Omantel in 2005, he has assumed several leadership roles in commercial operations including network operations, sales, quality control, call center and customer service. He is currently the Executive Vice President of the Consumer Business Unit.

Other Memberships: Vice Chairman of the Board of Directors of "Infoline" company.

Nasser bin Suleiman Al-Harthy
Member of the Board of Directors

Board Member since 2020

Date of birth: 1975

Education: M.B.A. from Victoria University in Australia, Bachelor of Finance from the United Arab Emirates University, National Leadership and Competitiveness Program (NLCP) from Oxford University.

Work Experience: He has experience of up to 21 years in the investment, economic and financial sectors. He holds the position of Acting Vice President of Operations at the Oman Investment Authority, responsible for financial and administrative affairs, information management, legal affairs and compliance.

Other Memberships: Chairman of the Board of Directors at Asyad Group, member of the Board of Directors of the Public Authority for Special Economic Zones and Free Zones, and Chairman of the Board of the Fisheries Development Oman ("FDO "). Previously, he was a member of the Board of Directors at Petroleum Development Oman, Oman Air and Oman Airports Management Company

About the Executive Management at Zain Group

Ossama Matta
Chief Financial Officer

Appointment Date: 2010

Education: M.B.A. from the American University of Beirut, and a licensed Certified Public Accountant (CPA)

Work Experience: He has extensive experience of more than 22 years in the financial and administrative fields in the markets of the Middle East region. He joined Zain in 2004, and held the position of Chief Financial Officer for the company's business in Lebanon "MTC Touch", after which he was promoted to the position of Chief Financial Officer of Zain Kuwait, until he was assigned the duties of the Chief Financial Officer of Zain Group in the Middle eastern markets.

Nawaf Al-Gharabally
Chief Technology Officer

Appointment Date: 2020

Education: Bachelor's degree in engineering from Kuwait University

Work Experience: He has extensive experience of 22 years in the wireless telecommunications sector, in the markets of Kuwait, the Middle East and Africa. He participated in the plans to modernize and upgrade the networks for Zain's operations in the region's markets, including designing and building the third generation network in Kuwait in 2005, installing the first wireless communications network in southern Iraq in 2003, and building the entire Zain Saudi network in 2007, he was responsible in 2019 for the Zain network development investments in Kuwait, leading Zain to become the first company to launch 5G services in the Gulf region.

Kamil Hilali
Chief Strategy Officer

Appointment Date: 2018

Education: Bachelor of Science in industrial engineering at the National School of Mineral Industry, Morocco, M.B.A. from Suffolk University Boston, and Master of Finance from London Business School, United Kingdom.

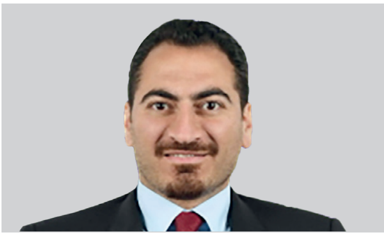
Work Experience: He has extensive experience spanning 15 years in the areas of strategies, developing growth plans for operations, and implementing strategic policies, including business development and strategic investments, portfolio management, mergers and acquisitions, corporate development, and strategic investments, and he is a member of the Board of Directors of a company INWI, a telecom company in Morocco.

Mohammad Abdal
Chief Communications Officer

Appointment Date: 2015

Education: Bachelor of Science in Business Administration with double major in Finance and Information Management Systems from Portland State University, USA

Work Experience: he presides over the departments of investor relations, communications, governance and compliance, has extensive experience, which started with Zain 18 years ago, and witnessed its foreign expansion journey in the Middle East and Africa region, as he established the Middle East Investor Relations Association (MEIRA) in Kuwait.



Malek Hammoud
Chief Investments and Digital Transformation Officer

Appointment Date: 2017

Education: Bachelor's degree in Electrical Engineering from the American University of Beirut, M.B.A. from the London School of Business, and a Certified Financial Analyst (CFA).

Work Experience: Executing the Group's plans for digital transformation in all its markets in the Middle East and Africa, by searching for new investment opportunities in digital fields. He has experience in the banking sector in the areas of investment in the regional and international markets. He also has extensive experience in capital markets, corporate banking, investment banking services, and in the digital services sector.

Jennifer Suleiman
Chief Sustainability Officer

Appointment Date: 2018

Education: Degree in Art History and Archeology from the University of Washington, Missouri, USA

Work experience: 25 years of experience, led a series of initiatives in the fields of sustainability, supervises the group's sustainability strategy, publishes sustainability reports and thought leadership reports, leads the efforts to adopt the Sustainable Development Goals (SDGs), works on joint projects with many International bodies such as: Humanitarian Communication Charter, Mobile Phones in Service of Humanity, GSMA Mobile Phones, BBC Broadband Committee of the International Telecommunication Union (ITU) concerned with sustainable development.

Dr. Andrew Arowojolu
Chief Regulatory Officer

Appointment Date: 2016

Education: Ph.D. in mobile wireless communication, master's in microelectronics and communication from the University of Liverpool, bachelor's in electrical and electronic engineering from the University of Lagos.

Work Experience: He has a proven track record in the telecommunications sector, as he has 25 years of experience in this field in the Middle East, Europe, Africa and Asia markets. He is responsible for communicating with the authorities and regulatory bodies in all countries in which the group's operations are located.

Firas Oggar
Head of Legal

Appointment Date: 2017

Education: Master's degree from the University of Paris in international business law

Work experience: 18 years in prestigious institutions in France and the Middle East, experiences in executive positions, member of the GC Powerlist Middle East (Legal 500), member of the Board of Directors and treasurer of the Association of Corporate Advisors (ACC) , member of the Paris Bar.

Abdul Ghaffar Setareh
Chief Risk Officer

Appointment Date: 2016

Education: Telecommunications Engineering degree from the Ecole Nationale des Telecommunications, Rabat, Morocco.

Work Experience: Extensive experience and a proven record of achievements over the past three decades in the communications and information technology sector, having worked and led various work teams in the fields of operation, engineering, insurance, and risk management across all business units in the Middle East and Africa.

Venkatesh Jandhyala
Chief Internal Auditor

Appointment Date: 2014

Education: Bachelor of Commerce and Law degrees from Osmania University, Hyderabad, India, a dual degree in Master of Science in International Finance and a M.B.A. in Finance and Marketing from the University of Miami, USA, Chartered/Board Secretary diploma from India.

Work Experience: 25 years in the business fields of telecommunications companies and consulting firms, having worked in various business environments in the Americas, Europe, Africa, the Middle East and Asia, he received the Playmobil Honorary Award in Accounting.

Nawal Bourisli
Chief Human Resources Officer

Appointment Date: 2018

Education: completed a leadership development program at Harvard Business School.

Work Experience: Oversees the work strategy of the Human Resources Department, which includes building and refining job talents, change management programs, development, employment, preparing plans to maintain company values and work culture, managing employee reward and motivation programs, raising a sense of job connection, providing an ideal work environment to increase levels of Productivity and leadership development.

Maryam Saif
Chief Diversity and Inclusion Officer

Appointment Date: 2017

Education: Master's degree in Organizational Behavior and Computer Programming from Guildhall University in London and Certificate in Computer Science from London Metropolitan University.

Work Experience: Leading diversity and inclusion with a focus on social diversity, internal innovation and youth development. member of the British Psychological Society and the Association of Coaching, Practitioner in Change Management, a Fellowship of the Institute of Recruitment Professionals and is qualified to Level 7 Advanced on Coaching and Mentoring received by the Chartered Institute of Personnel and Development.

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 and the Executive Management and its compatibility with the objectives and performance of the company. The policy reflects the objectives of the company and considers 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 Remunerations 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, and the best interests of the 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 is keen to promote the principles of effective governance within the company's remuneration system. The Board, through the Nominations and Remunerations 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 overseeing the implementation of the approved system.

The KPIs are based on the company's overall strategy and are approved by the Board. The Executive Management implements this strategy and reports thereon to the Board 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 itself.
- In 2020, the total remuneration granted to the Board members was KD 435,000 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 Nominations and Remunerations 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.

Remunerations of Executive Management at Zain Group 2020 :

No. OF EMPLOYEES	FIXED REMUNERATION (KWD 000')	VARIABLE REMUNERATION (KWD 000')	TOTAL (KWD 000')
9	3,146	1,832	4,979

Rule IV: Safeguard the Integrity of Financial Reporting

Written pledges by both the Board of Directors and the Executive Management of the integrity of the financial statements

Please refer to the financial statements section in the 2020 annual report.

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.

In the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, a statement will be included detailing and clarifying the recommendations and the reason/s behind the decision of the Board of Directors not to abide by them.

There were no inconsistencies between the audit committee recommendations and the decisions of the Board of Directors during 2020.

Emphasizing the independence and impartiality of the external auditor

External auditors work to enhance corporate governance by ensuring the accuracy of the company's reports, fairness and clarity of the information contained in these reports on the status of the company The external auditor examines the company to ensure that its systems, especially the financial ones, follow internal controls.

The Companies Law and the Capital Markets Authority laws and regulations provide specific requirements that the external auditors must fulfill when preparing their audit reports and verifying the authenticity of the company reports. Zain is committed to appointing an independent external auditor, and to ensuring that the auditors do not carry out actions that might affect impartiality and independence. The Board Audit Committee (BAC) recommends to the Board of Directors the appointment and reappointment or change of the external auditor. In addition, BAC determines their fees and reviews 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 audited financial statements provide an external view of the accounting and financial operations of the company. The purpose of the company's accounting system is to identify, compile, classify, analyze, record, and report on the company's transactions, and maintain accountability for assets.

Among the tasks of the external auditor is to evaluate and verify the accuracy of the company's financial statements, and to ensure the company's compliance with relevant regulations, laws and standards. The external auditors express their opinion on the fairness of the financial position and the results of the operations and cash flows presented by Zain. The external auditors confirm the accuracy of the accounting principles used by the company and assess the risks. The Board makes sure that the external auditors allocate sufficient time, resources and skills to understand the business and the operations as part of the procedures for auditing the financial statements. The Board also ensures that all observations contained in the opinion letter prepared by the independent auditor are appropriately addressed by Executive Management.

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, with its 286,000 professionals, enjoys a globally connected network of member firms in more than 150 countries where it provides audit, consulting, financial advisory, enterprise risk services, tax. 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 around 10 Partners, Principals and Directors, and more than 110 dedicated audit professionals.

Rule V: Apply Sound Systems of Risk Management and Internal Audit

A brief statement on the implementation of the requirements for the formation of an independent department / office / unit for risk management:

Risk management operates independently, falling under the supervision of the Chief Risk Officer (CRO), a senior position with adequate independence, resources and access to the Board of Directors. In the popular Three Lines of Defense model for risk management, an independent risk function is a key component of the second line of defense of the company. This department is responsible for identifying, evaluating and supervising the risks that the company is exposed to. It falls under the Board Risk Committee in the organizational structure of the company in accordance with the applicable laws and regulations.

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 control environment consists of the policies and procedures that define the structure and framework of the decisions taken by the Executive Management in the course of running the company's operations. The Board of Directors has approved these internal policies and procedures to ensure that they are consistent with the interests of shareholders and stakeholders, the company's business code of conduct and ethics, and applicable laws and regulations and best standards.

The Board ensures that duties and roles are appropriately separated, documents and records are maintained, and performance verified by independent bodies.

Carrying out independent performance checks is a valuable monitoring tool. Based on the Capital Markets Authority's regulations and instructions, the company has appointed RSM Albazie & Co. as an independent auditing office to evaluate and review internal control systems.

The internal control review report includes a complete evaluation of the company's internal control system to determine whether the company's operations and departments are operating as intended, and whether they are able to manage the risks that the company may face in its daily operations.

The internal control review provides stakeholders from shareholders, regulators and the company's Board of Directors with an overview of the effectiveness of the internal control environment. The internal control review highlights weaknesses in the company's internal control environment and identifies processes that could be improved.

This review tests whether the internal controls are working as required and approved by the Board.
The assessment of internal controls includes determining the objectives related to the company, reviewing the applicable policies and procedures and documentation standards for each of them, discussing the internal controls with the relevant departments, and making sure that the company has taken corrective action on the identified weaknesses in a timely manner. The findings and recommendations are shared with the Board of Directors and the Capital Markets Authority.

RSM

March 4th, 2021
Respective Audit Committee Member
Mobile Telecommunications Company K.S.C.P. – Zain Group
State of Kuwait

RSM Albazie & Co.

Arraya Tower 2, Floors 41 & 42
Abdulaziz Hamad Alsaqar St., Sharq
P.O. Box 2115, Safat 13022, State of Kuwait

T +965 22961000
F +965 22412761

www.rsm.global/kuwait

Subject: Internal Control Systems Review and Assessment Report
For the year ended 31 December 2020

In accordance with our letter of engagement dated November 26, 2021, we have examined and evaluated the internal control systems of Mobile Telecommunications Company K.S.C.P. referred to as "Zain Group" which were applied during the year ended December 31, 2020 with regard to the following departments/activities of business of Zain Group excluding OpCos:

- Corporate Communications, Investor Relations, Corporate Governance and Compliance
- Finance
- Investment & Digital Transformation
- Technology
- Regulatory Affairs
- Wholesale and Roaming
- PMO and Operations
- Human Resources
- Legal
- Internal Audit
- Risk Management
- Strategy and Business Development
- Corporate Sustainability

Our examination has been carried out with regard to the Executive Regulations of law no. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities, Module 15 "Corporate Governance" article no. (6-9).

We would like to point out that among the responsibilities of the Zain Group's management is to establish internal control systems, appropriately at the level of the Zain Group, and in order to undertake these responsibilities, judgments and estimates must be issued to assess the expected benefits and costs related to management information and control procedures.

The aim is to provide a reasonable, but not absolute, assurance that the assets are protected from any losses arising from the unauthorized use or disposal of those assets, and that the risks are adequately monitored and evaluated, and that the transactions are carried out in accordance with the approved procedures and powers, and that they are appropriately recorded. Through which the work is carried out properly.

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

In our opinion, having regard to the nature and scale of its business, during the year ended December 31, 2020 the internal control systems in the areas examined by us were established and maintained in proportion to the size of the risks and business in Zain Group, except for the matters specified in this report, which have no material impact on the data of Zain Group.

Faithfully Yours,

Dr. Shuaib Abdullah Shuaib
License No. 33 "A"
RSM Albazie & Co.
THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

A brief statement about applying the requirements of forming an independent department / office / unit for internal audit

The Board of Directors supervises the proper implementation of the internal control systems through the Audit Committee. The Board monitors the business operations of the Internal Audit Department, ensures the independence of the department and observes its performance in accordance with the relevant control requirements.

According to the applicable laws and regulations, the Internal Audit Department reports to the Board Audit Committee.

The internal audit department has an advisory role. It is an independent function, providing objective assurance that is designed to add value and improve company operations. The internal audit department helps the company achieve its objectives by providing a structured and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

This department protects the rights of stakeholders by evaluating the adequacy of the internal control system, recommending improvements in controls, and assessing compliance with sound policies, procedures and practices. It also checks whether the results are in line with the set objectives and whether the operations are being implemented as planned.

Independence is necessary for the effectiveness of the internal audit function. The chief internal auditor (CIA) reports to the audit committee and the Board of Directors while carrying out the tasks and responsibilities assigned to the department. The CIA meets with the audit committee of the Board of Directors on a regular basis to report the plans and results of the audit activity and provide any other required information. In the event that matters of immediate importance arise, the internal audit manager has direct access to the Board.

Rule VI: Promote Code of Conduct and Ethical Standards

Professional Conduct and Values

The company's code of conduct defines the principles and ethics that govern the company's operations, and confirms its commitment to those principles and standards. For this reason, the company affirms that this document is of utmost importance. It acts as strategic communication that effectively conveys the company's commitment to acting responsibly and accepting accountability for doing so.

The company's code of conduct is available on the website to increase the confidence of shareholders and stakeholders through the transparency of the company's rules and operations. This code provides a reliable source for insight into the positions of the Board and Executive Management on ethics and compliance by stakeholders.

The code of conduct ensures that all parties have a clear understanding of the company's mission, values, and guiding principles, provides employees with a framework for the rules, from an organizational and law enforcement standpoint and how to act in different situations and to help promote an honest and responsible work environment. Each section of the code of conduct has a specific purpose to develop the desired company culture.

The company's Executive Management and employees are required to comply with the company's code of conduct and ethics. The purpose of the company's code of conduct and ethics is to prevent violations, promote ethical behavior and ensure to the maximum extent possible that the company's business is conducted in a legal and ethical manner.

The code of conduct aims to cover the requirements of business ethics for Executive Management as stipulated in the relevant rules, laws, and standards. The role of the company's employees is not only to adhere to the laws, regulations, and systems in force, but they also have a commitment to promote professional behavior.

The members of the Board of Directors have adopted the Board's code of conduct in order to perform their duties towards the company according to the highest ethical standards. The Board of Directors is responsible for continuously enhancing the performance by directing and supervising the affairs of the company through effective risk assessment and management; the Board also determines the values and standards of the company and ensures that its obligations towards shareholders and other stakeholders are understood and fulfilled.

The Board acts in good faith, exercises the powers, and fulfills the duties of their positions at all times. Each member of the Board has a duty to act in the interest of the company. Members of the Board and Executive Management must exercise caution to avoid placing themselves in a situation where there is an actual or potential conflict between their duty towards the company and their personal interests.

The code aims to help foster a culture of honesty and responsibility. These standards also aim to provide guidance to members in compliance with applicable laws and regulations.

The Board approved the Human Rights policy through which Zain confirms its commitment to respect and actively encourage upholding human rights principles at the Group, its operating companies, and its supply chain.

The company maintains a code of business conduct for the Board, in addition to the employee code of conduct that is applicable to all departments and management levels. The company has also developed internal policies and charters conforming to the laws and regulations.

The code is based on applicable laws and regulations and international standards and aims to enable employees to deal with the ethical dilemmas they face on a daily basis. The purpose of this code is to define the expected behavior of all employees and the consequences in case of incompliance. Board members are expected to issue sound judgments in all matters to ensure that the interests of customers, employees and other stakeholders are protected and to maintain a positive work environment characterized by cooperation and efficiency.

The Board, Executive Management and all employees are bound by the code of business conduct while assuming the tasks and responsibilities assigned to them, and that includes dealing honestly and impartially, maintaining the confidentiality of information and allocating sufficient time to assume specific responsibilities.

Conflict of Interest

Zain's governance framework includes a set of policies aimed at protecting the rights of shareholders and other stakeholders. This framework includes the conflict of interest policy that aims to define employee actions when there is a potential conflict between their personal interests and the company's interests. The policy also sets limits for employees where possible conflicts may arise.

Each member of the Board and Executive Management is obligated to disclose any known or potential conflict of interest as soon as it arises. When a potential conflict of interest arises, the Board of Directors collects relevant information and may question any interested parties. If the Board of Directors determines the existence of a conflict, steps are taken to address it, in the absence of a conflict, the investigation is documented.

When an actual conflict of interest is found, any transactions that may have been affected are reviewed retrospectively. Affected parties inside and outside the company are notified, including shareholders, directors, employees, and regulatory bodies. An investigation is conducted by the Board of Directors to determine the extent of the dispute and the intentions of the parties involved.

If the dispute in question concerns a member or members of the Board, that member is excused from the relevant discussions. The Board has the power to determine the appropriate and necessary disciplinary action, including suspension and / or termination of employment.

The company's conflict of interest policy contains the duties and responsibilities of members of the Board, Executive Management, and employees in this regard. The policy is based on a number of principles such as protecting the rights of stakeholders and maximizing shareholders value. It emphasizes maintaining the confidentiality of transactions and information issued by the Board.

Each member of the Board and the Executive Management is responsible for disclosing to the Board any cases that might result in a conflict between their interests and the interests of the company. These cases are handled in an appropriate and timely manner in accordance with the relevant regulatory requirements.

The policy ensures that a Board member shall not participate in discussing or voting on items if he/she has a direct or indirect interest in the matter. The policy contains the necessary materials to ensure the disclosure of cases of conflict of interest and specifies procedures to address them by the Board member.

This policy applies to the company, the Board, and the Executive Management, in a manner that ensures compliance with the rules and standards of professional conduct of the company. All company employees are obliged to implement the values of this policy and the regulations of the Capital Markets Authority and other relevant laws and regulations.

Sanctions Policy

Zain Group has developed the Sanctions policy in line with the applicable Sanctions Laws and Regulations.

This policy summarizes preventive actions imposed by sanctions authorities which control the ability of the company to undertake any activity in certain high-risk territories or with sanctioned persons.

This policy also outlines the restrictions and protective measures to be consistently followed by each Employee of the company. The company is committed to complying with Sanctions Laws and Regulations in all jurisdictions of its operations. This is in alignment with the company's strategy, which sets the company's vision to be recognized as the most trusted network provider.

This policy covers the implications associated with non-compliance with the sanctions laws and regulations, as well as the reporting process of such violations.

Rule VII: Ensure Timely and High-Quality Disclosure and Transparency

Disclosure mechanisms and characteristics

The corporate governance framework includes a disclosure policy through which it ensures accurate and timely disclosure of all material information, including financial position, performance, ownership and corporate governance.

The corporate governance principles issued by the Capital Markets Authority support the timely disclosure of all material developments that arise between the required reports. They also support the simultaneous reporting of information required for all shareholders and other stakeholders in order to ensure fair treatment. The policy aims to ensure that the company abides by the rules, laws and instructions issued by the Capital Markets Authority and other relevant regulatory authorities.

In the context of maintaining close relations with investors and market participants, the company confirms its commitment to basic principles of fair treatment. The company adopts the CMA's definition of material information as information that could affect economic decisions taken by stakeholders, the knowledge of which is not available to the public, and it has an impact on the company's assets, financial position or the general course of its business, and it may lead to a change in the price or trading volume of the share.. A strong disclosure system that promotes true transparency is a central feature of oversight, and it is fundamental to the ability of shareholders to exercise their rights.

Disclosure can also be a powerful tool for influencing corporate behavior and protecting investors and other stakeholders. A strong disclosure system helps attract capital and maintain confidence in the markets. Shareholders and potential investors need access to regular, reliable, and comparable information in sufficient detail for them to evaluate performance of the company, the Board and management.

Disclosure also helps improve the general understanding of the company's structure, activities, policies and performance in relation to environmental and ethical standards and its relationship with the societies in which it operates. The company's policies are based on CMA guidelines and other applicable laws as well as the OECD guidelines.

The company aims, through its disclosures, to ensure that the stakeholders understand and are aware of the nature of the company's operations, the future direction and other essential developments and information resulting from its daily operations.

The company's disclosure policy sets out the methods for disclosing financial and non-financial information that may affect the share price, performance and ownership.

The company is committed to providing accurate disclosures of all material information, while ensuring fairness and equality of access to such information. The Board 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.

Disclosures record for the Board of Directors and the Executive Management

The company maintains a record that includes all the disclosures of Board members and Executive Management. The company is committed to updating this record according to the disclosures issued to ensure accuracy.

The company also maintains a record that includes the disclosures of the insiders. The information and disclosures are kept within the internal electronic library that facilitates the availability of information to the concerned parties at the appropriate time.

The official website of the company contains a record that includes all the company's disclosures to the market that date back to more than 10 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, Boursa Kuwait website, 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 10 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. Moreover, the company is registered on the CMA Online Portal through which the corporate governance and compliance team is in touch with the CMA to submit reports, material information and various inquiries.
- 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.

In light of the repercussions of COVID-19, the company, through the Investor Relations Department, did the following:

- The Ordinary General Assembly meeting for the year 2019 was held on March 19, 2020 in such exceptional circumstances. Shareholders were able to participate in the meeting without their attendance through online communication.
- Transferring the profits of the company's shareholders for the year 2019 directly to their accounts, in cooperation with the Kuwait Clearing Company and the banks with which the electronic profit transfer service is signed.
- A dedicated team was formed to respond to the inquiries of the company's shareholders, in order to clarify any questions regarding the effect of COVID-19.
- The company disclosed the impact of Covid 19 with the disclosure of the financial statements for the first and second quarter of 2020, according to the request of the Capital Markets Authority.
- The Investor Relations Department has been keen to remain present during this pandemic, in response to the wishes of the current and potential shareholders of the company.

Rule VIII: Respect the Rights of Shareholders

Summary of shareholders' meetings during the last three years

	Special AGM	EGM	AGM for the year ending on 31/12/2017	AGM for the year ending on 31/12/2018	AGM for the year ending on 31/12/2019
Date of BOD meeting	Held as per the request of shareholders owning more than 10% of capital	7/2/2018	7/2/2018	13/2/2019	12/2/2020
Date and time of the General Shareholders Meetings	12/2/2018 11:30 a.m.	15/3/2018 11:30 a.m.	28/3/2018 11:30 a.m.	20/3/2019 10:00 a.m.	19/3/2020 10:00 a.m.
Venue	Zain HQ – Shuwaikh	Zain HQ – Shuwaikh	Zain HQ – Shuwaikh	Zain HQ – Shuwaikh	Zain HQ – Shuwaikh and online access
Percentage of Shareholders in Attendance	84.69%	75.01%	74.97%	73.91%	69.95%

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 Board of Directors, Executive Management 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 Boursa.
- 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 profit's 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, 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 and the external auditor. The Board or the external auditor shall answer the questions to the extent that they do not jeopardize the interests of the company.

Among the most prominent efforts of the company in this regard is holding its annual general assembly in light of the exceptional circumstances that the world witnessed during the year 2020. The company followed the recommendations and guidelines of the Ministry of Health, in order to ensure that it fulfills its obligations towards its shareholders.

Zain Group transmitted its AGM via live broadcast (online via video) in both Arabic and English, to its shareholders, who could not attend due to the difficult circumstances of the COVID-19 pandemic.

As the first company in Kuwait to provide livestreaming of its AGM, Zain hopes that other listed entities follow suit, to fulfill their obligations towards shareholders considering these current conditions.

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

Within its governance framework, the company has directed its attention towards the stakeholder-oriented model, as it has become more important in light of the COVID-19 pandemic with matters related to the health of different stakeholders such as employees, customers and communities.

The health crisis has caused a radical change in the form in which business is conducted, so the company has imposed health measures by developing new temporary policies to protect stakeholders, such as safety measures for employees and customers, and for societies in general. These measures are part of the business framework in which the company operates, and it fully aligns with the interests of all stakeholders including shareholders.

The company aims to maximize shareholder value by providing a productive work environment, providing the best customer experience, and working with reliable suppliers. It also gains community confidence by ensuring a safe work environment, protecting customers, and maintaining the safety of communities.

Stakeholders rights have gained increasing attention in corporate governance recently since the separation between ownership and control began in companies. The OECD Corporate Governance Principles emphasize that the corporate governance framework must recognize the rights of stakeholders stipulated by law or through mutual agreements. Therefore, to encourage active cooperation between companies and stakeholders in creating wealth, jobs and the sustainability of sound financial institutions, and as part of the company's corporate governance framework, the Stakeholder Protection Policy has been developed with the aim of ensuring that the rights of stakeholders are respected as stipulated in the relevant laws and regulations.

Zain confirms its responsibility towards its shareholders and the stakeholders. The company has identified the primary stakeholders, thus creating a governance system that integrates the needs of stakeholders with the interests of the company.

Accordingly, the company's Board of Directors is responsible for setting standards for protecting the rights of all stakeholders, and updating them whenever appropriate,to clarify changes in the provisions of the law and instructions issued by the regulatory authorities.

The Board of Directors is responsible for monitoring the affairs of the company and protecting the interests of the shareholders and stakeholders, while the Executive Management manages the day-to-day operations. These duties require the members of the Board to put the interests of the company at the forefront of their priorities.

The Board takes decisions to promote and maximize the interests of the company and to ensure compliance with all laws and regulations.

The members of the Board of Directors have the obligation to appoint and maintain an Executive Management with diverse experiences and high efficiency. The right decision-making comes only from a variety of viewpoints, and shareholders and stakeholders have the right to know that the Board and the Executive Management that run the company's operations are highly qualified.

Stakeholder participation and following the company's operations

The Board of Directors has the power to design, evaluate and review the governance and sustainability system on an ongoing basis. The Board specifically approves and updates the company's policies, which contain guidelines governing the behavior of the company and the group's subsidiaries.

The internal bylaws, values, and other company policies express the company's focus on creating sustainable shared value for stakeholders in relation to its activity and business, as stated in the code of conduct.

The company emphasizes that it is not possible to achieve social interest and develop a responsible and sustainable business model without the strong participation of stakeholders, which is defined as those groups and entities whose decisions and opinions affect the group and are also affected by the group's activities.

The company is committed to engaging all stakeholders in the social gains resulting from its activities, which is a sustainable contribution to value, including the advancement of the business communities in which it participates. Zain promotes diversity, equality and inclusiveness, a sense of belonging and justice, encourages innovation and protects the environment and communities by creating good job opportunities that guarantee equal opportunity and non-discrimination as well as leadership in combating climate change.

The company understands the expectations and requirements of stakeholders and takes into account the interests of external and internal parties. The list of stakeholders includes current and potential shareholders, customers, regulators, employees, suppliers, society, competitors and other external parties. The company provides effective and transparent communication methods in a timely manner.

The company is subject to a set of laws, regulations and instructions issued by the relevant regulatory authorities. One of the responsibilities of the Board of Directors is to ensure that the company adheres to these laws, regulations and instructions. Just as the company guarantees protection of the rights of stakeholders, it also expects that all stakeholders will fulfill their obligations that are governed by contracts, laws and regulations issued by the relevant regulatory authorities.

The policy for protecting the rights of stakeholders governs the group's relations with stakeholders in all its activities and operations in order to encourage the participation of stakeholders in the societies in which it operates and to create a sustainable shared value. The company aims to maintain the trust between stakeholders in order to build long-term, stable and strong relationships, and to maintain the company's reputation in the various countries in which it operates.

According to the group's organizational structure, the Executive Management, is responsible for implementing the strategy related to protecting the rights of stakeholders in addition to maintaining direct dialogue with multiple stakeholders.

The company promotes the following basic principles of participation and establishing trusting relationships with stakeholders, as follows:

- Acting responsibly and building relationships based on ethics, integrity and sustainable development.
- Respect for human rights, and the communities affected by the group's various activities.
- Ensuring transparency in relations and communications, and the exchange of information that is accurate.
- Encouraging effective communication, a smooth and constructive direct dialogue.
- Encouraging the participation of stakeholders in all the activities of the company, and enhancing cooperation with stakeholders in order to contribute to compliance with the goals and values of the group and the achievement of development goals.
- Look for continuous improvement, and regularly review stakeholder participation mechanisms to ensure that they respond in the most effective way to the company's needs.

Rule X: Encourage and Enhance Performance

Board Training and Development Plan

Given the level of responsibility that the Board of Directors bears, it is necessary that every member has the skills and abilities he/she needs to fulfill his/her role. The company's internal policies ensure that all Board members receive the guidance, training and continuous support necessary to perform their duties effectively.

To maximize the benefits of training and support, the Board allocates sufficient time to plan how to ensure it is equipped to fulfill its responsibilities, so it is important to be flexible and creative.

The induction program for Board members is one of the most practical ways to ensure that new Board members understand their role, the way the company operates and their relationship with parties inside and outside the company. The Board is keen to make the most of the available time and resources by ensuring that any training is provided in a manner that meets the needs of the Board and its committees.

Board Assessment

Board assessment clarifies individual and group roles, with the goal of being more effective, as improved Board performance translates into better corporate governance.

The areas that can be considered for evaluating the Board and developing its performance are numerous, and in the absence of a global standard for self-evaluation, Zain's Board of Directors has appointed PricewaterhouseCoopers (PwC), an independent third party, to carry out the performance evaluation of the Board, members and committees. Among the most important areas for evaluating the Board are the structure of the Board of Directors, the role of the Board in governance, the Board's operations and its workflow and overseeing the preparation of financial reports and audits.

There are many benefits to Board evaluation, including creating an opportunity for members to reflect on their performance, analyzing and assessing areas of weakness, providing Board members with a tool to measure their effectiveness and competencies, stimulating a learning culture, defining action plans to improve communication for effective decision making, and improving the working relationship between Board committees and the Board. It also helps to determine the Board's training needs to ensure it keeps pace with the latest developments.

Value Creation

More investors see the relationship between the company's performance in the ESG, value creation and risk reduction. There is no doubt that companies that have strong performance in these indicators are more efficient as employee commitment and productivity is higher, and operational and reputation risks are lower.

Environmental, social, and governance factors are increasingly being used by investors looking to assess the sustainability and risk profile of companies. A growing body of research also indicates a positive link between financial performance and strong company policies and practices regarding the environment and social and corporate governance indicators.

Board members play a vital guiding role in assessing the environmental and social impacts of the company as they oversee the risks and the long-term strategy of the company. Board members are also responsible for understanding the potential impact and risks related to environmental, social and governance issues on the company's business. In light of these factors and dedication to protect shareholders' and stakeholders' rights, Zain has strengthened its stances on the environment, society and governance by pursuing long-term sustainable practices.

Rule XI: Focus on the Importance of Corporate Sustainability

Corporate Sustainability (CS) is defined as embedding socio-economic and environmental considerations into business decisions in addition to managing the various internal and external pressures that the organization faces with the aim of creating long-term value for all stakeholders. The Company's CS Department strives to enable the effective implementation of the Company's Business Strategy as defined by its strategic pillars in order to promote the longevity and success of the organization through improved efficiency, transparency, employee development, and positive engagement with external stakeholders such as customers and the general public.

The company developed its Corporate Sustainability Policy to ensure that its Sustainability strategy and direction is embedded across the organization to achieve the Company's targets and goals in a holistic manner. The Corporate Sustainability Policy is an official statement that affirms Zain's commitment to be a leader in the region by addressing key socio-economic and environmental challenges in its markets. The key focus areas highlighted in the policy are an extension of Zain's overall Corporate Sustainability strategy. Such areas include climate change, skill development, youth and women empowerment, sustainable and responsible business practices, providing opportunities for meaningful employment, poverty reduction, and bridging the inequality gap with an emphasis on diversity and inclusion. Zain's focus areas reflect the deficits and challenges identified across its operating markets.

This year, Zain further evolved its policy to ensure Zain's newly established 2020-2025 Corporate Sustainability strategy is embedded and reflected within the policy. Through this revision, the company further enhanced certain aspects related to climate change by ensuring a holistic approach is taken across Zain's business practices to minimize its carbon footprint. Another enhancement established was on the topic of Child Online Safety. The crisis further highlighted the importance of ensuring that children continue to be protected whilst using the internet. Therefore, Zain continued to embed this component in the policy to reflect its commitment to making sure children's rights are protected.

The Company's Efforts in the Field of Social Responsibility

Zain's Response to COVID-19:

Across its operating markets, the company took proactive measures to address the needs and challenges that our communities faced during the crisis. Zain embraced the opportunities that have come along to respond and help our communities recover from the impacts of the pandemic.

The activities listed below exemplify Zain's dedication to ensure it responds to the challenges in our markets of operation.

- For the duration of the lockdown periods, in Bahrain, Iraq, Kuwait, and Saudi Arabia, Zain ensured that there were no disconnections of mobile services due to late payments. Zain also did not increase the price of packages on existing services and provided customers the option to extend payments.
- Zain offered free remote learning and access to educational platforms in Jordan, Bahrain, and Saudi Arabia due to school shutdowns.
- In Bahrain, Jordan and Saudi Arabia, Zain provided free access to emergency healthcare and foreign affair hotlines and websites.
- Across its operating markets, Zain created videos that were shared over its social media channels on how to communicate with people with hearing and visual impairments during the pandemic. In addition, the company shared tips on how to keep tools and equipment that are used by people with disabilities clean and sanitized to prevent them from contracting the virus.
- In Bahrain, the company supported its customers during the lockdown period, by providing all Zain customers an additional allowance of 10 GB free of charge.
- Zain Iraq donated 750 million Iraqi Dinars (US$630,000) in support of the health care sector.
- Under Zain Iraq's SMS campaign, the company sent around 20 text messages to each Zain subscriber. Each text contained accurate health instructions and guidance and was disseminated in a timely manner. The total number of SMS exceeded 100 million messages.
- Zain Jordan offered 6,000 free lines to people returning to the Kingdom that were subjected to precautionary quarantine. Each line included 200 free calling minutes and a 20GB internet bundle.
- To support the efforts of the Ministry of Social Development in Jordan, Zain and its employees donated 20,000 JDs to the Alkhair Fund. The fund supported 245 underprivileged families and unemployed people who lost their income due to the crisis.

- Zain Kuwait offered smartphone charging stations at Kuwait International Airport to facilitate communication between returning Kuwaitis and their families. The initiative supported the country's tremendous efforts in the fight against the spread of COVID-19 in Kuwait.
- Zain Kuwait supported the National Counselling Program for COVID-19 (Corona Care Kw), a volunteer program that offers a free online interactive platform for mental health support to the Kuwaiti community.
- In Saudi Arabia, Zain zero-rated all the Ministry of Health and Ministry of Information websites, as well as official educational platforms to enable customers to access important information and services free-of-charge. This service was applicable to all Zain customers across the Kingdom. Around 6.5 million students have subscribed to the service.
- Zain Sudan provided a total of 50,000 liters of sanitizer to hospitals across the country and public places.
- The company provided the Ministry of Health and Emergency Operations Center in South Sudan with 200 free voice minutes and 10 GB data per person working in the center to ease in facilitating their day-to-day work.

Under Zain's newly established Corporate Sustainability strategy 2020-2025, the company established certain programs that help support the achievement of the targets under this strategy.

1. Climate Change: Zain is committed to addressing climate change by setting targets to measure and strategically implement methods to reduce emissions and minimize waste consumption while spreading awareness.

- Zain continued its membership with the Carbon Disclosure Project to formalize its assessment and disclosure on climate change action. This year, the company received a 'B' scoring where Zain was amongst the 35% of companies to reach management level in the industry which is categorized as companies that are taking coordinated action on climate issues. In Bahrain, Zain partnered the 'Aswat Podcast Platform' to support 3 episodes on climate change. The topics included in the segments were eco education, climate change in the Middle East and the impact of indoor pollution. Zain promoted the podcast through their social media channels where the post averaged at 23,000 views. The podcast had more than 1,000 listeners across all three episodes.
- Pre-crisis, Zain Bahrain continued to promote education around e-waste in schools. In January, this year Zain Bahrain was able to provide lectures to 150 students. This activity was halted due to schools' lockdowns and will resume when schools are reopened.
- Across all its operating markets, Zain launched a social media post for Earth Day to raise awareness on the importance of taking care of the planet. In addition, a group wide post was also launched on Earth Hour to encourage people to all come together to switch off all the lights for a full hour. In specific, Zain Kuwait turned off all the lights in the headquarter buildings to take a stance on raising awareness on climate change in the State of Kuwait.
- Zain Jordan joined one of the world's biggest survey of public opinion on climate change under Mission 1.5 which is an interactive game that aims to give 20 million people around the world the opportunity to have their say on ways to limit climate change. The campaign was led by the United Nations Development Program (UNDP). 1,000 Zain employees participated in this survey.

2. Social Business: Zain aims to empower marginalized and disadvantaged communities by providing access to Broadband Connectivity to create social and financial value. This is achieved through ensuring inclusive access to connectivity, digitalization of Zain's core products and services, and the development of digital verticals.

- To improve broadband and network coverage in disadvantaged areas, Zain Iraq aimed to enhance a total of 18 sites in rural areas. Under the Communication and Media Commission (CMC), Zain has 4 sites that are currently under civil construction and acquired 14 sites in the West Southern Region of the country. Zain's emphasis on ensuring it has a greater presence in this identified area is to support the area's rural communities by enhancing its access to connectivity.

- In Bahrain, Zain launched a service called Zain Delight that targets the blue-collar and humble expats segments in the kingdom. This package uses data analytics to better understand customer's behavior to then be able to provide personalized offers at affordable prices. Examples of the offers include unlimited used of YouTube and Facebook for 200 fils per day.
- Zain Jordan continued to provide free WiFi connectivity in Jerash Refugee Camp. This was launched in 2017 in parentship with Banaat Connect which is an organization that aims to empower refugee women to attain meaningful jobs and steady source of income. Up to date, 1191 women benefited from the free WiFi connectivity.

3. Inclusion: Zain continues to provide equal opportunities for a better future that is accessible to all with a focus on women, the elderly community, people with disabilities, marginalized, rural and disadvantaged communities.

- Launched in 2019, Basma Line+ in Jordan is a mobile bundle package that targets the deaf/hearing impaired community. This package was launched to address the challenges this community faces related to accessibility and was designed to address their specific needs. The Basma Line+ bundle includes 3,000 minutes of video calls, 12 GBs of cellular data, 60 local minutes, and 2,000 minutes of voices calls made within Zain's network. Offered at a discounted rate, there are 353 people from the deaf/hearing impaired community subscribing to the service.
- In 2020, Zain Bahrain continued its Girls Tech Camp, an initiative that was first established in 2019 in partnership with the Supreme Council for Women and Clever Play. The Girls Tech Camp is an online and offline STEAM education platform which teaches girls, aged 8-14, skills on coding, computational thinking, design, computer science and soft skills such as public speaking, presentation and teamwork. 725 girls were trained throughout the year.
- On International Day of People with Disabilities (PWDs), December 3, Zain Iraq collaborated with Iraqi Alliance Disability (IAD) and hosted a webinar that focused on raising awareness to shed light on the challenges PwDs face and how people without disabilities can support them. Topics that were included are disability etiquette, awareness on community and family support, and provided success stories of employees with disabilities at Zain.
- In November 2020, Zain collaborated with the GSMA's Mobile for Development Assistive Technologies team and held a two-day groupwide online workshop to better understand how to design products and services for people with disabilities. Around 70 employees from Zain's operations participated and created a customer journey map to identify challenges faced by persons with disabilities through case studies.

4. Generation Youth: Zain aims to empower 16 million children and youth across its footprint by building, creating and supporting children and youth with an emphasis on child online safety, digital literacy and mental health and well-being.

- The company continued to provide the Zain Kids application in six markets. Efforts to scale the application to additional markets coupled with the impact of the pandemic resulted in 319,578 children subscribing to the application which is a 298% increase in the number of subscribers in comparison to 2019.
- In 2020, Zain established a three-year partnership with UNICEF by signing a memorandum of understanding (MoU) to work towards the advancement of the rights of children in the region. This partnership was created to support Zain's target to reach 16 million children and youth across its operating markets by 2025
- Established in 2008, Zain launched its first Mobile Training Center in 2008 and throughout the years established a total of 6 training centers across different locations in Jordan. The training centers aims to address the need for mobile equipment maintenance services while simultaneously providing underprivileged youth and marginalized communities with training and access to job opportunities. Since 2008, around 1,000 students have received access to mobile training, averaging between 240 to 320 students graduating yearly.

03 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 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in 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 2020, 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 Code of Ethics for Professional Accountants (including International Independence Standards) (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 of the consolidated financial statements, which describes the uncertainty related to the outcome of claims against the Group's 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.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Revenue recognition The Group has recognized revenue from telecom services amounting to KD 1,626.885 million for the year ended 31 December 2020. There is an inherent risk around telecom services revenue recognition because of the complexity of the related Information Technology ("IT") environment, the processing of large volumes of data through a number of different IT systems and the combination of different products and prices. Due to the complexities and dependencies on different IT systems 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 2.4.15 and the related disclosures are made in note 19 and note 25 to the consolidated financial statements.	**Our audit procedures included:** • An understanding of the significant revenue processes and identifying the relevant controls, IT systems, interfaces and reports; • An evaluation of the relevant IT systems, with the assistance of our internal IT specialists, and the design and implementation of internal controls related to revenue recognition. • Testing the operating effectiveness of controls over the 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. • Verifying key reconciliations performed by the Group's Revenue Assurance team, including testing end to end reconciliation from business support systems to billing and rating systems to the general ledger, this testing includes validation of material journals processed between billing systems and general ledger. • Testing a sample of subscribers invoices back to the cash receipts. • Performing tests on the accuracy of subscribers bill generation on a sample basis. We also assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs.
Impairment of Goodwill As at 31 December 2020, goodwill is carried at KD 605.462 million which represents 12.3% of the total assets. The impairment test of goodwill performed by 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 telecommunications 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 set out in note 2.4.8 and related disclosures are made in note 12 to the consolidated financial statements.	We evaluated the design and implementation of controls over the impairment assessment process. With the support of our internal 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 against the requirements of IFRSs.

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 2020. 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 2020 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.

- 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, actions taken to eliminate threats or safeguards applied.

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 year 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 2020 that might have had a material effect on the business of the Company or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2020, that might have had a material effect on the business of the Company or on its consolidated financial position.

Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche - Al-Wazzan & Co.

Kuwait
23 February 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - AS AT 31 DECEMBER 2020

		2020	2019
ASSETS	**Note(s)**	**KD '000**	
Current assets			
Cash and bank balances	4	393,060	296,985
Trade and other receivables	5	579,286	555,398
Contract assets	19.2	55,805	66,889
Inventories	6	51,102	48,513
Investment securities at fair value through profit or loss	7	9,785	8,540
Assets of disposal group classified as held for sale	8	6,917	17,611
		1,095,955	993,936
Non-current assets			
Contract assets	19.2	36,624	28,134
Investment securities at FVOCI	7	5,325	6,360
Investments in associates and joint venture	9	76,137	72,612
Other non-current assets	11,12	47,113	64,669
Right of use of assets	10	169,292	181,052
Property and equipment	11	1,313,582	1,229,291
Intangible assets and goodwill	12	2,167,536	2,160,039
		3,815,609	3,742,157
Total Assets		**4,911,564**	**4,736,093**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	990,763	857,512
Deferred revenue	19.2	95,828	98,495
Liabilities of disposal group classified as held for sale	8	1,316	5,397
Income tax payables	14	20,530	61,775
Due to banks	15	176,546	180,274
Lease liabilities	16	38,410	42,795
		1,323,393	1,246,248
Non-current liabilities			
Due to banks	15	1,019,830	1,218,450
Lease liabilities	16	143,718	144,278
Other non-current liabilities	17	490,079	448,518
		1,653,627	1,811,246
Equity			
Attributable to the Company's shareholders			
Share capital	18	432,706	432,706
Share premium		1,707,164	1,707,164
Legal reserve	18	216,354	216,354
Foreign currency translation reserve	18	(1,390,619)	(1,371,841)
Investment fair valuation reserve		(3,966)	(1,088)
Other reserves	18	(5,383)	(3,044)
Retained earnings		359,180	318,509
		1,315,436	1,298,760
Non-controlling interests	26	619,108	379,839
Total equity		**1,934,544**	**1,678,599**
Total Liabilities and Equity		**4,911,564**	**4,736,093**

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 2020

	Note(s)	2020	2019
		KD '000	
Revenue	19.1	1,626,885	1,660,890
Cost of sales		(447,765)	(459,135)
Operating and administrative expenses	20.a	(467,056)	(434,436)
Depreciation and amortization	10,11,12	(360,723)	(375,954)
Expected credit loss on financial assets (ECL)		(38,696)	(38,886)
Interest income		4,102	7,098
Investment income	21	2,021	1,007
Share of results of associates and joint venture	9	766	2,762
Other income	20.b	3,056	38,955
Gain on sale and lease back transactions	8	6,205	-
Gain on modification of financial liabilities	15	11,128	-
Finance costs		(88,361)	(110,723)
Loss from currency revaluation		(14,443)	(13,058)
Net monetary gain	33	5,163	5,074
Profit before contribution to KFAS, NLST, Zakat, income taxes and Board of Directors' remuneration		**242,282**	**283,594**
Contribution to Kuwait Foundation for Advancement of Sciences		(1,862)	(2,200)
National Labour Support Tax and Zakat	22	(8,672)	(7,082)
Income tax expenses and other levies	23	(23,106)	(25,253)
Board of Directors' remuneration		(435)	(510)
Profit for the year		**208,207**	**248,549**
Attributable to:			
Shareholders of the Company		185,150	216,928
Non-controlling interests		23,057	31,621
		208,207	**248,549**
Earnings per share (EPS)			
Basic and diluted – Fils	24	43	50

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2020

	2020	2019
	KD '000	
PROFIT FOR THE YEAR	**208,207**	**248,549**
Other comprehensive income:		
Other comprehensive income items that may be transferred or reclassified to consolidated statement of profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(19,144)	(5,029)
Other reserves	(6,368)	(8,206)
Other comprehensive income for the year	**182,695**	**235,314**
Items that will not be reclassified to consolidated statement of profit or loss:		
Changes in the fair value of equity investments at FVOCI	(2,878)	(1,952)
Total comprehensive income for the year	**179,817**	**233,362**
Attributable to:		
Shareholders of the Company	161,155	207,113
Non-controlling interests	18,662	26,249
	179,817	**233,362**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2020

EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS

	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	INVESTMENT FAIR VALUATION RESERVE	OTHER RESERVES	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	KD '000				KD '000				
Balance at 31 December 2019	432,706	1,707,164	216,354	(1,371,841)	(1,088)	(3,044)	318,509	379,839	1,678,599
Profit for the year	-	-	-	-	-	-	185,150	23,057	208,207
Other comprehensive income for the year	-	-	-	(18,778)	(2,878)	(2,339)	-	(4,395)	(28,390)
Total comprehensive income for the year	**-**	**-**	**-**	**(18,778)**	(2,878)	(2,339)	185,150	18,662	179,817
Rights issue by a subsidiary (note 3)	-	-	-	-	-	-	(1,686)	226,568	224,882
Cash dividends (2019) (note 18)	-	-	-	-	-	-	(142,793)	-	(142,793)
Cash dividends to minority shareholders of subsidiaries (2019)	-	-	-	-	-	-	-	(5,961)	(5,961)
Balance at 31 December 2020	432,706	1,707,164	216,354	(1,390,619)	(3,966)	(5,383)	359,180	619,108	1,934,544
Balance at 31 December 2018	432,706	1,707,164	216,353	(1,367,018)	864	(4)	287,143	366,070	1,643,278
Adjustment on purchase price allocation	-	-	-	-	-	-	-	20,722	20,722
Balance at 31 December 2018 (restated)	432,706	1,707,164	216,353	(1,367,018)	864	(4)	287,143	386,792	1,664,000
Transition adjustment on adoption of IFRS 16 at 1 January 2019	-	-	-	-	-	-	(21,282)	(17,456)	(38,738)
Transition adjustment on adoption of IFRIC 23 at 1 January 2019	-	-	-	-	-	-	(34,279)	(10,861)	(45,140)
Balance as at 1 January 2019 (restated)	432,706	1,707,164	216,353	(1,367,018)	864	(4)	231,582	358,475	1,580,122
Profit for the year	-	-	-	-	-	-	216,928	31,621	248,549
Other comprehensive income for the year	-	-	-	(4,823)	(1,952)	(3,040)	-	(5,372)	(15,187)
Total comprehensive income for the year	**-**	**-**	**-**	**(4,823)**	(1,952)	(3,040)	216,928	26,249	233,362
On business combinations	-	-	-	-	-	-	(188)	188	-
Transfer to reserves	-	-	1	-	-	-	(1)	-	-
Cash dividends (2018) (note 18)	-	-	-	-	-	-	(129,812)	-	(129,812)
Cash dividends to minority shareholders of subsidiaries (2018)	-	-	-	-	-	-	-	(5,073)	(5,073)
Balance at 31 December 2019	432,706	1,707,164	216,354	(1,371,841)	(1,088)	(3,044)	318,509	379,839	1,678,599

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

CONSOLIDATED STATEMENT OF CASH FLOWS - YEAR ENDED 31 DECEMBER 2020

	Note(s)	2020 KD '000	2019 KD '000
Cash flows from operating activities			
Profit for the year before income tax, KFAS, NLST, and Zakat		241,847	283,084
Adjustments for:			
Depreciation and amortization	10,11,12	360,723	375,954
ECL on financial assets		38,696	38,886
Interest income		(4,102)	(7,098)
Investment income	21	(2,021)	(1,007)
Share of results of associates and joint venture	9	(766)	(2,762)
Other income	20.b	-	(38,955)
Gain on sale and lease back transactions	8	(6,205)	-
Gain on modification of financial liabilities	15	(11,128)	-
Finance costs		88,361	110,723
Loss from currency revaluation		14,443	13,058
Net monetary gain	33	(5,163)	(5,074)
Loss on sale of property and equipment		296	1,400
Cash flows from operating activities before working capital changes		714,981	768,209
Increase in trade and other receivables		(79,568)	(99,916)
Increase in inventories		(2,610)	(243)
Increase in trade and other payables and deferred revenue		45,743	4,495
Cash generated from operations		678,546	672,545
Payments:			
Income tax		(42,214)	(16,614)
Kuwait Foundation for Advancement of Sciences (KFAS)		(674)	(771)
National Labour Support Tax and Zakat		(16,770)	(3,349)
Net cash from operating activities		618,888	651,811
Cash flows from investing activities			
Deposits maturing after three months and cash at banks under lien	4	6,754	(28,568)
Proceeds from sale of investment securities		1,772	7,916
Investments in securities		(2,813)	(325)
Investment in associate		(823)	-
Acquisition of property and equipment (net)		(273,470)	(282,799)
Acquisition of intangible assets (net)		(33,066)	(33,417)
Proceeds from sale of telecom assets (sale and lease back)	8	21,797	-
Net cash on acquisition of subsidiaries		-	(11,703)
Interest received		3,484	5,749
Dividends received		123	383
Net cash used in investing activities		(276,242)	(342,764)
Cash flows from financing activities			
Proceeds from bank borrowings	15	261,335	540,727
Repayment of bank borrowings	15	(454,500)	(587,387)
Repayment of lease liabilities		(53,347)	(59,114)
Dividends paid to Company's shareholders		(132,799)	(129,705)
Dividends paid to minority shareholders of subsidiaries		(6,011)	(5,047)
Non- controlling interest - rights issue by a subsidiary		226,185	-
Finance costs paid		(77,268)	(112,438)
Net cash used in financing activities		(236,405)	(352,964)
Net increase/ (decrease) in cash and cash equivalents		106,241	(43,917)
Effects of exchange rate changes on cash and cash equivalents		(3,412)	418
Cash and cash equivalents at beginning of year		260,737	304,236
Cash and cash equivalents at end of year	4	363,566	260,737

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2020

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 7 other countries (31 December 2019 - 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 ("Parent Company").

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Company on 23 February 2021 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 other comprehensive income" and "derivative financial instruments". These consolidated financial statements have been presented in Kuwaiti Dinars (KD), rounded to the nearest thousand.

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

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could 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 2020.

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.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.2 Changes in accounting policy

As permitted by IFRS 9, the Group has elected to transition to applying the hedge accounting requirements of IFRS 9 effective 1 July 2020. On transition to IFRS 9 in 2018, the Group had elected to continue to apply the hedge accounting requirements of IAS 39.

The IFRS 9 general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for 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 replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The Group's qualifying hedging relationships in place as at 1 July 2020 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on transition. As the critical terms of the hedging instruments match those of their corresponding hedged item, the hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

The application of the IFRS 9 hedge accounting requirements has had no significant impact on the results and financial position of the Group for the current and/or prior years.

Group's accounting policy under hedge accounting requirements of IFRS 9 is described in Note 2.4.3.

2.3 New and revised accounting standards

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.

2.3.1. Effective for the current year

The Group has applied the following new and revised IFRS Standards that have been issued and effective:

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group has floating rate debt, linked to LIBOR, which it cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.
- The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are presented in notes 29 and 30.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

The application of these amendments did not have a significant impact on the Group's consolidated financial statements, since there were no material rent concession from lessors during the year.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

AMENDMENTS TO REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS STANDARDS

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework.

The Standards which are amended are 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.

AMENDMENTS TO IFRS 3 DEFINITION OF A BUSINESS

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

AMENDMENTS TO IAS 1 AND IAS 8 DEFINITION OF MATERIAL

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

2.3.2. Standards issued but not effective

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

New and revised IFRSs	Effective date
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	The effective date is yet to be set. Earlier application is permitted.
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	
The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.	
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.	The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	
Amendments to IFRS 3 – Reference to the Conceptual Framework The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references.
Amendments to IAS 16 – Property, Plant and Equipment-Proceeds before Intended Use	1 January 2022, with early application permitted.
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.	
The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.	

New and revised IFRSs	Effective date
If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.	
The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.	
The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	
Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022, with early application permitted.
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	
The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	
Annual Improvements to IFRS Standards 2018–2020	
The Annual Improvements include amendments to four Standards.	
IFRS 1 First-time Adoption of International Financial Reporting Standards	1 January 2022, with early application permitted.
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).	
IFRS 9 Financial Instruments	1 January 2022, with early application permitted.
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.	
IFRS 16 Leases	No effective date is stated.
The amendment removes the illustration of the reimbursement of leasehold improvements.	

New and revised IFRSs	Effective date
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021
The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: – changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and – hedge accounting.	
Change in basis for determining cash flows	
The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. The disclosures on Group's exposure to IBOR reforms are presented in note 29.	
Hedge accounting	
The amendments provide exceptions to the hedge accounting requirements in the following areas. - Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. – When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined. - When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged. - If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.	
At 31 December 2020, the Group has cash flow hedges of US$ LIBOR risk. The Group expects that indexation of the hedged items and hedging instruments to US$ LIBOR will be replaced with Secured Overnight Financing Rate (SOFR). Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively, based on SOFR. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to SOFR. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of IBOR transition.	
The management does not expect the adoption of the Standards and Interpretations listed above to have a material impact on the consolidated financial statements of the Group in future periods.	

2.4 Significant accounting policies

2.4.1. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date (see below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4.2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to 31 December each year. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

2.4.3. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

CLASSIFICATION OF FINANCIAL ASSETS

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

AMORTISED COST AND EFFECTIVE INTEREST RATE METHOD

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "interest income" line item.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) 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.

(ii) Definition of default

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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

FINANCIAL LIABILITIES

Financial liabilities measured subsequently at amortised cost

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments and hedging activities

The Group enters into derivative financial instruments to manage its exposure to interest rate. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset.

HEDGE ACCOUNTING

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).

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

FAIR VALUE HEDGES

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to
the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

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.

2.4.4. 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.

2.4.5. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.4.6. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

2.4.7. 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	50
Leasehold improvements	3 - 8
Cellular and other equipment	3 - 20
Furniture and fixtures	3 - 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.

2.4.8. Intangible assets and goodwill

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 12. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination and recognised separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

REACQUIRED RIGHTS

These represents rights which were previously granted to the acquiree to use one or more of the recognized or unrecognized assets of the acquirer, but reacquired as part of a business combination. These reacquired rights are measured on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals of the contract or other binding arrangement in determining its fair value.

A reacquired right is an identifiable intangible asset and is recognized separately from goodwill and are amortised over the remaining contractual period in which the right was granted.

IRUs

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.

DE-RECOGNITION OF INTANGIBLE ASSETS

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

GOODWILL

Goodwill is initially recognised and measured as set out in note 2.4.1 above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. 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 recognised for goodwill is not reversed in a subsequent period.

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 with reference to published quoted prices.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in note 2.4.6 above.

2.4.9. Impairment of property, plant and equipment right-of-use of assets and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use of assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal 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 the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

2.4.10. 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.

2.4.11. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

CURRENT TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

DEFERRED TAX

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

CURRENT TAX AND DEFERRED TAX FOR THE YEAR

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.4.12. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

ONEROUS CONTRACTS

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.4.13. 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.

2.4.14. Leases

THE GROUP AS LESSEE

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Impairment of property, plant and equipment right-of-use of assets and intangible assets excluding goodwill' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

SALE AND LEASEBACK

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of profit or loss, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

2.4.15. 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. The contract's transaction price is allocated to each performance obligation based on their relative stand-alone selling price. This results in reallocation of a portion of revenue from trading revenue to service revenue and correspondingly creation of a contract assets. 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

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.

2.4.16. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.4.17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.4.18. Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.4.19. 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.

2.4.20. Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

2.4.21. Contingencies

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

3. Subsidiaries and Associates/Joint Venture

The principal subsidiaries and associates/joint venture are:

Subsidiary	Country of incorporation	Percentage of ownership	
		2020	2019
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 ("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 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")	Kingdom of Saudi Arabia	37.045%	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	86.7%	86.7%
Associate/Joint Venture			
IHS Kuwait Limited (note 9)	Kuwait	30%	-
Zain Al Ajial 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 – "JMTS". Al Khatem owns 100% of Atheer.

JMTS, 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 (KSA) respectively. MTCL managed the state owned cellular mobile telecommunications network in Lebanon. Mada Jordan provides WiMAX services in Jordan.

Lebanon

The MTCL's Network Management Agreement (NMA) with the Government of Lebanon to manage the state owned cellular mobile telecommunications network was not renewed on its expiry on 31 December 2019. The Group was requested to continue to manage the network for another sixty days from the approval of the above by the Presidency of the Council of Ministers, to facilitate the handover to the Government. The actual handover took place on 1 November 2020. Accordingly, the financial statements of MTCL included in these consolidated financial statements is prepared on other than going concern basis.

SMTC

In July 2018, the Group 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 from that period.

Capital restructuring and rights issue

The Extraordinary General Assembly meetings of SMTC held in October 2020 approved its capital restructuring by first reducing the share capital from SAR 5.837 billion to SAR 4.487 billion through cancellation of issued shares and then increasing it through a rights issue by SAR 4.5 billion to SAR 8.987 billion. The rights issue was completed in November 2020 and the total cash proceeds to SMTC net off share issue cost and conversion of debt amounted to SAR 2.77 billion (equivalent to KD 0.226 billion). This share capital restructuring did not result in any changes to Company's percentage holding in SMTC. After the right issue, SMTC also complied with mandatory prepayment clause under the Murabaha agreement (Refer note 15).

Atheer

In December 2020, the devaluation of the Iraqi Dinar (IQD) against the USD resulted in a reassessment of the Company's functional currency. Management considers the effect of the devaluation provides strong evidence that the functional currency is and was previously USD and not IQD. Previously, the financial statements of Atheer indicated that the functional currency was IQD, however since the IQD was pegged to the USD this resulted in no material impact on the reported figures (refer note 34).

MTCB

In January 2021, the Company purchased additional shares representing 9.6% of share capital of MTCB, increasing Group's effective holding in MTCB to 65%.

Sudan

On 21 February 2021, the Central Bank of Sudan has revised its exchange rate policy from "fixed rate" to "flexible managed floating rate". Accordingly, the SDG has devalued from 55 pounds to 375 pounds per US Dollar as on that date. The Company is in the process of determining its impact. Refer note 25 for the net assets of the operation.

Financial support to Group companies

The Group has committed to provide working capital or other financial support to certain Group entities including Pella, 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:

	2020	2019
	KD '000	
Cash on hand and at banks	313,021	132,576
Short-term deposits with banks	97,923	180,931
Government certificates of deposits held by subsidiaries	89	108
	411,033	313,615
Expected credit loss	(17,973)	(16,630)
	393,060	296,985
Cash at bank under lien	(29,405)	(36,140)
Maturities exceeding three months held by subsidiary	(89)	(108)
	363,566	260,737

5. Trade and Other Receivables

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

	2020	2019
	KD '000	
Trade receivables:		
Customers	306,264	294,906
Distributors	42,282	43,909
Other operators (interconnect)	61,177	48,004
Roaming partners	7,894	10,408
ECL	(193,178)	(164,272)
	224,439	232,955
Other receivables:		
Accrued income	5,399	4,884
Staff	1,468	1,719
Deposits and other receivables	56,714	30,286
Prepayments and advances	138,055	132,126
Others (refer note below)	155,910	155,499
ECL	(2,699)	(2,071)
	354,847	322,443
	579,286	555,398

In 2011, the Group paid US$ 473 million (equivalent to KD 143.762 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 London Arbitration 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 arbitration award in and outside KSA. During the year, the courts in KSA rejected the Company's application to enforce the arbitral award in KSA. The Company has now written to Supreme Judicial Counsel requesting that the matter be referred back to the enforcement court for reconsideration.

In 2010, the Group paid US$ 40 million (equivalent to KD 12.148 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 KSA at the Supreme Commercial Court following the rejection by the Enforcement court.

Both the above 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:

	2020	2019
	KD '000	
Kuwaiti Dinar	59,076	68,424
US Dollar	254,657	288,542
Bahraini Dinar	11,360	12,588
Sudanese Pound	4,908	5,582
Jordanian Dinar	19,761	21,401
Iraqi Dinar	66,323	40,486
Saudi Riyals	150,458	115,125
Others	12,743	3,250
	579,286	555,398

6. Inventories

	2020	2019
	KD '000	
Handsets and accessories	56,394	53,545
Provision for obsolescence	(5,292)	(5,032)
	51,102	48,513

7. Investment securities

	2020	2019
	KD '000	
Current investments at fair value through profit or loss		
Funds -mandatorily at FVTPL	3,623	4,738
Other funds	6,162	3,802
	9,785	8,540
Non-current investments at fair value through other comprehensive income		
Quoted equities- designated at inception	1,676	1,240
Funds	1,897	2,092
Unquoted equities - designated at inception	1,752	3,028
	5,325	6,360

Investment securities are denominated in the following currencies:

	2020	2019
	KD '000	
Kuwaiti Dinar	5,299	6,321
US Dollar	9,120	8,036
Other currencies	691	543
	15,110	14,900

8. Assets and liabilities of disposal group classified as held for sale

a) In February 2020, the Company completed the sale and lease back of 1,022 telecom towers in Kuwait classified as held for sale for a total sale consideration of US$ 82.012 million (KD 24.981 million). Total gain from this transaction was KD 4.758 million. The Company also assumed a 30% minority shareholding in the newly formed Tower Company (refer note 9).

In October 2020, the Company completed the sale and lease back of additional 140 telecom towers in Kuwait for a total sale consideration of US$ 11.235 million (KD 3.441 million). Total gain from this transaction was KD 1.447 million.

The total consideration received, net of deferred consideration and others, amounted to KD 21.797 million.

Towers sold were leased back for a period of 10 years.

The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity.

b) The carrying value of disposal group held for sale comprises of remaining telecom tower assets amounting to KD 3.060 million (31 December 2019 - KD 7.656 million), right of use of assets amounting to KD 3.857 million (31 December 2019 – KD 9.955 million) and related lease liabilities amounting to KD 1.316 million (31 December 2019 – KD 5.397 million). These are expected to be sold during the year 2021.

9. Investments in associates and joint venture

Investments in associate

This includes the Group's KD 0.216 million (31 December 2019 – Nil) interest in IHS Kuwait Limited which represents 30% of the equity shares and voting rights of the associate. The associate became operational in February 2020 pursuant to the sale and lease back of telecommunication towers transaction with the Company.

The Group's share of loss for the year in the associate amounting to KD 0.440 million has been recognized in the consolidated statement of profit or loss. The carrying value of the associate and its results for the year are determined by Group management using the equity method based on management information provided by IHS Kuwait.

Interest in a joint venture

This represents the Group's KD 73.962 million (31 December 2019 – KD 72.593 million) interest in the joint venture, Zain Al Ajial S.A. which owns 31% of the equity shares and voting rights of Wana Corporate, (a Moroccan joint stock company which is specialized in the telecom sector in that country).

The Group's share of profit for the year in the joint venture amounting to KD 1.369 million (2019 – share of profit of KD 2.762 million) has been recognized in the consolidated statement of profit or loss. The carrying value of this joint venture and its results for the year are determined by Group management using the equity method based on management information provided by Wana Corporate.

10. Right of use of assets

The recognized right-of-use assets relate to the following types of assets:

31 December 2020

	KD '000		
	Land and building	Cellular and other equipment	Total
Balance as of 1 January 2019	168,659	12,393	181,052
Add: Additions	47,419	-	47,419
Less: Amortisation	(45,303)	(5,332)	(50,635)
Less: Retirement	(7,327)	(1,266)	(8,593)
Exchange adjustments	(25)	74	49
Closing balance as at 31 December 2019 (excluding assets of disposal group classified as held for sale)	163,423	5,869	169,292

31 December 2019

	KD '000		
	Land and building	Cellular and other equipment	Total
Balance as of 1 January 2019	163,924	29,852	193,776
Add: Additions	51,488	1,189	52,677
Less: Amortisation	(42,312)	(8,525)	(50,837)
Less: Retirement	(4,266)	(10,042)	(14,308)
Exchange adjustments	(175)	(81)	(256)
Closing balance as at 31 December 2019 (excluding assets of disposal group classified as held for sale)	168,659	12,393	181,052

Land and building comprises mainly of telecommunication sites on lease.

The Group does not have any lease contracts with variable lease payments which are not included in the measurement of the lease liabilities.

The Group's leasing activities and how these are accounted for:

The Group mostly leases indoor and outdoor spaces for installation of its telecommunications sites. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

11. Property and equipment

	Land and buildings and leasehold improvements	Cellular and other equipment	Projects in progress	Total
	KD '000			
Cost				
As at 31 December 2018	**115,571**	**2,579,553**	**133,371**	**2,828,495**
On acquisition of subsidiaries	-	1,209	-	1,209
Additions	1,319	119,660	122,338	243,317
Transfers	836	130,460	(134,779)	(3,483)
disposals/write off	(4,928)	(19,132)	(7,387)	(31,447)
Exchange adjustment	1,318	2,065	734	4,117
As at 31 December 2019	**114,116**	**2,813,815**	**114,277**	**3,042,208**
Additions	606	138,823	172,860	312,289
Transfers	778	127,543	(128,702)	(381)
Disposals/write off	(3,435)	(298)	(1,337)	(5,070)
Exchange adjustments	(38)	(16,075)	(2,412)	(18,525)
As at 31 December 2020	**112,027**	**3,063,808**	**154,686**	**3,330,521**
Accumulated depreciation				
As at 31 December 2018	**51,181**	**1,584,092**	**-**	**1,635,273**
On acquisition of subsidiaries	-	1,153	-	1,153
Charge for the year	3,114	196,584	-	199,698
On disposals	(4,692)	(17,889)	-	(22,581)
Exchange adjustments	185	(811)	-	(626)
As at 31 December 2019	**49,788**	**1,763,129**	**-**	**1,812,917**
Charge for the year	2,806	212,177	-	214,983
On disposals	(3,168)	(954)	-	(4,122)
Exchange adjustment	(65)	(6,774)	-	(6,839)
As at 31 December 2020	**49,361**	**1,967,578**	**-**	**2,016,939**
Net book value				
As at 31 December 2020	**62,666**	**1,096,230**	**154,686**	**1,313,582**
As at 31 December 2019	**64,328**	**1,050,686**	**114,277**	**1,229,291**

Exchange adjustments of 2020 and 2019 includes effect of hyperinflationary restatement of property and equipment in Zain South Sudan based on the respective price index changes.

Other non-current assets include advances of KD 36.844 million (2019: KD 52.586 million) paid related to project in progress.

12. Intangible assets and goodwill

	Goodwill	Licences and spectrum fees	Others	Total
	KD '000			
Cost				
As at 31 December 2018	**621,063**	**2,581,610**	**204,466**	**3,407,139**
Adjustment on Purchase price allocation	(12,193)	-	41,144	28,951
As at 31 December 2018 (Restated)	**608,870**	**2,581,610**	**245,610**	**3,436,090**
On acquisition of subsidiaries	16,623	-	-	16,623
Additions	-	59,340	9,520	68,860
Write off	-	(9,869)	(706)	(10,575)
Exchange adjustments	1,012	(1,831)	417	(402)
As at 31 December 2019	**626,505**	**2,629,250**	**254,841**	**3,510,596**
Additions	-	81,930	21,179	103,109
Transfer	-	162	215	377
Exchange adjustments	(2,349)	2,480	(591)	(460)
As at 31 December 2020	**624,156**	**2,713,822**	**275,644**	**3,613,622**
Accumulated amortization/ Impairment				
As at 31 December 2018	**11,942**	**1,131,958**	**99,972**	**1,243,872**
Charge for the year	-	95,516	23,151	118,667
On Write off	-	(8,444)	(566)	(9,010)
Impairment	6,752	-	-	6,752
Exchange adjustments	-	(989)	(8,735)	(9,724)
As at 31 December 2019	**18,694**	**1,218,041**	**113,822**	**1,350,557**
Charge for the year		75,571	19,534	95,105
Exchange adjustments	-	544	(120)	424
As at 31 December 2020	**18,694**	**1,294,156**	**133,236**	**1,446,086**
Net book value				
As at 31 December 2020	**605,462**	**1,419,666**	**142,408**	**2,167,536**
As at 31 December 2019	**607,811**	**1,411,209**	**141,019**	**2,160,039**

Other non-current assets include advances of KD 2.497 million (2019: KD 2.784 million) paid related to intangible assets.

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:

	2020	2019
	KD '000	
Pella	79,517	79,517
Zain Sudan	20,909	25,488
Atheer	487,889	485,314
SMTC	14,965	14,954
Others	2,182	2,538
	605,462	**607,811**

Goodwill of KD 6.752 million related to Mada Jordan, was impaired during the previous year as a result of technology obsolescence.

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.

The Group determines the recoverable amounts of all CGUs based on value in use other than for SMTC. For SMTC the recoverable amount is determined based on the fair value less cost to sell. The fair value of Group's holding in SMTC is determined with reference to the published quoted prices of SMTC.

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	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. Compounded annual growth in revenue of up to 55.74% (2019: 11%) for Zain Sudan, 11.02% (2019: 9%) for Atheer and 4.11% (2019: 3.32%) for Pella during the projected five year period. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five year period have been extrapolated using a growth rate of upto of 3% (2019: 3%) for Zain Sudan, 3% (2019: 3%) for Atheer and 3% (2019: 3%) for Pella. This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates.
Capital expenditure	The cash flow forecasts for capital expenditure are based on experience and include the ongoing capital expenditure required to continue rolling out networks to deliver target voice and data products and services and meeting license obligations. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets
Discount rate	Discount rates of 19.21% (2019: 19.46%) for Zain Sudan, 11.46% (2019: 11.88%) for Atheer and 8.95% (2019: 9.93%) 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 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.

License and spectrum

	End of amortisation period	2020	2019
		KD '000	
License – SMTC	2047	1,090,880	1,131,918
License – Atheer	2030	114,677	99,856
License – Pella	2021 to 2029	61,774	70,571
Spectrum – SMTC	2032 to 2034	131,799	92,714
Others		20,536	16,150
		1,419,666	1,411,209

Atheer

This includes the license fee paid in 2007 and the 3G license fee paid in 2015 to operate in Iraq for a period upto August 2022.

During the year, the Communication and Media Commission of Iraq ("CMC") renewed Atheer's license for an additional eight years ending on 30 August 2030, and for a license for the operation of fourth generation of broadband cellular network technology (4G) starting from 01 January 2021 for a sum of US$ 233 million (KD: KD 70.576 million), of which US$ 87 million (KD: 26.352 million) is for renewal of existing license. Refer note 28 for details.

Spectrum - SMTC

During the year, SMTC acquired spectrum in the frequency of 2600 & 3500 Mhz for a total amount of SAR 605 million (KD: 48.993 million).

During 2019 SMTC acquired spectrum in the frequency of 2X10 of 800 MHz for a total amount of SAR 840.50 million (equivalent to KD 67.996 million), payable in 14 equal installments of SAR 60 million (equivalent to KD 4.854 million) each starting from 2019.

13. Trade and other payables

	2020	2019
	KD '000	
Trade payables and accruals	736,110	647,754
Due to roaming partners	9,884	9,107
Due to other operators (interconnect)	20,705	10,217
Dues to regulatory authorities (refer below)	97,898	76,758
Taxes payable	62,136	51,632
Dividend payable	24,128	15,760
Provisions	2,763	2,756
Directors' remuneration	435	510
Other payables	36,704	43,018
	990,763	857,512

Dues to regulatory authorities includes amount of SAR 795.542 million (KD 64.423 million) (2019: SAR 906.924 million (KD 73.388 million)) payable by SMTC to Ministry of Finance and US$ 87 million (KD 26 Million) payable by Atheer to CMC for the renewal of existing license.

14. Income tax payables

	2020	2019
	KD '000	
Atheer - Iraq	12,096	54,806
Pella - Jordan	6,020	5,314
Other	2,414	1,655
	20,530	61,775

At Atheer Iraq, income tax assessment orders for the years 2004 to 2011 are contested and are currently under the consideration of Iraq General Commission for Taxes (IGCT) (refer note 28). Income tax assessment for the year 2012 is finalized and the amount paid by Atheer along with tax returns was treated as final assessment by the IGCT. Income tax self-assessment of US$ 33.85 million (KD 10.280 million) for the year 2013 was also treated as final by the IGCT in March 2020. This amount has been already been paid by Atheer.

During May 2020, Atheer received additional income tax claims of US$ 68 million (KD 20.652 million) from IGCT for the years 2014 to 2018. Atheer has agreed to pay the amount in 11 monthly instalments with interest. Atheer has booked the income tax expenses for the year 2019 based on self-assessment, considering most likely outcome. No assessment order has yet been received. Management believes that they have adequate provisions for liabilities in respect of the assessments contested.

15. Due to banks

	2020	2019
	KD '000	
Company		
Short term loans	91,110	80,580
Long term loans	562,873	598,535
	653,983	**679,115**
SMTC		
Long term loans	310,651	542,804
	310,651	**542,804**
Zain Jordan		
Short term loans	-	6,622
Long term loans	28,848	-
	28,848	**6,622**
Atheer		
Bank overdrafts	13,551	-
Long term loans	189,343	168,387
	202,894	**168,387**
Others		
Short term loans	-	1,786
Long term loans	-	10
	-	**1,796**
	1,196,376	**1,398,724**

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

	2020	2019
	KD '000	
Opening balance	1,398,724	1,446,536
Proceeds from bank borrowings	261,335	540,727
Repayment of bank borrowings	(454,500)	(587,387)
Effect of change in foreign exchange rates	(9,183)	(1,152)
	1,196,376	**1,398,724**

The current and non-current amounts are as follows:

	2020	2019
	KD '000	
Current liabilities	176,546	180,274
Non-current liabilities	1,019,830	1,218,450
	1,196,376	**1,398,724**

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

	2020	2019
	KD '000	
US Dollar	878,899	891,013
Kuwaiti Dinar	30,970	50,994
Saudi Riyals	286,507	448,302
Others	-	8,415
	1,196,376	**1,398,724**

The effective interest rate as at 31 December 2020 was 0.855% to 3.50% (2019 – 2.22% to 18%) 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;
- consolidated net borrowings to consolidated net worth (equity);
- equity to total assets.

Company

During the year, the Company has;

- drawn down loans amounting to KD 124.640 million (31 December 2019 - KD 276.689 million) from existing and new facilities. This includes:
  - US$ 300 million (KD 92.22 million) from an existing US$ 700 million revolving credit facility.
  - US$ 100 million (KD 30.74 million) from an existing US$ 100 million revolving credit facility.
- repaid loans amounting to KD 149.344 million (31 December 2019 – KD 317.403 million). This includes:
  - US$ 300 million (KD 91.11 million) of a revolving credit facility amounting to US$ 700 million.
  - US$ 30.769 million (KD 9.344 million) of a long- term loan facility amounting to US$ 200 million.
  - US$ 24.265 million (KD 7.369 million) of a long-term loan facility amounting to US$ 200 million.
  - US$ 21.60 million (KD 6.560 million) of a long- term loan facility amounting to US$ 200 million.
  - KD 20 million of a short-term loan facility amounting to KD 20 million.

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:

1) SAR 1,591 million (KD 128.839 million) (31 December 2019: KD 362.502 million) syndicated murabaha facility availed from a consortium of banks.

   In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the existing Murabaha Facilities and secure additional funding for future capital investment. The existing murabaha facility which was earlier refinanced in June 2018 was for SAR 5,900 million and a working capital facility.

   The Agreement:
   - Includes a Total Term Murabaha Facility of SAR 6,000 million (KD 490.56 million), consisting of SAR 4.880 billion and US$ portion of SAR 1.120 billion (KD 0.098 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (KD 0.285 billion) and balance for future specified business purposes.
   - Includes a revolving working capital facility of SAR 1,000 million (KD 81.76 million) consisting of SAR 813.393 million (KD 66.503 million) and a US$ portion totaling to SAR 186.607 million (KD 15.257 million).
   - Mandated payment of SAR 2.832 billion (KD: 0.229 billion) on successful completion of right issue which can be later drawn down.

The refinancing of existing facility resulted in a gain of SAR 136 million (KD 11.128 million) and was assessed for modification gain or loss separately from the additional funding limits that was availed. Modification gain resulted from the following;

- Reduction of the applicable margin payable over and above the floating SIBOR and LIBOR rate.
- Extension of the loan maturity date to September 2025 from June 2023. The loan is repayable in four equal installment period of 12 months each, starting 24 months after the effective date and ending by 60 months after Effective Date.
- Cash flows under the contingent payment terms, mandatory prepayment in case of successful completion of rights issue and an ability for its subsequent draw down, were assessed on the date of the modification using most likely scenario.

The Murabaha Facility continues to be 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.

A portion of above syndicated loan has been hedged through a profit rate swap contract.

2) SAR 2,245 million (KD 181.812 million) syndicated junior murabaha facility signed in June 2019 from a consortium of banks with a two year tenure with an option to extend for one more year. This facility is fully secured by a guarantee by the Company.

Zain Jordan

Long term loans include:

US$ 95 million (KD 28.848 million) (31 December 2019 – Nil) term loan from a commercial bank that is repayable by 2025.

Atheer

Long term loans include:

1) US$ 95 million (KD 28.852 million) (31 December 2019 – US$ 100 million equivalent to KD 30.29 million) term loan from a commercial bank that is repayable by 17 December 2024.

2) US$ 105 million (KD 31.889 million) (31 December 2019 – US$ 105 million equivalent to KD 31.805 million) term loan from a commercial bank which is repayable by 30 June 2023.

3) US$ 50 million (KD 15.185 million) (31 December 2019 – US$ 50 million equivalent to KD 15.145 million) term loan from a commercial bank repayable by 09 April 2021.

4) US$ 123.454 million (KD 37.493 million) (31 December 2019 – US$ 150.917 million equivalent to KD 45.713 million) term loan from a financial institution repayable by 31 May 2025.

5) US$ 150 million (KD 45.555 million) (31 December 2019 – US$ 150 million equivalent to KD 45.435 million) revolving credit facilities from a commercial bank repayable by 17 December 2022.

6) US$ 100 million (KD 30.37 million) (31 December 2019 – Nil) term loan from a commercial bank repayable by 31 July 2023.

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

16. Lease liabilities

	2020	2019
	KD '000	
Balance as of 1 January	187,073	198,251
Additions	51,600	50,535
Accretion of interest	13,235	13,273
Payments	(53,665)	(56,720)
Retirements	(11,178)	(17,889)
Exchange adjustments	(4,937)	(377)
Closing balance as at 31 December (excluding liabilities of disposal group classified as held for sale)	**182,128**	**187,073**
Current	38,410	42,795
Non-current	143,718	144,278
	182,128	**187,073**

Maturity analysis of lease liability is given in note 29 to the consolidated financial statements.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities was in the range of 3.5% to 21% (2019: 3.5% to 21%).

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

	2020	2019
	KD '000	
Saudi Riyals	112,096	119,456
US Dollar	34,409	34,668
Jordanian dinar	18,619	16,793
Bahraini dinar	9,948	8,498
Kuwaiti Dinar	4,971	5,911
Others	2,085	1,747
	182,128	**187,073**

17. Other non-current liabilities

	2020	2019
	KD '000	
Payable to Ministry of Finance – KSA (refer below)	283,480	289,580
Due for acquisition of spectrum - KSA	112,558	74,664
Customer deposits	3,403	3,763
Post-employment benefits	39,571	34,663
Others	51,067	45,848
	490,079	**448,518**

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due until 2021. These amounts will be repaid in seven installments starting June 2021. The current portion of these payables is recorded under trade and other payables.

18. Share capital and reserves

	2020	2019
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 has to be appropriated towards legal reserve until such time it reaches a minimum of 50% of the share capital (the "threshold"). The Company has not made any transfers to legal reserve during the year as it has reached the 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 (2019 - Nil).

Foreign currency translation reserve

Foreign currency translation reserve mainly represents foreign exchange translation losses arising from Zain Sudan and Zain South Sudan.

Other reserves

Other reserves mainly includes hedge reserves loss amounting to KD 5.688 million (2019- KD 3.336 million).

Dividend – 2019

The annual general meeting of shareholders for the year ended 31 December 2019 held on 19 March 2020 approved distribution of cash dividends of 33 fils per share for the year 2019 (31 December 2018 - 30 fils).

Proposed dividend

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 33 fils per share (2019 - 33 fils per share) to the registered shareholders, after obtaining the necessary regulatory approvals.

19. Revenue

19.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	2020	2019
	KD '000	
Airtime, data and subscription	1,465,918	1,475,028
Trading income	160,967	185,862
	1,626,885	**1,660,890**

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

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

19.2 Contract balances

Contract Assets

	2020	2019
	KD '000	
Assets relating to sale of handsets		
Current and non-current	97,298	98,081
Loss allowance	(4,869)	(3,058)
	92,429	**95,023**

Contract Liabilities

	2020	2019
	KD '000	
Deferred revenue- prepaid customers	95,828	98,495

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. a) Operating and administrative expenses

This includes staff costs of KD 128.552 million (2019 – KD 129.026 million).

b) Other income/(expenses)

Other income for the year 2019 mainly includes reversal of excess accruals amounting to KD 45.3 million.

21. Investment income

	2020	2019
	KD '000	
Gain on investments at fair value through profit or loss	1,897	624
Dividend income	124	383
	2,021	**1,007**

22. National Labour Support Tax (NLST) and Zakat

	2020	2019
	KD '000	
NLST- Kuwait	4,360	3,490
Zakat- Kuwait	1,744	1,640
Zakat – KSHC	8	27
Zakat- Sudan	959	418
Zakat- KSA	1,601	1,507
	8,672	**7,082**

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 and other levies

This represents the income and other taxes of subsidiaries and withholding taxes.

	2020	2019
	KD '000	
Income tax	22,643	24,949
Other levies	463	304
	23,106	**25,253**

The tax rate applicable to the taxable subsidiary companies is in the range of 7% to 26% (2019: 7% to 26%) whereas the effective income tax rate for the year ended 31 December 2020 is in the range of 17% to 28% (2019: 17% to 33%). 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:

	2020	2019
	KD '000	
Profit for the year	185,150	216,928
	Shares	**Shares**
Weighted average number of shares in issue	4,327,058,909	4,327,058,909
	Fils	**Fils**
Basic and diluted earnings per share	43	50

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 2020							
	KUWAIT	JORDAN	SUDAN	IRAQ	BAHRAIN	KSA	OTHERS	TOTAL
	KD '000							
Segment revenues – airtime, data & subscriptions (Over time)	241,390	143,276	125,987	287,999	41,134	583,215	42,917	1,465,918
Segment revenues - trading income (Point in time)	79,229	5,798	1,565	940	9,252	64,043	140	160,967
Net profit before interest and tax	69,416	37,051	27,463	46,896	5,216	82,620	15,841	284,503
Interest income	1,373	447	319	755	184	978	92	4,148
Gain on sale and lease back transactions	6,205							6,205
Gain on modification of financial liabilities						11,128		11,128
Finance costs	(571)	(5,534)	(1,159)	(13,897)	(1,013)	(73,478)	(41)	(95,693)
Income tax expenses		(7,724)	(8,030)	(6,986)			(341)	(23,081)
	76,423	**24,240**	**18,593**	**26,768**	**4,387**	**21,248**	**15,551**	**187,210**
Unallocated items:								
Investment income	-	-	-	-	-	-	-	2,021
Share of results of associates and joint venture	-	-	-	-	-	-	-	766
Others (including unallocated interest income, income tax and finance costs net of elimination)	-	-	-	-	-	-	-	18,210
Profit for the year	-	-	-	-	-	-	-	**208,207**
Segment assets including allocated goodwill	408,733	333,623	154,321	1,129,755	91,419	2,225,641	82,629	4,426,121
ROU asset	7,005	18,165	2,532	27,516	9,871	104,050	153	169,292
Unallocated items:								
Investment securities at FVTPL	-	-	-	-	-	-	-	9,785
Investment securities at FVOCI	-	-	-	-	-	-	-	5,325
Investment in associates and joint venture	-	-	-	-	-	-	-	76,137
Others (net of eliminations)	-	-	-	-	-	-	-	224,904
Consolidated assets	-	-	-	-	-	-	-	**4,911,564**
Segment liabilities	117,135	130,524	57,063	251,551	30,533	1,157,488	75,311	1,819,605
Lease liabilities (Current & non-current)	13,668	18,619	1,968	25,712	9,948	112,096	117	182,128
Due to banks	-	28,848	-	202,894	-	310,651	-	542,393
	130,803	**177,991**	**59,031**	**480,157**	**40,481**	**1,580,235**	**75,428**	**2,544,126**
Unallocated items:								
Due to banks	-	-	-	-	-	-	-	653,983
Others (net of eliminations)	-	-	-	-	-	-	-	(221,089)
Consolidated liabilities	-	-	-	-	-	-	-	**2,977,020**
Net consolidated assets	-	-	-	-	-	-	-	**1,934,544**
Capital expenditure incurred during the year	30,946	20,823	33,565	78,313	19,092	240,127	14,344	437,210
Unallocated (net of eliminations)								(21,812)
Total capital expenditure								**415,398**
Depreciation and amortization	33,316	25,851	10,345	55,288	8,870	168,906	4,313	306,889
Amortization of ROU assets	5,786	3,545	542	6,709	3,335	30,539	179	50,635
Unallocated	-	-	-	-	-	-	-	3,199
Total depreciation and amortization	-	-	-	-	-	-	-	**360,723**

	31 DECEMBER 2019							
	KUWAIT	JORDAN	SUDAN	IRAQ	BAHRAIN	KSA	OTHERS	TOTAL
	KD '000							
Segment revenues – airtime, data & subscriptions (Over time)	258,718	144,555	91,726	325,819	40,719	586,822	26,669	1,475,028
Segment revenues - trading income (Point in time)	74,733	6,089	628	1,348	9,925	93,065	74	185,862
Net profit before interest and tax	83,299	37,595	19,988	47,658	4,969	121,873	10,834	326,216
Interest income	269	338	1,061	1,322	230	2,135	418	5,773
Finance costs	(406)	(7,216)	(258)	(18,345)	(956)	(84,680)	(99)	(111,960)
Income tax expenses	-	(7,441)	(5,801)	(10,335)	-	-	(1,934)	(25,511)
	83,162	**23,276**	**14,990**	**20,300**	**4,243**	**39,328**	**9,219**	**194,518**
Unallocated items:								
Investment income	-	-	-	-	-	-	-	1,007
Share of results of associates and joint venture	-	-	-	-	-	-	-	2,762
Others (including unallocated interest income, income tax and finance costs)	-	-	-	-	-	-	-	50,262
Profit for the year	-	-	-	-	-	-	-	**248,549**
Segment assets including allocated goodwill	392,323	296,926	139,436	1,055,385	87,195	2,179,487	63,345	4,214,097
ROU asset	6,495	16,691	1,589	30,746	8,187	117,211	133	181,052
Unallocated items:								
Investment securities at FVTPL	-	-	-	-	-	-	-	8,540
Investment securities at FVOCI	-	-	-	-	-	-	-	6,360
Investment in associates and joint venture	-	-	-	-	-	-	-	72,612
Others (net of eliminations)	-	-	-	-	-	-	-	253,432
Consolidated assets	-	-	-	-	-	-	-	**4,736,093**
Segment liabilities	134,469	119,608	41,063	214,818	26,773	1,257,750	66,161	1,860,642
Lease liabilities (Current & non-current)	5,911	16,793	1,607	34,668	8,498	119,456	140	187,073
Due to banks	-	6,622	1,785	168,387	-	542,804	11	719,609
	140,380	**143,023**	**44,455**	**417,873**	**35,271**	**1,920,010**	**66,312**	**2,767,324**
Unallocated items:								
Due to banks	-	-	-	-	-	-	-	679,115
Others(net of eliminations)	-	-	-	-	-	-	-	(388,945)
Consolidated liabilities	-	-	-	-	-	-	-	**3,057,494**
Net consolidated assets	-	-	-	-	-	-	-	**1,678,599**
Capital expenditure incurred during the year	65,998	15,309	15,578	40,376	16,234	154,580	6,000	314,075
Unallocated (net of eliminations)								(1,898)
Total capital expenditure								**312,177**
Depreciation and amortization	35,357	24,792	8,087	77,628	8,642	154,427	10,477	319,410
Amortization of ROU assets	3,461	3,231	185	6,975	3,144	32,981	860	50,837
Unallocated	-	-	-	-	-	-	-	5,707
Total depreciation and amortization	-	-	-	-	-	-	-	**375,954**

Depreciation and amortization related to other operating segments includes impairment of Goodwill amounting to KD 6.752 million. (Refer note 12)

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	
	2020	2019	2020	2019	2020	2019
	KD '000					
Current assets	273,953	275,505	227,250	183,125	24,513	28,301
Non-current assets	2,006,262	1,969,074	759,855	733,288	76,777	67,081
Current liabilities	(441,261)	(365,481)	(255,809)	(259,677)	(28,685)	(23,270)
Non-current liabilities	(1,132,073)	(1,547,096)	(224,347)	(158,196)	(11,796)	(14,066)
Equity attributable to:						
- Owners of the Company	261,864	122,990	382,966	377,854	33,688	32,158
- Non-controlling interests	445,017	209,012	123,983	120,686	27,121	25,889
Revenue	647,258	679,887	288,939	327,167	50,384	50,644
Profit for the year	21,249	39,328	26,768	20,300	4,388	4,243
Other comprehensive income	(6,368)	(8,206)	-	-	-	-
Total comprehensive income	14,881	31,122	26,768	20,300	4,388	4,243
Total comprehensive income attributable to:						
- Company's shareholders	5,512	11,529	18,521	14,498	2,431	2,351
- Non-controlling interests	9,369	19,593	8,247	5,802	1,957	1,892
	14,881	31,122	26,768	20,300	4,388	4,243
Cash dividend paid to non-controlling Interests	-	-	(4,376)	(3,666)	(890)	(629)
Net cash flow from operating activities	313,350	322,871	16,605	113,242	17,819	17,949
Net cash flow from used in investing activities	(144,937)	(163,079)	(25,361)	(49,041)	(13,709)	(8,926)
Net cash flow (used in)/ from financing activities	(169,668)	(180,800)	34,287	(23,988)	(4,519)	(4,213)
Effects of exchange rate changes on cash and cash equivalents	247	(73)	(550)	(151)	(23)	(12)
Net (decrease)/ increase in cash flows	(1,255)	(21,008)	21,155	36,547	(1,299)	4,181

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:

	2020	2019
	KD '000	
Transactions		
Revenue	1,611	640
Cost of sales	6,835	1,814
Key management compensation		
Salaries and other short term employee benefits	3,517	3,937
Post-employment benefits	1,461	1,403
Balances		
Trade receivables (due from parent company)	3,823	3,169
Trade payables (due from parent company)	6,302	4,521

28. Commitments and contingencies

	2020	2019
	KD '000	
Capital commitments	91,441	233,097
Uncalled share capital of investee companies	3,105	348
Letters of guarantee and credit	76,786	90,660

The above does not include a guarantee of USD 40 million (KD 12.148 million) provided under the NMA of Lebanon (note 3), as the underlying obligations are no more effective since the Management Agreement expired (since 31 December 2019) as per terms of contract.

The Company is a guarantor for credit facilities amounting to KD 7.288 million (2019 – KD 7.269 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.

INCOME TAXES IN IRAQ

Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US$ 244 million (KD 74.102 million) and submitted its objections against the tax claim. On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US$ 88.8 million (KD 26.968 million). IGCT had the option to challenge this decision before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer did not receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer has petitioned the Cassation Court to direct IGCT to send the case dossier and is awaiting a response. On the basis of the report of its attorneys, Atheer believes that the outcome of all appeals is still subject to the authentication of the Court of Cassation and that it will be determined in favor of Atheer.

In March 2020, Atheer received additional income tax claims of US$ 19.3 million (KD 5.861 million) and US$ 20 million (KD 6.074 million) from IGCT for the years 2011 and 2012 respectively. On 12 March 2020, Atheer submitted its objections to these additional income tax claims. On 15 March 2020, IGCT rejected the objection for year 2011. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises. On 16 March 2020, IGCT accepted the objection for year 2012, cancelled its claim for additional tax and approved the amount of tax self-assessed by Atheer for the year 2012 as final assessed amount.

RENEWAL OF LICENSE IN IRAQ

On 6 July 2020, the CMC Board decided to renew Atheer's license for an additional eight (8) years ending on August 30, 2030, and to grant license for the operation of fourth generation of broadband cellular network technology (4G) starting from January 1, 2021. In August 2020, this decision was challenged by a Member of Parliament, and later by the president of the parliament as a second plaintiff, against the Iraqi Cabinet, CMC and three operators in Iraq ("the defendants") in the Court of First Instance. On 25 August 2020, the Court of First Instance issued a restraining order to prevent CMC from completing the executive procedures of the license renewal and granting of 4G license.

The defendants challenged the restraining order before the Court of First Instance and later in the Court of Appeals, but it was rejected by both in September and October 2020 respectively. The hearing of the main lawsuit started in September 2020. On 15 November 2020, the Court of First Instance issued a decision against the defendants. However, the decision did not object to the extension of existing license and granting of 4G license, but it discussed the formalities applied in forming the decision dated 6 July 2020, as the quorum in CMC Board was insufficient. To address this, on 24 November 2020, the CMC Board issued a new decision for renewal of Atheer's license which was similar to the decision dated 6 July 2020 but was signed with complete quorum. On 26 November 2020, the defendants challenged the decision of Court of First Instance dated 15 November 2020 in the Court of Appeals. On 23 December 2020, the Court of Appeals confirmed the earlier decision of Court of First Instance. However, the Court of Appeals confirmed the legitimacy of CMC Board decision dated 24 November 2020. Based on this decision, Atheer signed the agreement for license extension with CMC on 7 January 2021. One Member of the Parliament has challenged the Court decision and Atheer challenged the same on 20 January 2021. On the basis of the report of its attorneys, Group believes that this decision will not be overruled.

PELLA - JORDAN

Pella is a defendant in lawsuits amounting to KD 43.636 million (31 December 2019 – KD 33.747 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 a claim of KD 9.551 million (31 December 2019 - KD 9.527 million) by a regulatory authority for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to KD 9.666 million (31 December 2019 - KD 9.641 million) of earlier years. The outcome of the above matter cannot be assessed at this stage, as it is dependent on several legal, regulatory and other technical aspects.

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.

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 2020			
Cash and bank balances	393,060	-	-
Trade and other receivables	446,304	-	-
Investment securities	-	9,785	5,325
	839,364	**9,785**	**5,325**

	Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
	KD '000		
31 December 2019			
Cash and bank balances	296,985	-	-
Trade and other receivables	423,272	-	-
Investment securities	-	8,540	6,360
	720,257	**8,540**	**6,360**

All financial liabilities as of 31 December 2020 and 31 December 2019 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:

Currency	2020	2019
	KD '000	
US Dollar	40,458	32,924
Euro	542	956
Other	3,858	5,566

(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. 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:

	2020		2019	
Market indices	Impact on net profit	Effect on equity	Impact on net profit	Effect on equity
	KD '000			
Kuwait Stock Exchange	±181	±84	±230	±62

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 2020, 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 5.982 million (2019: KD 6.994 million).

INTEREST RATE BENCHMARK REFORMS

The Group is exposed to the following interest rate benchmark within its hedge accounting relationships, which are subject to interest rate benchmark reform: US$ LIBOR. As listed in note 15, the hedged items include issued US$ and SAR floating rate debt.

The Group is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the LIBOR regulators. The regulators have made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit LIBORs.

In response to the announcements, the Group has set up an LIBOR transition programme comprised of the following work streams: risk management, tax, treasury, legal, accounting and systems. The programme is under the governance of the Chief Financial Officer who reports to the Board. The aim of the programme is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Group aims to finalise its transition and fall back plans by the end of first half of 2021.

None of the Group's current US$ LIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different LIBORs, which the Group is monitoring closely and will look to implement these when appropriate.

For the Group's floating rate debt, the Group has started discussions with Banks to amend the US$/ SAR bank loan so that the reference benchmark interest rate will change to SOFR. The Group aims to finalise these amendments in the first quarter of 2021.

Refer note 30 for details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

The Group will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed to ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference LIBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Group's contracts and the negotiation with lenders and bondholders.

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:

	ECL STAGING				
	STAGE 1	STAGE 2	STAGE 3	SIMPLIFIED APPROACH	
					KD '000
	12-MONTH	LIFETIME	LIFETIME	LIFETIME	TOTAL
At 31 December 2020					
Cash and bank balances	292,628	83,082	35,323	-	411,033
Less: ECL	(664)	(1,413)	(15,896)	-	(17,973)
	291,964	**81,669**	**19,427**	**-**	**393,060**
Customers	-	-	-	306,264	306,264
Distributors	-	-	-	42,282	42,282
Contract assets	-	-	-	97,298	97,298
Less: ECL	-	-	-	(191,200)	(191,200)
	-	**-**	**-**	**254,644**	**254,644**
Roaming partners	-	-	-	7,894	7,894
Other operators (interconnect)	-	-	-	61,177	61,177
Less: ECL	-	-	-	(6,847)	(6,847)
	-	**-**	**-**	**62,224**	**62,224**
Other receivables	-	46,907	-	-	46,907
Less: ECL	-	(2,699)	-	-	(2,699)
	-	**44,208**	**-**	**-**	**44,208**
Financial guarantees	-	7,288	-	-	7,288
Less: ECL	-	(1,050)	-	-	(1,050)
	-	**6,238**	**-**	**-**	**6,238**
At 31 December 2019					
Cash and bank balances	239,832	40,141	33,642	-	313,615
Less: ECL	(93)	(1,287)	(15,250)	-	(16,630)
	239,739	**38,854**	**18,392**	**-**	**296,985**
Customers	-	-	-	294,906	294,906
Distributors	-	-	-	43,909	43,909
Contract assets	-	-	-	98,081	98,081
Less: ECL	-	-	-	(158,662)	(158,662)
	-	**-**	**-**	**278,234**	**278,234**
Roaming partners	-	-	-	10,408	10,408
Other operators (interconnect)	-	-	-	48,004	48,004
Less: ECL	-	-	-	(8,668)	(8,668)
	-	**-**	**-**	**49,744**	**49,744**
Other receivables	-	34,633	-	-	34,633
Less: ECL	-	(2,071)	-	-	(2,071)
	-	**32,562**	**-**	**-**	**32,562**
Financial guarantees	-	7,269	-	-	7,269
Less: ECL	-	(1,050)	-	-	(1,050)
	-	**6,219**	**-**	**-**	**6,219**

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

	31 December 2020	31 December 2019
	KD '000	
Collectively assessed	191,200	158,662
Individually assessed	9,546	10,739
	200,746	**169,401**

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

	Collectively assessed	Individually assessed	Total
	KD '000		
1 January 2019	134,414	10,525	144,939
Recoveries	362	-	362
Amounts written off	(1,112)	(648)	(1,760)
Foreign exchange gains and losses	(93)	(281)	(374)
Net increase in loss allowance	25,091	1,143	26,234
31 December 2019	**158,662**	**10,739**	**169,401**
Recoveries	331	12	343
Amounts written off	(3,211)	(1,058)	(4,269)
Foreign exchange gains and losses	(1,926)	(156)	(2,082)
Net increase in loss allowance	37,344	9	37,353
31 December 2020	**191,200**	**9,546**	**200,746**

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.

	31 December 2020			31 December 2019		
Aging brackets of postpaid trade receivables	**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	180,681	3%	5,024	186,560	2%	4,240
31 – 60 days	10,547	4%	460	27,585	5%	1,219
61 – 90 days	8,493	16%	1,318	8,674	18%	1,999
91 – 180 days	16,069	27%	4,283	21,343	37%	7,833
> 181 days	230,054	78%	180,115	192,734	74%	143,371
	445,844		**191,200**	**436,896**		**158,662**

Credit quality of roaming, interconnect and other balances:

	31 December 2020	31 December 2019
	KD '000	
Credit quality – Performing	107,435	85,874
Impaired	8,543	7,171
ECL	(9,546)	(10,739)
	106,432	82,306

The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default, which are past due for more than 90 days.

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.

(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 the total cash and bank balances of KD 43.399 million (2019 - KD 33.713 million) equivalent held in Sudan, South Sudan and Lebanon, all other cash and bank balances 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 2020				
Bank borrowings	203,376	513,306	662,054	2,050
Trade and other payables	855,174	-	-	-
Other non-current liabilities				
Payable to Ministry of Finance – Saudi Arabia	58,492	55,450	153,199	122,642
Due to CITC for acquisition of spectrum	11,394	30,562	30,562	94,309
Other	2,515	2,244	3,411	14,679
Lease liabilities	49,673	52,765	61,752	58,704
Net settled derivative liabilities - Interest rate swaps	4,588	5,184	6,911	-
At 31 December 2019				
Bank borrowings	282,530	219,772	1,150,672	22,855
Trade and other payables	805,883	-	-	-
Other non-current liabilities				
Payable to Ministry of Finance – Saudi Arabia	12,452	77,188	214,862	31,953
Due to CITC for acquisition of spectrum	9,637	9,637	28,912	53,188
Other	-	4,312	4,489	16,239
Lease liabilities	61,976	66,185	74,792	75,694
Net settled derivative liabilities - Interest rate swaps	21,887	19,218	22,220	-

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 2020			
Derivatives held for hedging:			
Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate			-
Profit rate swaps (maturing after one year)	-	16,699	147,950
At 31 December 2019			
Derivatives held for hedging:			
Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate			
Profit rate swaps (maturing after one year)	-	10,350	241,142

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:

	2020	2019 Restated
	KD '000	
Total borrowings including lease liabilities (refer note 15 and 16)	1,378,504	1,585,797
Less: Cash and bank balances (refer note 4)	(393,060)	(296,985)
Net debt	985,444	1,288,812
Total equity	**1,934,544**	**1,678,599**
Total capital	**2,919,988**	**2,967,411**
Gearing ratio	**34%**	**43%**

32. Fair value of financial instruments

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

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		KD '000		
31 December 2019				
Financial assets at fair value:				
Investments at fair value through profit or loss	740	9,045	-	9,785
Investments at fair value through other comprehensive income	1,676	1,897	1,752	5,325
Total assets	**2,416**	**10,942**	**1,752**	**15,110**
31 December 2019				
Financial assets at fair value:				
Investments at fair value through profit or loss	736	7,804	-	8,540
Investments at fair value through other comprehensive income	1,240	2,091	3,029	6,360
Total assets	**1,976**	**9,895**	**3,029**	**14,900**

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 2020	18,863	1.00
31 December 2019	10,657	1.77
31 December 2018	6,306	2.99
31 December 2017	4,502	4.19
31 December 2016	2,068	9.12
31 December 2015	357	52.83
31 December 2014	170	110.95
31 December 2013	155	121.70

Based on the above, the Group determined net monetary gain to be local currency equivalent to KD 5.163 million (2019: KD 5.074 million) stated net of the foreign exchange loss on the monetary amount of the Group's net investment in South Sudan.

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-facto control, the 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. If the Group had concluded that the ownership interest was insufficient to give the Group control in SMTC, it would instead have been classified as an associate and the Group would have accounted for it using the equity method of accounting.

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 2018, the Board of Directors announced its decision to sell some of the telecom tower assets in Kuwait. Part of these telecom towers were sold during the year and the remaining towers are recorded under "assets and liabilities of disposal group classified as held for sale". This is considered to have met the criteria as held for sale for the following reasons:

a. These assets are available for immediate sale and can be sold to the buyer in its current condition

b. The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification

c. 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 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.

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.

DETERMINING THE LEASE TERM

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Extension options (or periods after termination options) are only included in the lease term if the lessee is reasonably certain to extend (or not to terminate) the lease. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

DISCOUNTING OF LEASE PAYMENTS

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

DETERMINATION OF FUNCTIONAL CURRENCY

The devaluation of the Iraqi Dinar (IQD) against the USD in December 2020 resulted in a reconsideration of the functional currency of Atheer. Previously the financial statements indicated that the functional currency was IQD however, since the IQD was pegged to the USD there was no material impact on the reported figures whichever currency had been identified as the functional currency. In consideration of the primary indicators in IAS 21: 9, following the devaluation the Company has immediately decided on an increase in tariffs to customers and is implementing those increases in order to follow its long term strategy to maintain a relatively consistent USD margin which is driven by its predominantly USD cost base. This provides a strong evidence that USD is the currency that mainly influences sales prices for goods and services and USD is also the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. Furthermore, in consideration of the secondary indicators in IAS 21:10, the majority of the Company's financing is generated in USD and the majority of the Company's funds from operating activities are retained in USD. Therefore, in accordance with IAS 21:12, the Company determined that, in its judgement, all the factors described above provide sufficient evidence that the USD is the functional currency that most faithfully reflect the underlying transactions, events and conditions relevant to the Company.

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.

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's current tax provision as disclosed in note 14 relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the tax authorities. Uncertain tax items for which a provision of KD 54.806 million is made, relate principally to the interpretation of tax legislation. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

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. IMPACT OF COVID-19

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements. Further, during the year, the Company received Covid-19 financial support from the Public Authority for Manpower of the Government of Kuwait and this is included within Operating and administrative expenses.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group has considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19. For impairment assessment of goodwill refer note 12.

EXPECTED CREDIT LOSSES ("ECL") AND IMPAIRMENT OF FINANCIAL ASSETS

The Group has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Group has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

GOING CONCERN

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these consolidated financial statements has been appropriately prepared on a going concern basis.

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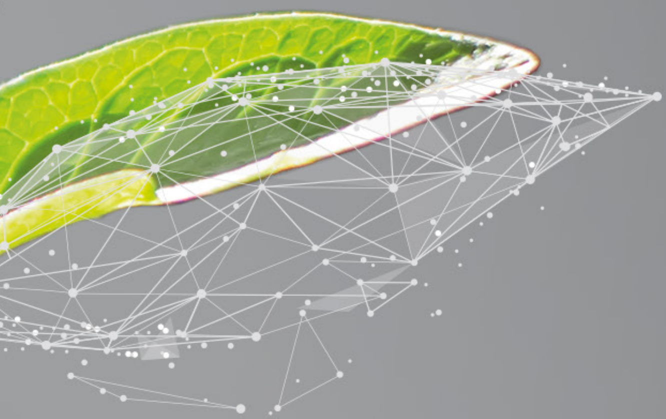

P.O. Box 22244
13083 Safat, Kuwait
Tel: + 96524644444
Fax: + 96524641111

Investor Relations
ir@zain.com
zain.com/investor-relations

Media Relations
info@zain.com
zain.com/media-center

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