LEADING THE DIGITAL ERA

ANNUAL REPORT 2019

H.H. SHEIKH SABAH AL-AHMAD AL-JABER AL-SABAH
AMIR OF THE STATE OF KUWAIT

H.H. SHEIKH NAWAF AL-AHMAD AL-JABER AL-SABAH
CROWN PRINCE OF THE STATE OF KUWAIT

H.H. SHEIKH SABAH KHALID AL-HAMAD AL-SABAH
PRIME MINISTER OF THE STATE OF KUWAIT

2019 AT A GLANCE

49.5 MILLION
ACTIVE CUSTOMERS

$5.5 BILLION
IN REVENUE

$2.4 BILLION
IN EBITDA
EBITDA Margin **44%**

$715 MILLION
IN NET INCOME

17 CENTS
IN EPS

$1 BILLION
IN CAPEX
19% of Revenue

2.2x
IN NET DEBT/EBITDA

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

36%
DATA REVENUE GROWTH

5G Technology
IN KUWAIT & KSA

OVER 7,200
EMPLOYEES

10,258 TB
AVERAGE DAILY DATA VOLUME

22%
FEMALE EMPLOYEES

48
NATIONALITIES

Our digital strategy is taking shape, centered on evolving our core telecom business to maximize value and building on our many strengths to selectively invest in growth verticals beyond standard mobile services that support our vision of becoming a leading ICT and digital lifestyle provider that makes the world a better place...

P28

The FTSE Russell has included Zain Group in its FTSE4Good Index Series, the world's leading Environmental, Social and Corporate Governance (ESG) index. This key indicator helps investors identify companies that meet globally recognized sustainability standards. This honor was bestowed on Zain, marking the first time a telecommunications company from Kuwait has been recognized in this way...

P80

STRATEGIC REVIEW

01

Board of Directors Report

The Board of Directors would like to welcome you to the annual meeting of the esteemed General Assembly, in which we share the results and operations of the Group and its subsidiaries for the financial year ended 31 December, 2019.

The company's impressive performance for 2019 is a testament to the successful implementation of the strategic and sustainability-conscious roadmap set by the Board and management. We will maintain our resolve to rollout high quality telecommunications services across our markets in a responsible manner, empowering and improving the socio-economic well-being of the communities we serve. We are proud of our pioneering role in Kuwait and across the region and we look forward to 2020 and beyond with enthusiasm, as we take further steps in our aspirations to be a leading ICT and digital lifestyle provider.

Financial Indicators

Despite continuing competitive and socio-political challenges, Zain Group's performance during 2019 witnessed strong growth in all its financial indicators. This growth was underpinned by the successful rollout of numerous new digital services in both the consumer and enterprise space, coupled with solid performances in Kuwait, Saudi Arabia, Iraq and Sudan, as well as the strategic consolidation of Zain Saudi Arabia into Zain Group.

By the end of 2019, Zain served 49.5 million customers, reflecting a 1% increase year-on-year (Y-o-Y).

For the full-year 2019, Zain Group generated consolidated revenue of KD 1.66 billion (USD 5.5 billion), an impressive 26% Y-o-Y increase, while consolidated EBITDA for the period rose by 40% Y-o-Y to reach KD 728 million (USD 2.4 billion), reflecting an EBITDA margin of 44%. Consolidated net income reached KD 217 million (USD 715 million), up 10% and reflecting Earnings Per Share of 50 fils (USD 0.17).

For the full-year, foreign currency translation impact, predominantly due to the 30% currency devaluation in Sudan from an average of 31.9 to 45.8 (SDG / USD), reduced the Group's financials by USD 140 million in revenue, USD 61 million in EBITDA and USD 20 million in net income.

At its meeting held on 12 February, 2020 the Board of Directors of Zain Group recommended a cash dividend of 33 fils per share, reflecting a total distribution of KD 142.8 million. Furthermore, the Board recommended the distribution of directors' remuneration for the total of KD 510,000 for the financial year ended December 31, 2019. Both recommendations are subject to the Annual General Assembly and regulatory approvals.

Furthermore, this reduction and operating performance in 2019, as well as the massive investments in network upgrades based on a clear strategic vision, saw confidence in Zain from international and regional financial institutions rise, as the company successfully refinanced major loans on more favorable terms.

Growth and Digital Innovation

Zain's sustainable growth strategy includes initiatives that have positive socio-economic impacts, also aimed at increasing value for shareholders by developing the company's core telecom business as well as selectively investing in lucrative sectors beyond traditional telecommunications services. This bold approach in turn allows for diversification of revenue sources, positively contributing to the bottom line.

The company is committed to investing in its networks and taking advantage of the ever-increasing demand for broadband internet services. Zain continued to invest and upgrade its 3G and 4G networks during 2019, and introduced 5G services, making it the first operator to launch the technology in Kuwait and the region. Zain went on to launch the largest 5G network in the MENA and Europe region in Saudi Arabia and announced plans of an imminent 5G launch by Zain Bahrain.

Zain has high expectations of this technology and continues to build partnerships with leading regional and global entities. The company has implemented initiatives aimed at enriching its applications and digital service offerings, developing comprehensive solutions for individual customers as well as for government entities and private institutions.

The year 2019 was marked by significant achievements in the digital sector, with the Group offering the latest IoT, cloud services and smart city solutions as well as investing in data centers. Furthermore, Zain established the framework to offer Fintech and e-health services across several markets with the aim of enhancing services to the existing customer base and attracting new customers.

The Group recognizes that consistently improving financial performance for its operations, accelerating innovation projects, and improving capital expenditures are the main challenges of its business strategy. In order to overcome this, Zain recognizes the need to fully develop its resources and capabilities so that it takes full advantage of the lucrative opportunities offered by the Fourth Industrial Revolution.

Corporate Governance & Compliance

Zain Group actively fulfills its corporate governance obligations by applying a conservative approach to risk management and complying with the regulations issued by Kuwait's Capital Markets Authority and other local regulators across its footprint. The company is committed to the rules of transparency and responsible management, improving the supervisory role of the Board of Directors on executive management, and on material transactions to ensure the protection of shareholders' rights.

Every employee across Zain entities 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 telecommunications sector, and across the communities it serves.

Human Talent & Gender Diversity

The Board of Directors is actively promoting gender diversity and inclusion in the workplace as it firmly believes it creates a highly competitive differentiation in boosting productivity. The Group has achieved outstanding success in its program on gender diversity and inclusivity, raising women's representation in leadership positions and adopting new Human Resources policies to support working mothers. Furthermore, the launch of an internal initiative to make Zain Disability inclusive by 2022 as well as becoming a signatory to the International Labor Organization (ILO) Global Business and Disability Network Charter is something Zain is very proud of.

Sustainability & Social Innovation

The Board of Directors is steadfast in its conviction that growth and development is the result of collective action that is guided by a forward-looking strategy. Over the course of 2019, the company witnessed organic growth across the organization that was results-oriented and inclusive. The growth of vertical segments is a demonstration of the company's progress towards becoming a digital player.

Through Zain's commitment to addressing the UN's Sustainable Development Goals (SDGs), the company made greater efforts in addressing its supply chain by revising the Supplier Code of Conduct to ensure that it is in line with international best practices. The revision of the code exemplifies the company's commitment to human rights and labor principles.

In addition to its supply chain management, Zain also identified risks related to climate change and child labor, recognizing that focus is needed in this area as some of the company's operating companies are surrounded by geo-political instability that has resulted in mass displacement. Unfortunately, children have become more vulnerable and susceptible to harm and exploitation. As an organization established on a strong set of ethics, it is upon Zain to ensure that all stakeholders are not exposed to harm and instead can thrive and lead meaningful lives.

Regarding comprehensive and sustainable growth, Zain Group has adapted programs across all facets of the business and has led a series of meaningful change programs, implementing innovative initiatives geared to participate actively in the Fourth Industrial Revolution and promote social innovation.

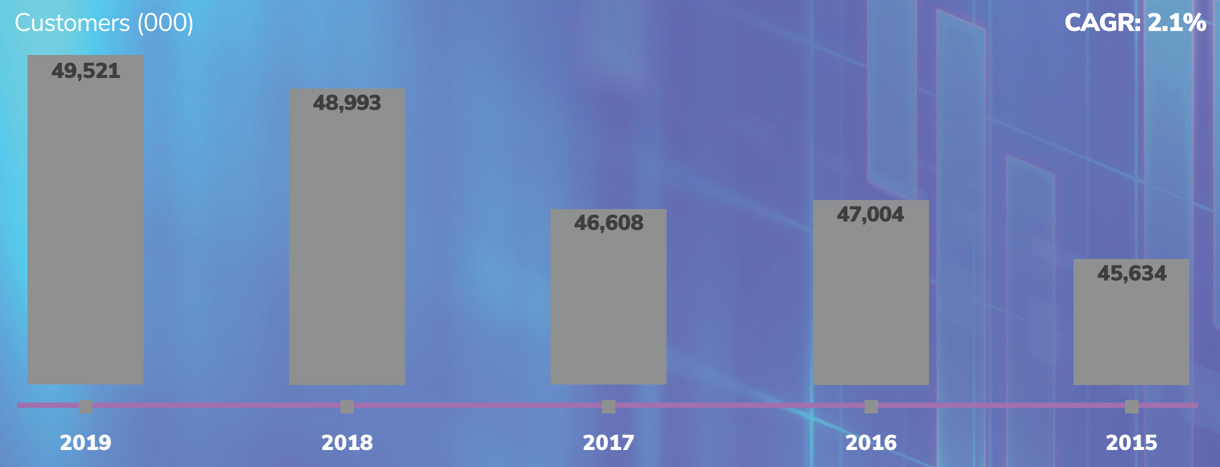
Appreciation

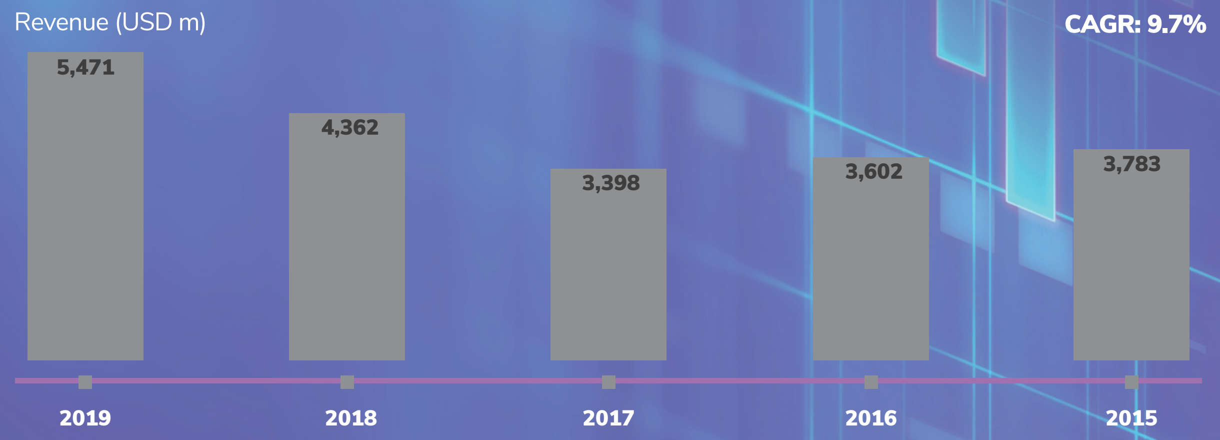
We would like to take this opportunity to express our sincere appreciation for the confidence shown to us by our valued customers and shareholders, as well as all the government ministries and regulatory authorities across our markets for their understanding of the emerging industry dynamics. We would also like to extend our deep gratitude to the executive management team at Zain Group and all employees for their outstanding efforts, which have contributed to the impressive performance in 2019.

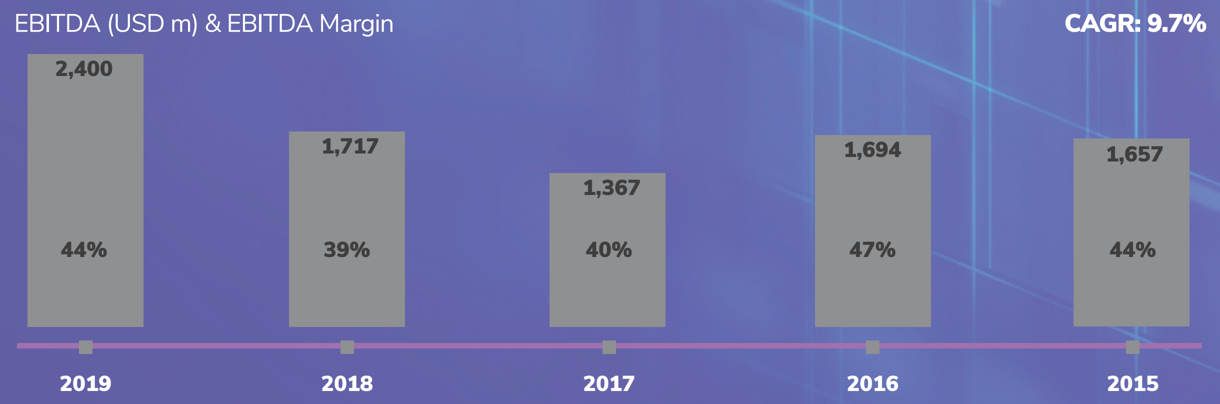
On behalf of all members of the Board of Directors, executive management and all employees of the Zain Group, we would like to offer our deepest gratitude and appreciation to His Highness the Amir of Kuwait, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah; His Highness the Crown Prince, Sheikh Nawaf Al-Ahmad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

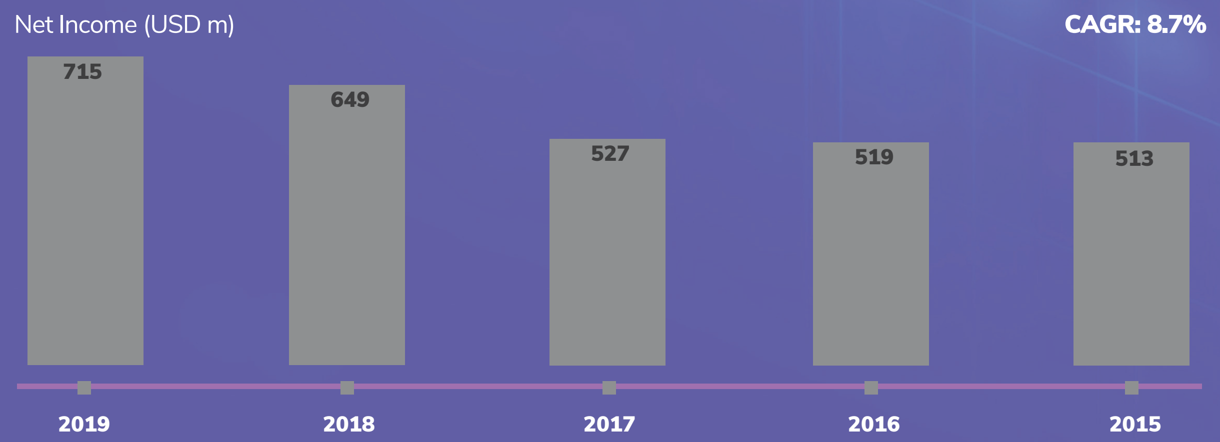
Zain Group Board of Directors

GROUP KEY PERFORMANCE INDICATORS









> **“ THE GROUP’S PERFORMANCE FOR 2019 IS TESTAMENT TO THE SUCCESSFUL IMPLEMENTATION OF THE STRATEGIC AND SUSTAINABILITY-CONSCIOUS ROADMAP SET BY THE BOARD AND MANAGEMENT. IN RAPIDLY CHANGING ECOSYSTEMS DEFINED BY THE FOURTH INDUSTRIAL REVOLUTION, ZAIN GROUP EXCELLED SUBSTANTIALLY, LEVERAGING THE TALENT OF ITS PROGRESSIVE WORKFORCE AND SEEKING OPPORTUNITIES IN NEW LUCRATIVE AREAS.**
>
> BADER NASSER AL KHARAFI

A YEAR IN REVIEW

January

Introduction of a revolutionary groupwide HR policy embracing working mothers, which extends maternity leave period to four months, with flexible hours thereafter till child reaches age of four

Six talented Kuwaiti graduates enter fourth edition of the 'Generation Z' program, guided by themes of Empowerment, Digital Transformation, Corporate Culture and Sustainability

Zain Saudi Arabia enters MoU with Alibaba Cloud, the cloud-computing arm of Alibaba Group, to promote private cloud computing for businesses in the Kingdom

February

Publication of thought leadership report entitled "Social Innovation: The Fusion of the Fourth Industrial Revolution and a New Generational Mindset"

March

Strategic agreement between Zain Saudi Arabia and DETASAD, an ICT powerhouse in enhancing, developing and growing cloud and managed services across the Kingdom

Partnering Women in Data Science (WiDS) Conferences in Kuwait and Lebanon seeking to inspire and educate global and regional data scientists, regardless of gender, and to support Arab women in the field

April

Launch of Zain Drone services in KSA during the Saudi Arabia Drone Summit, marking the first step to expanding Zain Drone's presence across the region

touch, managed by Zain, partners 12th edition of MIT Enterprise Forum Pan Arab startup competition with final ceremony held in Lebanon

May

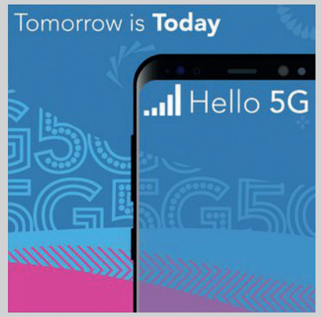
Zain first to offer 5G technology in Kuwait and GCC

Publication of eighth annual sustainability report, titled 'Time to Act', a call-to-action to corporates, governments, and individuals to pull together to address key global challenges

Zain Bahrain collaborates with Alkeri Partners to launch a new initiative 'Zainnovate', supporting startups and the SME sector, developing an entrepreneurial environment in the Kingdom

June

Zain Kuwait pioneers 5G technology, first operator in GCC to offer 5G packages on router devices, promoting an environment for digital innovation in support of the nation's Vision 2035



Neom Bay Airport becomes the first in the region to offer 5G services, with speeds of 1,000 Mbps. Powered by Zain KSA, which also placed the first 5G phone call in the region

July

Zain Group launches the 'WE ABLE' initiative, aiming to be Disability Inclusive by 2022 and provide more jobs and training for people with special needs. The company also signed up to the International Labor Organization (ILO) Global Business and Disability Network Charter.

Zain Jordan inaugurated its sixth mobile maintenance training center providing free training courses for youth on the maintenance of cellular devices

Zain first telecom in Kuwait and third in region to receive M&O Data Center Certification from Uptime Institute in recognition of its leadership and commitment in adopting the highest international standards in its data center for corporate customers.

August

Zain Cash collaborates with UNHCR and IrisGuard to introduce iris technology for cash disbursements to refugees in Iraq

September

In partnership with Boubyan Bank, announces plans for the development of the first digital platform for Islamic banking services, marking one of the first digital alliances in the region between a telecom entity and a bank

Partnership with Mentor Arabia to empower, upskill and protect the region's youth from risky behaviors

Zain Jordan inaugurated 'The Bunker', the region's first military-grade high security network data center offering co-location, Cloud, virtual private data center and Business continuity services

Launch of innovative platform, Zain Cloud Connect with Oracle FastConnect, linking customers and different cloud service providers in a simple, secure and cost-effective way

Teaming up with GSMA to disclose Climate Impacts, an initiative to develop decarbonization pathway for mobile sector

Zain crowned 'Best Operator' and 'Best Brand' at Telecom World Middle East Awards 2019, winning Best Brand accolade for the sixth consecutive year

- Zain Kuwait partners with Microsoft to launch Office 365 offerings, becomes authorized reseller of Azure cloud solutions.
- Zain Kuwait achieves gold partnership status with Dell-EMC.

October

In collaboration with the Broadband Commission for Sustainable Development, publication of a report on Child Online Safety launched at United Nations meeting in New York, highlighting risks and harms facing children and how to prioritize online safety

Zain Drone enters memorandum of understanding with BHGE for digital inspections, aiming to reduce safety risks, operator error and time in energy sector

Following a Group-wide framework agreement with Digital Virgo on Zain's API platform, Zain Kuwait launches subscription video-on-demand (SVOD) service 'PlayVOD' offering a rich library of over 3,000 movies and TV series, inclusive of MBC

Zain's Gender Diversity Program (WE) given highest recognition as Best Gender Diversity Initiative in Workplace for a Corporate in MENA for 2019 at Entrepreneur Magazine's Achieving Women Awards

Zain KSA launches the largest 5G network in the Middle East, Africa, and Europe (third largest globally) through network of 2,600 towers across 27 cities in KSA

Zain Bahrain rolls out e-waste recycling initiative to collect e-waste from the company and its employees, including electronic products

November

Zain Group named as the Best Overall Telecommunications Group for 2019 by leading industry publication CommsMEA, with Zain Saudi Arabia named the Best MEA Telecom Operator

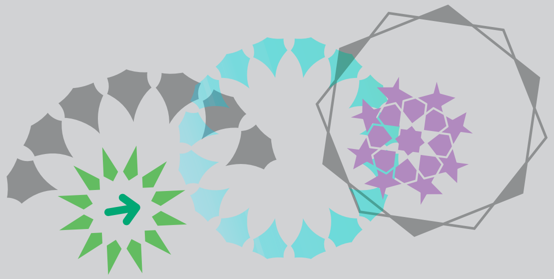
In a regional first, Zain launches 5G roaming service in MENA between Kuwait and KSA, with 5G inbound and outbound roaming speeds reaching 500 Mbps

Zain participates in the activities of the regional "Nuqat" conference in the framework of its support to the fields of innovation and sustainability

Zain Bahrain enters multi-year agreement with Ericsson to deploy 5G network in Kingdom, showcases 5G capabilities

December

Utilizing world-class Ai solutions, Zain Kuwait's smart assistant, zBot, extends its availability on WhatsApp allowing customers to directly chat in a fully automated manner without the need for human input



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
- Acquired Celtel in 13 African nations
- Acquired Madacom in Madagascar

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

VICE-CHAIRMAN AND GROUP CEO STATEMENT

Bader Nasser Al Kharafi

New dividend policy of minimum 33 fils for 3 years reflects confidence of future growth

Transforming operations to extract value from the Fourth Industrial Revolution

Sustainability, Gender Diversity and Inclusion initiatives core to the business

Launch of many innovative digital initiatives in B2B and consumer segment

Strategic investment in 5G services and network expansion paying off

"As we continually rollout and implement different elements of the digital strategy, we are seeing new opportunities to diversify revenues, increase shareholders' value while simultaneously generating sustainable growth for our operating communities.

It is a profound pleasure to address you considering the exceptional operational and financial year we achieved in 2019. Across activities and geographies, Zain Group excelled substantially, leveraging the talent of its progressive workforce and seeking opportunities in new lucrative areas. These include appealing digital services offered through our state-of-the-art 4G and 5G platforms and the development of enterprise and cloud solutions serving the government and business sectors in order to drive revenues and margins.

In rapidly changing ecosystems defined by the Fourth Industrial Revolution and a greater demand for accountability, the need to evolve the organization to extract maximum value while implementing a more responsive approach to the environment and specifically climate change is highly relevant to Zain. Across our footprint, more than 7,200 dedicated and talented Zainers continue to strive to provide customers Meaningful Connectivity through a relevant range of services to help the communities we serve lead better lives.

New 3-year dividend policy

A first by any corporate entity in Kuwait, the Board of Directors have recommended a new cash dividend policy committing the company to a minimum 33 fils for three years inclusive of 2019. This recommendation is a result of the impressive operational performance attained by the Group in recent years and confidence in the future potential of our digital growth strategy in seeking new business verticals. We expect to reap healthy rewards from our investments in 5G, Fiber and network upgrades across key markets that support the ever-increasing demand for mobile and fixed broadband services by individuals and enterprises alike.

Investing for growth

Throughout 2019, Zain Group invested over USD 1 billion in CAPEX, predominantly in expansion of Fiber-to-the-Home (FTTH) infrastructure; spectrum fees; 4G upgrades and new network sites across its markets, as well as 5G rollouts in Kuwait and Saudi Arabia.

In addition to supporting our digital transformation aspirations, this huge investment is paying off as reflected by the 36% annual growth in the Group consolidated data revenue that reached USD 2 billion, representing 36% of the Group's revenue for 2019.

Our adoption of new accounting standard IFRS 16 – 'Leases' from the beginning of 2019 resulted in a benefit to EBITDA of KD 73 million (USD 241 million), and an increase in net income of KD 7 million (USD 23 million) for the full-year 2019.

Digital strategy gains momentum

Our digital strategy is taking shape, centered on evolving our core telecom business to maximize value and building on our many strengths to selectively invest in growth verticals beyond standard mobile services that support our vision of becoming a leading ICT and digital lifestyle provider that makes the world a better place.

Committed to creating the region's digital future, we are seeking verticals that fall within four categories:

1. Disruptive, whereby these digital business models show signs of success at a global level but are yet to be established regionally
2. Scaled, whereby new opportunities can exist as standalone cores and can be scaled regionally across our footprint and beyond.
3. Ecosystem, whereby we seek complementarities between selected business models to propel growth and complying with the UN Sustainable Developments Goals
4. Capability Leverage, aiming to use existing differentiating capabilities to obtain a competitive advantage and accelerate growth

As we continually rollout and implement different elements of the digital strategy, we are seeing new opportunities to diversify revenues, increase shareholders' value while simultaneously generating sustainable growth for our operating communities. This is proving successful as evidenced by our strong financial performance and various achievements.

Moreover, we are setting up structures and entering into key partnerships in the FINTECH and e-Health arena, 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. We will continue to foster this lucrative and customer appealing platform that provides customers access to multiple mobile-led services. Zain Kuwait, Bahrain, Iraq, Jordan, and Saudi Arabia are benefitting from new revenue streams from this cloud service, with Omantel recently joining the platform.

All operations witness healthy and sustainable growth

The Group financial performance across all operations, especially the robust profit growth in Saudi Arabia, Iraq and Sudan, and the commendable performance by our highly profitable Kuwait operation, topped off an incredible operational year and that gives us enormous confidence going into 2020 and beyond.

Kuwait

Our flagship Kuwait operation maintained its market leadership, with its customer base growing 7% during the course of a highly productive year that saw Zain Kuwait invest USD 209 million representing 19% of its revenue in CAPEX during 2019. As the first operator to launch commercial 5G services in the country in June 2019, Zain Kuwait triumphantly rolled out numerous innovative digital services to enterprises and individual customers, attaining the largest market share of 5G customers in Kuwait.

The team meticulously prepared for the launch of 5G and rolled out commercial services immediately upon the availability of 5G smartphones and compatible mobile broadband routers. The benefits of such investment and focus are reflected in the data revenue that grew by 7% and now represents 37% of total revenue.

Zain Kuwait also made substantial progress in its digital transformation in line with the country's 2035 Vision, launching numerous applications and operational efficiency initiatives.

In a pioneering initiative, we announced on 12 February 2020 that Zain Kuwait completed the sale and leaseback of the passive physical infrastructure of its 1,620 mobile tower portfolio for USD 130 million (KD 40 million) to IHS Holding Limited. The transaction is the first sale and leaseback of telecom towers in the Middle East region by a licensed mobile operator and sets the scene for further similar deals across our footprint and beyond by other operators.

We are extremely confident that 2020 will be a great year for Zain Kuwait in all its key digital transformation initiatives and financial indicators, noting that we also expect to book approximately USD 43m gain on realization of the sale of Zain Kuwait's tower network.

Saudi Arabia

The impressive performance of Zain Saudi Arabia over the year was no doubt the highlight of the year for the Group, with the operator recording its highest ever financial results since its establishment. The rollout of the largest commercial 5G network in the region combined with expansion of Fiber to the Home services and the launch of numerous data monetization initiatives were instrumental to its successful turnaround. The operator made significant CAPEX investments of USD 512 million, representing 23% of its revenues during the year, aimed at perpetuating the successful digital transformation process underway in the Kingdom. Data revenues represented 43% of total revenues and it was pleasing to see the ARPU increase from USD 18 to USD 20 during 2019.

Serving 7.6 million customers, we are proud of our position as a major contributor to Saudi Arabia's ICT sector; a position earned by both the local and Group management teams working closely together in driving constant innovation and qualitative initiatives aimed at bolstering performance. Zain Saudi Arabia's focus on developing Saudi nationals and its productive relationship with the Ministry of Communications and Information Technology, and the Communications and Information Technology Commission, emphasize the company's dedication to supporting the targets of the Kingdom's Vision 2030.

Iraq

Continuing its upward trajectory, and against a backdrop of a highly competitive landscape and economic and political challenges, Zain Iraq delivered stable revenues and double-digit increases in both EBITDA and net profit. The company's focus on customer experience, services expansion across the country and cost transformation, combined with growth of data and digital revenue, were key drivers of this impressive performance. Retention and customer loyalty initiatives also resulted in the company serving 15.7 million customers.

In December 2019, Zain Iraq received a formal letter from the Iraq authorities advising that the operator's 2G and 3G license will be extended for five years commencing August 2022, subject to a final negotiation of pricing. Moreover, discussions are ongoing regarding the granting of 4G spectrum, and we are hopeful and ready to rollout 4G services to the Iraqi community, bolstering its socio-economic development.

Sudan

Despite the country's many socio-economic issues during 2019 including currency devaluation, Zain Sudan continued to perform well in local currency SDG terms, with data revenue forming 18% of total revenue in 2019, representing an impressive annual growth of 41% in SDG terms. We are constantly seeking new options to preserve the value of our funds there through investment into assets. The operation serves the largest customer base in the Group with 15.9 million customers, growing 9% over the year, making it the largest within the Group. It was very pleasing to see Zain Sudan report net profit growth in USD terms during 2019, and we are hopeful that the currency stabilizes so we continue reporting growth in USD terms.

Jordan

The operation in Jordan is maintaining its market leadership serving 3.6 million customers with stable revenues and improved net income that grew 5% during 2019. Zain Jordan invested USD 43 million in CAPEX during 2019 predominantly on its nuclear grade data center, named 'The Bunker' as well as 4G and Fiber to the Home expansion. These combined with data monetization offerings including B2B services, saw data revenue grow 8% and represent 41% of total revenue. The operator is undergoing many transformation initiatives and planning for its rollout of 5G commercial services, once the spectrum is attained.

Bahrain

Zain Bahrain is undergoing many transformation initiatives preparing itself for the imminent rollout of 5G commercial services in the first half of this year. Cost optimization and other initiatives saw the operator substantially improve its EBITDA margin and net income increased during 2019. Data revenue represented 47% of overall revenue. We have restructured top management and appointed a new CEO that will focus on taking the operation to the next phase of growth.

Lebanon

We have been managing the 'touch' operation in Lebanon since 2004 on behalf of the Telecom Ministry, taking the operation to new heights in terms of network capabilities, efficiency and rolling out appealing data monetization services. We are committed to supporting the development of the country's mobile sector and hopeful that our management agreement continues for the foreseeable future. Should privatization occur, we are definitely interested in bidding and believe we will be the front runner, given our successful history of managing it for the last 15 years.

5G and Regulatory

To ensure the success of our strategy, we have been very active in the regulatory arena in regard to spectrum acquisition and in seeking support from regulators and other government authorities. During 2019, we acquired or renewed over 600 MHz of the frequency spectrum across markets in various bands at an acquisition commitment price of nearly USD 300 million. In Kuwait and Saudi Arabia, the allocation of these spectrum bands has facilitated the launch of 5G services as is the case with Bahrain that will soon launch 5G. On this point, I would like to point out that we were the first operator in the region to offer 5G roaming between Kuwait and Saudi Arabia back in November.

The successful mid -2019 launch of 5G in Kuwait, which I spoke of earlier, and which was soon followed by Saudi Arabia in the region's largest commercial rollout, is a clear indicator of Zain's passion for this technology and its ability to provide customers a superior mobile experience. The company is mobilizing resources to capitalize on the enormous prospects that 5G technology provides, creating vast opportunities in the value chain proposition in numerous industries, especially with regard to enterprise (B2B) services to government and businesses of all sizes. We believe 5G will push the telecom sector to a new and exciting phase of growth.

Zain Drone

We are finding meaningful traction in our ambitions to be a leading entity providing drone-powered solutions. Launched in late 2018 in Kuwait, during 2019 we launched Zain Drone Saudi Arabia, marking the first step to expanding Zain Drone's presence across our regional footprint. We have successfully managed to educate the market about the magnitude of benefits the usage of drones can drive, particularly with respect to asset digitization, operational efficiency, data accuracy and cost cutting while using advanced analytics to help governments and private businesses alike.

Supporting our aspirations, Zain Drone formed various alliances and signed agreements with industry leaders to bolster its position and as part of our efforts to strive for excellence, Zain Drone attained ISO 9001:2015 certification. This significant achievement makes Zain Drone the first drone services provider in the region to receive the internationally recognized accreditation.

Sustainability, Diversity & Inclusion

A core part of the strategy is the creation of positive socio-economic impacts across the region, which begin within the company. Priorities within our sustainability efforts include, but are not limited to, contributing to the socio-economic development of our operating countries; aligning to climate change targets and developing our employees, all of which ultimately leads to a more successful and profitable organization.

In our world, digital and technological advancements offer endless opportunities to not only address negative impacts but create positive ones. Through digitization, our wide range of services, and reach, we aim to unlock the many opportunities that the Sustainable Development Goals (SDGs) offer, as sustainability is an intrinsic part of our DNA. Most recently, for example,
Zain became a member of the Climate Disclosure Project (CDP), thus paving the way to a structured reduction of our environmental footprint.

Zain's Diversity and Inclusion (D&I) initiatives are among the most compelling and comprehensive of any organization in the region. The work that Zain currently does within the organization to foster understanding and offer great life and work opportunities to all employees is truly inspiring.

Initiatives that fall under our D&I focus, to name just a few, include Gender Diversity (Women Empowerment); our aim for Zain to become Disability Inclusive by 2022 (WE ABLE); becoming a signatory to the International Labor Organization (ILO) Global Business and Disability Network Charter; Reverse Mentoring and our Generation Z graduate program (ZY); and our internal innovation program (ZAINIAC).

These D&I-based programs have all become central to Zain's development as an organization, with their overwhelming success seeing Zain operations immediately enjoy many direct benefits as well as being appreciated by our own people and external stakeholders alike.

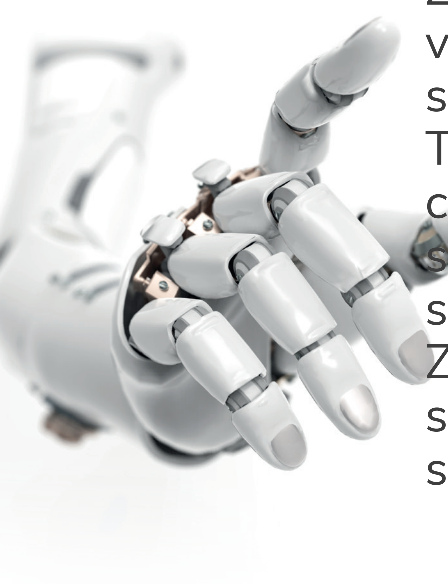
On a final note, on behalf of the executive management team, I would like to express my deep, personal gratitude to the Zain workforce, the Board of Directors, and the government agencies and bodies we cooperate with to deliver the experience we do at such a high level. I believe we can look ahead with confidence as we continue to make considerable progress and help uplift the societies we serve along the way.

Zain's journey to becoming a Digital Service Provider

In the last year, Zain has made confident strides towards delivering on the company's digital growth strategy, as is evidenced by the solid financial performance in 2019 and the long list of achievements.

As a leading telecom provider in the region, Zain strives to give its customers meaningful connectivity and a compelling suite of services that provide society with opportunities for growth and prosperity. In fact, Zain has been an early adopter of disruptive technologies in the region to become a provider of digital services to both consumers and businesses.

Zain has devised a sustainable and value-creating strategy that has a positive socio-economic impact across the region. The strategy is centered on evolving the telco's core business to maximize value and to selectively invest in growth verticals beyond standard telco services. This approach allows Zain to diversify its revenue stream, increasing shareholders' value while impacting positively the social and economic development of the region.



Evolve Telco Core

As a well-established player in the telecom industry, Zain continues to improve the value proposition that is offered to customers and the way the company manages its telecom operations and assets. Over the past years, Zain has been committed to direct investment in the network, geared towards providing the better and modern connectivity to customers.

To sustain the telco's core operations, Zain has been executing on several initiatives aimed at enhancing its offerings. These programs fall under the following strategic pillars:

Operation Digitalization

Since Zain first embarked on the path of transforming and digitally enabling core telco operations, it has accomplished a number of milestones to differentiate customer experience, increase agility and efficiency, and allow for better use of resources.

Zain's digital transformation can be summarized under the following themes:

Digital First

Zain operations continue to work towards improving the customer experience and easing the customer journey through the introduction of new digital channels that offer truly digital, personalized experiences, with full control over purchase, usage and interaction with Zain. Examples of digital channels include web, app, chatbot, social media and smart branches.

The digitization journey across Zain's footprint differs with the varying levels of market maturity and internet and or smartphone penetration found in each geography. The strategic focus in 2020 will be on designing and implementing load shift strategies and digitalizing the back-end processes and systems.

Optimization and Simplification

As part of its digital transformation efforts, Zain's operations are deliberately taking serious steps to simplify and optimize. This includes simplifying customer-facing tariff and product portfolios, shifting from human-assisted to non-assisted sales, and the introduction of optimized care channels. Zain operations are deploying digital tools for internal use that automate internal processes, simplifying the back-end by optimizing network and IT infrastructure.

Analytics & Artificial Intelligence (AI)

Zain is building an ecosystem aimed to expand on the current Customer Value Machine (CVM) deployed across all operations. Customer data is used to implement proactive and predictive analytic-based CVM, which allows the company to better understand customer needs and consequently target them with relevant real-time offers, reducing churn and enhancing the customer experience. Furthermore, the use of digital channels to communicate real-time and targeted offers to customers has significantly increased the take up rate of CVM campaigns and improved the efficiency of marketing efforts.

Enterprise and Government Segment Growth

A strategic focus area for Zain is to expand its role as a comprehensive connectivity and solutions' provider to the Enterprise and Government segments. In addition to providing these important segments with the latest technologies and best connectivity, Zain partners with governments and businesses by providing the latest ICT solutions that help these customers achieve their organizations' operational and financial goals.

Over the past year, Zain has enriched its suite of services that help increase efficiency and effectiveness, contributing to the economic development of the region. Examples include Video Surveillance as a Service (VSaaS) in Kuwait; Fleet Management and Smart Vehicle Surveillance in Bahrain, and the launch of "The Bunker", a military-grade commercial data center in Jordan.

Zain also offers Small and medium-sized enterprises (SME) several cloud-based services that grant them access to the latest tools to help them achieve growth and success. Zain Kuwait has developed a SME App, which digitizes the user experience from customer onboarding to managing contracts, as well as other facets governing the interaction between Zain and SME clients.

3

Broadband Connectivity

Zain believes that the expansion of fast and reliable broadband coverage is a cornerstone of economic and social development. The telco also understands the importance of providing the best broadband connection to customers, hence its early adoption of commercial 5G technology in Kuwait and Saudi Arabia.

Zain Group's long-term ambition is to transform into a fixed-mobile convergent player adequately serving consumers and businesses with a fixed-mobile converged value proposition. In a bid to achieve this goal, one example is Zain KSA's collaboration with Dawiyat, a wholly-owned subsidiary of Saudi Electric Company (SEC) to deliver fiber-based broadband services to consumers and businesses in the Kingdom. In Jordan, Zain is aggressively widening its FTTH coverage, offering a comprehensive portfolio of value-added services that complement the fiber connectivity.

4

Rationalize portfolio and assets to stabilize market and reduce costs

Zain Group proactively seeks out M&A opportunities that could complement its current portfolio, as well as the new growth verticals in alignment with the Group's strategy.

The goal is to create synergies that will reflect positively on the Group's commercial and financial position. Hence, Zain continues to seek opportunities to create value to both shareholders and stakeholders.

Diversify into Growth Verticals

Zain has begun a journey to diversify into growth opportunities that span beyond the core telco business to serve the company's ambition for continuous and sustainable growth and the commitment to support the creation of the digital future of the region. Verticals of interest to Zain were selected based on the following guidelines:

Disruptive

- Zain identified new digital business models that show signs of success at a global level but are yet to be established regionally
- Striving to be first-to-market to shape the regional industry and establish a sustainable competitive advantage

Scaled

- Zain looks for opportunities that can exist as standalone operations
- Favoring business models that can be scaled regionally, across its footprint and beyond

Ecosystem

- Zain seeks complementarities between selected business models in order to propel growth
- Ensures that all parts of the ecosystem comply with and support the UN Sustainability Developments Goals

Capability Leverage

Zain aims to utilize its differentiating capabilities to obtain a competitive advantage and accelerate growth

New growth verticals

Telco Infrastructure

Zain is seeking opportunities to establish an independent infrastructure operator capitalizing on the company's vast and valuable network assets in various markets. Such an entity plays a major role in the consolidation of telecom infrastructure, thus widening the coverage of telecom connectivity and furthering the development of ICT infrastructure. The separation of the network operations from the telecom business creates significant value for all stakeholders and allows for the necessary focus on service delivery and enhancing customer experience.

IT & Digital Services Core

Focus on both the lucrative Enterprise (B2B) and Consumer (B2C) segments, Zain aims to create a centralized ICT and Digital professional services hub that serves Zain's operations and other business entities across Zain's footprint and beyond. This hub will provide Cloud and Cybersecurity services, IoT, Big Data and Analytics as well as a wider spectrum of new technologies covering areas related to Artificial Intelligence, Blockchain and Drone solutions to name a few. Zain has already positioned its subsidiary "NXN" as a provider of smart city consulting and digital services. NXN continues to partner with governments and businesses in order to accelerate the digital transformation of cities, districts and enterprises as well as provide them with pre-built and custom-built digital services.

Venture Capital

Mobile operators play an important role in the development of the startup and digital ecosystem. We must innovate to remain relevant and the exploration of new opportunities is vital to future prosperity. Zain has taken a proactive step to cooperate with a broad range of initiatives starting with investing in venture capital partners (VCs) which share our vision providing the company with a vast range of opportunities to diversify and expand its reach in the surrounding ecosystem. Investments to date include VCs such as MEVP, Earlybird, Colle Capital, and WAMDA that have all proven ultra-successful based on recent valuations and exits.

Furthermore, Zain has been actively engaged in direct investments in innovative early stage startups in various sectors with the view of attaining new business streams, with a focus on offering Zain's large customer base and footprint adding up to the startup's financial viability and market capitalization. Within the same spirit, Zain has launched other initiatives such as the internal innovation platform, Zainiac, offering the opportunity for all Zain personnel to develop their own startups; Zain Great Idea, an incubator program in Kuwait; and Zain Innovation Center (ZINC) in Kuwait and Jordan offering the right environment for startups to develop into businesses.

API: Application Programming Interface

In 2019, Zain expanded its Zain Group API platform, offering customers top-tier regional and international content. Zain's API digital partnerships provided Direct Operator Billing and attracted key content providers such as Apple, Google, DOCOMO Digital, OSN, Digital Virgo, EROS and Centili across Zain markets. This efficient centralized tool allows the company to scale its partnerships and prosper in the digital landscape, providing Zain's partners with the ability to use one platform that gives customers access to multiple mobile-led services. Zain Kuwait, Bahrain, Iraq, Jordan, and Saudi Arabia are benefitting from new revenue streams from this cloud service. Through the API platform, the company was able to scale a variety of services to cope with different customers' preferences and requirements ranging from gaming, to content, to entertainment, and to education.

Fintech

Zain continues to strategically focus on mobile financial services following the success of Zain Cash in Jordan and Iraq which focuses on the underbanked populations in its various markets. Zain Cash managed to tackle a serious lack of reach and provide financial inclusion through a simple and agile platform allowing customers and businesses to conduct transactions seamlessly and securely. Notably, during 2019, Zain Cash Iraq launched a revolutionary EyePay Cash platform enabling refugees to cash-out their financial assistance via iris identification through integration with IRIS Guard Technology.

During the year, in Saudi Arabia, the company undertook a pilot, launching the first fully digitalized micro-lending platform in the region, Tamam, through the support of the Saudi Arabian Monetary Authority (SAMA). Furthermore, in Kuwait, Zain is teaming up with Boubyan Bank to launch an Islamic digital banking solution with the support of the Central Bank of Kuwait. 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.

E-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 2020 and beyond across key Zain markets.

THE WORLD OF ZAIN

KUWAIT

- % 100%
- $1.1 B
- 2.8 M
- 64%
- 38%
- 5G

SAUDI ARABIA

- % 37.05%
- $2.2 B
- 7.6 M
- 41%
- 5G

IRAQ

- % 76%
- $1.1 B
- 15.7 M
- 97%
- 52%
- 3G

JORDAN

- % 96.52%
- $496 M
- 3.6 M
- 75%
- 35%
- 4G

MOROCCO

- 15.5% %

SUDAN

- 100% %
- $304 M
- 15.9 M
- 98%
- 49%
- 4G

SOUTH SUDAN

- 100% %
- 991 K
- 99%
- 4G

BAHRAIN

- 55.4% %
- $167 M
- 4G

LEBANON

Management Contract (MC)

- 2.3 M
- 86%
- 4G

% OWNERSHIP | REVENUE | CUSTOMERS | PREPAID CUSTOMERS | MARKET SHARE | TECHNOLOGY

Zain Kuwait

The Group's flagship, Mobile Telecommunications Company (Zain) was founded in Kuwait in 1983, as 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, the company's market capitalization stood at USD 8.6 billion as of 31 December 2019.

Customers (000)

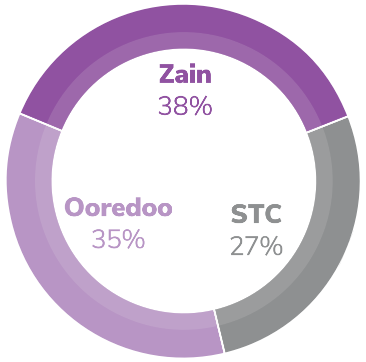
2,777 in 2019

1,767 Prepaid | 1,010 Postpaid

2,606 in 2018

1,660 Prepaid | 946 Postpaid

Market Share



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 2.8 million customers, reflecting a 7% annual growth. Its market leadership on all key financial indicators is highlighted by its revenue representing 39% of the total market revenue and 59% of the industry's net income.

For 2019, revenue grew by 1% YoY, to reach KD 333 million (USD 1.1 billion), which would have been 7% higher if not for the one-off additional enterprise revenue of the MEW project and bulk sales that were realized in 2018 amounting to KD 20 million.

Operational efficiency and cost optimization, and the KD 9.8 million benefit of adopting the new accounting standard IFRS 16 - 'Leases', resulted in EBITDA increasing 10% to KD 126 million (USD 417 million). Net income increased by 1% (YoY) to KD 83 million (USD 273 million) including a benefit of KD 5.9 million from IFRS 16.

Zain Kuwait was the first operator in the GCC to commercially launch 5G services in June 2019, investing USD 210 million (19% of its revenue) in CAPEX during 2019, providing connectivity nationwide via 2,511 network sites. This supported the 7% growth in data revenue that represented 37% of total revenue for the year.

The operator launched numerous digital initiatives, including the expansion of 25 smart branches with biometric processes and upgrades on its interactive zBot chat digital channel on WhatsApp, reducing customer waiting times by 90%.

On the groupwide API platform, Zain Kuwait launched Zain Kids, a safe and fun digital space for children and launched 'PlayVOD', offering a rich library of over 3,000 movies and TV series.

Moreover, Zain was the first telco in Kuwait to receive M&O Data Center Certification from Uptime Institute recognizing the high international standards of its data center. Also, it became the first managed services partner for Cisco in Kuwait on Hosted Collaboration Services as well as partnering with Microsoft as a reseller of Azure cloud solutions; and achieved Gold Partnership status with Dell-EMC.

Notably, Zain Kuwait in partnership with Boubyan Bank, announced plans for the first digital platform for Islamic banking services, one of the first digital alliances between a telecom entity and a bank.

In a pioneering initiative announced in February 2020, Zain Kuwait completed the sale and leaseback of the passive physical infrastructure of its 1,620 mobile tower portfolio to IHS Holding Limited for USD 130 million (KD 40 million). The operator expects to book approximately USD 43 million gain from the realization of the sale of its towers.

Operational & Financial Performance	2019	2018	Growth
Customers (000s)	2,777	2,606	7%
Revenue (USD m)	1,098	1,098	0%
EBITDA (USD m)	417	381	9%
EBITDA %	38%	35%	-
Net Profit (USD m)	273	272	0.6%
ARPU	$25	$26	-
Capex (USD m)	210	100	109%

Capex Breakdown (USD m)	2019	2018
Network	194	85
IT	13	14
Others	3	1
Capex	210	100

Network KPIs	
Average Daily Data Volume (TB)	2,447
2G Population Coverage	100%
3G Population Coverage	100%
LTE Population Coverage	100%
Contact Centre Availability	100%

Zain Saudi Arabia

Zain Saudi Arabia launched commercial operations in the Kingdom of Saudi Arabia on 26 August 2008, a year after it was awarded its mobile license. The Group holds a 37% equity stake in the operation, while the remaining 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 1.8 billion as of 31 December, 2019, reflecting a price of SAR 11.7 per share.

Customers (000)

7,596 in 2019

Prepaid	Postpaid
3,077	4,519

8,134 in 2018

Prepaid	Postpaid
4,232	3,902

2019 was a record year for Zain Saudi Arabia, attaining its highest ever financial results as well as cementing its position as the Group's largest revenue contributor, representing 41% of Group consolidated revenue.

Revenue for the year amounted to USD 2.2 billion, an increase of 11% YoY while EBITDA jumped by 27% to USD 1 billion, reflecting a healthy EBITDA margin of 46% on account of top line growth and IFRS 16 benefit of USD 142 million. Net income was the best-ever since inception, reaching USD 130 million compared to USD 89 million last year. The benefit from IFRS 16 on net income was only USD 11 million.

During 2019, Zain Saudi Arabia invested USD 512 million (23% of revenue) on CAPEX (Fiber-to-the-Home and 5G rollout), and spectrum and license fees, providing connectivity through 9,726 network sites. CAPEX was instrumental in data revenue generation, representing 43% of total revenue and monthly ARPU increasing 9% Y-o-Y from USD 18 to USD 20 for the last year, indicative of the success of the operator's focus on post-paid lines and data monetization initiatives.

The company's strong performance and solid cash flow generation led to early voluntary repayments towards the senior Murabaha financing agreement amounting to SAR 1.425 billion, which saved USD 20 million in finance costs for the year. For the first time ever, Zain made a USD 200 million payment in 2019, linked to the interest payable towards a shareholder loan from the Group.

The operator placed the Kingdom on the world 5G map when it launched its commercial network in October 2019. At the time it was the largest 5G rollout in the Middle East, Europe, and Africa, and the third largest globally. Through its first phase, the network served 27 cities through 2,600 towers.

In May, Zain Saudi Arabia powered Neom Bay Airport to become the first in the region to offer 5G services, with speeds of 1,000 Mbps. The milestone saw the first 5G call made in the region.

Zain Saudi Arabia and Zain Kuwait subsequently launched the first 5G roaming service across the MENA region, with download speeds reaching as high as 500 Mbps for both outbound and inbound roaming.

During 2019, Zain Saudi Arabia entered an agreement with Alibaba Cloud, the cloud-computing arm of Alibaba Group, to promote private cloud computing for businesses in the Kingdom. The operator launched Zain Drone services and entered into a strategic agreement with DETASAD, an ICT powerhouse in enhancing, developing and growing cloud and managed services across the Kingdom.

Operational & Financial Performance	2019	2018	Growth
Customers (000s)	7,596	8,134	(7%)
Revenue (USD m)	2,240	2,008	12%
EBITDA (USD m)	1,021	802	27%
EBITDA %	46%	40%	-
Net Profit (USD m)	130	89	46%
ARPU	$20	$19	-
Capex (USD m)	512	514	(0.3%)

Capex Breakdown (USD m)	2019	2018
Network	322	180
IT	8	28
License	153	188
Others	29	118
Capex	512	514

Network KPIs	
Average Daily Data Volume (TB)	5,016
2G Population Coverage	99%
3G Population Coverage	98%
LTE Population Coverage	93%
Contact Centre Availability	100%

Zain Iraq

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

Customers (000)

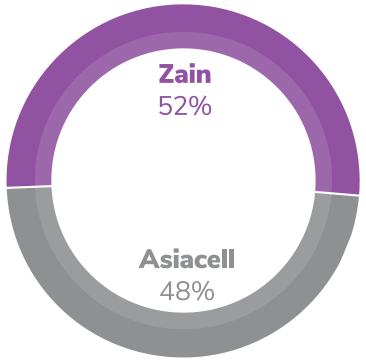
15,658 in 2019

15,120 Prepaid | 538 Postpaid

16,038 in 2018

15,663 Prepaid | 375 Postpaid

Market Share



Given the competitive landscape and economic and political issues in Zain stronghold regions in Iraq, Zain's top line performance was down 5% to USD 1.08 billion. EBITDA increased by 10% to USD 465 million due to transformation initiatives, as well as a USD 34 million benefit on the adoption of IFRS 16. Net income increased by 28% to USD 63 million, though a negative impact of USD 1.6 million was recorded on to the bottom line due to the adoption of IFRS 16.

Zain Iraq's focus on customer experience, service expansion across the country, and cost transformation, combined with the growth of data and digital revenue were the key drivers of Zain's sound performance in 2019.

The operator invested USD 133 million (12% of revenue) in CAPEX during the year, expanding and upgrading its network to support the increase in data demand. This connectivity was supported through 4,807 network sites. Zain Iraq team is focusing heavily on the enterprise (B2B) segment as this is proving to be an extremely profitable growth area in both service and data revenue, with the operator also launching a large-scale electricity smart meter project.

Retention and customer loyalty initiatives also resulted in the company serving 15.7 million customers.

Zain aims to acquire 4G spectrum in Iraq during 2020, which will further support growth. Moreover, the country's regulatory body extended the operator's 2G and 3G license for a further five years commencing from August 2022, which will contribute to the operator's future positive financial performance.

During 2019, Zain Iraq became the first operator in the Middle East to introduce a purchase solution via Facebook on smartphones, which was an instant success for the operator. Zain Iraq has 6 million social media fans on the Facebook. The operator also partnered with DOCOMO Digital, a prominent mobile commerce enabler, to launch Zain Games "GamEmpire", a unique all-you-can-play a bundle of native and HTML5 games streamed over the web directly on smartphones or tablet devices, offering customers access to hundreds of top-quality games.

Zain Cash collaborated with UNHCR and IrisGuard to introduce the world's first disbursement of cash to refugees in Iraq with IrisGuard EyePay's technology. Currently over 120,000 vulnerable families in Iraq and approximately 30,000 refugees in the country receive cash support via UNHCR.

Improving customer experience, Zain Iraq launched a new digital interface for its smart services, through the Facebook Messenger platform, interacting and responding to customer enquiries while informing them of the latest offers and services or facilitating direct communication with a customer service officer.

Operational & Financial Performance	2019	2018	Growth
Customers (000s)	15,658	16,038	(2%)
Revenue (USD m)	1,078	1,140	(5%)
EBITDA (USD m)	465	423	10%
EBITDA %	43%	37%	-
Net Profit (USD m)	63	49	28%
ARPU	$6	$6	-
Capex (USD m)	133	173	(23%)

Capex Breakdown (USD m)	2019	2018
Network	120	102
IT	8	5
Others	5	66
Capex	133	173

Network KPIs	
Average Daily Data Volume (TB)	412
2G Population Coverage	100%
3G Population Coverage	95%
Contact Centre Availability	100%

Zain Sudan

In February 2006, Zain acquired 61% stake in Mobitel, Sudan's first mobile operator, in a deal valued at USD 1.33 billion. Mobitel was rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years. With a leading customer market share of 49% as of 31 December, 2019, Zain Sudan was able to further improve its market position by reporting customer growth of 9% Y-o-Y to reach 15.9 million at the end of the year. The operator is the largest contributor to Zain Group's customer base, representing 32% of the Group's total.

Customers (000)

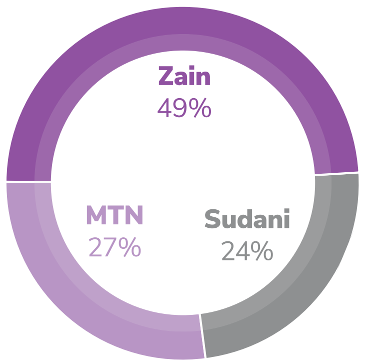
15,870
in 2019

Prepaid	Postpaid
15,622	248

14,565
in 2018

Prepaid	Postpaid
14,330	235

Market Share



With the political situation in Sudan witnessing more signs of stability after forming a civilian-led government for a transitional period of three years, Zain is performing exceptionally well in local currency terms.

For the full-year 2019, the operator continued to perform exceptionally well in local currency SDG terms, but the significant 30% currency devaluation in Sudan during 2019 affected both the Group's and the operation's financial results in USD terms. Revenue grew by 43% Y-o-Y to reach SDG 13.9 billion (USD 304 million, down 4% in USD terms). EBITDA increased by 52% to reach SDG 5.6 billion (USD 122 million, up 1% in USD terms), while net income increased 87% to reach SDG 2.3 billion (USD 49 million, up 11% in USD terms). This net income growth is impressive, given that there was an increase in the corporate tax rate from 5% to 7%, which impacted net income.

The expansion of 4G and 3G services to key cities across the country combined with data marketing initiatives saw data revenues (excluding SMS and VAS) grow by an impressive 41%, representing 18% of total revenues in SDG terms. This is impressive when considering the internet outages experienced in Sudan during June and July 2019.

Zain Sudan spent USD 51 million in CAPEX or 17% of its revenue, expanding its 4G LTE network across the country and by the end of 2019 the operator's mobile network covered 90% of the population via 2,691 network sites.

During the year, the operator launched an initiative to rollout 4G LTE hotspots across key regions as well as introducing cloud gaming services that resulted in impressive take-up by customers and revenues.

Republic of Sudan - USD			
Operational & Financial Performance	**2019**	**2018**	**Growth**
Customers (000s)	15,870	14,565	9%
Revenue (USD m)	304	316	(4%)
EBITDA (USD m)	122	121	1%
EBITDA %	40%	38%	-
Net Profit (USD m)	49	45	11%
ARPU	$2	$2	-
Capex (USD m)	51	106	(52%)

Republic of Sudan - Local Curency Terms (SDG)			
Operational & Financial Performance	**2019**	**2018**	**Growth**
Customers (000s)	15,870	14,565	9%
Revenue (SDG m)	13,895	9,731	43%
EBITDA (SDG m)	5,557	3,650	52%
EBITDA %	40%	38%	-
Net Profit (SDG m)	2,256	1,206	87%

Capex Breakdown (USD m)	2019	2018
Network	44	99
IT	6	4
Others	1	3
Capex	51	106

Network KPIs	
Average Daily Data Volume (TB)	332
2G Population Coverage	90%
3G Population Coverage	46%
LTE Population Coverage	27%
Contact Centre Availability	100%

Zain Jordan

In 1994, Zain Jordan revolutionized the telecom sector in the Kingdom by becoming the first operator to introduce mobile services (as Fastlink). In 2003, the operator notched up another first by joining Zain Group's Middle East portfolio, and despite intense competition in this liberalized market, the operator was the first to launch 4G services. Zain Jordan has maintained its status as the country's leading mobile entity from inception.

Customers (000)

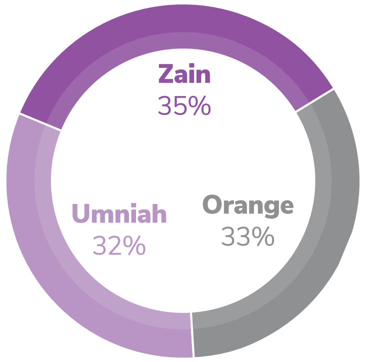
3,614 in 2019

2,699 Prepaid | 915 Postpaid

3,723 in 2018

2,907 Prepaid | 816 Postpaid

Market Share



Celebrating its 25th anniversary of operation in 2019, Zain Jordan remains the market leader, serving 3.6 million customers. Revenue for the year was stable at USD 496 million despite the new regulated lower interconnection rates effective 1 January, 2019, which saw the rate fall from 11.6 fils to 8.4 fils. EBITDA increased 14% YoY to reach USD 221 million, which included an IFRS 16 benefit of USD 14 million and reflected an improved EBITDA margin of 45%. Net income reached USD 77 million, up 5% YoY with IFRS 16 having no material impact on the bottom line.

CAPEX in Jordan amounted to USD 51 million in 2019, reflecting 10% of the company's revenue. Most of this investment was directed towards the nuclear grade Tier 3 Data Center - The Bunker – which offers co-location, cloud, virtual private data center and business continuity services. CAPEX was also spent on FTTH expansion and 4G network sites, which reached 2,950 sites. This, and related digital offerings including a concerted focus on B2B services, saw data revenue grow by 8% YoY to represent 41% of total revenue.

Efficiency is important to Zain Jordan and one of its key focuses is on electricity and the use of solar power as an alternative. The operator also made progress in its rollout plan to expand Zain Fiber services tailored to various monthly subscription packages. Zain Fiber provides premium quality and stable internet access speeds of up to 1 GB per second with fiber revenue more than doubling during the year.

The operator also introduced attractive GSM and mobile broadband post-paid packages that saw impressive growth, as did the new roaming offer Take your local bundle, which saw healthy revenues derived from both incoming and outgoing roamers.

From a digital perspective, Zain Jordan introduced a revamped website with a new eShop that has seen impressive usage and revenue growth. It also offered eSim and focused on adding new features and promoting usage of its customer app, which witnessed a 70% increase in monthly visitors, and a doubling of revenues.

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

Operational & Financial Performance	2019	2018	Growth
Customers (000s)	3,614	3,723	(3%)
Revenue (USD m)	496	494	0%
EBITDA (USD m)	221	194	14%
EBITDA %	45%	39%	-
Net Profit (USD m)	77	73	5%
ARPU	$10	$10	-
Capex (USD m)	51	83	(46%)

Capex Breakdown (USD m)	2019	2018
Network	37	72
IT	4	4
Others	10	7
Capex	51	83

Network KPIs	
Average Daily Data Volume (TB)	1,668
2G Population Coverage	100%
3G Population Coverage	100%
LTE Population Coverage	100%
Contact Centre Availability	100%

Zain Bahrain

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 107.4 million (share price BD 0.110) as of 31 December, 2019.

Celebrating its 16th year of operation in the Kingdom, Zain Bahrain's successful focus is on operational efficiency and the delivery of state-of-the-art technology.

Zain Bahrain generated revenue of USD 167 million in 2019, down 5% YoY. EBITDA for the period amounted to USD 56 million, up 35% YoY, reflecting an EBITDA margin of 33%. Net income amounted to USD 14 million, reflecting a 2% increase YoY. The operation recently revamped its 4G network and is set to launch 5G in the first half of 2020. Data revenue represented 47% of overall revenue, up 5% on last year.

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.

The operator invested USD 53 million in CAPEX, representing 32% of its revenues. Much of this investment was channeled towards expanding the company's 4G LTE network and preparing itself for the imminent commercial launch of 5G. The operator currently provides connectivity through a network of 597 sites. The operator's focus on rolling out appealing, innovative digital services that provide greater value to enterprise (B2B) and individual customers saw data revenue (excluding SMS & VAS) increase 5% to represent 47% of overall revenue.

The operator's digital transformation witnessed multiple initiatives that enhanced the customer mobile experience as well as increased revenue. This includes the rollout of smart branch self-service machines to increase customer adoption of digital self-care channels with new services including sales and SIM replacements.

Zain Bahrain's launch of zBot chat service in both Arabic and English resulted in a 68% reduction in resolution times with digital related interactions reaching 94%.

The revamp of the ringback tone service and launch of Zain Games, a mobile gaming platform on the groupwide API platform, resulted in healthy revenue as did device promotions on Zain Bahrain's eShop platform, which contributed to total device sales.

The operator also launched post-paid tactical promotions offering additional data usage that reduced churn and attracted new customers, as did its rollout of home broadband 4G LTE packages. In the fourth quarter of 2019, Zain Bahrain offered commercial Fiber to the home services.

During 2020, with the imminent launch of 5G services, Zain Bahrain aims to focus on growing its B2B revenue, targeting government and enterprises as well as increasing its service offerings to 5G-hungry consumers as compatible devices become more readily available.

Operational & Financial Performance	2019	2018	Growth
Customers (000s)	722	668	8%
Revenue (USD m)	167	176	(5%)
EBITDA (USD m)	56	41	35%
EBITDA %	33%	23%	-
Net Profit (USD m)	14	14	2%
ARPU	$18	$17	-
Capex (USD m)	53	3	446%

Capex Breakdown (USD m)	2019	2018
Network	14	1
IT	2	2
License	37	-
Others	0.6	0.1
Capex	53	3

Network KPIs	
Average Daily Data Volume (TB)	378
2G Population Coverage	100%
3G Population Coverage	100%
LTE Population Coverage	98%
Contact Centre Availability	100%

touch Lebanon

In June 2004, Zain Group was awarded a four-year management contract to operate one of Lebanon's two GSM networks. This concession has been extended regularly since. The operation is branded touch, and Zain Group management has worked closely with the country's Ministry of Telecommunications and high-caliber local talent to develop the operation and maintain its market leadership with a 54% customer share as of the end of 2019.

Customers (000)

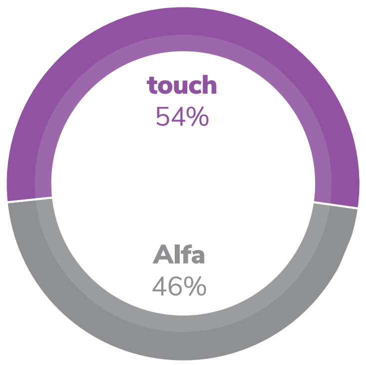
2,293 in 2019

Prepaid	Postpaid
1,964	329

2,386 in 2018

Prepaid	Postpaid
2,053	333

Market Share



Lebanon's socio-economic issues, which arose mid-October 2019, have halted numerous initiatives that were underway at touch, as per the directive of the Ministry.

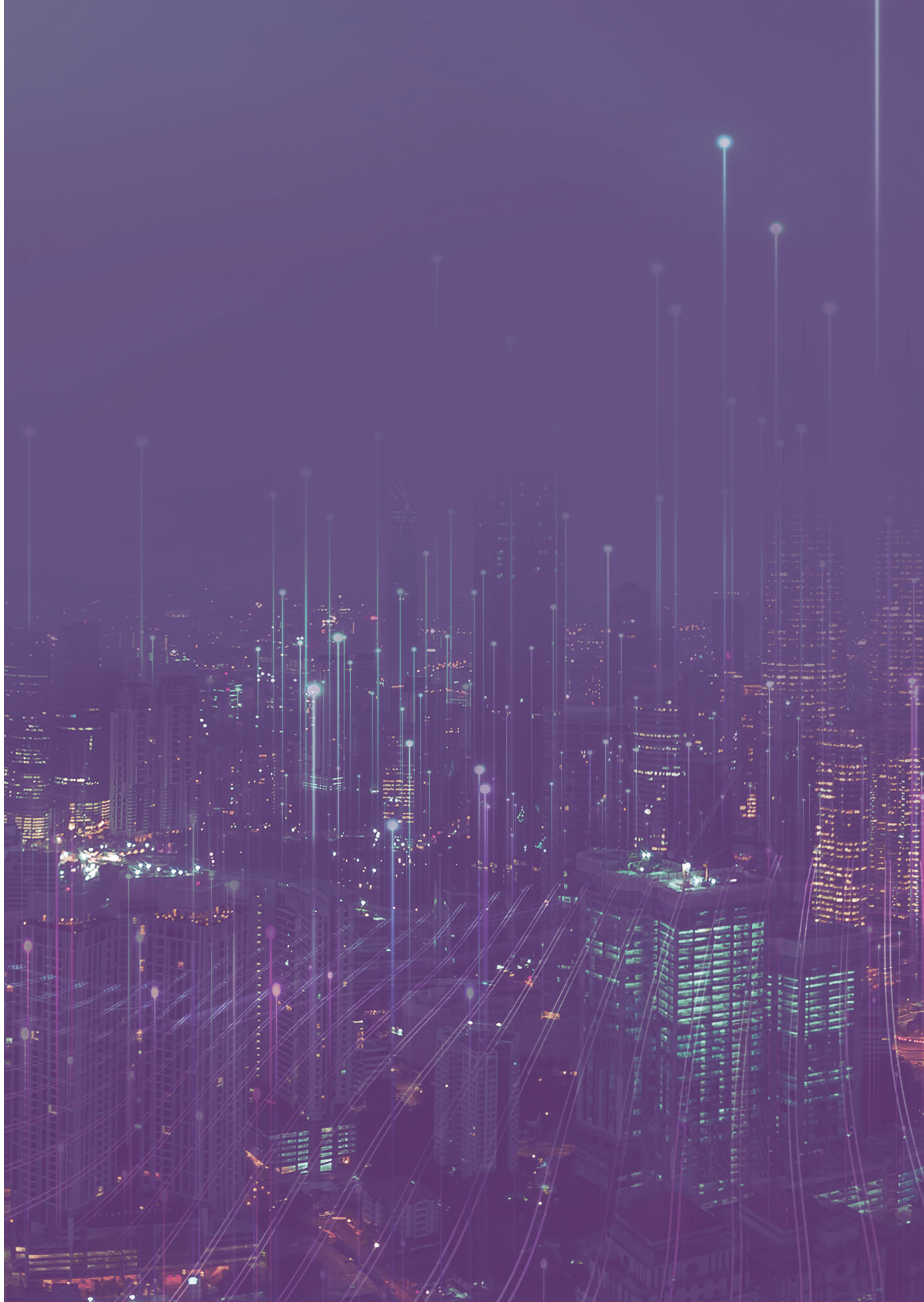
Nevertheless, during 2019, touch continued its digital transformation journey, implementing converged billing and transforming business operations across different departments including IT, commercial and corporate management, which saw the company's contact center upgraded with the latest technologies resulting in a 100% increase in e-chat traffic. Furthermore, there was a significant increase in the number of transactions and revenues across all touch's digital channels, reducing outsourcing fees at both the contact and service centers.

The operator launched numerous innovative bundles that included content and entertainment offerings and B2B offers and promotions as well as WhatsApp local and roaming data bundles. touch's focus also centered on rolling out value creating services in the B2B segment to government and enterprises.

The year saw touch heavily involved in initiatives related to the local startup entrepreneurial ecosystem through its 'touch Innovation Program', which completed cycles two and three for the aspiring entrepreneurs. Similarly, touch partnered with the MIT Enterprise Forum Pan Arab Startup Competition to provide mentoring and logistic support for the 2018 /2019 period with the final ceremony held in Beirut in April.

touch's focus on improving network coverage and service availability saw it modernize the network, adding and relocating 3G and 4G sectors, deploying new sites, upgrading microwave links, redistributing mobile sites and building microwave rings, as well as kicking-off a power modernization project. The operator also enhanced customer experience through 3G and 4G RAN, cluster optimization, including traffic balancing with new features. Moreover, touch launched LTE roaming and undertook 5G trials to ready itself for commercial rollout, when approved by the Ministry.

By the end of 2019, touch counted 2.3 million customers representing a 54% market share with over 86% being prepaid. This accounts for 5% of Zain Group's total customer base. With 1,366 network sites, the operator covers all the populated areas of Lebanon with 3G and 4G services.



1- Regulatory Landscape

This is the digital age of hyper-connectivity, instant access and inclusion. Across the Zain footprint, the demand for high-speed broadband infrastructure – both wireless and next-generation access (fiber) networks – is growing, driven by the country digital economy visions and customer demand for innovative solutions. The Fourth Industrial Revolution, underpinned by technological advances such as 5G, internet-of-things (IoT), big data analytics, drones, and cloud services, is establishing a strong foothold across the Zain footprint.

In 2019, Zain markets witnessed significant regulatory developments – all designed to strengthen the foundations for digital transformation and to create an environment for effective competition against the backdrop of different mobile and fixed telecommunications market maturities and internet adoption, country digital visions and global trends. National Regulatory Authorities across Saudi Arabia, Kuwait, Bahrain, Jordan, Iraq, Sudan and South Sudan initiated licensing auctions and renewals, enacted new regulations, published critical decisions and launched public consultations for matters under consideration. The regulatory developments principally fall into seven core areas that have critical impacts on Zain's business.

Spectrum

- Radio Access Network (RAN) Spectrum
- Microwave Backhaul Spectrum

Implementation of 5G

- Sites Hyper-Densification
- Minimizing Rollout Obligations
- Verticals and Campus Networks
- Government Support

Infrastructure

- Mobile Infrastructure Sharing
- Fixed Network
- International Gateway
- Cable Landing Station

IoT

- Licensing & Regulatory Framework
- Data Flow
- Privacy & Security
- Identifiers
- Mission/Critical IoT
- eSIM

Industry Taxation

- Operator Regulatory Fees
- Universal Service Fund
- Customer Mobile-Specific Taxes
- Other Industry-Specific Costs

Digital Services

- Digital Identity
- e-KYC
- Data Protection
- Cyber-security Law
- E-Transaction Law
- Electronic Signature Adoption
- Government Enablement

Competition Safeguards

- Enablers to achieve effective competition (Licensing review, strategic market review (SMR); ex-ante and ex-post remedies)
- Tariffs regulations

1.1 Spectrum

Frequency spectrum allocation is at the heart of network deployment and operations. Three key developments have taken place across the Zain footprint.

Firstly, Zain acquired or renewed over **600 MHz** of the frequency spectrum across markets in the 800 MHz, 900 MHz, 2100 MHz, 2600 MHz and C spectrum bands at an acquisition **USD 300m** payable in annual instalments over periods between 5 and 15 years.. In Kuwait, Zain acquired 100 MHz in the 3.7 – 3.8 GHz band for IMT2020 (5G) use. Mada acquired 100 MHz in the 3.4 – 3.5 GHz band for fixed wireless access operations In Saudi Arabia, Zain acquired 15-year spectrum licences with a total of 190 MHz spectrum for IMT2020 use including 90 MHz (Band 41) in the 2600 MHz band and 100 MHz in the 3.6 – 3.7 GHz band. **In Kuwait and Saudi Arabia, the allocation of these spectrum bands has facilitated the launch of 5G services**.

In Bahrain, Zain renewed its licence for 2 x 52 MHz of spectrum (104 MHz) in the 900, 1800 and 2100 MHz bands for ten years and acquired 2 x 10 MHz in the 800 MHz band and 50 MHz (Band 41) in the 2600 MHz band. Zain was also granted 10 MHz temporarily in the C-band to enable the trial launch of 5G services over a total of 100 MHz (using the new allocation and the company's existing 90 MHz allocation in the C-band). In Sudan, Zain secured a commitment from the Telecommunications and Post Regulatory Authority (TPRA) to purchase of 20 MHz of spectrum 2 x 5 MHz in the 1800 MHz band and 2 x 5 MHz in the 2100 MHz band. In South Sudan, Zain acquired a total of 20 MHz consisting of 2 x 5 MHz in the 900 MHz band and 2 x 5 MHz in the 2100 MHz band to strengthen 3G network deployment and enhance network quality. **These spectrum renewals and acquisitions form a core part of Zain's strategy to sustain market spectrum leadership**.

Secondly, the World Radiocommunications Conference 2019 (WRC-19), held in Sharm El Sheikh, Egypt, brought together ITU members, sector members and associates to agree on core bands for IMT use. WRC-19 identified three new millimetre waves for IMT global use including 26 GHz (24.25 – 27.5 GHz), 40 GHz (37-43.5 GHz) and 66 GHz as well as two additional bands 45.5-47 GHz and 47.2 – 48.2 GHz at the discretion of specific countries. **Zain anticipates that national regulatory authorities in its footprint will assign these bands in the medium to long-term (3 – 5 years)**.

Thirdly, some of the countries, such as Saudi Arabia and Iraq, in Zain's footprint have begun to issue five-year national spectrum plans, reflecting roadmaps for spectrum management and the release of the licensed and licensed-exempt frequency spectrum in the sub-1 GHz bands, extended C-band and millimetre wave for future radio access technologies in the mobile, fixed, fixed-satellite and maritime domains. **The publication of a national spectrum roadmap enables coordinated planning of spectrum acquisitions**.

In some of Zain's markets, ample spectrum has been made available for IMT use. Saudi Arabia is a prime example where three mobile operators have access to 1010 MHz, and Zain has 310 MHz. In other markets, such as Iraq, the amount of spectrum allocated is insufficient - a total of 189 MHz amongst three operators. **Zain's position is to advocate for the release of the frequency spectrum on favorable terms as soon as possible to enhance network quality and optimize network deployment costs**.

Zain's regulatory strategy and execution entail the advocacy of critical messages to national regulatory stakeholders on radio access network and microwave backhaul spectrum – including spectrum pricing, licence duration, technology neutrality and cross-border frequency coordination.

Lowering of spectrum costs for new acquisitions and license renewals	Grant Longer License Duration (>20 years)	Ensure availability of E-Band Spectrum for Microwave Backhaul	Use point-to-area based rather than link-based licensing for microwave spectrum	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	Ensure contiguity of spectrum blocks and advocate reforming if necessary	Regulator-led cross border frequency and synchronisation coordination across all bands	Proactive Publication of National Spectrum Roadmap for Coordinated Planning

1.2 Infrastructure

Infrastructure initiatives, in the current context, include regulations governing mast construction, tower companies, mobile network passive and active sharing, regulated access to or the right to build next-generation fiber networks as well as last-mile and bitstream access to fixed networks. For operators, there is an ongoing need to increase the bandwidth of the backhaul networks that transport traffic from cell sites to a high-speed network backbone, necessitating the use of fiber to achieve the quality of service targets required in today's networks. According to the GSMA, by 2025, globally, up to 40% of backhaul connections for cell sites will be expected to be fiber-based.

In 2019, several developments emerged within the infrastructure domain. In Kuwait, in Q4 2019/Q1 2020, the Communications and Information Technology Regulatory Authority (CITRA) published a new tower regulation and bylaw governing tower construction with a grace period of 24 months granted to operators to comply. In Bahrain, the mast regulations compliance continues to be enforced in the market. In Jordan, in Q4 2019, the Telecommunications Regulatory Commission published a public consultation on a draft regulation covering infrastructure sharing and national roaming that appeared to advocate stringent sharing obligations. **Zain continues to advocate that it is vital to ensure that sharing approaches are commercially driven rather than imposed on operators.**

Separately, in Bahrain, in Q3 2019, the Telecommunications Regulatory Authority (TRA) completed the functional separation of Batelco into a retail arm ("Batelco"), and a fixed wholesale infrastructure player ("BNET"), which provides regulated access to fiber-to-the-home on a wholesale basis for resale by licensed operators in the retail market; and access to fiber for backhaul circuits with price and non-price terms defined in a BNET Reference Offer. The regulatory framework will allow Zain to have representation in an Equivalence Compliance and Technical Committee that will oversee BNET's operational compliance with the delivery of services on an equivalent-of-inputs basis in the medium-term. In Saudi Arabia, in November 2019, the Communications and Information Technology Commission (CITC) issued regulations governing fiber bitstream access to facilitate fiber bitstream agreements across the Kingdom. In Jordan, the existing integrated licensing regime permits the operation to deploy fiber for network connectivity and FTTH purposes and Zain is taking advantage of this to explore both over-ground and buried fiber cable deployments. **The right to deploy fiber or the right to obtain regulated access to fiber on fair and non-discriminatory terms is critical to Zain's business – particularly in markets where 5G has been deployed.**

In other markets including Kuwait, Iraq and South Sudan, both fiber infrastructure and voice and data international gateway facilities continue to remain monopolies. This approach is not conducive for the development of 4G and 5G high-speed networks, which are beginning to witness substantial growth in IP traffic. Zain continues to advocate that liberalization is critical as this optimizes network operations, improves the quality of service, addresses pricing and enhances customer welfare.

Zain's regulatory strategy advocates critical messages to national regulatory stakeholders on infrastructure initiatives – including the need for regulations that are supportive of active and passive sharing and tower company establishment, granting rights to deploy fiber and liberalizing international gateways.

Advocate for active sharing of RAN legislation (cost savings)	Support right to deploy fiber or regulated access at fair price	Advocate open access cable landing stations to increase data connectivity	To lower IP transit costs, advocate IXP liberalization coupled with open access cable landing stations
Advocate for pro-TowerCo legislation (commercial agreement driven rather than government-mandate)	Support spectrum sharing/pooling legislation (efficient usage and cost savings)	Advocate for effective and wide passive sharing implementation mainly in remote areas	Advocate liberalization of international gateway (improvement of voice QoS)

1.3 Industry Taxation

Industry taxation continues to remain high. The mobile industry within Zain's footprint is subject to high consumer and operator taxes. The consequence is that in some markets (such as Jordan and Iraq), government income generated from consumer-taxes, operator revenue share, annual licence fees, spectrum acquisition and annual fees ranges from 3x – 7x the net income position of operators. **Zain has continued to lobby for relief on fees with positive outcomes in some markets**. For example, in Saudi Arabia, Kuwait and Bahrain, the payments for spectrum are now on an instalment basis (in some cases over the licence tenure) rather than as an up-front fee. In the case of Saudi Arabia, for example, C-Band spectrum has been granted in 2019 with payments deferred until January 2022 and payable in equal instalments over 13 years. In Bahrain, the TRA postponed the implementation of the new Schedule of Fees in 2019, which would have seen an increase in the cost of microwave point-to-point links. **Zain continues to advocate a lowering of industry taxation as this has a consequent negative impact on the development of the industry**.

Zain's regulatory strategy promotes the lowering of industry-specific costs, usage taxes, spectrum costs and a stabilization of the overall industry taxation to create the investment-friendly atmosphere for operators. This approach is particularly pertinent given the significant investments that need to be made for the deployment of 5G, next-generation access networks, digital services and many other solutions.

Lower level of industry-specific fees (revenue share, regulatory fees, numbering fees, mast fees)	Broaden tax base or ICT funding for rural areas to include non-telco players	Lower Usage Taxes (excise duties, higher VAT rates....)	Lower cost of spectrum and provide favorable payment terms – payment over license tenure and deferred payment for new technologies
Cap Universal Service Fund and ensure fast disbursement of funds	No industry-specific utility prices or differential tax rates – normalize to commercial rates	Stabilization of Industry overall taxation – No incremental taxes	Lower government-imposed activation charges (SIM, connection taxes) and handset taxes

1.4 Competition Safeguards

Competition regulations and decisions, as well as approaches to foster even more competition, abound across the footprint. In 2019, several developments took place. In Kuwait, in Q3 2019, CITRA initiated a process to award mobile virtual network operator (MVNO) licences and, following application submissions by one or more consortia late in 2019, CITRA will make a final decision on next steps in 2020.

Similarly, CITC in Saudi Arabia initiated a consultation to assess the feasibility of awarding MVNO licences in the Kingdom and subsequently decided to issue a Request for Applications (RFA) to award two MVNO licences in 2020. The Communications and Media Commission (CMC) in Iraq assessed the possibility of granting national and regional fixed LTE licences to incumbent and new players and a final decision on the approach is expected in 2020. Iraq also elected to postpone the issuance of a fourth mobile telecommunications licence, given concerns about the medium to long-term impacts on the telecommunications industry. Markets also witnessed moves by regulators to conduct strategic market reviews to define relevant markets, assess the state of competition and identify whether markets are susceptible to ex-ante obligations, identify players with significant market power (SMP) and recommend remedies. Kuwait, Jordan and Saudi Arabia conducted comprehensive strategic market reviews. Published outcomes from Saudi Arabia and Jordan, which are still subject to consultation, reflect favorable outcomes for Zain, such as a lifting of prior SMP obligations.

In Saudi Arabia, CITC issued a decision (in Q1 2020), reducing mobile and fixed termination rates (FTR and MTR) from 5.5 Saudi Halalas (H) and 2.2H to 2.2H and 1.1H respectively, creating a more favorable interconnection settlement regime for Zain.

Some markets are launching mobile number portability (MNP) and fixed number portability (FNP) initiatives. In Jordan, MNP and FNP initiatives now form part of the ICT policy of the Ministry of Digital Economy and Entrepreneurship (MoDEE) but with implementation delayed until 2021. In Iraq, CMC has mandated MNP and progress is now underway.

Zain's regulatory strategy advocates putting in place controls that will foster effective competition but not impede development.

Enforcement of proposed ex-ante and ex-post remedies is critical – simply recommending measures is not enough	Safeguards should be put in place to prevent price wars between operators	Implement tariff regulations which impose proportionate obligations – for example, tariff approvals should be applied only on dominant operators	Penalties and sanctions should be proportionate but also serve to deter anti-competitive conduct
Avoid stringent regulations or government actions that impede competition (IGW/CLS Monopoly,....)	NRAs to launch periodic strategic market reviews determine competition status and assess effectiveness of any ex-ante obligations	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 ability of existing players to sustain and recoup investments

1.5 Implementation of 5G

Zain has successfully launched 5G in Kuwait and Saudi Arabia. The success of 5G is not only predicated on the deployment of infrastructure and the growth of a device-ecosystem and the provision of tariff plans – it requires active demand stimulation by governments, cross-sector engagement and facilitation of rollout of sites, amongst many other factors.

Zain's regulatory strategy calls for governments to create enablers for the growth and development of 5G services and to streamline 5G implementation. This approach includes revising infrastructure policies to ease the construction and upgrading of towers and base stations and modernizing regulations that might otherwise restrict or slow down the move to 5G.

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

1.6 Internet-of-Things (IoT)

The Internet-of-Things (IoT) is a cornerstone of the Fourth Industrial Revolution, offering a range of benefits to society, governments, citizens and businesses across many sectors. According to the GSM Association, there will be as many as 25 billion IoT connections globally by 2025. Other studies project that IoT will have a global economic impact, including consumer surplus of anywhere between USD 3.9 trillion – USD 11.1 trillion per year by 2025 in aggregate across sectors such as oil and gas, agriculture, transportation, home automation, smart cities, health and fitness, retail environments, factory optimization, security and energy management.

Within the Zain footprint, initiatives such as IoT frameworks, licensing approaches, the introduction of embedded-SIM (eSIM) regulations for IoT and IoT addressing are already underway. In Saudi Arabia, following the publication of regulations governing the award of IoT virtual network operator licences, considerations are being given to the IoT Regulatory Framework using licence-exempt frequencies. In Jordan, the TRC has now issued eSIM regulations that apply – not only to normal use but also to IoT services.

Given the imminent large-scale deployment of IoT, Zain's regulatory strategy calls for regulatory authorities to put regulations in place to facilitate the launch of robust, fit-for-purpose IoT infrastructure.

Limit number of IoT-VNO licenses; do not grant separate IoT spectrum to IoT	Prohibit permanent roaming (keep all revenues local if possible)	Ensure that only MNOs can offer mission critical and safety-critical IoT services	Create separate numbering range for IoT/M2M and lower numbering cost
Develop robust IoT policy with active cross-sector regulator engagement	Permit cross-border transfer of non-personal IoT data for centralized processing	Pass IoT specific cyber-security regulation to block importation of vulnerable devices	Accelerate adoption of eSIM and soft SIM and put regulations in place

1.7 Digital Services

The enablement of digital services across the Zain footprint, through supportive regulations, is a critical step in the fulfilment of Zain's corporate objectives. For example, trusted digital identity is the cornerstone of all legal interactions between people, businesses and the State. People's ability to prove who they are is a pre-requisite for signing contracts, conducting banking transactions, accessing government services and undertaking many other activities online. This approach is necessary for digital financial services initiatives that form critical parts of Zain's corporate strategy. In this regard, Zain is advocating putting in place legislation and regulatory best practice to support the following areas:

- Creation of robust national digital identity (ID) infrastructure with open APIs
- Adoption of e-KYC and authentication approaches – including using biometrics
- Creation of trust entities including certification authorities
- Creation and enforcement of e-authentications laws

Similarly, electronic transaction laws (ETLs) provide a legal framework that governs nearly all digital services such as e-commerce, electronic records, electronic contracts and signatures. An ETL must advocate that an electronic signature holds the same legal effect as a manual signature on a paper transaction. Zain promotes the following positions:

- Creation of trust and authentication service authorities for electronic/digital signatures
- Broader licensing of digital certification service providers adopting public key infrastructure
- Enforcement in the judicial system

As the volume of personal data across multiple platforms – social media, banking applications, and telecommunications customer care apps grows, it is now incumbent on governments to enact personal data protection laws that set out restrictions on how personally identifiable data obtained by firms and government entities can be handled, stored and shared. Within Zain's footprint, Bahrain has already enacted a personal data protection law (effective 1 August, 2019). Other markets (such as Saudi Arabia and Jordan) are exploring the creation of personal data protection laws. Zain continues to advocate the enactment of legislation and regulatory best practice to support the following areas:

- Creation of cross-sector data protection laws – not just limited to the telecom sector
- Creation of a white list of countries to which international data transfers are permitted
- Creation of distinct data categories (personal, enterprise, government) and the required differing levels of protection and localization in data protection legislation
- Creation of regulations governing cross-sector flow subject to simple and clear customer consent mechanisms and robust information security management practices

Zain's regulatory strategy calls for governments to create enabling legislation to support the growth of digital services. Zain is advocating government-led cross-sector alignment and collaboration and regulators to boost the take-up of digital services.

Adoption of e-KYC and e-Authentication including biometrics	Creation of regulatory sandboxes for emerging technologies	Promote non-personal cross border data transfers to white-listed countries	Broad licensing of digital certification service providers
Build national digital ID infrastructure with wide coverage and open APIs	Demand stimulation by government through e-government promotion	Enforcement of electronic signatures in judicial system	Enactment of electronic payment laws which are supportive of FinTech growth

2- Proactive and Strategic Regulatory Management

Zain is adopting an extremely proactive results-oriented management approach to regulatory affairs focusing on these critical areas, taking into account the Group's corporate strategy, company division roadmaps, digital economy visions and transformational plans in each country, as well as global trends.

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

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.

Accordingly, 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 Zain Group. The BRC oversees the implementation of a strategic top-down risk assessment exercise covering all of Zain's operations, while also reviewing and approving the risk management framework and plan 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.

ERM POLICY, PROCEDURES AND ROLES & RESPONSIBILTIES

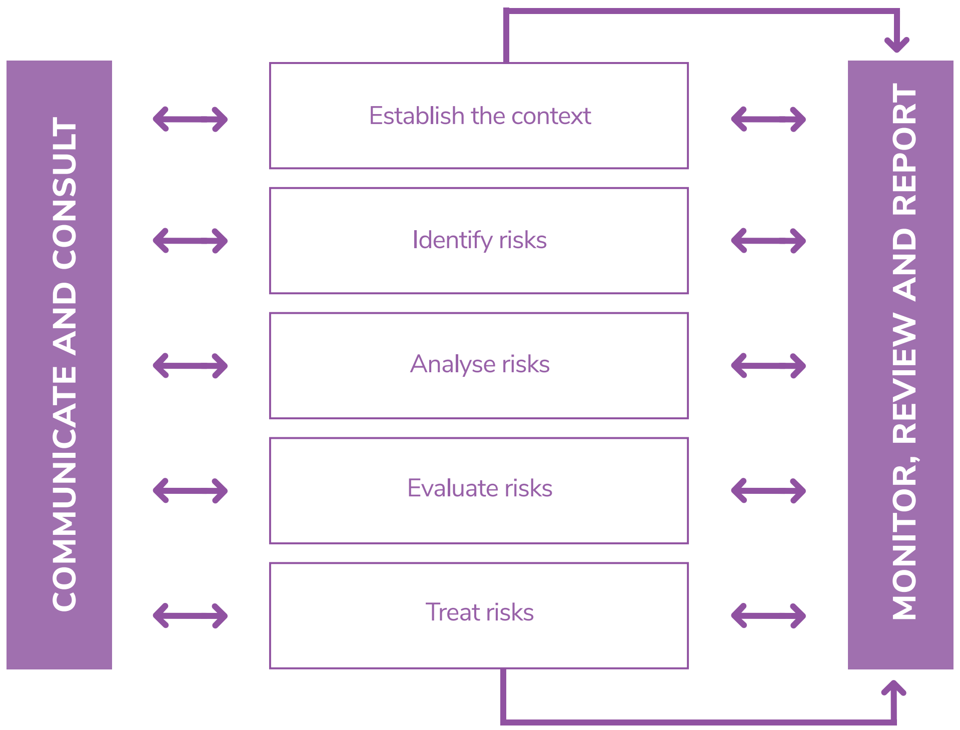


Figure 1: Zain Risk Management Framework (alignment to ISO 31000)

Zain's Risk Management 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 Board of Directors.

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
Regulatory Changes & Management of External Stakeholders	As our business is undergoing a 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, engaging 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 Risks	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 into 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. Continuous 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. Highlights for the year

Implementation of an enhanced **Risk Management Reporting Process** within the Group and its operating companies

Commencement of Group-wide **Cybersecurity Program Maturity Benchmark** exercise to operationalize Zain's Cybersecurity Strategy 2019-2021. The scope includes a full-spectrum review of Telecom & IT security environments across Zain's operations.

ISO Certifications

- Maintenance of existing **ISO 27001** Information Security Management System at Zain operations
- Zain Kuwait achieved the **ISO 22301** Business Continuity Management System certification, becoming the first operation in the Group to achieve the milestone.

Risk Synergy Forum

After the successful undertaking of the first Risk Synergy Forum in 2018, Group Risk organized the second gathering in Bahrain in October 2019. The two-day conference was inaugurated by **Board Risk Committee Chairperson Dr. Saud Al Nahari and the Group Chief Risk Officer, Mr. Abdul Ghaffar Setareh.** Risk Management professionals from across Zain's operations shared their best practices across enterprise risk management, business continuity, and cybersecurity management. New trends in cybersecurity and risk management were presented to ensure all operations are aligned, work to enhance synergy possibilities, and establish a strategic direction for Risk Management.

Cybersecurity

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.

Business Continuity Management

Group Risk Management conducted resilience reviews in 2019 for mission critical services within operations where resilience and continuity risks were identified and assigned mitigation plans. All Zain operations' Risk Management teams performed controlled testing and exercising of business continuity plans to assess the robustness and reliability of the plans.

5G becomes commercially available in key Zain markets

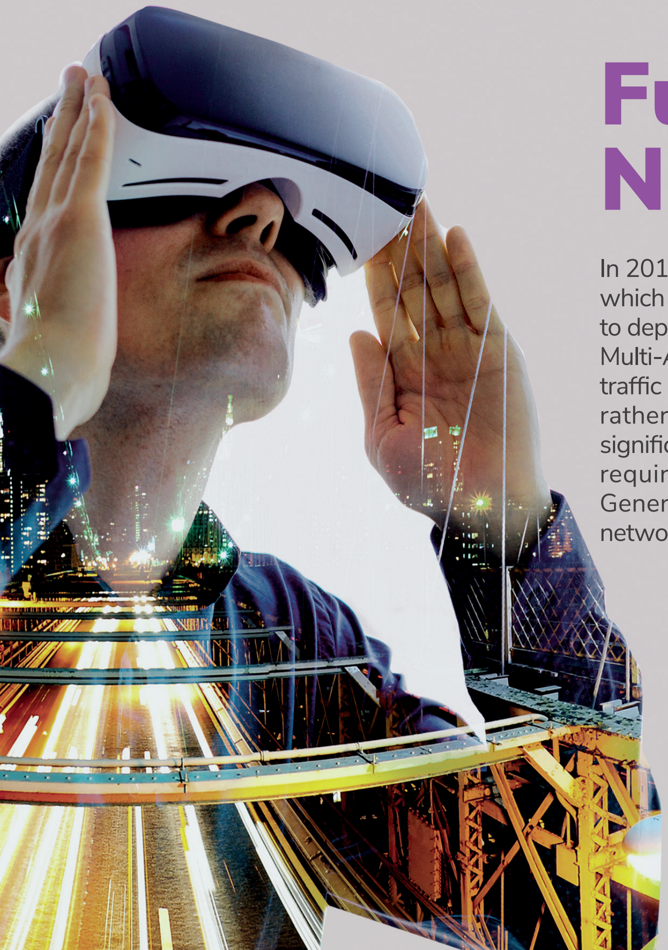
Zain has achieved its goal to be the first operator in the region to launch a commercial 5G network. Given the company's commitment to providing a state-of-the-art network offering advanced mobile services and better customer experience, during 2019 Zain rolled out thousands of 5G sites across Saudi Arabia and Kuwait. Bahrain began rolling out 5G sites in December 2019. Zain is keen to benefit from the advantages driven by 5G, including massive machine-to-machine communication (mMTC) and ultra-reliable low latency communications.

Zain Group launched 5G services in the 3.5 GHz band, which is part of the global 5G frequency standard, leveraging advanced technology in Massive MIMO Active Antenna, backhauled capacity of 10Gbps Fiber Optics, and advanced E-band links, supported by virtual core functions to provide high throughput enhanced Mobile Broadband (eMBB) services to customers.

Given the public awareness of 5G, Zain customers have high expectations of the technology to significantly enhance their internet experience. Given this scenario, Zain set out to ensure that those expectations and the performance requirements of 5G were met from day one.

At the time of launch, it was important that Zain had implemented, defined and designed methodologies to measure the usage and experience of 5G customers, with robust processes for managing customer complaints.

As the adoption of 5G continues to grow at an impressive rate of over 50% month-on-month, Zain operations are able to monitor and improve the quality of service to customers based on data usage patterns, habits and experience to ensure effective network rollout.



Future Core Network

In 2019, Zain focused intensively on launching 5G Core (Non-Standalone), which is the first step towards a Next Generation Core. The company started to deploy new solutions that will cater to 5G services in the coming years. Multi-Access Edge Computing is an example of such deployments, where the traffic can now be moved to the edge of the network, closer to the consumer, rather than the earlier approach where it was kept centralized. This will significantly minimize latency, which will better serve future 5G services that require very low latency. Preparations are also ongoing for the Next Generation Core based on Standalone technology, which will also allow network slicing, which will be essential for enterprises.

Automated Transport Network

Zain is keen to benefit from the potential of automated and Software-Defined Transport Network (SDN) technology. In 2019, the company continued working on deploying WAN-SDN. Particular attention was also given to the integration of WAN-SDN with Network Functions Virtualization (NFV) and orchestration layers as this is a crucial component in achieving "Zero-Touch" infrastructure.

Since the Automated and SDN capable Transport Network plays an essential role in advanced LTE and 5G networks, Zain managed to deploy a number of SDN controllers in its operations including in Zain Kuwait, Zain KSA, and Zain Iraq. This will allow Zain to build a long-term digital supporting transport network, which is necessary for all future services as well as for 5G network slicing in particular. Additionally, this technology will provide high performance, low latency flexible connections. The customer experience will be greatly enhanced as this technology supports different SLAs based on application requirements and is capable of fast fault restoration. These benefits will be further boosted given the operational cost of the network will be optimized considerably as well.

Automation & RPA

Process automation is one of the key initiatives that will further improve Zain's operations and customer satisfaction. It has become a strategic objective for Zain to develop the technologies and tools required to offer greater efficiency, better performance, enhanced consistency, reduced risk, optimized cost, increased productivity, elevated customer experience, and improved governance and security through Automation and Robotic Process Automation (RPA). This technology addresses several functions across the organization, creating a higher degree of Digital Work Force combined with Machine Learning (ML) and Artificial Intelligence (AI).

Zain Group and several Zain operations have already started the automation journey in the areas of Billing, Customer Complaints Handling, Enterprise, Network Management, Network Self-Optimization, Network Performance Reporting, and Trouble Ticketing.

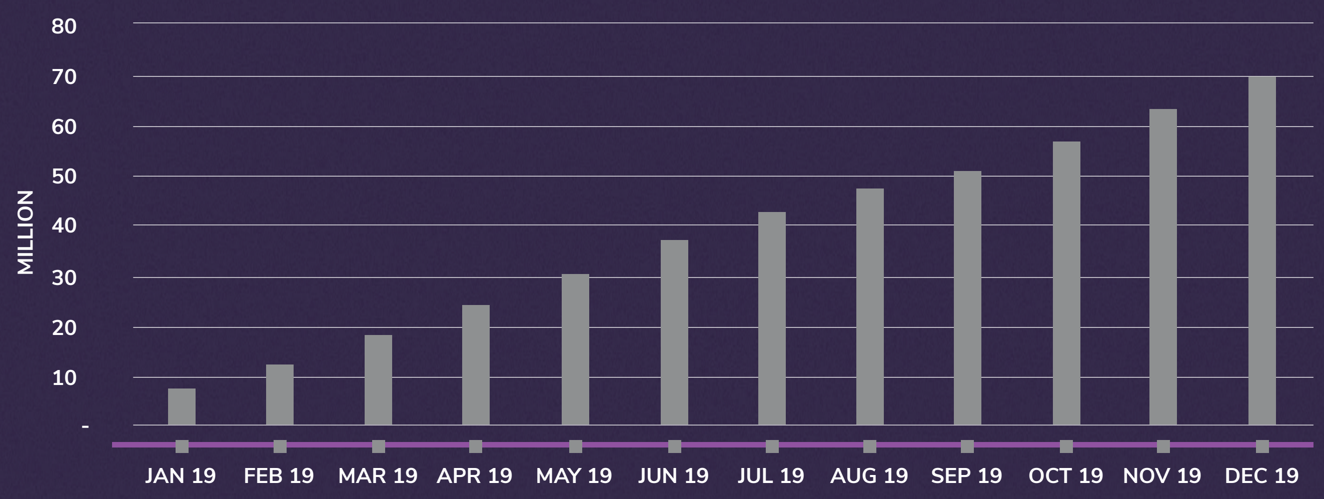
Additionally, Zain operations have initiated a number of proof-of-concepts across different functions using state-of-the-art RPA technologies during 2019 to pave the way to determining the processes that are targeted for automation in 2020, taking into consideration their reusability across operations in order to derive the full benefit of the technology.

APIs and Digital Services Ecosystem

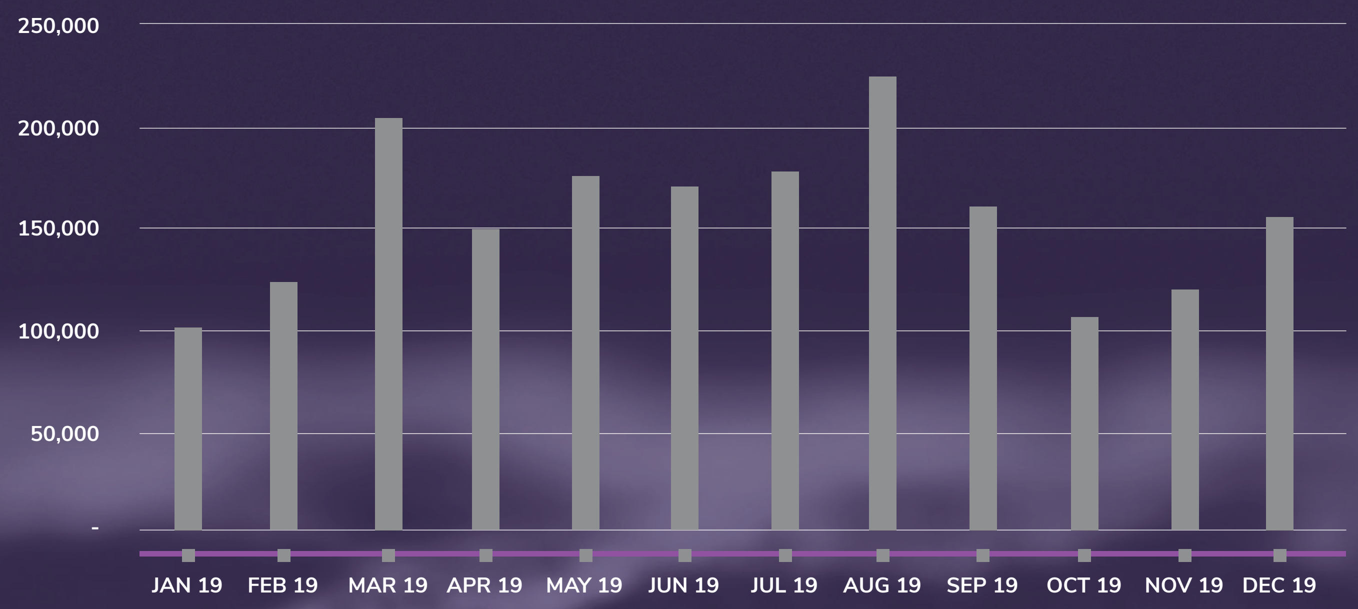
Leveraging the achievements of 2018, 2019 has seen the gaining of momentum in the onboarding of more Zain operations onto the Zain Group API Layer, with Zain Iraq and Zain Sudan being the latest to be added to the initiative joining Kuwait, Saudi Arabia, Bahrain and Jordan. Success has also been achieved in terms of the onboarding of several merchants offering a vast array of digital services that span several sectors including gaming, application stores, audio and video streaming, health and education services. The number of transactions supported by the platform has risen to tens of millions performed by hundreds of thousands of customers per month. It is expected that these numbers will increase further in 2020 with more merchants being added and more services being launched.

Going forward, the Group API layer will form a cornerstone for an evolved Zain Digital Services ecosystem that will be opened for developers to benefit from the available APIs and established integrations with Zain networks in different markets for a faster go-to-market development and exposure to promising opportunities. The ecosystem will further provide other value-added services such as service lifecycle management, settlements, and analytics for different consumer and business sectors.

Cumulated number of successful API calls using Zain Group API Layer



Number of Zain Customers using Zain Group API



Energy and site optimization

Site sharing

In 2019, almost 15% of new base station sites deployed by Zain were delivered on shared infrastructure. This approach to site deployment has the benefit of reducing the visual and physical impact of the site on the environment by limiting the number of base stations while also improving the quality of the service to Zain customers. Site sharing also acts as a way of reducing the energy consumption of the base stations, which translates into CO2 emission reduction.

In line with efforts to minimize its impact on the environment across its footprint, Zain has collaborated with the Telecommunications Regulation Authority (TRA) in Bahrain to design antenna bearing structures to host all the mobile operators active in the country on a common passive infrastructure. Zain Bahrain is also working with the local TRA to relocate, consolidate or transform some of the existing base stations into camouflaged solutions that easily blend into the natural environment.

Outdoor equipment and Lithium-ion batteries

Zain deployed outdoor solutions in Iraq, Jordan, Saudi Arabia, Sudan and South Sudan. To realize significant energy saving from the outdoor solution, the standard lead acid batteries that are part of the solution are being replaced with high temperature and lithium-ion batteries that tend to have better cycling capabilities and can operate in relatively warmer environments compared to standard lead acid batteries. With these batteries, Zain can increase the operating temperature from 25°C to 35°C in its equipment housing premises to save on energy consumption without damaging the batteries. Zain is also in the process of testing other batteries capable of operating in high temperatures, such as lead crystal.

High efficiency DC power system

Zain has begun replacing its existing Direct Current (DC) power systems with better, energy efficient solutions to minimize the energy losses due to the transformation from Alternating Current (AC) power to DC power. Due to recent improvements and commercial availability of higher efficiency rectifiers, Zain has set new standards calling for a minimum of 96% DC power system efficiency, which means a maximum of 4% loss of energy is tolerated. This represents a reduction of at least one-third of the energy losses due to conversion because the old standards were set at 94% efficiency.

New TIER III Data Centers

Supporting the ever-growing needs of government and enterprises, Zain is constructing new high-quality TIER III data centers, successfully implementing its first TIER III approved data center, dubbed "The Bunker" in Jordan. This means the facility has fulfilled the outcome-based requirement of the awarded TIER level as specified by Uptime Institute. This nuclear grade data center was designed with energy efficiency and superior customer experience in mind. Another data center has been built in Sudan using TIER III design principles, with further facilities set to be rolled out in 2020 and beyond across Zain's footprint.

COMMERCIAL AND CUSTOMER EXPERIENCE

As a sustainable and innovative digital communications company, Zain aims to become the data provider of choice and continue our transformation to become a service provider that exceeds customers' expectations, enabling them to enjoy a truly digital lifestyle.

During 2019, the company continued to invest in network upgrades and IT infrastructure to further expand coverage and increase data capacities whilst launching numerous appealing and innovative data-centric services across its operating markets.

The future is exciting for Zain customers as the company will be at the forefront of fulfilling customer expectations, delivering world-class mobile experiences to customers across retail and digital channels.

Zain Business (B2B) Leveraging the latest technologies

A comprehensive ICT portfolio and a world-class after-sales service make Zain the operator of choice for both Governments and Enterprises. Zain Business divisions leverage the latest technologies to expand our mobile, fixed, IoT, Cloud, IT security and Datacenter propositions to meet customers' evolving needs. In 2019, Zain rolled-out extensive 5G networks in Kuwait and Saudi Arabia. Zain Business was the first to launch 5G B2B offers in these markets, offering the highest mobile data speeds and performance to both Enterprise and Government customers.

In parallel to our extensive mobile portfolio; all Zain operations have successfully implemented a fixed data and voice strategy, which resulted in increasing our addressable market, growing revenues and lowering churn.

We have expanded our ICT portfolio to include Datacenters and new Cloud-based services, such as Co-location, Cloud VMs, Virtual Private Datacenters, Disaster Recovery and Business continuity.

Our Hosted and Managed Services Strategy aims to provide hosted applications that are targeted to deliver on industry specific needs, as well as multi-industry horizontal solutions that include VSaaS (Video Surveillance as a Service) and UCaaS (Unified Communications as a Service).

2019 was a year of significant growth for Zain Business, consolidating Zain's leadership position in the Government and Enterprise markets. This growth was fueled by growth in market share in SME segments, fixed offer expansion, successful completion of major IoT projects, as well as the development of Datacenter-based offers and the launch of our IT security portfolio.

Throughout the year, operations across the Zain footprint implemented significant projects - digitalizing the customer journey through the launch of new functionalities covering contracting, service delivery, bill payment, service management through to after-sales support. These projects resulted in increased customer satisfaction and decreased operational costs.

Zain Business Brands

Below is a selection of key B2B projects and initiatives initiated by our operations.

Saudi Arabia

5G

Zain was the pioneer in Saudi Arabia launching 5G offers for B2B customers. Leveraging on the widest 5G network in the Kingdom. Zain Government and Enterprise customers now enjoy superfast 5G mobile broadband.

LTE

Fixed-mobile substitution portfolio expansion

Zain Business was a pioneer in 2017 when it launched 4G LTE leased lines to build Virtual Private Networks (VPN) and Direct Internet Access (DIA). In 2019, the symmetric and dedicated bandwidths went from a maximum of 4Mbps to 10Mbps. These services are provided over Zain's 4G LTE Advanced network. By leveraging on our mobile assets to provide fixed-like services, Zain KSA can meet the needs of business customers, providing high-performance symmetric and dedicated bandwidth, with a 24 hour installation lead time.

Fleet Management Services

Zain Business launched a fleet management and optimization solution targeting Enterprises and Governments covering both small and large fleets.

Retail M-POS

An end-to-end mobile payment solution, including payment terminals and mobile connectivity, targeting the retail industry.

E-visa project

The Saudi Commission for Tourism and Heritage (SCTH) recently launched an e-visa application to approve Saudi visitors' visas in less than 10 minutes. During the first month of operation, more than a million applications were received. Zain Business provided connectivity and Cloud solutions to SCTH to manage its e-visa services.

Banking Sector

There are around 30 local and foreign banks serving retail and business customers in Saudi Arabia. These banks have over 2,000 branches and operate over 20,000 ATMs. Zain is helping banks to reduce costs and improve network performance by migrating their ATMs from VSAT to mobile technologies.

Government

Zain partnered with the Government sector, winning major telecom contracts with multiple ministries in Saudi Arabia, including the Ministry of Education, Ministry of Interior and Ministry of Health.

NEOM

A key pillar of the Saudi Vision 2030, NEOM is a visionary project to create a new region that will include towns and cities spanning three countries.
A USD 500 billion project, Neom will include ports, an enterprise zone, sports and entertainment areas, hosting over one million residents. Zain has been actively working with the rapidly growing city, starting with providing 5G coverage to NEOM airport, as well as providing high-speed internet and VPN services to various NEOM offices.

NEOM نيوم

Qaddiya

This entertainment-based sports city is being constructed on the outskirts of Riyadh. Renowned theme park operator, Six Flag is one of the key developers of this mega city that is set to house over 300 recreational and educational facilities. Zain is working to provide 5G mobile coverage and data services to various organizations involved in the construction.

Qiddiya

Saudi IoT Forum, Riyadh

In February 2019, Zain participated in the Saudi IoT Forum and presented several smart solutions such as Fleet Management, Video Analytics, Smart Meters, and 5G powered robots.

AI and RPA Show, Riyadh

Zain showcased its 5G capabilities at the Artificial Intelligence and Robotic Process Automation show in Riyadh.

Kuwait

5G

In June 2019, Zain Kuwait was the first operator in the market to launch its 5G network and to offer mobile and fixed-mobile substitution offers tailored for B2B customers.

VSaaS (Video Surveillance as a Service)

The integrated VSaaS platform features a wide range of services on Zain's secure Cloud, offering customers the convenience of easily accessing and managing their recordings anytime and anywhere. Zain's integrated VSaaS platform features a wide range of cloud-based services, including video recording, storage, remote viewing, management alerts, cybersecurity, and more. Video processing and management are securely performed offsite via Zain's Cloud in Kuwait.

Kuwait Oil and Gas Show and Conference (KOGS)

Zain showcased its Business services and solutions through its interactive booth at the KOGS Exhibition. The company showcased NXN and Microsoft's analytics solutions using Artificial Intelligence (AI) and Machine Learning (ML); NXN's Smart District & Smart City Solutions, and Nokia's training and inspection solutions using Augmented Reality (AR) and Virtual Reality (VR). Zain's solutions also featured Huawei's 5G Robot for remote firefighting and gas leak control solutions; Zain Drone services for oil & gas infrastructure digital inspections; VSaaS (video surveillance as a service); LASILKI - a reliable and secured wireless Push-to-talk service (PTT) over 4G LTE technology; as well as superfast and secure Express Route solutions in collaboration with Microsoft, Oracle, and Amazon.

Datacenter certification by Uptime Institute

In May 2019, the Zain Kuwait Data center achieved M&O (Management and Operation) Data Center Certification from the Uptime Institute. This certifies that Zain's data center operates at the highest international standards in relation to service reliability and consistency. Zain's data center was evaluated across multiple standards and criteria, including its reliability as a service, state-of-the-art equipment, low risk, reduced downtime and operational efficiency.

Jordan

Bunker Datacenter

In September 2019, Zain Jordan inaugurated a world-class datacenter by transforming a military nuclear grade bunker into a high-security datacenter facility. The data center is a cornerstone of Zain's ICT strategy, offering co-location, Cloud, virtual private data center and Business continuity services. The Bunker Datacenter is also home to Zain's Network Operating Center, and Security Operating Center.

Push to Talk

Zain Jordan launched the PTT service and enhanced communications service designed for security forces; emergency services and large corporations that require a voice-based private network with one-to-many communications offering voice, video and location services.

Smart meters

Zain Jordan was successfully awarded a contract to provide connectivity to smart meter projects in Jordan, making it a market leader in this segment.

Iraq

Postpaid bundles

Zain Iraq launched innovative, personalized postpaid B2B bundles, fulfilling customer needs across multiple segments.

Awal telecom

Iraq acquired a controlling stake in Horizon, a country-wide ISP, which will boost Zain's capabilities to offer fixed connectivity services to Business users.

Smart meters

Zain Iraq was awarded significant smart meter contracts with electricity companies in Iraq, positioning the company as the market leader in this segment.

Bahrain

Fiber Broadband

Zain partnered with the National Broadband Network to offer fiber connections to businesses and governmental institutions in Bahrain, providing them with secure, high-performance, managed Internet Connectivity and VPN services (Virtual Private Network).

Smart Bus Solution

This IoT end-to-end application improves the safety of buses, with an initial focus on schools. The solution monitors driving behavior and passenger safety through sensors, CCTV and a passenger counting system.

Fleet management

Zain Fleet Management solution providing vehicle tracking, geo-fencing, fuel consumption, vehicle maintenance alarms, and speeding alarms.

Smart meters

Zain was awarded smart meter connectivity projects in Bahrain, achieving a market leadership position in this segment.

Sudan

Zain Sudan has continued to grow its B2B business in the country by expanding service delivery within Government and Enterprise, as well as to new and existing customers.

South Sudan

The Zain operation in South Sudan has created a dedicated B2B function to serve emerging businesses, non-governmental organizations, and Government institutions with reliable mobile telecom services.

Data Monetization & Digital

With 5G services commercially launched in Kuwait and Saudi Arabia (KSA); together with our Fiber offerings in Bahrain, Jordan and KSA; customers are benefiting from the newest generation of broadband services.

Zain continues to invest in systems and digital partnerships that create tangible benefits, providing customers with relevant, personalized digital services that extend beyond mobile to fixed data towards rich content and gaming propositions.

In 2019 Zain expanded its Zain Group API platform, offering customers top-tier regional and international content. Zain's API digital partnerships provided Direct Operator Billing and attracted key content providers such as Apple, Google, DOCOMO Digital, OSN, Digital Virgo, EROS and Centili across six key Zain markets.

Zain Kuwait, Bahrain, Iraq, and KSA partnered with On Mobile and DOCOMO Digital, leading providers of content and gaming services, to expand Zain Games offerings. Zain Kids was launched, a regional first, providing parents with a dedicated platform for children delivering top educational apps and content for pre-school and new school joiners.

touch Lebanon's collaboration with OSN WAVO and Zain KSA's bespoke price plan for Uber and Careem app users further contributed to a busy year of digital content partnerships, with customers able to access a wider range of rich digital content across their preferred digital channels.

Kuwait

2019 witnessed the 5G network launch in Kuwait by Zain; making Kuwait the first country to launch 5G commercial services in the region. The commercial launch introduced the first 5G router device in June, followed by the first hotspot device in the final quarter of the year.

Bahrain

Zain Bahrain launched OTT data add-ons to monetize apps such as YouTube and Netflix; and in parallel simplified the purchase experience across various data packages and services.

Iraq

Zain Iraq partnered with Tencent Games, one of the world's leading gaming companies with top titles such as Fortnite, League of Legend and Call of Duty, providing in-app purchases via customers' mobile account. Zain Iraq was the first operator in the Middle East to successfully launch a solution that allows data offers to be purchased through the Facebook app.

Jordan

Zain Jordan continued its focus on the home and further enhanced its FTTH and MBB offerings, to successfully grow its home connectivity customer base.

Saudi Arabia

Zain KSA launched the Kingdom's first 5G network, spanning 27 cities. 5G was commercially launched with customers enjoying unlimited 5G plans. The operator also further enriched its data portfolio by introducing social media add-ons.

Sudan

Zain Sudan implemented a comprehensive suite of data monetization activities. The expansion of 3G and 4G resulted in double digit growth in the number of data users; and revenues. Innovative "Taktik" (flexible integrated data and voice) bundles were very well received in the market and resulted in higher rates of data adoption.

2019 was a successful year in terms of data growth and differentiation by leveraging on strategic partnerships with Facebook and LaLiga.

Customer Experience

Zain's Experience strategy is to simplify customer interactions by implementing the latest digital technologies to improve customer experience, create moments of delight and to reduce the total cost of service.

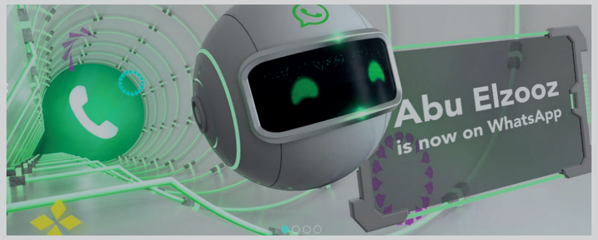
The company's Experience strategy fueled the advancement of Zain's Chatbot offerings (interactive digital channel supported by AI); increasing the range of services and support available to customers across digital channels including WhatsApp and speech-to-text. 2019 also saw the launch of new digital self-service kiosks that sell SIMs and onboard new customers 100% digitally.

Kuwait

zBot (Chatbot) was expanded to offer a broader range of services and support, resulting in a material increase in customer self-service. Zain Kuwait also piloted a new concept store with a completely redesigned look and feel. The concept store will create new revenue streams by offering Zain Life Home Automation products, as well as lifestyle gadgets, supported by best in class customer support.

Iraq

Zain Iraq was the first and only provider in Iraq to launch new digital touchpoints including their automated Chatbot "Abu ElZooz" providing smart service on Facebook and WhatsApp.



Bahrain

In 2019, Zain Bahrain reported record levels of usage within digital and self-care channels. The self-care mobile app enjoys a high rating in the app stores and is recognized as the best mobile operator app in Bahrain based on customers reviews and voting.

Jordan

Zain Jordan witnessed a significant growth in service via digital channels and introduced an Artificial Intelligence-driven Chatbot solution on Facebook Messenger. Zain Jordan opened a new contact center in Al Ghor in 2019, spreading the Zain values and service culture whilst supporting the local community and providing job opportunities for the youth segment.

Customer Value Management (CVM)

Customer Value Management remained a key focus area in 2019. Zain's CVM initiatives focused on increasing both customer tenure and lifetime value by providing tailored offers based on customers' needs.

Investments were made in "know your offer" (dynamic weekly customer offers); real-time triggering; and in-browser notifications capabilities as well as in expanding our CVM teams.

Major CVM initiatives included:

Kuwait

CVM integrated embedded analytics and contextual foundations to their offerings, resulting in 25% growth in CVM incremental revenues compared to 2018.

In addition, CVM played a key role in driving 5G penetration, encouraging existing customers to adopt this new technology, and also migrated more than 30% of campaigns to the digital channels, resulting in better resource utilization and customer reach.

Iraq

Zain Iraq introduced customized offers and a micro segmented value management platform called "Know your offer" (*100#), delivering increased customer engagement, and tenure as well as generating incremental revenues.

Sudan

CVM represented a main pillar for increasing value contributing material revenue growth. CVM activities were expanded and resulted in reducing churn and enhancing ARPUs. The main focus was on more-for-more pricing, via targeted offers for integrated offers; upselling and cross selling their wide range of products and services.

Bahrain

Increased focus on converting prepaid users to postpaid; and targeting SIM-only customers with device-based offers. Retention efforts were also bolstered resulting in lowering churn and better value management.

Jordan

Upscaling of CVM activities in Jordan resulted in a doubling of the revenue contribution coming from Value Management. Zain Jordan continued to focus on offering the latest smartphones, as well as international and roaming minutes to enhance customer value, resulting in a 15% increase of consumer postpaid customers.

Saudi Arabia

Zain KSA launched numerous initiatives to provide additional value for its customers including Off-peak hourly data plans, social media bundles, double data on renewal. Personalized offers with a bundle of voice, data, international minutes, and social media were rolled out based on customer usage preferences.

Branding and Advertising

Achievements

In 2019, Zain took further steps in its transformation journey to become a leading digital lifestyle brand. Our ambition was to raise awareness that the Zain brand represents more than simply being a telecoms provider. Zain launched multiple initiatives that will help our customers keep pace with the rapidly changing, digital world in that we now live. Our products and services now extend beyond telecommunications into digital services, content, entertainment, wearables, home automation, health and fitness as well as smart cities and drones.

Since the initial Zain brand launch in 2007, the brand value has consistently exceeded USD 2 billion and over the years it has been our ambition and responsibility to develop our brand equity. As a result, we brought-to-life new elements from our brand refresh across all channels, including social media platforms and above-the-line (ATL) communications. Throughout 2019, we hosted seminars and events to maintain the momentum gained through the implementation of these new brand assets.

In May, we released our annual TVC advert which was a clear display of how the brand is developing and the direction we are taking, focusing on themes of togetherness and friendship.

This year, Zain's Livestreaming website was launched, where we collaborated with the renowned singer Nawal, who performed her latest songs live as a digital exclusive on our channel.

The repositioning of the Zain Business sub-brand was also a key highlight in 2019. With a refreshed look and feel, it now has an aligned focus, on how to ready enterprises (of all sizes) for the challenges that lie ahead, encompassing our promise of helping businesses to be 'Futureproof'.

These initiatives demonstrate Zain's desire to be recognized as a brand that serves all aspects of modern life, affirming our position as a leading digital lifestyle provider.

Looking to the future was a recurrent theme throughout 2019. All around the world, people were eagerly anticipating the launch of 5G technology, and we are proud to say that Zain has now successfully rolled out 5G services in Kuwait and Saudi Arabia. The launch in the Kingdom saw 2,700 5G sites in 27 cities go live, the largest 5G rollout in MENA and the third largest globally. The campaigns celebrating these historic milestones helped place Kuwait and Saudi Arabia on the global 5G telecom map, embodying our ethos of leveraging new opportunities for the benefit of our customers.

Awards

Our brand went from strength to strength in 2019, continuing to set the highest of standards, ensuring our customers, stakeholders and employees have the best experience with Zain.

We received two prestigious awards, the Best MENA Operator and Best Brand at this year's Telecoms World Awards Middle East. This honor marks a record sixth consecutive year that Zain has won the 'Best Brand' award, having also been recognized as the 'Best Telecom Operator' across the MENA region on numerous occasions over recent years.

Zain also won the Best Overall Telecommunications Group for 2019 and Zain Saudi Arabia was named the Best MENA Telecom Operator at the CommsMEA Awards.

In December, Zain received an award for its Ramadan TVC. The TVC was recognized as the being most influential advertisement in 2019 during Kuwait's 7th Creativity Award Forum.

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

Social Media

Zain continues to successfully promote its brand and activities across its markets and the wider region through social media, bolstering customer engagement and attracting new customers. 2019 saw significant growth in customer advocacy with an increase in the number of fans, comments and views across all our social media channels.

Every year, the region's Ramadan audience keenly awaits Zain's annual campaigns. In 2019, Zain's Ramadan television commercial attracted 10 million views on YouTube, while the Eid television commercial attracted over 16 million views on YouTube. Both commercials received thousands of positive comments from viewers across the region.

By the end of 2019, Zain Group and its operations counted over 20.6 million fans across our Facebook, Twitter, Instagram and LinkedIn channels. Facebook reached 11.2 million fans (a 12% annual increase), with more than seven million followers on Twitter, and a further two million on Instagram (representing a 30% annual increase). During 2019, the YouTube channels of Zain Group and its operations counted over 100 million views, predominantly due to the success of various Ramadan campaigns and product service launches. In addition, Zain Group and its operations saw a significant increase in followers on LinkedIn reaching, over 450,000.

New Partnerships

Zain Drone formed alliances and signed agreements with industry leaders to bolster its position. Among those, an MoU was signed in 2019 with Baker Hughes, one of the world largest oil field services companies, to provide inspection services and solutions for the oil and gas industry and related markets in MENA and Turkey, using unmanned aerial vehicles (UAVs) and robotics.

Further, other agreements have been signed with technology leaders, an example of which is the incorporation of Augmented Reality and Virtual Reality technologies into Zain Drone service offerings. Customers can now experience a fully immersive 3D digital simulated environment for the assets being inspected.

With respect to location-based analytics, Zain Drone partnered with Esri, the world's leading mapping technology company to provide its ArcGIS solution, a mapping and analytics platform to customers, complementing its existing tools where the potential of data can be unleashed across industries. ArcGIS provides unique capabilities and flexible licensing for applying location-based analytics to business practices, offering greater insights using contextual tools to visualize and analyze data.

These new partnerships follow a Teaming Agreement entered with DroneShield Ltd, a worldwide leader in counter-drone solutions, which will see the companies working together on meeting Zain's customers' requirements for counter-drone security solutions in the region.

Kuwait first, now Saudi Arabia

In October 2018, Zain Group announced the launch of its pioneering Zain Drone entity in Kuwait - which focuses on the delivery of drone-powered solutions. Furthermore, the launch of Zain Drone KSA during the Saudi Arabia Drone Summit in April 2019, marked the first step to expanding Zain Drone's presence across its regional footprint.

A year into its operations in Kuwait and Saudi Arabia, Zain Drone has managed to educate the market about the magnitude of benefits the usage of drones can drive, particularly with respect to asset digitization, operational efficiency, data accuracy and cost cutting while using advanced analytics to help governments and private businesses alike.

These developments are just a few that build on Zain's leading position in digital innovation across the markets in which it operates.


ISO Certification

As part of its efforts to strive for excellence and become a global Drone-as-a-Service provider, Zain Drone attained ISO 9001:2015 certification.

This significant achievement makes Zain Drone the first drone services provider in the region to receive the internationally recognized accreditation.

The certification offers assurances for external parties that the company follows a process-oriented approach to its service delivery standards, risk assessment approaches, and the procedures required to achieve its effective quality management within the organization. The internationally recognized standard helps organizations implement a customer-focused approach, while providing an on-going process improvement to achieve efficiency.

Summits and Conferences

Zain Drone participated in multiple exhibitions and conferences in the region to raise its profile and awareness of the many benefits of Drone-as-a-Service. The year was kick-started in March with its participation alongside Omantel in COMEX held in Oman.

In April, Zain Drone launched its services and participated in the Saudi Drone Summit with Zain KSA, the first event of its kind in the Kingdom, which was attended by government and private enterprises from multiple industries looking to reap the benefits of using drones and UAV's in their business operations.

Later during the last quarter of the year, Zain Drone participated in the Kuwait Oil & Gas Show and Conference. The conference is one of the largest individual member organizations serving oil and gas professionals worldwide and featured 200+ expert speakers, with 6,000+ attendees and participants from more than 30 countries.

Technology Investments

Drone technology is leveraging on IoT and AI; Zain Drone offers multiple solutions across core industries including Oil & Gas (Flare Stack and Tanks Inspection, Pipeline monitoring, Anti-drone Solutions, etc.); Utilities (Overhead Powerline Inspections); Construction (BIM); Infrastructure (Asset Inspections); Security (Surveillance); Real Estate (3D Modeling); Telecom Infrastructure (Tower Inspection); and Agriculture (Crop Health Monitoring).

Drone services facilitate the gathering of image data related to work advancement through the measurement of key parameters, assessing image data to evaluate compliance with original designs, and performing automated stock-taking along with reducing accidents and human error.


Approach to the Market

2019 was a year of market education. Being aware that drone technology is nascent in Kuwait, Saudi Arabia and the region, Zain Drone focused on providing customers with the tools to understand the benefits of utilizing drone-enabled services.

Zain Drone has made sure to attract the right talent and expertise, and to invest in them to provide customers with a truly professional experience.

Throughout 2019, Zain Drone conducted 15 different pilot projects across the Oil & Gas industry, the construction sector, government sectors and others.

- 5 Pilot Projects for Oil & Gas - Asset Inspection & Mapping
- 2 Pilot Projects for Construction industry - Mapping
- 8 Pilot Projects across the government sectors – Inspection, Mapping and Environmental Solutions

Clients/Projects

In addition to the POCs conducted for companies across different industries, Zain Drone has worked with important clients that are leaders in their respective domains providing them with drone-powered solutions.

ACICO, an established manufacturing, building materials, quality property and construction group utilized Zain Drone's volumetric material measurements solutions helping them add value in precision calculation of material movement in ACICO's yards, substituting the company's conventional measurement methods with a faster and more accurate method.

Zain Drone also collaborated with Heavy Engineering Industries & Shipbuilding Co. K.S.C. (HEISCO) - a major engineering, procurement and construction contracting company based in Kuwait with a diversified range of business in oil and gas, petrochemicals, power, and pressure equipment manufacturing. The aerial services provided have been praised by the stakeholders and further work is planned.

A first in Kuwait, inspections of Zain's tower infrastructure were completed during the year. The valuable benefits of Zain Drone technology for the mobile operator included higher-resolution visual inspections than ground-based ones; a significant reduction in man-hours and costs; the ability to safely assess the condition and alignment of all components of cell towers with inspections done from a safe distance; an increase in efficiency due to data accuracy, live streaming and zoom or thermal capabilities; and the lack of network downtime as cell towers remain functional during inspection. Drone hardware and software technologies have developed to the level that the entire inspection process is streamlined and automated.

Zain

During 2019, Zain continued to consolidate its position in the Corporate Sustainability space through its pursuit of sustainable growth in the communities in which it operates. From a Group perspective, the company continues to adapt its strategy, agenda, and key performance indicators to ensure that it addresses the most pressing socio-economic challenges. The company recognizes the opportunity to create positive change by leveraging the rapid advancement of technology to derive solutions that can lead to the betterment of society. Zain furthers such initiatives in a bid to address the UN Sustainable Development Goals (SDGs) and recognizes its role as a private sector player in achieving them.

The company focused on ensuring concerted action is taken to further cement its prominent role in addressing critical challenges such as climate change, youth unemployment, poverty and economic inclusion. During 2019, the MENA region experienced significant changes across the board. From socio-political unrest, to economic stagnation coupled with a growing working-age population. This overwhelming context presents a gateway for players across different sectors to come together to create a promising future for generations.

Zain continues to center its strategy on addressing the deficits the communities it serves face, thereby creating value for all. The initiatives derived from the strategy aim to establish sustainable growth. Upon consistent and comprehensive engagement with our stakeholders, Zain identified key areas in which the company continues to play an influential role.

Further information on the various corporate sustainability areas are below. Also, please note that the annual Zain Group Sustainability Report provides more comprehensive details as found on our website: www.zain.com/sustainability

Zain believes that providing Meaningful Connectivity will allow the company to not only scale and advance its products and services but also establish long-term value for all. The organization continues to focus on key sustainability areas that are material to the business, stakeholders and operating communities.

Climate Change

Zain recognizes the urgency in addressing the climate crisis. We understand that in order to achieve sustainable growth, the company must protect the planet and preserve its resources. Over the years, Zain has taken major strides to address its environmental footprint by setting concise targets to reduce emissions, minimize waste, spread awareness and identify the risks and opportunities of climate change.

In 2017, Zain set its emission targets for 2022 that are aligned to the International Energy Agency. The company continues to track emission reduction targets on an annual basis. However, the introduction of 5G networks, and rising demand for data and high-speed connectivity leads to network expansion that poses new challenges for the company. In response, Zain continues to mitigate this challenge by installing hybrid and solar solutions, smaller size generators and emphasizes the importance of site sharing. Zain continues to collect data through calculated assumptions based on site topologies. The company uses this method of data collection to standardize the data collection process across its operations due to the lack of the dedicated power metering on some of the sites in specific operations.

During the year, Zain became a member of the GSMA Climate Action Task Force and furthered its efforts by also becoming a member of the Carbon Disclosure Project (CDP). By being a member of this project, the company took a decisive step in disclosing its climate impacts, energy and greenhouse gas (GHG) emissions. Members of the CDP receive guidance on how to improve their approach to climate action from a strategic standpoint. By formalizing this approach, the company can assess and measure the impact of climate change on its operations from a holistic perspective. Zain also disclosed its climate action plan to help prepare the company to address policy and regulatory reforms such as the ones set under the UN Paris Agreement by setting emission reduction targets, minimizing waste, and alignment to Goal 13 of the SDGs. Through a series of decisive actions, Zain demonstrates its commitment to ensuring that it mitigates the impact of any climate-related risks and possible negative impacts on the environment.

2022 Emissions Reduction Targets

CATEGORY 1 - Unstable Power Grid

15% SUDAN

25% SOUTH SUDAN

20% IRAQ

CATEGORY 2 - Stable Power Grid

5% BAHRAIN

7% KUWAIT

10% JORDAN

5% LEBANON

8% KSA

Commitment to Human Rights

By engaging with our stakeholders, embracing the context of our communities, assessing the negative impacts of broadband connectivity, and bearing in mind the Sustainable Development Goals (SDGs), Zain identified its most salient human rights issues as:

a) Labor rights, treatment and safety

b) Public safety

c) Customers right to privacy

d) Child online safety

The below list provides further details on how the company ensures that it upholds the highest standards based on each identified human right.

a) Labor rights, treatment and safety

- Zain maintains multiple channels for employees to report any violations to their labor rights or mistreatment. In addition, Zain's geographical expansion or entry into new revenue streams is preceded by human rights impact assessments that influence the company's decision-making processes and resulting action.

b) Public safety

- Zain maintains the policies specified in the ESMP (Environmental and Social Management Plan) Guidelines that safeguard against exposure to electro-magnetic fields (EMF), radiation and other potentially harmful exposures.

c) Customers' right to privacy

- The company adheres to the GSMA Mobile Privacy Principles and is committed to protecting the personal information of its customers. Zain applies all stringent measures to avoid data leaks, theft and/or loss. Zain also aims to respond to such issues with the utmost precaution and diligence. Zain complies with all laws and regulations related to the protection of customer privacy and data and takes steps to align with ISO certifications related to the matter.

d) Child Online Safety

- Zain maintains its adherence to the GSMA's Mobile Alliance Against Child Sexual Abuse Content. In 2019, Zain refined its Supplier Code of Conduct to include more stringent and specific policies when it comes to child labor and protection of children.

Responsible Supply Chain

Zain continued to further dedicate time and resources to ensure the sustainability of its supply chain. The company relies heavily on its suppliers to guarantee that it provides high-quality products and services to all its users. As such, Zain prioritizes the integrity of its supply chain by ensuring that it is aligned to the highest social and environmental standards. The company adheres to a specific process when onboarding new suppliers and monitoring its existing ones. Such social and environmental criteria include topics such as: Climate Change, Waste Management, Health and Safety, Energy Consumption, Labor Rights, Human Rights, Child Labor, Discrimination, Security, Stakeholder Engagement, Accountability and Grievance. The company initiated this process in 2017 and a total of 25 suppliers have completed the self-assessment questionnaire that includes the above-mentioned topics.

Zain's Supplier Assessment Process:

Signatory to Zain's Supplier Code of Conduct

Align to international best practices through Zain's ESMP Guidelines

Complete Zain's Supplier Self Assessment Questionnaire

Conducts two audit visits per year on selected suppliers on social and environmental criteria

Inclusivity and addressing the needs of Marginalized Communities

When it comes to inclusivity, Zain ensures that it includes everyone across its core and non-core services. From a business perspective, the company ensures that the products and services it provides are accessible to all.
The company has thus created specific packages for different marginalized groups to ensure that their needs are being adequately addressed. The below are some examples of the packages offered to the youth, low income and deaf communities.

Basma Line+

To help around 30,000 deaf people in Jordan, Zain Jordan launched Basma Line+, a special mobile package that targets individuals from the deaf community. Basma Line+ was launched in 2019 to help alleviate some of the daily struggles the deaf community faces. This service is a discounted package that consists of 3,000 minutes of video calls, 12 GBs of cellular data, 2,000 minutes of voice calls made within Zain's network, and 60 local minutes. Currently, there are 350 deaf customers subscribed to the service.

FreeBasics V2

In 2019, Zain Iraq launched its FreeBasics.com service through its partnership with Facebook. FreeBasics provides users with access to Facebook, Facebook Messenger, and a selection of websites free-of-charge. With this complimentary service, Zain's customers can communicate with family and friends at any time through their mobiles and smart devices. This year, more than one million users per month have successfully connected to the FreeBasics service.

Youth Community offers

Since 2015, Zain Sudan offers discounted mobile packages for youth in the country. By doing so, Zain is able to increase the penetration rate as youth comprise 64% of the population. With this offer, customers who have subscribed to the service can make on-network calls at a discounted rate of 0.111 SDG/minute. Since initiation, there have been 2.2 million young people who have subscribed to this service.

From a non-core perspective, Zain launched several programs and initiatives that aim to alleviate and reduce inequalities in the communities in which it operates. Here are some examples of the programs..

To find out more about Zain's social, environmental, and economic impacts, please visit our 2019 Sustainability Report.

Zain Bahrain

In 2019, the company pledged to train 1,000 girls with coding skills. The program, in partnership with the Supreme Council for Women and Clever Play, targets girls aged 8-13 years with the aim to provide them with ICT skills in addition to computational thinking, complex problem solving, and robotics.

Zain Iraq

The ArabWIC program is an initiative spearheaded by Arab Women in Computing and Google Women Tech Makers. The program provides women in Baghdad with training on how to establish businesses and startups online. The initiative was conducted in four different locations including the Ministry of Higher Education and Scientific Research; University of Technology; Baghdad College of Economic Sciences University; and Middle Technical University. Around 150 women attended this workshop across the four different locations.

Zain Jordan

The Zain Relief Fund located in Jordan, established in 2004, aims to assist underprivileged families and individuals and raise their standard of living. This fund was established in collaboration with the Ministry of Social Development to ensure that it combats poverty on an institutional level. Through the fund, 1,650 families were supported in 2019.

Zain Saudi Arabia

In 2019, Zain Saudi Arabia launched the Zain Volunteering Program which is aligned to the country's Vision 2030 goal to reach one million volunteers annually. The program, organized in collaboration with Bunyan Charity and Prince Sultan Medical City, aims to provide employees with opportunities to volunteer and contribute to the betterment of society. During the year, employees volunteered in programs during Ramadan where they helped prepare and distribute Iftaar meals to people in need. Similarly, during the Eid Celebrations, supporting children and injured soldiers. In 2019, 700 employees joined the Zain KSA Volunteer Program.

Zain Kuwait

In collaboration with Direct Aid, Zain Kuwait was able to raise KWD 3 million in donations for vulnerable communities in Africa. The campaign, which was held during Ramadan, aimed to support education in chosen communities by assisting in the construction of educational institutions and providing educational scholarships to children.

touch Lebanon

touch continued to support the Night School Program that was established under the Bassma Association. The initiative supported 60 public school students that came from underprivileged families and faced difficulties in school. The Night School program offered courses in Math, Physics, Chemistry, Biology, French and Arabic.

Zain Sudan

In 2019, Sudan's infrastructure was impacted by heavy rainfalls and flooding. In response, the company supported vulnerable communities affected by the flooding by providing 6,000 people with blankets, tents and agricultural pesticide pumps.

Zain South Sudan

On World Teachers Day, Zain South Sudan raised awareness on the importance of education and addressed the issue of the overwhelming teacher absenteeism in the country, as teaching is one of the least paid jobs. Zain South Sudan hosted a sports competition that included 12 schools and a total of 4,200 students to show appreciation and support for teachers.

GOVERNANCE

02

INTRODUCTION

The corporate governance culture is rooted in all areas and operations carried out by the Mobile Telecommunications Company KSCP (Zain), ensuring that the company adheres to the best standards and practices of governance in all its operations through a set of internal policies and procedures. These policies and charters depend on the applicable laws and regulations in Kuwait, in addition to international standards. Through these practices the company seeks to raise its professional and intellectual level, in a manner that maximizes shareholder value and ensures the protection of the rights of other stakeholders.

The company's strategy is based on the vision of the Board of Directors. The Board consists of nine seasoned members with great experiences in various industries and in markets extending from the Middle East to Europe and Africa. The Board is responsible for defining the strategic direction of the company through approving the strategy, vision, mission, business plans, capital structure, financial goals, organizational structure, policies and other processes and procedures of a fundamental nature.

The Board fosters a culture of compliance and commitment to corporate governance principles through internal policies and procedures. The internal guidelines and measures are based on local laws and regulations issued by regulatory authorities in Kuwait, the most prominent of which are the guidelines of the Capital Markets Authority, the laws of the Ministry of Commerce and Industry (MOCI), and the instructions of Kuwait Boursa in addition to other authorities.

The performance of the company reflects its management execution of the strategy; and the company's Board of Directors depends on the principles of corporate governance to achieve the best results and maximize the rights of stakeholders, aiming to be more attractive to investors. The board of directors is keen to ensure that the responsibility of adhering to corporate governance best practices is spread in a way that guarantees a strategic match between the company's business goals with these principles.

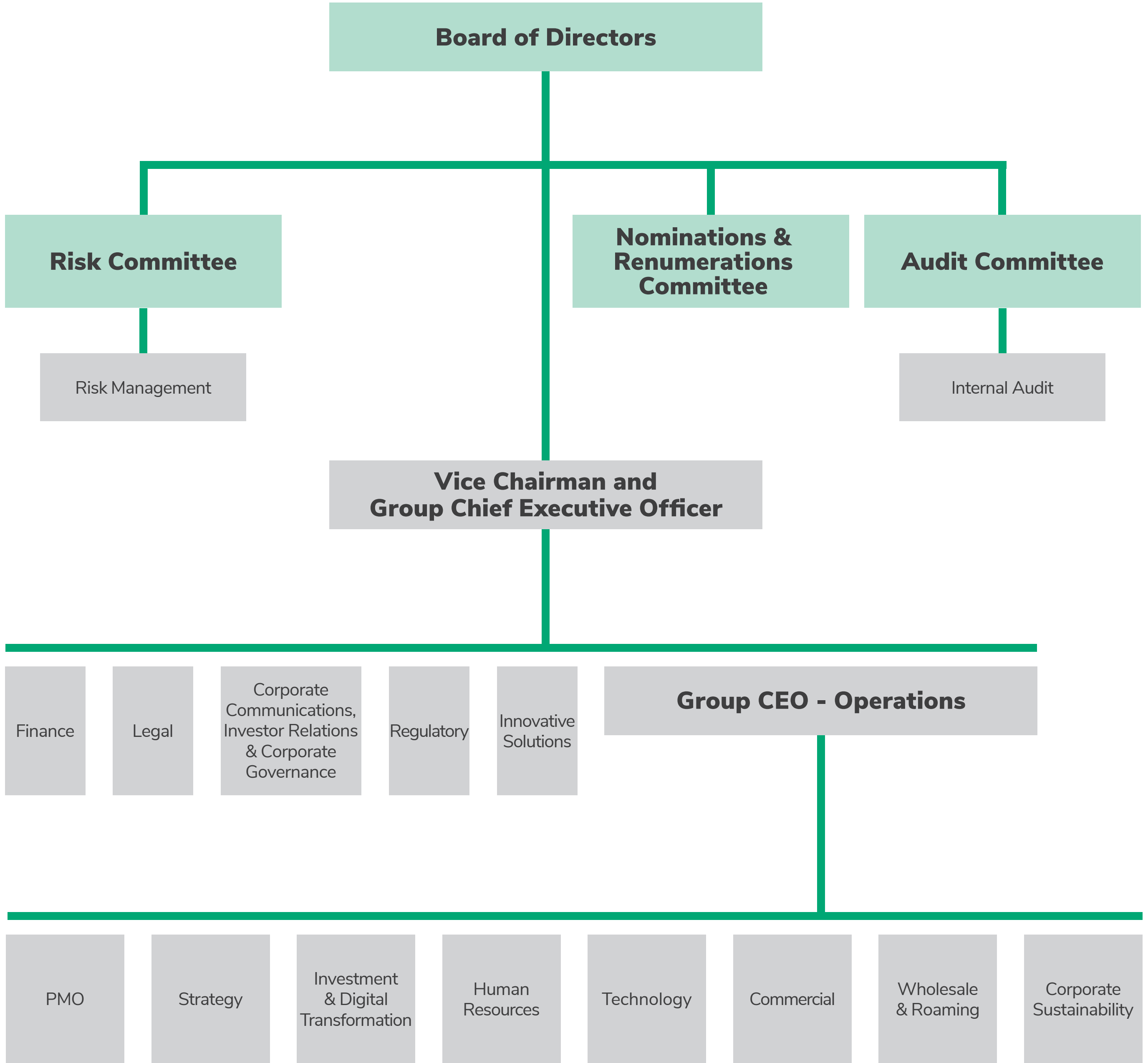
The primary goal of corporate governance is to protect the rights of shareholders and other stakeholders by maximizing long-term value. The Board is committed to creating long-term benefits for stakeholders while ensuring that the company's operations are implemented in an ethical, legal, and responsible manner towards the environment and society. The company's policies ensure the implementation of principles of sound governance, such as equality in dealing with internal and external stakeholders and establishing a transparent relationship with shareholders by developing processes and standards to facilitate compliance.

The rapidly changing telecommunications industry requires making quick and strategic decisions to keep up with competition. It is an expected requirement that the company's Board and executive management have a high standard and diverse experience. The value of corporate governance is essential in achieving a relationship with shareholders and stakeholders based on trust and transparency. The company's corporate governance policy aims to create a healthy balance between the interests of shareholders and the responsibility of the Board and executive management and how they can affect operations.

The Board and the executive management team are committed to implementing and maintaining the corporate governance structure, believing that sound corporate governance adds value to the business and boosts the confidence of stakeholders. The following corporate governance report is based on the principles and guidelines of corporate governance issued by the Capital Markets Authority (CMA) in the State of Kuwait for the year ending in 31 December 2019.

This corporate governance report was approved by the Board of Directors.

Rule I: Construct a Balanced Board Composition



Composition of 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.

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

Board of Directors' Meetings

NAME	MEETING NO. 1 13/2/2019	MEETING NO.2 2/5/2019	MEETING NO.3 31/7/2019	MEETING NO.4 6/11/2019	MEETING NO.5 9/12/2019	MEETING NO. 6 18/12/2019	TOTAL ATTENDED
Ahmed Tahous Al Tahous **Chairman**	✔	-	✔	✔	✔	✔	5
Bader Nasser Al-Kharafi **Vice Chairman & Group CEO**	✔	✔	✔	✔	✔	✔	6
Talal Said Al Mamari	✔	✔	✔	✔	✔	✔	6
Mehdi Mohamed Jawad Abduwani	✔	✔	✔	✔	✔	✔	6
Saud Ahmed Abdulkarim Al Nahari	✔	✔	✔	✔	✔	✔	6
Martial Antoine Marcel Caratti	✔	✔	✔	✔	✔	✔	6
Nigel Kevin Govett	✔	✔	✔	✔	✔	✔	6
Abdulrahman Mohammad Ibrahim Al Asfour **Independent**	✔	✔	✔	✔	✔	✔	6
Yousef Khaled Al-Abdulrazzaq	✔	✔	✔	✔	✔	✔	6
Hatmal Farouq Al Qadi	✔	✔	✔	✔	✔	✔	6

The table includes all Board meetings held during 2019

Management of Board Meetings

The Secretary of the Board of Directors has an essential and influential role in managing companies in an effective and highly efficient manner. The Board Secretary is responsible for assisting the Chairman in all matters relating to the Board, including coordinating, organizing and attending Board meetings, ensuring compliance with all relevant regulatory requirements, preparing the agendas and sending invitations to Board meetings. The Board Secretary provides the members of the Board with the agenda at least three working days prior to the Board meeting, excluding emergency meetings. All decisions and discussions of Board members are documented, in addition to the results of voting sessions at Board meetings. The Board Secretary is the custodian of all documents relating to Board affairs. The Board Secretary also ensures compliance with procedures adopted by the Board, which relate to providing information to members, committees and executive management, under the supervision of the Chairman. The Board Secretary obtains approval by the Board to distribute decisions to the concerned departments for implementation and follows-up on the implementation of the Board's resolutions.

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

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

The Board Secretary helps the new members of the Board of Directors and provides them with support through an induction program that includes information about the company, the responsibilities of the Board and its committees and the executive management and the duties related to these jobs.

In addition, the Board Secretary offers a glimpse into the Group's operations and results, meetings with executive management and the 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's role is to promote long-term sustainability and work to achieve the company's success in maximizing the value of all stakeholders, including shareholders, employees, customers, suppliers and the communities in which it operates. The Board develops the strategy to achieve the goals in light of managing the risks faced by the company. The Board of Directors is responsible for ensuring that appropriate culture, values and behaviors in all of the company's operations are in place.

The Board monitors the executive management of the company and exercises the powers entrusted to them as stated in the relevant provisions and laws and in accordance with any guidelines by shareholders during the general assembly and the articles of association of the company.

The Board's responsibilities include setting the basic principles, approving plans, quarterly reports, semi-annual reports, appointing or dismissing executives, identifying, reviewing, or canceling internal policies and regulations to align with the legal requirements and best practice standards.

Matters related to assets and financial affairs also fall under the responsibilities of the Board, some of which may require the approval of shareholders during the general assemblies, and these responsibilities include transferring the statutory reserve to the capital, approving transactions with related parties, approving the quarterly, semi-annual and annual financial statements, reviewing the financial plans and budgets, approval investments in order to achieve the strategy and vision of the company in a manner that maximizes shareholders' value.

The Board of Directors reviews and approves internal policies and charters periodically and whenever the need arises. These documents specify how the duties of the Board of Directors are distributed, including the role and duties of the Chairman, dividing responsibilities among Board committees according to specialty, and defining the job description of independent, executive and non-executive members.

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

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

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

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

The members of the Board devote sufficient time to fully carry out the responsibilities and tasks assigned to them, and this includes preparation before the scheduled meetings of the Board to review the relevant materials and documents. Members contribute to the meetings by virtue of their experience, and are keen to communicate the facts clearly and participate in fruitful discussions .

Board Achievements in 2019

- Approval of the company's financial statements for 2019 and recommending a dividend of 33 fils.
- Approval of the company's annual dividend policy recommendation of 33 fils per share as a minimum, for a period of three years starting from the distributions for the year 2019 (this recommendation is subject to the approval of the General Assembly). The importance of the dividend policy is summarized by influencing the trends of investors and their desire to obtain regular returns. It affects the company's capital structure and the method of financing its investments. It also affects the company's cashflows, its liquidity and its future growth rate, as well as the cost of the company's sources of funds. The ideal distribution policy works to balance the current dividend and future growth that supports the share price.
- Monitored and implemented a number of technical projects related to the company's strategy and vision.
- Review and approval of the company's policies and procedures.
- Approved a number of facilities to ensure the continued operation of the company and its subsidiaries.

Board Committees

As the company's business continues to evolve, the Board of Directors constantly faces increasing challenges in managing various issues. Accordingly, the Board relies on its committees and concerned departments to make decisions that maximize the rights of shareholders and stakeholders. While some issues require approval by the entire Board, some can be reviewed and approved more efficiently by the committees, as the members of these committees have experience in the relevant fields. The Board has delegated specific responsibilities to three committees, in accordance with the executive bylaws of the Capital Markets Authority, to enhance its operational efficiency. All decisions taken by the committees are submitted to the Board for approval and to take the necessary measures and allocate responsibilities to the relevant executive departments. The following is a summary of each of the Board Committees.

Board Risk Committee

Formed: 12 May 2015

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

Responsibilities:

The Board Risk Committee's powers are determined by the board of directors. The BRC reports directly to the Board. Given the importance of the supervisory role of the Board on the executive management and the risk structure of the company, the committee aims to improve the effective supervision on material transactions of the company.

The committee aims to enhance the effective supervisory role of the Board on the company's operations and to ensure adherence to the approved risk appetite. The committee supervises and sets the general framework for risk management and ensures the safety and effectiveness of this framework through a set of policies, procedures and instructions.

The responsibilities and authorities of the committee have been defined within the company's internal policies and charters in accordance with the laws and regulations.

Achievements of BRC during 2019

- Reviewed and discussed the risk management quarterly report for the Group and its subsidiaries and defined a work methodology to ensure the reduction of the impact of risks. The committee also reviewed the management activities on a quarterly basis.
- Assessed all kinds of risks in subsidiaries and worked to reduce their impacts.
- Conducted a study of the Group's cybersecurity risks and developed a cybersecurity strategy for 2019-2021. Instructed management to contract with cybersecurity specialists to ensure maximum levels of protection to reduce cyber risks.
- Approval of the Risk department's plan for the year 2020.
- Organized an annual risk conference in Bahrain to discuss aspects of cooperation between subsidiaries.

Committee Members:

Saud Ahmed Abdulkarim Al Nahari (Committee Chairman)

Bader Nasser Al-Kharafi

Talal Said Al Mamari

Yousef Khaled Al-Abdulrazzaq

Number of committee meetings in 2019: 4

MEMBER	MEETING NO. 1/2019 13/2/2019	MEETING NO. 2/2019 2/5/2019	MEETING NO. 3/2019 31/7/2019	MEETING NO. 4/2019 6/11/2019
Saud Ahmed Abdulkarim Al Nahari **(Committee Chairman)**	✔	✔	✔	✔
Bader Nasser Al-Kharafi	✔	✔	✔	✔
Talal Said Al Mamari	✔	✔	✔	✔
Yousef Khaled Al-Abdulrazzaq	✔	✔	✔	✔

Board Audit Committee

Formed: 9 June 2011

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

Responsibilities:

The Board Audit Committee is responsible for assisting the Board of Directors in performing its obligations in relation to

1. Overseeing the quality and integrity of accounting practices, auditing, internal control, the risk management framework, financial reports, and the overall corporate governance framework for the company.
2. Evaluate the performance and qualifications of a licensed independent auditor (external auditor).
3. The company's relationship with the external auditors.
4. The general performance of the company's internal audit department.
5. In addition to complying with applicable legal and regulatory requirements.

Achievements of BAC during 2019

- Monitored the work of the Internal Audit Department for 2019.
- Followed-up with the Internal Audit Function on a quarterly basis and worked on the implementation of corrective measures of the observations contained in the reports.
- Approved the Internal Audit Plan for 2020.
- Reviewed and audited the Group's financial statements on a quarterly basis, discussed it with executive management, and provided recommendations to the Board
- Met with the external auditor on a quarterly basis to review and discuss the external auditor's report on the financial and operating performance of the Group.
- Evaluated the performance of subsidiaries' CEOs in resolving high-risk issues. Their annual performance evaluation and remuneration was linked to it and reported to the management.
- Prepared the Audit Committee report, which shall be read by the Chairman of the Board during the General Assembly.

Committee Members:

Martial Antoine Marcel Caratti (Committee Chairman)

Nigel Kevin Govett

Abdulrahman Mohammad Ibrahim Al Asfour (Independent)

Yousef Khaled Al-Abdulrazzaq

Number of committee meetings in 2019: 5

MEMBER	MEETING NO. 1/2019 12/2/2019	MEETING NO. 2/2019 19/3/2019	MEETING NO. 3/2019 9/5/2019	MEETING NO. 4/2019 30/7/2019	MEETING NO. 5/2019 5/11/2019
Martial Antoine Marcel Caratti **(Committee Chairman)**	✔	✔	✔	✔	✔
Nigel Kevin Govett	✔	✔	✔	✔	✔
Abdulrahman Mohammad Ibrahim Al Asfour **(Independent)**	✔	✔	✔	✔	✔
Yousef Khaled Al-Abdulrazzaq	✔	✔	✔	✔	✔

Board Nominations and Remunerations Committee

Formed: 12 May 2015

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

Responsibilities:

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

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

Achievements of BNRC during 2019

- Approved the mechanism for calculating and distributing annual remuneration for executive management.
- Proposed the Board remuneration and submitted it to the Board for approval, which will ultimately be approved by the AGM.
- Discussed and approved the evaluation mechanism of the Board and agreed to appoint an external party to conduct the evaluation.
- Approval of a number of training programs for Board members.

Committee Members:

Mehdi Mohamed Jawad Abduwani (Committee Chairman)

Bader Nasser Al-Kharafi

Talal Said Al Mamari

Abdulrahman Mohammad Ibrahim Al Asfour (Independent)

Number of committee meetings in 2019: 1

MEMBER	MEETING NO. 1/2019 13/2/2019
Mehdi Mohamed Jawad Abduwani **(Committee Chairman)**	✔
Bader Nasser Al-Kharafi	✔
Talal Said Al Mamari	✔
Abdulrahman Mohammad Ibrahim Al Asfour **(Independent)**	✔

Relationship between the Board of Directors and the Executive Management

There is a productive relationship between the Board of Directors and executive management, which is crucial for effective decision-making. The Board and executive management work to achieve the company's vision and goals. The business culture in the company is based on trust, respect and a clear mutual understanding of the roles that allow each party to manage responsibilities, contributions and expectations. This relationship depends on open and timely communication in both directions.

The nature of the relationship and the responsibilities of the Board and the executive management have been defined in the company's internal policies and regulations. Principles of good governance have been reflected in internal policies such as the separation of power between the Board and the executive management to ensure independence. This will also help both parties achieve a constructive and effective culture and preserve it in the best interests of the company and its stakeholders.

Board members rely on executive management to provide all the essential information necessary to make decisions in a timely manner, enabling them to fulfill their obligations effectively. The Board also expects management to seek advice and benefit from the experience of Board members when needed. Likewise, the Board has confidence in the executive management to implement the strategy and achieve the results. Members of the executive management depend on the Board to define the vision, objectives, and scope of authority, clearly. The Board evaluates the performance of the executive management and provides constructive criticism.

The Board appoints the CEO of the company who in turn performs the daily management of the Group in accordance with the principles and policies presented by the Board. The CEO leads the Group's operations mainly through the policies and instructions related to the company's operations. All updates are regularly communicated from the management to all employees to ensure a unified application of the Group's policies, principles and instructions that aim to protect the rights of stakeholders.

The Board holds periodic meetings with the executive management to discuss the course of the work and its constraints and problems. The Board also reviews and discusses important information related to the company's activity, and accordingly, performance standards are set for the executive management that are consistent with the goals and strategy of the company.

MEMBERS OF THE BOARD AND THE EXECUTIVE MANAGEMENT

Rule III: Recruit Highly Qualified Candidates for the Members of a Board of Directors and the Executive Management

About the Board of Directors

Ahmed Tahous Al Tahous - Chairman

Ahmed Al-Tahous is the Chairman of the Board of Directors of Zain Group. He holds a bachelor's degree in Business Administration with a specialization in Economics from Kuwait University. Al-Tahous has over 35 years of experience in the banking and investment sectors internationally and in Kuwait. Al-Tahous is the executive director of marketable securities at Kuwait Investment Authority (KIA), the oldest sovereign wealth fund in the world. Al-Tahous has served as a representative of the KIA on the board of several companies and banks previously. For instance, Al Tahous was the Chairman of the Board of Directors of the Touristic Enterprises Company, and he was a member of the Board of Directors of the Industrial Bank of Kuwait, the Jordanian Housing Bank and the Real Estate Group.

Talal Said Al Mamari - Board Member

Talal Said Al Mamari has been a member of the Board of Directors of Zain Group since 15 October, 2017. He holds a Business Administration degree from Duke University - Pittsburgh - Pennsylvania, USA. Al Mamari has been the Chief Executive Officer of Omantel since 29 June, 2014. Prior to his appointment as CEO, Al-Mamari has held several leadership positions at Omantel, most previous as Chief Financial Officer. He has been involved in several major projects and initiatives, including the initial public offering to sell part of the government's stake in the company, the company's restructuring project through the integration of fixed telecommunications services, and mobile telecommunications services in one entity,
and then the completion of Oman Mobile's legal merger with Omantel. Talal Al Mamari also led and oversaw the acquisition of Omantel's 9.84% of the capital of Zain Group, which was completed on 24 August 2017.Talal Al Mamari is a member of the board of directors at a number of investment companies and funds, most importantly, his board membership at Oman Governance Center and Al-Amal Investment Fund.

Bader Nasser Al-Kharafi - Vice Chairman and Group CEO

Bader Al-Kharafi is one of the most active business leaders in the Middle East and Africa, with an exceptional record in business development and consultancy projects for large firms and international organizations. He holds an Executive MBA from London Business School and holds a bachelor's degree in Mechanical Engineering from Kuwait University. Al-Kharafi holds the presidency and membership of several Boards in industrial and banking sectors. He sits on the board of Boursa Kuwait. Al-Kharafi is the Chairman and Managing Director of Kuwait based Gulf Cables & Electrical Industries KSC, a Board Member of Foulath Holding B.S.C., a Board Member of Refreshment Trading Company (Coca-Cola), and a Board Member of Gulf Bank. Al-Kharafi was appointed to the Middle East Advisory Board of Coutts, the wealth division of the Royal Bank of Scotland Group.

Mehdi Mohamed Jawad Al-Abduwani - Board Member

Mehdi Al-Abduwani is a member of the Board of Directors of Oman Telecommunications Company (Omantel). Mr. Al-Abduwani is currently the Adviser to the Group CEO of Oman Global Logistics Group (ASYAD). He previously worked as the CEO of National Ferries Company (NFC), a subsidiary of Oman International Logistics Group, which specializes in shipping and manages a fleet of high-speed crafts (HSCs) and Ro / Pax vessels. He was selected within the best 100 CEOs in the Arab world, at the "Arab Best"awards in 2017, while NFC received the Arab Best Company award in maritime transport. Mehdi Al-Abduwani has diverse interdisciplinary experience gained over 30 years in domains such as communications, economic planning, banking, corporate management, finance, energy, and the industrial field. He holds a BA in Economics from Yarmouk University in Jordan, a postgraduate degree in development planning techniques from the Netherlands. He also has a significant presence in the management of public shareholding companies, as well as membership of the Board of Directors of Zain Group and Omantel Group, He is the Chairman of the Board of Directors of the Computer Stationery Industry (CSI). He is also a Board Member of several other companies.

Saud Ahmed Abdulkarim Al Nahari - Board Member

Saud Ahmed Al Nahari joined Zain Group on 13 November 2017. He is currently Chief Executive Officer of Port Services Corporation SAOG (Sultanate of Oman). He holds a Post-graduate Diploma in Port Management. He is a Deputy Chairman in Oman United Insurance Co. SAOG and board member in Oman Al Arabi Fund. He has extensive management experience and is familiar with corporate governance systems and a board member licensed by the Capital Market Authority in Oman.

Nigel Kevin Govett - Board Member

Nigel Kevin Govett joined Zain Group Board of Directors on 13 November 2017. As the CFO of Oman Investment Fund (OIF) from 1 October 2014, he has 20 years of experience in the Investment and Finance sectors. Prior to joining OIF, Govett was a Director for EQT Partners, the Swedish based private equity organization with excess of 45 Billion Euros of raised capital. As a senior member of the OIF Investment Committee, Govett has played an active role in several strategic telecom sector initiatives and acquisitions. He sits on the boards of several companies as well as the charity Outward Bound Oman. He is a Fellow of the Association of Chartered Certified Accountants and holds a Bachelor of Arts in History from University of Sunderland, UK.

Abdulrahman Mohammad Ibrahim Al Asfour - Independent - Board Member

Abdulrahman Mohammad Al Asfour joined the Zain Group Board of Directors on 28 March 2018 where he has been appointed as the independent board member since then. He has expertise in applying IT solutions which he gained as an ERP consultant at EQUATE Petrochemical Company, a global producer of petrochemicals and the owner and single operator of several fully integrated world-class petrochemical complexes in Kuwait, North America and Europe. Moreover, his career included an auditing role in the petroleum industry at the State Audit Bureau of Kuwait where he was assigned. He also served as a board member at WABA medical insurance company. Al Asfour is the Chief Executive Officer of Alpha Group Holding Company. Al Asfour holds a bachelor's degree in Business Administration with a major in Accounting from Kuwait University. He has also completed multiple certifications in SAP systems in addition to other finance and accounting courses.

Martial Antoine Marcel Caratti - Board Member

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

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

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

Yousef Khaled Al-Abdulrazzaq - Board Member

Yousef Khaled Al-Abdulrazzaq joined Zain Group Board of Directors on 30 May 2018 as a representative of Kuwait Investment Authority (KIA). Joining the KIA in 2006, he is currently an investment manager within the General Reserve Sector under the local equities department. Al-Abdulrazzaq holds office as Board Member and other key roles in several Kuwaiti entities. In 2010, he was involved in the Kuwait Airways privatization project. Since 2005, Mr. Al- Abdulrazzaq has been the Investment Manager in the Private Equity and Local Investment Funds Unit of the KIA . He was a member of the Board of Directors at Touristic Enterprises Company from 2012 until 2019. He also served as a member of the Board of Directors at the Public Utilities Management Company, from 2015 until 2018.

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

About the Executive Management

Scott Gegenheimer - Chief Executive Officer-Operations

Scott Gegenheimer joined Zain Group in December 2012 bringing with him outstanding international experience in the telecom sector, in the USA, Eastern Europe, the Middle East and Africa. His leadership style drives efficiency and effectiveness, with a focus on value creation and business development. He holds a Bachelor of Science degree in Finance and Management from Northern Illinois University and an MBA from DePaul University in Chicago. He has recorded numerous achievements in the telecommunications sector and has presided over many of the telecommunications companies in the Middle East and North Africa. Gegenheimer has also held leadership positions across global and international companies. He was appointed a Board member of the GSMA for the period 2017 to 2018.

Hisham Allam - Chief Technology Officer

Hisham Allam was appointed the role in December 2011 having over 20 years of experience in the fields of information technology and telecommunications. Prior to his appointment, Allam was the Chief Operating Officer of Zain Sudan, having joined the operation in May 2003 as Chief Technology Officer. Allam holds a Bachelor of Science in Electronics Engineering degree from the University of Kent in England.

Ossama Matta - Chief Financial Officer

Ossama Matta was appointed CFO of Zain Group in June 2010. With more than 20 years of finance and management experience in the Middle East, he attained an MBA from the American University in Beirut and is a Certified Public Accountant. Matta joined the Group in 2004 as the CFO at Zain's management operation in Lebanon, then known as "MTC touch". Subsequently Matta was promoted to Chief Financial Officer at Zain Kuwait in early 2008, and thereafter promoted to the role of Zain Group Chief Financial Officer.

Kamil Hilali - Chief Strategy Officer

Hilali was appointed Chief Strategy Officer of Zain Group effective March 2018. In this role, Hilali is responsible for the development and implementation of Zain's corporate and growth strategy, including business development, strategic investments and portfolio management. With 15 years of track record in Strategy, Mergers and Acquisitions, Corporate Development and Portfolio Management, Hilali joined Zain Group in 2011 as Corporate Finance and Business Planning Director. Hilali attained his Master's in Finance from London Business School (UK), his MBA from Suffolk University (USA) and holds a bachelor's degree in Industrial Engineering from the National School of Mineral Industry (Morocco). He is also a member of the Board of Directors of INWI Corp, Morocco based telecom operator of which Zain owns a 15.5% stake.

Firas Oggar - Head of Legal

Firas joined Zain Group in November 2017 as Group Head of Legal. With a career spanning over 18 years, Firas has worked for conglomerate organizations in the Middle East and France. Firas has immense experience of senior in-house roles in the Middle East, having had four roles in the position of either head of legal or general counsel since moving on from his private practice career. More recently, Firas has been recognized in 2015 and 2017 as one of the GC Power list: Middle East (formerly the Corporate Counsel 100) by the publication The Legal 500. Firas is a Board member and treasurer of the Association of Corporate Counsel (ACC), Middle East Chapter. Firas is a qualified lawyer before the Paris Bar in France and holds a master's degree from the University of Paris in International Business Law.

Nawal H. Bourisli - Chief Human Resources Officer

Effective February 2018, Nawal Bourisli was promoted to Chief Human Resources Officer (CHRO) for Zain Group in recognition of her managerial achievements over the past eight years as Director of Zain Kuwait's HR division, a role she continues to lead. Bourisli joined Zain Kuwait in 2000 and gradually grew within the organization's HR functions to be appointed Director of Human Resources in 2010. In 2013, she completed a Program for Leadership Development at Harvard Business School.

Nawal oversees the running of the organization's human capital management and Human Resources Management Systems (HRMS) at Group level and across all Zain operating markets. She is in charge of Zain's talent and change management strategy, encompassing talent attraction, development, retention and succession management in alignment with Zain's corporate culture and values. Other responsibilities include managing employee rewards, wellness programs, and employee engagement aiming to make employees happier and more productive.

Mohammad Abdal - Chief Communications Officer

Mohammad Abdal was appointed Chief Communications Officer of Zain Group in July 2015, heading three significant divisions within Zain Group: Investor Relations, Corporate Communications, and Corporate Governance & Compliance. Over the past 18 years Abdal has risen rapidly through the organization; playing a key role in various aspects of the company's success. Abdal is a founding member and Chairman of the Middle East Investor Relations Association chapter in Kuwait and a member of the globally recognized National Investor Relations Institute (NIRI). He graduated in 2001 from Portland State University, Oregon, US with a Bachelor of Science in Business Administration with a double major in Finance & Management Information Systems.

Jennifer Suleiman - Chief Sustainability Officer

Effective 1 May 2018, Jennifer Suleiman was appointed Zain Group's Corporate Sustainability (CS) Officer leading and overseeing the CS strategy at the Group level and supporting all Zain's eight operations in their CS activities.

She joined Zain in 1993 initially heading PR and Advertising for 10 years when the company was known as MTC. In 2005, she established the Group CS department and has managed to position Zain as a leader in Sustainability pushing the agenda to see the company grow and embrace CS in all aspects of its digital growth strategy as well as publishing Zain's Consolidated Sustainability Report and a Thought Leadership Report on an annual basis.

Suleiman is driving the adoption and alignment to the UN Sustainable Development Goals (SDGs) by the organization as well as integrating Planetary Boundaries and Social Thresholds within the measuring of the company's activities. Suleiman graduated with merit from Washington University in St. Louis, Missouri USA with a degree in Art History and Archeology.

Dr. Andrew Arowojolu - Chief Regulatory Officer

Dr. Andrew Arowojolu was appointed Group Chief Regulatory Officer, effective October 2016. He liaises with Regulatory Authorities across the company's eight-country footprint. A seasoned telecom executive with over 25 years of experience and a proven track-record in the telecom industry across the Middle East, Europe, Africa and Asia. Arowojolu joined Zain in 2003 and holds a Doctorate degree (Ph.D.) in Mobile Radio Communications (1994) and an M.Sc., (Distinction) in Microelectronic and Telecommunications from University of Liverpool, United Kingdom (1991) and a B.Sc. (First Class) in Electrical and Electronic Engineering from the University of Lagos (1988).

Abdul Ghaffar Setareh - Chief Risk Officer

Appointed to the role in January 2016, Abdul Ghaffar Setareh is an accomplished corporate executive with over 30 years of operational, engineering, insurance and risk management experience in mobile telecommunications and technology sectors across the Middle East and Africa. Setareh graduated with a Telecommunications Engineering degree from the Ecole National des Telecommunications, Rabat, Morocco in 1984.

Venkatesh Jandhyala - Chief Internal Auditor

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

Rising through the ranks within Zain Group, Jandhyala is a dynamic professional with over 25 years of proven leadership track record within telecommunications and consulting firms, having worked in complex business environments in the Americas, Europe, Africa, Middle East & Asia. Jandhyala has a Bachelor of Commerce and Law degrees from Osmania University, Hyderabad, India and has received a scholarship for a dual degree in Master of Science in International Finance and an MBA in Finance and Marketing from the University of Miami, USA. He also has a Chartered/Board Secretary diploma from India.

Maryam Saif - Chief Diversity and Inclusion Officer

Saif was appointed Group Chief Diversity and Inclusion Officer (CDIO) of Zain Group, effective 12 November 2017. In her role, she is responsible for leading Diversity and Inclusion across Zain with specific focus on Gender Diversity, Internal Innovation and Youth Development. She joined Zain Group in 2013 in Human Resources with a focus on introducing social exchange into HR, which places reciprocity and mutuality at the heart of the employee - Zain relationship.

Saif is a member of the British Psychological Society and the Association of Coaching. She is also a Practitioner in Change Management, a Fellow 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. Saif holds a Master's degree in both Organizational Behavior and Computer Programming from Guildhall University, London having earlier graduated from London Metropolitan University with a degree in Computer Science.

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.

Duncan Howard - Chief Commercial Officer

Duncan Howard was appointed to this role effective July 2014. He oversees all commercial, marketing, branding and advertising areas across Zain's regional footprint. Howard came to Zain with 20 years' experience in mobile, television and fixed telecom across the Middle East, Europe and North America. Howard holds an MBA from the Open University, UK and attained a BA (Hons) System Analysis from the University of West of England.

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 Remuneration Committee (BNRC).

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

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

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

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

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

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

The KPIs are based on the Company's overall strategy and are approved by the Board. 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 2019, the total remuneration granted to the Board members was KD 510,000 subject to shareholders' approval at the Annual General Meeting.

Executive Management Remuneration

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

Fixed Remunerations

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

Variable Remunerations

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

Balance between fixed and variable remuneration

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

Category	No. of Employees	Fixed Remuneration (KWD 000')	Variable Remuneration (KWD 000')	Total (KWD 000')
Executive Management at Zain Group	10	3,164	2,175	5,340

INTEGRITY OF FINANCIAL REPORTING

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 2019 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 2019.

Emphasizing the independence and impartiality of the external auditor

One of the main roles of the external auditor in corporate governance is to protect the interests of shareholders through independence from the influence of the company. The external auditors validate the financial reports, according to the applicable laws and regulations. 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 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 Touché (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.

RISK MANAGEMENT AND INTERNAL AUDIT

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:

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

In accordance with applicable regulations and laws, Risk Management reports to the Board Risk Committee.

Board Risk Committee

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

Internal Control Systems

The Board of Directors is responsible for establishing the governance framework and for monitoring the effectiveness of its implementation in a manner designed to protect shareholders' rights and increase the company's value. Based on the regulations and guidelines issued by the Capital Markets Authority, the company has appointed RSM (Al Bazie & Co.), the Kuwait member firm of the RSM Network, to complete the Internal Control Review.

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

The Board of Directors oversees the proper implementation of internal control systems through the Board Audit Committee. The Board monitors the operations of the Internal Audit Department and ensures the independence of the department to conduct business in a proper way in accordance with the relevant regulatory requirements.

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

CODE OF CONDUCT AND ETHICAL STANDARDS

Rule VI: Promote Code of Conduct and Ethical Standards

Professional Conduct and Values

The ethics and standards of professional conduct, approved by the company's board of directors, are crucial to managing business operations and issues. In addition, they help to foster a work environment characterized by integrity and responsibility. All company employees adhere to the rules and standards. The role of company employees is not only limited to abiding by applicable laws and regulations, but they are also obliged to promote professional behaviors and ethics set forth in the Company's Code of Conduct.

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

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.

Rule VII: Ensure Timely and High-Quality Disclosure and Transparency

Disclosure mechanisms and characteristics

Disclosure and transparency are among the most important principles in corporate governance. The company aims, through its disclosures, to ensure that its shareholders and other stakeholders understand the nature of the company's operations, future direction and other fundamental developments and information resulting from its daily operations.

The company's disclosure policy is a part of the governance framework. The purpose of this policy is to ensure the company adheres to the rules, laws and regulations issued by the Capital Markets Authority and other relevant regulatory bodies. The policy aims to define the roles and responsibilities of key parties in the disclosure process and those responsible for providing the data to be disclosed to manage governance and compliance, and to help them determine the nature and level of detail.

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 and 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. Access to such records is available to anyone during working hours free of charge.

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 nine years.

Investor Relations

The Investor Relations team includes multiple competencies and expertise, ensuring easy and clear 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 to the Company's 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 9 years. The website also includes the periodic financial reports, in addition analyst reports and other facts and indicators.
- The website contains the information of the Board of Directors, the executive management and the company's code of conduct, as well as the main principles and values that support the company's operations.
- The CMA is addressed by e-mail (in addition to mail) to provide the required information and disclosures.
- The company follows the electronic system of disclosures through the Boursa Kuwait website, in order to update disclosures and data.
- The company's intranet includes an electronic library that contains all the details and information, which are easily accessible at any time with the correct credentials.

Rule VIII: Respect the Rights of Shareholders

Summary of shareholders' meetings during the last three years

	AGM for the year ended on 31/12/2016	Special AGM	EGM	AGM for the year ended on 31/12/2017	AGM for the year ended on 31/12/2018
Date of BOD Meeting	19/2/2017	Held as per the request of shareholders owning more than 10% of capital	7/2/2018	7/2/2018	13/2/2019
Date and time of the General Shareholders Meetings	12/3/2017 11:30 a.m.	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.
Venue	Zain HQ – Shuwaikh	Zain HQ – Shuwaikh	Zain HQ – Shuwaikh	Zain HQ – Shuwaikh	Zain HQ – Shuwaikh
Percentage of Shareholders in Attendance	66.79%	84.69%	75.01%	74.97%	73.91%

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 Boursa Kuwait.
- Perform all procedures for transfer of ownership in addition to buy/sell transactions after obtaining all the required approvals from the regulatory authorities.
- Track procedures for lost/damaged certificates and the related issuance of new ones.
- Distribute cash dividends and stock splits.
- Provide the company with shareholders' balance reports on a daily/monthly basis.
- Provide the company with the 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.

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

Rule IX: Recognize the Roles of Stakeholders

The Protection of Stakeholders' Rights

The company is committed to protecting the rights of stakeholders and creating job opportunities by ensuring a stable and strong financial position. As part of the corporate governance framework, the stakeholder protection policy has been developed as stipulated in the relevant laws and regulations.

Accordingly, the company's Board is responsible for setting standards for protecting the rights of all stakeholders and updating them when appropriate, to clarify changes in the provisions of the law and regulations issued by regulatory authorities.

Keeping the Board aware of any developments in the internal and external environment of the company is essential and allows the Board to intervene immediately if necessary. The executive management headed by the CEO is responsible for the day-to-day management of the company's operations and the implementation of its strategy. Therefore, one of the primary responsibilities of the board of directors is to select members of the executive management who can take over these tasks efficiently.

The Board of Directors takes responsibility for overseeing the affairs of the company including approving and monitoring the implementation of strategic goals, risk management strategy and corporate governance standards. In addition, the Board of Directors delegates some of its responsibilities to its committees (the Risk Committee, the Audit Committee, the Nomination and Remuneration Committee). The Board provides members of the executive management with a clear framework for managing the company's operations, and this is achieved through implementing the approved policies.

Stakeholder participation and following the company's operations

The company aims to understand the expectations and requirements of stakeholders and considers the interests of external and internal parties; these include current and potential shareholders, customers, government bodies and regulatory authorities, employees, suppliers, society, competitors and other external parties. The company strives to provide effective, transparent and timely communication.

The company uses a number of channels to disclose the material information to internal and external parties, including traditional and digital media such as the official website of the company and social media. The company is committed to disclosing all material information to the market through disclosing it to the Capital Markets Authority and the Kuwait Boursa in a precise and timely manner.

We continue our commitment to the principles of transparency by providing information about the company's performance through periodic reports (annual and quarterly) in Arabic and English, which are prepared in accordance with the laws and regulations. The investor relations page on the company's official website contains material information regarding the company's performance. The corporate governance page also includes all the disclosures and information related to the principles of corporate governance such as the company's memorandum and the articles of association. The sustainability page contains sustainability reports and thought leadership reports that cover the most important information about the company and its contributions to community service.

In addition, the company is committed to providing time for stakeholders, especially for shareholders, to communicate any questions through annual general assemblies, and it also connects with the community of financial analysts through quarterly analyst calls.

Zain is in constant communication with the media to ensure that it provides accurate and timely information about achievements and company performance. The company communicates with colleagues around the world through formal and informal communication channels, with a special focus on enhancing dialog between employees. These communication channels include intranet, webinars, employee notices, newsletters, posters, and communications via modern technology such as video calling. The main purpose is to unify the vision and understanding of the Group's goals and principles and to ensure that this vision is consistent and compatible throughout Zain's footprint.

The company is subject to a set of laws and regulations, issued by the relevant regulatory authorities, and it is the responsibility of the Board of Directors to ensure that the company adheres to these laws. Just as the company guarantees the protection of the rights of stakeholders, it also expects all stakeholders to fulfill their obligations governed by contracts, laws and regulations.

PERFORMANCE MANAGEMENT

Rule X: Encourage and Enhance Performance

Board Training and Development Plan

One of the most important contributions that Board members make is the time they devote to carrying out the tasks and responsibilities assigned to them. The Board works in cooperation with its committees, the Secretary and the concerned departments to manage time in a manner that allows members to review various issues and provide the necessary notes, approvals and responses.

The role of the Board varies according to the type of company, industry, field, and applicable laws. At Zain, the Board actively participates to perform its role in the best way. The Nomination and Remuneration Committee reviewed the performance of the Board for the past year, and on the basis of this review, it made several proposals for courses, programs and training workshops that shed light on the Board's strategies to enhance its performance and increase efficiency.

The various training tools help to develop the skills and frameworks necessary to meet challenges and improve the performance of the Board, who are keen to participate in training and development programs proposed by the Nomination and Remuneration Committee.

As a result of the Board evaluation process, a training plan is prepared for all members covering development needs identified during the evaluation process.

The following is a list of training programs attended by Board members in 2019

Date	Institution	Topic	Location
June 2019	INSEAD	International Directors Program	France
June 2019	London Business School	Finance for Non-Financial Managers	London
September 2019	IMD	Board of Directors Program	Switzerland

Board Assessment

The importance of the annual assessment of the Board's performance is focused on enhancing the company's business, which has a strong relationship with how it is managed.

Focus areas are numerous, and in the absence of a global standard for self-evaluation, Zain Board appointed Price Waterhouse Coopers (PwC) to evaluate its performance and that of its members and committees. The most important areas for the assessment of the Board are its composition, its role in governance, Board operations, and overseeing financial reporting and auditing.

The Board assessment shows how well it has performed and how members cooperate with one another. It also provides an insight on how the Board has responded to its legal obligations and duties and what aspects to consider when forming the development and training plans for Board members.

Value Creation

The main focus of the Board is to maximize shareholders value. Members of the Board work to enhance the overall effectiveness of meetings and to increase business value and competitive advantage. The participation of the Board confirms its compliance with the applicable laws and regulations.

The Board works to create value by elevating the level of discussions to cover key points and areas such as business strategy, the impact of the regulatory environment, crisis management, and setting guidelines to ensure that their decisions are conducted more efficiently.

The role of the Board is based on building a balanced structure as stated in the relevant laws. It is also crucial to increase cooperation between Board members and executive management. One of the most important areas in which the Board works with the executive management is to emphasize commitment to strategy, vision and goals of the company and the code of conduct that defines the company's identity. The Board also devotes time and effort to managing crises and emergencies.

Rule XI: Focus on the Importance of Corporate Sustainability

The aim of the Corporate Sustainability Policy is to ensure that the sustainability strategy and direction is embedded across the organization to achieve the company's goals and targets in a holistic and inclusive manner. The purpose of the policy is to provide an official statement that affirms Zain's commitment to achieving sustainable development across its footprint. The corporate sustainability policy provides further guidance on how to develop inclusive sustainable business practices while simultaneously monitoring the environmental footprint resulting from its operations. The policy further focuses on addressing deficits and provides guidance on how to implement initiatives in an effective manner.

Key focus areas include capacity building, youth and women empowerment, climate change, sustainable business practices, job opportunities, and poverty reduction. The company further focuses on broadband connectivity that can lead to the abuse, trafficking, violence, and exploitation of children.

Furthermore, Zain's strategy is aligned to the UN's Sustainable Development Goals. Therefore, the company adjusted the responsibility matrix where the Chief Sustainability Officer is determined to ensure that the company's Corporate Sustainability Policy is in line with international best practices and standards on both an internal and external basis.

As with any policy, a further revision was done during 2019 to ensure key developments in the area of sustainability were captured and included in the policy. For Zain, the policy is a key document that provides guidance and frames the company's sustainability approach in relation to its business activities, stakeholders, and communities. The revision of the Corporate Sustainability Policy was made in alignment to the latest developments that reflect issues associated with rapid advancements in technology (Fourth Industrial Revolution and technological disruptions) related to mobile connectivity and associated socio-economic and environmental development.

A selection of Zain's Corporate Sustainability activities/initiatives/projects

Zain Bahrain

Girls for Tech camp

In partnership with the Supreme Council for Women and Clever Play, Zain Bahrain launched the "Girls for Tech" Camp with aim of equipping 1,000 girls with coding skills. This program runs for four months starting from December 2019 – March 2020. Targeting girls aged 8-13 years old, this program provides each girl with 10 hours of training in coding. The program will provide girls with the following skills: critical thinking, computational thinking, complex problem solving, and robotics. Through this program, the girls will also be exposed to future career paths that are in the STEM field, including environmental science, software development, computer analysis robotics engineering, and data science.

E-waste campaign

In 2019, Zain Bahrain revived its e-waste campaign, which was first launched in 2011. The company recognized the important role it plays in selling products that turn into e-waste and has taken it upon itself to tackle the issue. The company partnered with the Supreme Council for the Environment and Crown Industries to come up with sustainable, long-term solutions to this growing challenge. Crown Industries is considered a strategic partner of the initiative as it is a pioneer in recycling in Bahrain and possesses the full spectrum of capabilities to recycle plastic, metal, obsolete machinery, and electrical and telecommunication cables and equipment. The below is a list of activities that were conducted across Bahrain:

1. Zain Bahrain first launched an internal awareness campaign to its employees and held an awareness session that was conducted by Crown Industries.
2. Launched a school campaign and competition by conducting 50 awareness sessions in schools.
3. Collected e-waste over a period of six months from schools.
4. Published mass campaigns through social media on the impact of e-waste and what Zain is doing to address this issue.
5. Created a competition within schools, with winners selected based on the largest amount of e-waste collected, best marketing campaign, and digital innovation for e-waste.
6. Call-to-action for the public to collect e-waste and place it in bins located on Zain's premises.
7. Encouraged other corporations to participate in collecting e-waste.

Zain Iraq

Sustainable Development Goals (SDG) and Entrepreneurship Workshop

In partnership with the Leaders for Change – Iraq, for its second consecutive year, Zain Iraq supported the SDGs and Entrepreneurship Workshop. The workshop aims to provide the youth of Iraq with leadership skills that will allow them to become future agents of change. During the workshop, Iraqi youth were able to pitch ideas that revolved around providing technological solutions that can contribute to the SDGs and overall societal development. Around 1,000 youth aged 18-24 years old attended the workshop.

Back to School Campaign

Zain Iraq continued its efforts to improve the quality of education in the country by ensuring that school students have the proper equipment and tools to attain their education. Under the Back to School Campaign, the company executed three different projects reaching different age groups ranging from elementary students to university students. The first project focused on providing local schools across Iraq with printers and e-Go devices.

The second project concentrated on providing schools located in the South West region of the country with desks and smartboards. During 2019, Zain Iraq was able to provide 3,400 school desks and 30 smart boards. The last project ran for two months in collaboration with an NGO called Imprint of Hope. This project focused on renovating 25 external fences and internal corridors for primary and secondary schools. Overall the Back to School program benefited 2,000 students.

Zain Jordan

110 Families and Children Helpline

Zain Jordan in partnership with the Jordan River Foundation established the 110 Families and Children Helpline in 2007. This toll-free helpline is available across Jordan and operates seven days a week. The Helpline offers psychological support for children or family members facing abuse as well as providing consultation and referrals. This initiative aims to alleviate the risks of children facing abuse and provides them with the resources and guidance on how to address such issues. In 2019, the hotline received 18,270 calls from across Jordan.

Mobile Clinic for Children

Since its establishment in 2002, the Mobile Clinic for Children continues to provide underprivileged children living in rural and remote areas with health and dental services. This program offers children a fully equipped medical team including free medication. The Mobile Clinic for Children also uses the Ministry of Health's network affiliates to transfer patients to different health care centers and hospitals. The Clinic treats children up to 15 years old and has served 200,000 children since its establishment.

Zain Mobile Maintenance Center

Zain launched its first Mobile Training Center in 2008 and throughout the years established a total six training centers across Jordan. The training centers operate under the shared value model, addressing the need for mobile equipment maintenance services while simultaneously providing underprivileged youth and marginalized communities with training and access to job opportunities. The growth and sustainability of the program indicates the success of the program. In 2019, Zain Jordan opened a new center located in the As-Salt governate, and provided 1,000 students, 22 individuals from the deaf communities and four refugees training in mobile equipment maintenance.

Zain Kuwait

Zain Great Idea 5

Established in 2010, the Zain Great Idea (ZGI) Program operates on a biannual basis and in 2019 marked its 5th edition. The initiative is run in partnership with Brilliant Lab, a startup accelerator service and Mind the Bridge, an innovation advisory firm that brings startups and corporates together. The aim of the program is to help foster the growth of an entrepreneurship ecosystem in Kuwait. In a study conducted by the Berkeley Research Group (BRG), commissioned by the Kuwait Foundation for the Advancements in Science (KFAS), the research identified key barriers impacting the entrepreneurship community's ability to contribute to Kuwait's economy.

The company's ZGI program targets Kuwaiti nationals who have a tech business idea that they would like to develop. The categories include but are not limited to apps, websites, online services, e-commerce services, fintech, gaming and tech products. Due to Zain's own experience transforming into a digital service provider, it recognizes the importance of developing the tech startup community in Kuwait. Since the establishment of ZGI, the company has been able to influence over 500 tech entrepreneurs in Kuwait. The program operates in five different stages in which applicants must undergo a selection process in order to reach the ZGI Accelerator program in San Francisco.

Partnership with LOYAC

Since 2005, LOYAC, a non-profit organization that aims to work towards the overall development of youth, has been a strategic partner of Zain Kuwait. Over the years, this partnership continues to mature to ensure it is creating a meaningful impact for youth. Below is a list of initiatives that were conducted in 2019.

- Thailand Orientation: Zain Kuwait supported LOYAC and organized a trip to Thailand for 10 girls from public and private schools aged 14-18 years old. The trip's program was designed to offer participants a chance to learn about Thai culture, explore Bangkok, its markets, as well as distant Thai villages through volunteering. The trip features many activities, including making of bamboo utensils and pot making, Thai cuisine cooking lessons, community service to renew and build homes for the elderly and underprivileged families.
- AC Milan trip to Italy: In partnership with LOYAC, Zain Kuwait contributed to sending four teams consisting of 55 players of ages ranging between 2-24 years to compete at the International Youth Peace Tournament in Rovereto, Italy. The International Youth Peace Tournament is considered to be the biggest youth tournament in Europe with more than 3,000 athletes in attendance. This opportunity allows players to gain exposure and compete against international teams from all over the world.
- KON: The KON program is a social entrepreneurship program that was brought to Kuwait in collaboration with Babson College. The program targets adolescents aged 12-18 years old. KON provides participants with exposure to business and entrepreneurship opportunities to meet community leaders and other successful entrepreneurs and explore challenges the community faces from a social and environmental perspective. In 2019, 65 students joined the program.

touch Lebanon

touch Innovation Program

The touch Innovation Program aims to contribute and develop the startup ecosystem in Lebanon. This program selects high-potential entrepreneurs as "touch Innovators" and offers them mentorship, workshops, exposure through touch's social media channels, a working space, and opportunities through touch's B2B network. This program, which was launched in 2018, selects and supports six startups every six months. To-date, the program has supported 19 startups.

MIT Pan Arab Enterprise Forum

touch partnered with MIT Enterprise Forum (MITEF) Pan Arab Association for the 12th edition of the startup final award ceremony and conference, which was held in collaboration with the World Bank as an international partner and the Investment Development Authority of Lebanon (IDAL). The competition categorizes startups into three main tracks: Startups, Ideas and Social Entrepreneurship. The annual competition is designed to empower entrepreneurs and foster an ecosystem of innovation and entrepreneurship in the Arab region. The winning teams are awarded USD 160,000 in equity free funding and benefit from a range of other activities including top tier training, mentorship, coaching, media exposure, and networking opportunities.

Zain Saudi Arabia

Student Internship Training

In partnership with Nokia, Zain Saudi Arabia provides a COOP training program that is designed to give students the opportunity to enhance and develop their skills to better prepare them for the labor market. Before joining the program, the company conducts a rigorous selection process and assesses applications to ensure students meet the criteria of the program. This eight-week program provides students with a wide range of skills from soft skills such as teamwork and problem solving to skills that focus on programming and data science. In 2019, the company selected nine interns to join the program.

Zain Volunteering Program

In 2019, Zain Saudi Arabia launched the Zain Volunteering Program, which is aligned to the country's Vision 2030 goal to reach one million volunteers annually. The program, organized in collaboration with Bunyan Charity and Prince Sultan Medical City, aims to provide employees with opportunities to volunteer and contribute to the betterment of society. During the year, employees volunteered in programs during Ramadan where they helped prepare and distribute Iftar meals to people in need. Similarly, during Eid celebrations the company supported children and injured soldiers. During the year, 700 employees joined the Zain Saudi Arabia Volunteer Program.

Zain Sudan

Areas impacted by heavy rainfall and flooding

Sudan was affected by heavy rainfall and flash flooding in August 2019, with 193,800 people impacted. In total, 25,437 homes were destroyed, and 12,202 homes were damaged. According to OCHA, the majority of people affected by the crisis needed emergency shelter and non-food items such as water and hygiene services, health and draining of stagnant water. As such, Zain, in partnership with Nafeer Organization and the Ministry of Health, provided support to the families impacted in Khartoum and the White Nile State. Through the partnership, Zain was able to positively impact 6,000 people by supplying them with blankets, tents, and agricultural pesticide pumps.

Ramadan Program

During the month of Ramadan, Zain Sudan organized activities targeted at marginalized communities. In partnership with the Union of people with disabilities, the company provided Iftar meals to people with disabilities. Furthermore, Zain distributed Ramadan bags to refugees based in the Darfur State, supporting 2,648 individuals.

Zain South Sudan

National Unity Day

Zain South Sudan in partnership with the Ministry of Culture, Youth and Sports hosted a sports competition on National Unity Day. This event aimed to promote inclusion, promote peace and social cohesion by including communities from across different areas in South Sudan. During the National Unity Day, a sports competition in football and volleyball was held with a total of 398 participants and attendees. During the event, free HIV/AIDs tests were provided to people attending the competition. The company used its reach to promote the event through bulk SMS and media channels.

Inter Secondary School Competition and World Teachers Day

Zain South Sudan hosted the Inter Secondary School Competition on World Teachers Day to raise awareness of the importance of education and address the overwhelming teacher absenteeism in the country. According to UNICEF, teaching in South Sudan is one of the lowest paid jobs in the country due to unpredictable inflation that leads to unstable salaries. In order to raise awareness on the issue, the company hosted a sports competition that included 12 schools with a total of 4,200 students to show appreciation for the roles of teachers. Zain South Sudan supported the event by providing bulk SMS, exposure through media channels, and presenting students and teachers with certificates.

FINANCIAL STATEMENTS

03

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 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As disclosed in note 2.1 to the consolidated financial statements, the Group has excluded the effects reported therein of applying International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29.

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

Emphasis of matter

We draw attention to note 28 to the consolidated financial statements, which describes the uncertainty related to the outcome of a claim 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.

a) Revenue recognition

The Group has recognized revenue from telecom services amounting to KD 1,661 million for the year ended 31 December 2019. There is an inherent risk around the accuracy of 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, prices and price changes. Due to the complexities and judgement required in the revenue recognition process, we have considered this as a key audit matter. The accounting policy for revenue recognition is set out in note 2.18 and the related disclosures are disclosed in note 19 and note 25 to the consolidated financial statements.

Our audit procedures included 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. We also tested 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. In addition, we tested the reconciliation of the revenue generated and recorded in those systems to the general ledger and performed substantive tests of revenue recorded. Further, we have assessed the appropriateness of management's processes and judgments relating to the determination of standalone selling prices and their allocation to identified performance obligations in accordance with IFRS 15 Revenue from Contracts with Customers. We also assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs.

b) Impairment of Goodwill

As at 31 December 2019, goodwill is carried at KD 608 million which represents 12.8% 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 in note 2.11 and related disclosure is 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.

c) Adoption of IFRS 16 Leases

The Group applied IFRS 16, which replaced IAS 17 Leases and the related interpretations from the date of its initial application of 1 January 2019, which resulted in changes to accounting policies. The Group has elected not to restate comparative information in accordance with the transitional provisions contained within IFRS 16. The first time adoption of the standard as at 1 January 2019, resulted in the recognition of, right of use assets and lease liabilities with a total impact on retained earnings as disclosed in Note 2.2.1 to the consolidated financial statements.

We have considered this as a key audit matter because the adoption and implementation of IFRS 16 resulted in significant changes to the consolidated financial statements of the Group, along with changes to processes, systems and controls and also because of the number of judgements which have been applied and the estimates made in determining the impact of IFRS 16. The accounting policy for leases is set out in note 2.17 to the consolidated financial statements and the impact on initial recognition is set out in note 2.25.

Our audit procedures included understanding the process followed by the Group in adopting of IFRS 16 and the identification of internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard. We assessed the design and implementation of key controls pertaining to the application of IFRS 16. Our substantive tests included, verifying the completeness of underlying lease contracts considered for application of IFRS 16 as on the date of transition; verifying on a sample basis the accuracy of recognised right of use assets and lease liabilities both on the transition date as well as the reporting date, the incremental borrowing rates used for discounting the future lease payments, whether the lease term used is the enforceable lease term as defined in IFRS 16, the key judgments and estimates applied by the management and whether the disclosures, including those relating to the transition to IFRS 16, is in accordance with the requirements of IFRS 16.

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 2019. 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 2019 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 2019 that might have had a material effect on the business of the Company or on its consolidated financial position.

Talal Y. Al-Muzaini
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Deloitte & Touche
Al-Wazzan & Co.
Kuwait
12 February 2020

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note(s)	2019	2018 Restated
ASSETS		KD '000	
Current assets			
Cash and bank balances	4	296,985	311,916
Trade and other receivables	5	555,398	521,534
Contract assets	19.2	66,889	66,062
Inventories	6	48,513	45,957
Investment securities at fair value through profit or loss	7	8,540	15,519
Assets of disposal group classified as held for sale	8	17,611	7,656
		993,936	968,644
Non-current assets			
Contract assets	19.2	28,134	16,940
Investment securities at FVOCI	7	6,360	7,040
Investments in associates and joint venture	9	72,612	69,851
Other non-current assets		64,669	68,755
Right of use of assets	10	181,052	-
Property and equipment	11	1,229,291	1,193,222
Intangible assets and goodwill	12	2,160,039	2,192,218
		3,742,157	3,548,026
Total Assets		**4,736,093**	**4,516,670**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	857,512	952,638
Deferred revenue	19.2	98,495	105,308
Liabilities of disposal group classified as held for sale	8	5,397	-
Income tax payables	14	61,775	11,863
Due to banks	15	180,274	412,971
Lease liabilities	16	42,795	-
		1,246,248	1,482,780
Non-current liabilities			
Due to banks	15	1,218,450	1,033,565
Lease liabilities	16	144,278	-
Other non-current liabilities	17	448,518	336,325
		1,811,246	1,369,890
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	216,353
Foreign currency translation reserve	18	(1,371,841)	(1,367,018)
Investment fair valuation reserve		(1,088)	864
Other reserves		(3,044)	(4)
Retained earnings		318,509	287,143
		1,298,760	1,277,208
Non-controlling interests	26	379,839	386,792
Total equity		**1,678,599**	**1,664,000**
Total Liabilities and Equity		**4,736,093**	**4,516,670**

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 2019

	Note(s)	2019 KD '000	2018 KD '000
Revenue	19.1	1,660,890	1,317,613
Cost of sales		(459,135)	(375,517)
Operating and administrative expenses	20.a	(434,436)	(409,996)
Depreciation and amortization	10,11,12	(375,954)	(229,532)
Expected credit loss on financial assets (ECL)		(38,886)	(13,188)
Interest income		7,098	18,320
Investment income	21	1,007	3,930
Share of results of associates and joint venture	9	2,762	(2,444)
Other income/ (expenses)	20.b	38,955	(41,696)
Gain on business combination	35	-	30,931
Finance costs		(110,723)	(69,173)
Provision for impairment loss on property and equipment	33	-	(9,648)
Loss from currency revaluation		(13,058)	(14,764)
Net monetary gain	33	5,074	46,935
Profit before contribution to KFAS, NLST, Zakat, income taxes and Board of Directors' remuneration		**283,594**	**251,771**
Contribution to Kuwait Foundation for Advancement of Sciences		(2,200)	(1,667)
National Labour Support Tax and Zakat	22	(7,082)	(4,476)
Income tax expenses and other levies	23	(25,253)	(19,752)
Board of Directors' remuneration		(510)	(420)
Profit for the year		**248,549**	**225,456**
Attributable to:			
Shareholders of the Company		216,928	196,500
Non-controlling interests		31,621	28,956
		248,549	**225,456**
Earnings per share (EPS)			
Basic and diluted – Fils	24	50	45

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 2019

	2019 KD '000	2018 KD '000
Profit for the year	**248,549**	**225,456**
Other comprehensive income:		
Other comprehensive income transferred or reclassifiable to consolidated statement of profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(5,029)	(160,697)
Other reserves	(8,206)	(430)
Share in associate transferred to consolidated statement of profit or loss on business combination (note 35)	-	(16,395)
Other comprehensive income for the year	235,314	47,934
Items that will not be reclassified to consolidated statement of profit or loss:		
Changes in the fair value of equity investments at FVOCI	(1,952)	(857)
Total comprehensive income for the year	233,362	47,077
Attributable to:		
Shareholders of the Company	207,113	18,416
Non-controlling interests	26,249	28,661
	233,362	**47,077**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED 31 DECEMBER 2019

	EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS								
	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	INVESTMENT FAIR VALUATION RESERVE	OTHE RESERVES	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	KD '000					KD '000			
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 (note 35)	-	-	-	-	-	-	-	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 (note 2.2.1)	-	-	-	-	-	-	(21,282)	(17,456)	(38,738)
Transition adjustment on adoption of IFRIC 23 at 1 January 2019 (note 2.2.2)	-	-	-	-	-	-	(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
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
Balance at 1 January 2018	432,706	1,707,164	216,353	(1,189,469)	3,251	(326)	281,919	158,006	1,609,604
Transition adjustment on adoption of IFRS 9 and IFRS 15 at 1 January 2018	-	-	-	-	(2,218)	-	(39,141)	(1,357)	(42,716)
Balance as at 1 January 2018 (restated)	432,706	1,707,164	216,353	(1,189,469)	1,033	(326)	242,778	156,649	1,566,888
Total comprehensive income for the year	-	-	-	(177,549)	(857)	322	196,500	28,661	47,077
On business combinations	-	-	-	-	-	-	-	182,367	182,367
Realised loss on equity securities at FVOCI	-	-	-	-	688	-	(688)	-	-
Cash dividends (2017)	-	-	-	-	-	-	(151,447)	(1,607)	(153,054)
Balance at 31 December 2018	432,706	1,707,164	216,353	(1,367,018)	864	(4)	287,143	366,070	1,643,278

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

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2019

	Note(s)	2019 KD '000	2018 KD '000
Cash flows from operating activities			
Profit for the year before income tax, KFAS, NLST, and Zakat		283,084	251,351
Adjustments for:			
Depreciation and amortization	10,11,12	375,954	229,532
ECL on financial assets		38,886	13,188
Interest income		(7,098)	(18,320)
Investment income	21	(1,007)	(3,930)
Share of results of associates and joint venture	9	(2,762)	2,444
Other income/ (expenses)	20.b	(38,955)	41,696
Gain on business combination	35	-	(30,931)
Finance costs		110,723	69,173
Provision for impairment loss on property and equipment	11,33	-	9,648
Loss from currency revaluation		13,058	14,764
Net monetary gain	33	(5,074)	(46,935)
Loss on sale of property and equipment		1,400	202
Operating profit before working capital changes		768,209	531,882
Increase in trade and other receivables		(99,916)	(84,716)
Increase in inventories		(243)	(3,730)
Increase in trade and other payables and deferred revenue		4,495	70,706
Cash generated from operations		672,545	514,142
Payments:			
Income tax		(16,614)	(10,629)
Kuwait Foundation for Advancement of Sciences (KFAS)		(771)	(319)
National Labour Support Tax and Zakat		(3,349)	(5,492)
Net cash from operating activities		651,811	497,702
Cash flows from investing activities			
Deposits maturing after three months and cash at bank under lien	4	(7,403)	30,286
Proceeds from sale of investment securities		7,916	1,919
Investments in securities		(325)	(4,132)
Increase in dues from associates		-	(7,039)
Acquisition of property and equipment (net)		(282,799)	(173,837)
Acquisition of intangible assets (net)		(33,417)	(43,977)
Net cash on acquisition of subsidiaries		(11,703)	101,993
Interest received		5,749	6,028
Dividends received		383	253
Net cash used in investing activities		(321,599)	(88,506)
Cash flows from financing activities			
Proceeds from bank borrowings	15	540,727	203,019
Repayment of bank borrowings	15	(587,387)	(288,901)
Repayment of lease liabilities		(59,114)	-
Dividends paid to Company's shareholders		(129,705)	(151,017)
Dividends paid to minority shareholders of subsidiaries		(5,047)	(1,569)
Finance costs paid – due to banks		(112,438)	(52,966)
Net cash used in financing activities		(352,964)	(291,434)
Net (decrease)/ increase in cash and cash equivalents		(22,752)	117,762
Effects of exchange rate changes on cash and cash equivalents		418	(13,461)
Transition adjustment on adoption of IFRS 9		-	(6,497)
Cash and cash equivalents at beginning of year		304,236	206,432
Cash and cash equivalents at end of year	4	281,902	304,236

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

1. Incorporation and activities

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

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2018 - Kuwait and 8 other countries) under licenses from the governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone systems; and invests surplus funds in investment securities.

The Company is a subsidiary of Oman Telecommunications Company SAOG, Oman.

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Company on 12 February 2020 and are subject to approval of the shareholders at their forthcoming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement adjusted for the effects of inflation where entities operate in hyperinflationary economies and modified by the revaluation at fair value of financial assets held as "at fair value through profit or loss", "at fair value through comprehensive income" and "derivative financial instruments". These consolidated financial statements have been presented in Kuwaiti Dinars (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 2019.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 34.

2.2 New and revised accounting standards

Effective for the current year

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

2.2.1. Impact of adoption of IFRS 16 Leases

In the current year, the Group applied IFRS 16 Leases that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Group did not restate any comparative information, instead the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

The accounting policies of this new standard are disclosed in note 2.17. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

(a) IMPACT OF THE NEW DEFINITION OF A LEASE

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

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

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

(b) IMPACT ON LESSEE ACCOUNTING

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

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets for property leases on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.
- Recognises lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

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

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise Information Technology (IT) equipment and small items of office furniture.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(c) FINANCIAL IMPACT OF INITIAL APPLICATION OF IFRS 16

The lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 ranges from 3.5% to 21%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

	KD '000
Operating lease commitments disclosed as at 31 December 2018	233,706
Discounted using the lessee's incremental borrowing rate of at the date of initial application	205,774
Lease liability recognised as at 1 January 2019	205,774
Current and non-current amounts are as follows:	
Current lease liabilities	44,132
Non-current lease liabilities	161,642
	205,774

Net impact from the adoption of IFRS 16 on opening statement of financial position as at 1 January 2019 is as follows:

	KD '000		
	31 December 2018	Increase/ (Decrease)	1 January 2019
Right of use of assets (including held for sale assets)	-	199,571	199,571
Trade and other receivables	537,999	(32,730)	505,269
Lease liabilities (including held for sale liabilities)	-	205,774	205,774
Accrued expenses	-	(195)	(195)
Retained earnings	287,143	(21,282)	265,861
Non-controlling interests	366,070	(17,456)	348,614

2.2.2. Impact of adoption of IFRIC 23 Uncertainty over Income Tax Treatments

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

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

The Group has not restated comparative information, instead recognised the cumulative effect of initially applying the Interpretation as an adjustment to the opening balance of retained earnings.

Accordingly the management determined an additional tax liability of KD 45.140 million for the years 2011 to 2018 which was adjusted to opening retained earnings as on 1st January 2019.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

Standards issued but not effective

At the date of authorization of these financial statements, the 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 for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	January 1, 2020
Definition of a Business – Amendments to IFRS 3 Business Combinations The amendments clarify that to be considered a business, an integrated 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 output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. 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.	January 1, 2020
Amendments to references to the Conceptual Framework in IFRS Standards. Amendments to references to the Conceptual Framework in IFRS Standards related to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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.

2.3 Business combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets transferred, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

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

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 (one year from acquisition date), 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 Consolidation

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

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

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

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

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

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. Intragroup losses that indicate an impairment is recognized in the consolidated financial statements.

When the Company loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of profit or loss.

2.5 Financial instruments

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

Classification

The Group classifies its financial assets as follows:

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

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

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

Business model assessment

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

Contractual cash flow characteristics test

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

The Group reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial liabilities

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

Recognition/derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

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

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

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

Measurement

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

FINANCIAL ASSETS AT AMORTISED COST

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

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

FINANCIAL ASSETS AT FVOCI

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

FINANCIAL ASSET AT FVTPL

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

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

Change in fair value and Dividend income are recorded in consolidated statement of profit or loss. Dividend income is recognized, according to the terms of the contract, when the right to receive has been established.

FINANCIAL LIABILITIES

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

FINANCIAL GUARANTEES

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

Impairment

The Group apply forward looking 'Expected Credit Loss' (ECL) model, under IFRS 9 to calculate impairment.

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

GENERAL APPROACH

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

SIMPLIFIED APPROACH

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

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

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

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

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

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

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

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

Derivative financial instruments and hedging activities

As permitted by IFRS 9 the Group has elected to continue to apply the hedge accounting requirements of IAS 39. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives with positive fair values (unrealised gains) are included in other receivables and derivatives with negative fair values (unrealised losses) are included in other payables in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for "held for trading" derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of profit or loss.

For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

FAIR VALUE HEDGE

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

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognized, the unamortised fair value adjustment is recognized immediately in the consolidated statement of profit or loss.

CASH FLOW HEDGE

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

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

NET INVESTMENT HEDGE

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

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

Offsetting financial assets and financial liabilities

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

2.6 Cash and cash equivalents

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

2.7 Inventories

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

2.8 Investments in associates

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

Under the equity method, the Group recognises in the consolidated statement of profit or loss, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition. Where applicable, adjustments are made to the associates' financial statements to make them conform to the Group's accounting policies.

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

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

2.9 Interests in joint ventures

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

2.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated.

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

	Years
Buildings and leasehold improvements	8 - 50
Cellular and other equipment	3 - 20
Furniture and fixtures	5

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

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

2.11 Intangible assets and goodwill

Identifiable non-monetary assets acquired in a business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of telecom license fees, Indefeasible Rights of Use (IRU), reacquired rights and software rights.

INTANGIBLE ASSETS

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortised on a straight line basis over the life of the license. Software rights are amortized on a straight line basis over a period of five to eight years.

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.

GOODWILL

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

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. Gains and losses on disposal of an entity or a part of an entity include the carrying amount of goodwill relating to the entity or the portion sold.

2.12 Impairment of non-financial assets

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

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In that case, they are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of property, plant and equipment and intangible assets as well as goodwill.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal four to five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the four to five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. An impairment loss is recognized immediately in the consolidated profit or loss unless the relevant assets are carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previously recognized revaluation gain.

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

2.13 Fair value measurement

FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

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

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

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

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

2.14 Income taxes

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 income tax is provided using the liability method on all temporary differences, at the consolidated statement of financial position date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

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

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

2.15 Provisions for liabilities

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

2.16 Post-employment benefits

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

2.17 Accounting for leases

POLICY APPLICABLE FROM 1 JANUARY 2019

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of profit or loss. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in note 2.12.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment 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 significant event or change in circumstances resulting in 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 an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised 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 based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

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.

Where the Group is the 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.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

Policy applicable before 1 January 2019

WHERE THE GROUP IS THE LESSEE

Operating leases

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

FINANCE LEASES

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

Where the Group is lessor

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.

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.

2.18 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.

2.19 Government grants

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

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

2.20 Borrowing costs

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

2.21 Foreign currencies

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

Translation differences on non-monetary items, such as equities classified as FVOCI are included in the investment fair valuation reserve in equity.

The income and cash flow statements of foreign operations are translated into the Company's reporting currency at average exchange rates for the year and their consolidated statement of financial position are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill, long term receivables or loans and fair value adjustments arising on business combinations) are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of profit or loss as part of the gain or loss on sale.

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

2.22 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.

2.23 Non-current assets held for sale

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

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

2.24 Contingencies

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

2.25 Impact of adoption of IFRS 16 – Transition

(a) The following table summarizes the impact on statement of financial position as at 31 December 2019:

	KD '000		
ASSETS	**As reported**	**IFRS 16 adjustments**	**Amounts without adoption of IFRS 16**
Current assets			
Cash and bank balances	296,985	-	296,985
Trade and other receivables	555,398	32,424	587,822
Contract assets	66,889	-	66,889
Inventories	48,513	-	48,513
Investment securities at fair value through profit or loss	8,540	-	8,540
Assets of disposal group classified as held for sale	17,611	(9,955)	7,656
	993,936	22,469	1,016,405
Non-current assets			
Contract assets	28,134	-	28,134
Investment securities at FVOCI	6,360	-	6,360
Investments in associates and joint venture	72,612	-	72,612
Other non-current assets	64,669	-	64,669
Right of use of assets	181,052	(181,052)	-
Property and equipment	1,229,291	-	1,229,291
Intangible assets and goodwill	2,160,039	-	2,160,039
	3,742,157	(181,052)	3,561,105
Total Assets	**4,736,093**	**(158,583)**	**4,577,510**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	857,512	4,296	861,808
Deferred revenue	98,495	-	98,495
Liabilities of disposal group classified as held for sale	5,397	(5,397)	-
Income tax payables	61,775	-	61,775
Due to banks	180,274	-	180,274
Lease liabilities	42,795	(42,795)	-
	1,246,248	(43,896)	1,202,352
Non-current liabilities			
Due to banks	1,218,450	-	1,218,450
Lease liabilities	144,278	(144,278)	-
Other non-current liabilities	448,518	-	448,518
	1,811,246	(144,278)	1,666,968
Equity			
Attributable to the Company's shareholders			
Share capital	432,706	-	432,706
Share premium	1,707,164	-	1,707,164
Legal reserve	216,354	-	216,354
Foreign currency translation reserve	(1,371,841)	-	(1,371,841)
Investment fair valuation reserve	(1,088)	-	(1,088)
Other reserves	(3,044)	-	(3,044)
Retained earnings	318,509	14,314	332,823
	1,298,760	14,314	1,313,074
Non-controlling interests	379,839	15,277	395,116
Total equity	**1,678,599**	**29,591**	**1,708,190**
Total Liabilities and Equity	**4,736,093**	**(158,583)**	**4,577,510**

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

(b) The following table summarizes the impact on the consolidated statement of profit or loss for the year ended 31 December 2019:

	As reported	**IFRS 16 adjustments**	**Amounts without adoption of IFRS 16**
Revenue	1,660,890	-	1,660,890
Cost of sales	(459,135)	-	(459,135)
Operating and administrative expenses	(434,436)	(73,061)	(507,497)
Depreciation and amortization	(375,954)	50,837	(325,117)
Expected credit loss on financial assets (ECL)	(38,886)	-	(38,886)
Interest income	7,098	-	7,098
Investment income	1,007	-	1,007
Share of results of associates and joint venture	2,762	-	2,762
Other income	38,955	(118)	38,837
Finance costs	(110,723)	13,273	(97,450)
Loss from currency revaluation	(13,058)	-	(13,058)
Net monetary gain	5,074	-	5,074
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration	**283,594**	**(9,069)**	**274,525**
Contribution to Kuwait foundation for Advancement of Sciences	(2,200)	-	(2,200)
National Labour Support Tax and Zakat	(7,082)	-	(7,082)
Income tax expenses and other levies	(25,253)	(78)	(25,331)
Board of Directors' remuneration	(510)	-	(510)
Profit for the year	**248,549**	**(9,147)**	**239,402**
Attributable to:			
Shareholders of the Company	216,928	(6,968)	209,960
Non-controlling interests	31,621	(2,179)	29,442
	248,549	**(9,147)**	**239,402**

3. Subsidiaries and Associates/Joint Venture

The principal subsidiaries and associates/joint venture are:

Subsidiary	**Country of incorporation**	**Percentage of ownership**	
		2019	**2018**
Zain International B.V. ("ZIBV")	The Netherlands	100%	100%
Pella Investment Company ("Pella")	Jordan	96.516%	96.516%
Zain Bahrain B.S.C ("MTCB")	Bahrain	55.40%	55.40%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. ("MTCL")	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited ("Zain Sudan")	Sudan	100%	100%
Kuwaiti Sudanese Holding Company ("KSHC")	Sudan	100%	100%
South Sudanese Mobile Telephone (Zain) Company Limited ("Zain South Sudan")	South Sudan	100%	100%
Al Khatem Telecoms Company ("Al Khatem")	Iraq	76%	76%
Atheer Telecom Iraq Limited ("Atheer")	Cayman Islands	76%	76%
Mobile Telecommunications Company ("SMTC")	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%	84.66%
Associate/Joint Venture			
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".

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 manages the state owned cellular mobile telecommunications network in Lebanon. Mada Jordan provides WiMAX services in Jordan.

Lebanon

The Group'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. Accordingly the financial statements of MTCL included in this consolidated financial statements is prepared on a non-going concern basis.

SMTC

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

The initial accounting of this business combination was carried out using provisional values of identifiable assets, liabilities and contingent liabilities. The Group restated comparative figures as disclosed in note 35 to give effect to adjustments arising from the purchase price allocation (PPA) completed during the year.

Financial support to Group companies

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

4. Cash and bank balances

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

	2019	2018
	KD '000	
Cash on hand and at banks	132,576	141,699
Short-term deposits with banks	180,931	174,014
Government certificates of deposits held by subsidiaries	108	102
	313,615	**315,815**
Expected credit loss	(16,630)	(3,899)
	296,985	311,916
Cash at bank under lien	(14,975)	(7,578)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(108)	(102)
	281,902	**304,236**

5. Trade and other receivables

	2019	2018
	KD '000	
Trade receivables:		
Customers	294,906	236,919
Distributors	43,909	22,705
Other operators (interconnect)	48,004	42,422
Roaming partners	10,408	14,382
ECL	(164,272)	(137,918)
	232,955	178,510
Other receivables:		
Accrued income	4,884	5,285
Staff	1,719	1,546
Deposits and other receivables	30,286	36,188
Prepayments and advances	132,126	147,344
Others (refer note below)	155,499	155,601
ECL	(2,071)	(2,940)
	322,443	343,024
	555,398	**521,534**

In 2011, the Group paid US$ 473 million (equivalent to KD 143.383 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. However in January 2020 Riyadh Appeal Court issued a decision dismissing the Company's application to enforce the arbitral award in KSA. The Company has submitted a motion for reconsideration to the Riyadh Appeal court through the Riyadh Enforcement Court, while continuing to pursue enforcement outside KSA.

In 2010, the Group paid US$ 40 million (equivalent to KD 12.116 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. These amounts are secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC.

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

	2019	2018
	KD '000	
Kuwaiti Dinar	68,424	58,447
US Dollar	288,542	301,440
Bahraini Dinar	12,588	12,534
Sudanese Pound	5,582	4,427
Jordanian Dinar	21,401	21,578
Iraqi Dinar	40,486	32,912
Saudi Riyals	115,125	87,219
Others	3,250	2,977
	555,398	**521,534**

6. Inventories

	2019	2018
	KD '000	
Handsets and accessories	53,545	50,547
Provision for obsolescence	(5,032)	(4,590)
	48,513	**45,957**

7. Investment securities

	2019	2018
	KD '000	
Current investments at fair value through profit or loss		
Quoted equities	-	2,224
Funds -mandatorily at FVTPL	4,738	5,830
Other funds	3,802	7,465
	8,540	**15,519**
Non-current investments at fair value through other comprehensive income		
Quoted equities- designated at inception	1,240	1,012
Funds	2,092	875
Unquoted equities - designated at inception	3,028	5,153
	6,360	**7,040**

Investment securities are denominated in the following currencies:

	2019	2018
	KD '000	
Kuwaiti Dinar	6,321	6,266
US Dollar	8,036	13,578
Other currencies	543	2,715
	14,900	22,559

8. Assets and liabilities of disposal group classified as held for sale

This represents the carrying value of telecom tower assets amounting to KD 7.656 million (31 December 2018 – KD 7.656 million) and right of use of assets amounting to KD 9.955 million (31 December 2018 – Nil) in Kuwait and its related lease liabilities amounting to KD 5.397 million (31 December 2018 – Nil), classified as disposal group held for sale from September 2017, on the basis that management is committed to a plan to sell these assets to a Tower Company. The transaction is expected to close in 2020, subject to customary closing conditions. The Company will be the anchor tenant on commercial terms on each of the towers being sold.

On 11 February 2020, the Company completed the sale and lease back for a total sale consideration of US$ 130 million (KD 39.377 million) after completing all regulatory approvals. The Company will also assume a minority shareholding in this newly formed Tower Company. Total gain from this transaction on sale of all tower assets is estimated to be around KD 13 million.

9. Investments in associates and joint venture

Investments in associate

SMTC

Based on an event in July 2018, the Group concluded that it is able to control SMTC through its majority representation on the board of directors. Accordingly, the Group changed the accounting effective in July 2018. Refer note 35. The Group's share of loss for the period ended 30 June 2018 was KD 3.405 million.

Interest in a joint venture

This represents the Group's KD 72.593 million (31 December 2018 – KD 69.831 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 2.762 million (2018 – share of profit of

KD 961 thousand) has been recognized in the consolidated statement of profit or loss. The carrying value of this joint venture and its results for the year are determined by Group management using the equity method based on management information provided by Wana Corporate.

10. Right of use of assets

The recognized right-of-use assets relate to the following types of assets:

	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 8 years but may have extension options. 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

ASSETS	Land and buildings and leasehold improvements	Cellular and other equipment	Projects in progress	Total
	KD '000			
Cost				
As at 31 December 2017	**77,382**	**1,510,115**	**101,205**	**1,688,702**
On acquisition of subsidiaries	30,878	1,043,688	26,934	1,101,500
Additions	18,572	64,342	100,470	183,384
Transfers	5,809	64,718	(70,527)	-
Disposals	(34)	(16,813)	(790)	(17,637)
Impairment (note 33)	(3,043)	(7,401)	(827)	(11,271)
Exchange adjustment	(13,993)	(79,096)	(23,094)	(116,183)
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 adjustments	1,318	2,065	734	4,117
As at 31 December 2019	**114,116**	**2,813,815**	**114,277**	**3,042,208**
Accumulated depreciation				
As at 31 December 2017	**25,484**	**925,919**	**-**	**951,403**
On acquisition of subsidiaries	25,094	566,571	-	591,665
Charge for the year	2,131	147,015	-	149,146
On disposals	(34)	(15,060)	-	(15,094)
Impairment (note 33)	(369)	(1,254)	-	(1,623)
Exchange adjustments	(1,125)	(39,099)	-	(40,224)
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 adjustment	185	(811)	-	(626)
As at 31 December 2019	**49,788**	**1,763,129**	**-**	**1,812,917**
Net book value				
As at 31 December 2019	**64,328**	**1,050,686**	**114,277**	**1,229,291**
As at 31 December 2018	**64,390**	**995,461**	**133,371**	**1,193,222**

Exchange adjustments of 2019 and 2018 includes effect of hyperinflationary restatement of property and equipment in Zain South Sudan based on the respective price index changes.

12. Intangible assets and goodwill

ASSETS	Goodwill	Licences fees	Others	Total
	KD '000			
Cost				
As at 31 December 2017	**614,200**	**636,666**	**170,078**	**1,420,944**
Impact on adoption of IFRS 15	-	-	(80,132)	(80,132)
Restated balance as on 1 January 2018	**614,200**	**636,666**	**89,946**	**1,340,812**
Additions	-	229	39,916	40,145
On acquisition of subsidiaries	40,215	1,946,296	77,392	2,063,903
Exchange adjustments	(33,352)	(1,581)	(2,788)	(37,721)
As at 31 December 2018	**621,063**	**2,581,610**	**204,466**	**3,407,139**
Adjustment on Purchase price allocation (note 35)	(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**
Accumulated amortization/ Impairment				
As at 31 December 2017	**11,942**	**364,455**	**132,917**	**509,314**
Impact on adoption of IFRS 15	-	-	(71,946)	(71,946)
Restated balance as on 1 January 2018	**11,942**	**364,455**	**60,971**	**437,368**
Charge for the year	-	70,876	9,510	80,386
On acquisition of subsidiaries	-	697,160	32,716	729,876
Exchange adjustments	-	(533)	(3,225)	(3,758)
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**
Net book value				
As at 31 December 2019	**607,811**	**1,411,209**	**141,019**	**2,160,039**
As at 31 December 2018	**596,928**	**1,449,652**	**145,638**	**2,192,218**

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

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

	2019	2018 Restated
	KD '000	
Pella	79,517	79,516
Zain Sudan	25,488	24,163
Atheer	468,691	456,127
SMTC	14,954	14,978
Others	19,161	22,144
	607,811	**596,928**

Others include KD 16.623 million relating to an acquisition of an Iraqi entity by a subsidiary of the Group during November 2019. The carrying value of assets and liabilities of this entity amounted to KD 37 thousand.

Goodwill of KD 12.875 million which was included as part of "Others" as at 31 December 2018, was allocated to Atheer as it is expected to benefit from the synergies of the combination.

Goodwill of KD 6.752 million related to Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat, Jordan, included as part of 'Others' as at 31 December 2018 was impaired during the 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 upto 11% (2018: 17%) for Zain Sudan, 9% (2018: 10%) for Atheer and 3.32% (2018: 3%) 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% (2018: 3%) for Zain Sudan, 3% (2018: 3%) for Atheer and 3% (2018: 4%) 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 19.46% (2018: 23.24%) for Zain Sudan, 11.88% (2018: 13.8%) for Atheer and 9.93% (2018: 11.2%) for Pella. Discount rates reflect specific risks relating to the relevant CGU.

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

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amounts so obtained were higher than the carrying amount of the CGUs.

LICENSE AND SPECTRUM

	End of amortisation period	2019	2018
		KD '000	
License - KSA	2047	1,131,918	1,174,780
License - Iraq	2027	99,856	135,895
License - Jordan	2021 to 2029	70,571	81,004
Spectrum - KSA	2032 and 2033	92,714	53,346
Others		16,150	4,627
		1,411,209	**1,449,652**

IRAQ

Telecom license includes the cost of license amounting to US$ 1.25 billion (KD 378. 625 million) issued by CMC to operate in Iraq for a period of 15 years from August 2007 and the cost of 3G license amounting to US$ 307 million (KD 92.990 million) issued in December 2015, for a period up to August 2022. These costs were being amortised over the period of the respective licences.

According to the license agreement, Atheer has an option to apply to CMC for renewal of telecom license for a further period of five years after expiry in August 2020. On 22 August 2019, Atheer requested CMC to renew the license for a further period of five years. On 11 December 2019, CMC informed Atheer about the approval of Board of Commissioners to proceed with the legal procedures related to terms and conditions for such renewal. Management of Atheer believes that Atheer has an absolute right for a five year extension from 31 August 2022 to 30 August 2027. Accordingly, with effect from 11 December 2019, telecom license cost is prospectively amortised over a period ending on 30 August 2027.

SPECTRUM

During the year 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 4.854 million) each starting from 2019.

13. Trade and other payables

	2019	2018 Restated
	KD '000	
Trade payables and accruals	647,754	688,458
Due to roaming partners	9,107	11,852
Due to other operators (interconnect)	10,217	10,926
Dues to regulatory authorities (refer below)	76,758	146,716
Taxes payable	51,632	40,068
Dividend payable	15,760	16,335
Provisions	2,756	2,758
Directors' remuneration	510	420
Other payables	43,018	35,105
	857,512	**952,638**

Dues to regulatory authorities includes amount of SAR 906.924 million (KD 73.388 million) (2018: SAR 1,759 million (KD 142.452 million)) payable by SMTC.

14. Income tax payables

Income tax payables mainly includes opening retained earnings adjustment amounting to KD 45.140 million in respect of transition adjustment on adoption of IFRIC 23 (refer note 2.2.2) and provision made (net of payment) during the year.

15. Due to banks

	2019	2018
	KD '000	
Company		
Short term loans	80,580	110,930
Long term loans	598,535	610,117
	679,115	**721,047**
SMTC		
Long term loans	542,804	568,126
	542,804	**568,126**
Zain Jordan		
Short term loans	6,622	4,275
	6,622	**4,275**
Atheer		
Long term loans	168,387	153,066
	168,387	**153,066**
Others		
Short term loans	1,786	-
Long term loans	10	22
	1,796	**22**
	1,398,724	**1,446,536**

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

	2019	2018
	KD '000	
Opening balance	1,446,536	870,201
On acquisition of a subsidiary (refer note 35)	-	657,143
Proceeds from bank borrowings	540,727	203,019
Repayment of bank borrowings	(587,387)	(288,901)
Effect of change in foreign exchange rates	(1,152)	5,074
	1,398,724	**1,446,536**

The current and non-current amounts are as follows:

	2019	2018
	KD '000	
Current liabilities	180,274	412,971
Non-current liabilities	1,218,450	1,033,565
	1,398,724	**1,446,536**

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

	2019	2018
	KD '000	
US Dollar	891,013	1,148,923
Kuwaiti Dinar	50,994	20,000
Saudi Riyals	448,302	273,315
Others	8,415	4,298
	1,398,724	**1,446,536**

The effective interest rate as at 31 December 2019 was 2.22% to 18% (2018 – 2.42% to 6.16%) per annum.

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

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

Company

During the year, the Company has;

- drawn down loans amounting to KD 276.689 million (31 December 2018 - KD 126.502 million) from existing and new facilities. This included:
  - US$ 360 million (KD 109.377 million) from an existing US$ 700 million revolving credit facility.
  - US$ 250 million (KD 75.725 million) from an existing US$ 250 million revolving credit facility.
  - US$ 100 million (KD 30.29 million) from a long-term facility amounting to US$ 100 million.
  - US$ 50.447 million (KD 15.290 million) from a long-term facility amounting to US$ 200 million.
  - KD 25 million long- term loan facility availed in the current year.
  - US$ 49.363 million (KD 15.006 million) from a long- term loan facility amounting to US$ 200 million.
- repaid loans amounting to KD 317.403 million (31 December 2018 – KD 141.426 million). This includes:
  - US$ 366 million (KD 111.265 million) of a long-term facility amounting to US$ 400 million.
  - US$ 360 million (KD 109.066 million) of an existing US$ 700 million revolving credit facility
  - US$ 40 million (KD 12.124 million) of a long-term loan facility amounting to US$ 317 million.
  - US$ 100 million (KD 30.364 million) of a short-term loan facility amounting to US$ 100 million.
  - US$ 21.60 million (KD 6.545 million) of a long- term loan facility amounting to US$ 200 million.
  - US$ 100 million (KD 30.29 million) of a long-term loan facility amounting to US$ 100 million.
  - US$ 20.613 million (KD 6.259 million) of a long-term loan facility amounting to US$ 100 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:

- SAR 4,463 million (KD 362.502 million) syndicated murabaha facility availed from a consortium of banks. In June 2018, SMTC refinanced and extended the maturity of the syndicated Murabaha facility that was maturing in 2018 to a SAR 5,900 million (KD 477.605 million) facility (consisting of SAR 4.25 billion and an USD portion totaling to SAR 1.705 billion) maturing in June 2023 which includes a working capital facility of SAR 647.30 million (KD 52.40 million) (consisting of SAR 462.4 million and an USD portion totaling to SAR 184.9 million) for two years. This working capital facility has not yet been utilized. During the previous year, SMTC made early voluntary payments amounting to SAR 1,125 million (KD 91.114 million). During the second quarter of the current year, SMTC made a voluntary repayment amounting to SAR 300 million (KD 24.33 million).

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

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

- SAR 2,250 million (KD 182.68 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 was drawn-down in July 2019 to settle the existing SAR 2,269 million (KD 184.22 million) long-term commercial loan that matured. This facility is fully secured by a guarantee by the Company.

Atheer

Long term loans include:

- US$ 100 million (KD 30.29 million) (31 December 2018 – US$ 100 million equivalent to KD 30.31 million) term loan from a commercial bank that is repayable by 17 December 2024.
- US$ 55 million (KD 16.66 million) (31 December 2018 – US$ 55 million equivalent to KD 16.671 million) term loan from a commercial bank which is repayable by 31 March 2020.
- US$ 50 million (KD 15.145 million) (31 December 2018 – US$ 50 million equivalent to KD 15.155 million) term loan from a commercial bank repayable by 30 April 2020.
- US$ 50 million (KD 15.145 million) (31 December 2018 – US$ 50 million equivalent to KD 15.155 million) term loan from a commercial bank repayable by 09 April 2021.
- US$ 150.917 million (KD 45.713 million) (31 December 2018 – US$ 100 million equivalent to KD 30.31 million) term loan from a financial institution repayable by 31 May 2025.
- US$ 150 million (KD 45.435 million) (31 December 2018 – US$ 150 million equivalent to KD 45.465 million) revolving credit facilities from a commercial bank repayable by 17 December 2022.

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

16. Lease liabilities

	2019
	KD '000
Balance as of 1 January 2019	198,251
Additions	50,535
Accretion of interest	13,273
Payments	(56,720)
Retirements	(17,889)
Exchange adjustments	(377)
Closing balance as at 31 December 2019 (excluding liabilities of disposal group classified as held for sale)	**187,073**
Current	42,795
Non-current	144,278
	187,073

Maturity analysis of lease liability is given in note 29 to the consolidated financial statements.
The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2019
	KD '000
Saudi Riyals	119,456
US Dollar	34,668
Jordanian dinar	16,793
Bahraini dinar	8,498
Kuwaiti Dinar	5,911
Others	1,747
	187,073

17. Other non-current liabilities

	2019	2018
	KD '000	
Payable to Ministry of Finance – KSA (refer below)	289,580	234,749
Due to CITC for acquisition of spectrum	74,664	33,719
Customer deposits	3,763	5,238
Post-employment benefits	34,663	32,468
Others	45,848	30,151
	448,518	**336,325**

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.

18. Share capital and reserves

	2019	2018
	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 made transfers to legal reserve during the year to exceed the minimum 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 (2018 - Nil).

Foreign currency translation reserve

Foreign currency translation reserve mainly represents foreign exchange translation losses arising from Zain Sudan and South Sudan.

Other reserves

Other reserves mainly includes hedge reserves loss amounting to KD 3,336 thousand (2018- KD 150 thousand).

Dividend – 2018

The annual general meeting of shareholders for the year ended 31 December 2018 held on 20 March 2019 approved distribution of cash dividends of 30 fils per share for the year 2018.

Proposed dividend

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 33 fils per share (2018 - 30 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:

	2019	2018
	KD '000	
Airtime, data and subscription	1,475,028	1,191,778
Trading income	185,862	125,835
	1,660,890	**1,317,613**

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

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

19.2 Contract balances

Contract assets

	2019	2018
	KD '000	
Assets relating to sale of handsets		
Current and non-current	98,081	87,083
Loss allowance	(3,058)	(4,081)
	95,023	**83,002**

Contract liabilities

	2019	2018
	KD '000	
Deferred revenue- prepaid customers	98,495	105,308
	98,495	**105,308**

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 129.026 million (2018 – KD 106.955 million).

b) Other income/(expenses)

Other income/ (expenses) mainly includes reversal of excess accruals amounting to KD 45.3 million (2018 charge of provision amounting to KD 29.7 million).

21. Investment income

	2019	2018
	KD '000	
Gain on investments at fair value through profit or loss	624	3,677
Dividend income	383	253
	1,007	**3,930**

22. National Labour Support Tax (NLST) and Zakat

	2019	2018
	KD '000	
NLST- Kuwait	3,490	2,396
Zakat- Kuwait	1,640	1,356
Zakat – KSHC	27	38
Zakat- Sudan	418	686
Zakat- KSA	1,507	-
	7,082	**4,476**

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 (refer note 25).

	2019	2018
	KD '000	
Income tax	24,949	19,343
Other levies	304	409
	25,253	**19,752**

The tax rate applicable to the taxable subsidiary companies is in the range of 15% to 24% (2018: 15% to 24%) whereas the effective income tax rate for the year ended 31 December 2019 is in the range of 17% to 33% (2018: 17% to 27%). 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:

	2019	2018
	KD '000	
Profit for the year	216,928	196,500
	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	50	45

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 2019							
	KUWAIT	JORDAN	SUDAN	IRAQ	BAHRAIN	KSA	OTHERS	TOTAL
	KD '000							
Segment revenues – airtime & data (Point 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	-	-	-	-	-	-	-	(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 thousand. (Refer note 12)

	31 DECEMBER 2018							
	KUWAIT	JORDAN	SUDAN	IRAQ	BAHRAIN	KSA	OTHERS	TOTAL
	KD '000							
Segment revenues – airtime & data (Point over time)	265,842	144,269	94,861	342,427	40,597	282,929	20,853	1,191,778
Segment revenues - trading income (Point in time)	65,496	4,925	504	1,704	12,391	40,786	29	125,835
Net profit before interest and tax	82,105	33,800	16,863	32,749	4,126	74,357	40,971	284,971
Interest income	6	460	856	81	57	1,408	214	3,082
Finance costs	-	(5,912)	-	(12,329)	(40)	(39,501)	(40)	(57,822)
Income tax expenses	-	(6,414)	(4,263)	(5,554)	-	-	(2,954)	(19,185)
	82,111	**21,934**	**13,456**	**14,947**	**4,143**	**36,264**	**38,191**	**211,046**
Unallocated items:								
Investment income	-	-	-	-	-	-	-	3,930
Share of results of associates and joint venture	-	-	-	-	-	-	-	(2,444)
Others (including unallocated interest income, income tax and finance costs)	-	-	-	-	-	-	-	12,924
Profit for the year	-	-	-	-	-	-	-	**225,456**
Segment assets including allocated goodwill	358,820	311,598	123,718	1,027,961	76,222	2,188,048	83,655	4,170,022
Unallocated items:								
Investment securities at FVTPL	-	-	-	-	-	-	-	15,519
Investment securities at FVOCI	-	-	-	-	-	-	-	7,040
Investment in associates and joint venture	-	-	-	-	-	-	-	69,851
Others	-	-	-	-	-	-	-	254,238
Consolidated assets	-	-	-	-	-	-	-	**4,516,670**
Segment liabilities	115,021	136,482	45,869	158,297	19,771	1,247,076	77,213	1,799,729
Due to banks	-	4,275	-	153,066	-	568,126	-	725,467
	115,021	**140,757**	**45,869**	**311,363**	**19,771**	**1,815,202**	**77,213**	**2,525,196**
Unallocated items:								
Due to banks	-	-	-	-	-	-	-	721,069
Others	-	-	-	-	-	-	-	(393,595)
Consolidated liabilities	-	-	-	-	-	-	-	**2,852,670**
Net consolidated assets	-	-	-	-	-	-	-	**1,664,000**
Capital expenditure incurred during the year	34,377	23,592	32,904	52,337	929	70,709	5,714	220,562
Unallocated (net of eliminations)								6,546
Total capital expenditure								**227,108**
Depreciation and amortization	28,097	24,905	10,012	77,414	8,325	75,020	3,742	227,515
Unallocated	-	-	-	-	-	-	-	2,017
Total depreciation and amortization	-	-	-	-	-	-	-	**229,532**

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	
	2019	2018	2019	2018	2019	2018
	KD '000					
Current assets	275,505	319,472	183,125	148,060	28,301	25,471
Non-current assets	1,969,074	1,812,454	733,288	710,070	67,081	50,750
Current liabilities	(365,481)	(595,407)	(259,677)	(233,857)	(23,270)	(19,530)
Non-current liabilities	(1,547,096)	(1,211,566)	(158,196)	(77,506)	(14,066)	(241)
Equity attributable to:						
- Owners of the Company	122,990	120,379	377,854	415,430	32,158	31,273
- Non-controlling interests	209,012	204,574	120,686	131,337	25,889	25,177
Revenue	679,887	323,715	327,167	344,131	50,644	52,988
Profit for the year	39,328	36,264	20,300	14,946	4,243	4,143
Other comprehensive income	(8,206)	(6)	-	-	-	-
Total comprehensive income	31,122	36,258	20,300	14,946	4,243	4,143
Total comprehensive income attributable to:						
- Company's shareholders	11,529	13,432	14,498	11,276	2,351	2,295
- Non-controlling interests	19,593	22,826	5,802	3,670	1,892	1,848
	31,122	36,258	20,300	14,946	4,243	4,143
Cash dividend paid to non-controlling Interests	-	-	(3,666)	-	(629)	(611)
Net cash flow from operating activities	322,871	207,006	113,242	58,889	17,949	6,343
Net cash flow from/(used in) investing activities	(163,079)	26,990	(49,041)	(52,655)	(8,926)	(872)
Net cash flow used in financing activities	(180,800)	(119,506)	(23,988)	(14,942)	(4,213)	(2,948)
Effects of exchange rate changes on cash and cash equivalents	(73)	251	(151)	754	(12)	3
Net increase / (decrease) in cash flows	(21,008)	114,741	36,547	(7,954)	4,181	1,912

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:

	2019	2018
	KD '000	
Transactions		
Revenue	640	1,239
Cost of sales	1,814	1,363
Management fee (included in other income)	-	2,026
Interest income on loans to an associate	-	11,587
Key management compensation		
Salaries and other short term employee benefits	3,937	3,552
Post-employment benefits	1,403	654
Balances		
Trade receivables	3,169	-
Trade payables	4,521	193

28. Commitments and contingencies

	2019	2018
	KD '000	
Capital commitments	233,097	127,757
Uncalled share capital of investee companies	348	963
Letters of guarantee and credit	90,660	81,809

The Company is a guarantor for credit facilities amounting to KD 7.269 million (2018 – KD 7.274 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

During the period 2012 to 2014, 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 74.176 million) and submitted its objections against the full amount of the tax claim.

On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to USD 109.75 million (KD 33.364 million). This decision can be challenged by IGCT before the Court of Cassation within 15 days of Appeals Committee decision. There is no indication that any appeal has been submitted by IGCT against this decision as of the date of issue of these consolidated financial statements. As on 31 December 2019 Atheer has already settled this claim under earlier payment terms agreed with Iraq's Ministry of Finance in 2016.

PELLA - JORDAN

Pella is a defendant in lawsuits amounting to KD 33.747 million (31 December 2018 – KD 12.371 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 9.527 million (31 December 2018 - KD 9.533 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 9.641 million (31 December 2018 - KD 11.671 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 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**

	Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
	KD '000		
31 December 2018			
Cash and bank balances	311,916	-	-
Trade and other receivables	374,094	-	-
Investment securities	-	15,519	7,040
	686,010	**15,519**	**7,040**

All financial liabilities as of 31 December 2019 and 31 December 2018 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	2019	2018
	KD '000	
US Dollar	32,924	49,348
Euro	956	158
Other	102	-

(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:

	2019		2018	
Market indices	Impact on net profit	Effect on equity	Impact on net profit	Effect on equity
	KD '000			
Kuwait Stock Exchange	±230	±62	±322	±51

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 2019, 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 6.994 million (2018: KD 5.81 million).

b) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, trade and other receivables, contract assets and loans to associates.

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

Expected credit loss (ECL) measurement

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

SIGNIFICANT INCREASE IN CREDIT RISK

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

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

Financial instrument is determined to have low credit risk if:

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

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

CREDIT IMPAIRED ASSETS

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

INCORPORATION OF FORWARD LOOKING INFORMATION

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

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

	ECL STAGING				
	STAGE 1	STAGE 2	STAGE 3	SIMPLIFIED APPROACH	
			KD '000		
	12-MONTH	LIFETIME	LIFETIME	LIFETIME	TOTAL
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**
At 31 December 2018					
Cash and bank balances	242,124	73,691	-	-	315,815
Less: ECL	-	-	-	-	(3,899)
	242,124	**73,691**	**-**	**-**	**311,916**
Customers	-	-	-	236,919	236,919
Distributors	-	-	-	22,705	22,705
Contract assets	-	-	-	87,083	87,083
Less: ECL	-	-	-	(134,414)	(134,414)
	-	**-**	**-**	**212,293**	**212,293**
Roaming partners	-	-	-	14,382	14,382
Other operators (interconnect)	-	-	-	42,422	42,422
Less: ECL	-	-	-	(7,585)	(7,585)
	-	**-**	**-**	**49,219**	**49,219**
Other receivables	-	37,734	-	-	37,734
Less: ECL	-	(2,940)	-	-	(2,940)
	-	**34,794**	**-**	**-**	**34,794**
Financial guarantees	-	7,274	-	-	7,274
Less: ECL	-	(1,129)	-	-	(1,129)
	-	**6,145**	**-**	**-**	**6,145**

The net increase in the loss allowance for cash and bank balances is mainly attributed to movement of balance of KD 33.642 million from Stage 2 to Stage 3 following a credit downgrade by external rating agencies.

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

	31 December 2019	31 December 2018
	KD '000	
Collectively assessed	158,662	134,414
Individually assessed	10,739	10,525
	169,401	**144,939**

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

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

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 2019			31 December 2018		
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	186,560	2%	4,240	148,737	3%	5,188
31 – 60 days	27,585	5%	1,219	20,323	5%	1,049
61 – 90 days	8,674	18%	1,999	8,395	20%	1,674
91 – 180 days	21,343	37%	7,833	16,045	35%	5,673
> 181 days	192,734	74%	143,371	153,207	79%	120,830
	436,896		**158,662**	**346,707**		**134,414**

Credit quality of roaming, interconnect and other balances:

	31 December 2019	31 December 2018
	KD '000	
Credit quality – Performing	85,874	85,710
Impaired	7,171	8,828
ECL	(10,739)	(10,525)
	82,306	84,013

The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default.

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 33.713 million (2018 - KD 13.204 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 2019				
Bank borrowings	282,530	219,772	1,150,672	22,855
Trade and other payables	805,883	-	-	-
Other non-current liabilities	22,089	91,137	248,263	101,380
Lease liabilities	61,976	66,185	74,792	75,694
At 31 December 2018				
Bank borrowings	489,586	218,592	1,215,650	87,871
Trade and other payables	902,830	-	-	-
Other non-current liabilities	15,072	17,908	222,787	85,932

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 2019			
Derivatives held for hedging:			
Cash flow hedges			-
Profit rate swaps (maturing after one year)	-	10,350	241,142
At 31 December 2018			
Derivatives held for hedging:			
Cash flow hedges			
Profit rate swaps (maturing after one year)	-	1,749	241,350

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:

	2019	2018 Restated
	KD '000	
Total borrowings including lease liabilities (refer note 15 and 16)	1,585,797	1,446,536
Less: Cash and bank balances (refer note 4)	(296,985)	(311,916)
Net debt	1,288,812	1,134,620
Total equity	**1,678,599**	**1,664,000**
Total capital	**2,967,411**	**2,798,620**
Gearing ratio	**43%**	**41%**

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

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 2019	10,577	1.00
31 December 2018	6,306	1.68
31 December 2017	4,502	2.35
31 December 2016	2,068	5.11
31 December 2015	357	29.62
31 December 2014	170	62.21
31 December 2013	155	68.24

Based on the above, the Group determined net monetary gain to be local currency equivalent to KD 5.074 million (2018: KD 46.935 million) stated net of the foreign exchange loss on the monetary amount of the Group's net investment in South Sudan.

The Group then reduced the restated carrying value of property and equipment to its recoverable amount and recognized the resultant decline as an impairment loss of KD Nil (31 December 2018: KD 9.648 million). The recoverable amount was computed at the fair value less cost of disposal determined using the current replacement cost, with level 3 inputs of the fair value hierarchy and service capacity assessment being the most significant unobservable input. The impairment loss is subject to reassessment at the end of each reporting period to determine if it no longer exists or may have decreased in which case it is reversible to that extent.

34. Significant accounting judgments and estimates

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

Judgments

BUSINESS COMBINATIONS

To allocate the cost of a business combination management exercises significant judgment to determine identifiable assets, liabilities and contingent liabilities whose fair value can be reliably measured, to determine provisional values on initial accounting and final values of a business combination and to determine the amount of goodwill and the Cash Generating Unit to which it should be allocated.

CONSOLIDATION OF ENTITIES IN WHICH THE GROUP HOLDS LESS THAN A MAJORITY OF VOTING RIGHT (DE FACTO CONTROL)

The Group considers that it controls SMTC though it owns less than 50% of the voting rights. In assessing whether the Group has de-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 customer's 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. This is considered to have met the criteria as held for sale for the following reasons:

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

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

CLASSIFICATION OF EQUITY INVESTMENTS

On 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. The majority of the termination options held are exercisable both by the Group and the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).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.

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. Comparatives

a. Business combination- Acquisition of Mobile Telecommunications Company Saudi Arabia (SMTC)

In July 2018, the Group concluded that it is able to control SMTC through its majority representation on the board of directors.

The initial accounting of the business combination and acquisition above was carried out using provisional values of identifiable assets, liabilities and contingent liabilities and the purchase price allocation (PPA) was completed during the current year. The Group restated comparative figures as disclosed below to give effect to adjustments arising from the PPA.

	GOODWILL	OTHER INTANGIBLE ASSETS	TRADE AND OTHER PAYABLES	MINORITY INTEREST	EQUITY
			KD '000		
As at 31 December 2018 as previously reported	609,121	104,494	944,409	366,070	1,643,278
Adjustment due to change in provision values	(12,193)	41,144	8,229	20,722	20,722
As at 31 December 2018 (restated)	596,928	145,638	952,638	386,792	1,664,000

Intangible assets recognised represents the value of the right that the Group reacquired as part of the business combination.

The acquisition date fair value of the Group's previously held voting equity interest in SMTC, was estimated at KD 133.720 million. Since the business combination was achieved in stages, the Group had remeasured the previously held equity holding at fair value and recognized the resultant gain of KD 30.931 million in the consolidated statement of profit or loss, net of amounts reclassified from other comprehensive income.

b. During the year, the Group reclassified advances paid for acquisition of non- current assets from Trade and other receivables and capital work in progress to other non-current assets amounting to KD 56.802 million as at 31 December 2018 This reclassification did not have any impact on the consolidated net profit or equity of the Group.

NOTES

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