ACCELERATING GROWTH THROUGH INNOVATION

ANNUAL REPORT 2022

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

AMIR OF THE STATE OF KUWAIT

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

CROWN PRINCE OF THE STATE OF KUWAIT

REVENUE
$5.6 **BILLION**

KD 1.7 BILLION

+14% YoY

EBITDA
$2.2 **BILLION**

KD 673 MILLION

+7% YoY

EBITDA MARGIN 39%

NET INCOME
$640 **MILLION**

KD 196 MILLION

+6% YoY

CAPEX
$936 **MILLION**

17% OF REVENUE

52.4 MILLION
ACTIVE CUSTOMERS
+7%

$2.2 BILLION
DATA REVENUE REPRESENTING 40% OF GROUP REVENUE

24,990 TB
AVERAGE DAILY DATA VOLUME

45 FILS
IN EPS (15 CENTS)

2.2x
IN NET DEBT/EBITDA

MARKET LEADER
IN KUWAIT, IRAQ, SUDAN & JORDAN

5G TECHNOLOGY
IN KUWAIT, KSA AND BAHRAIN

OVER 7,400
EMPLOYEES

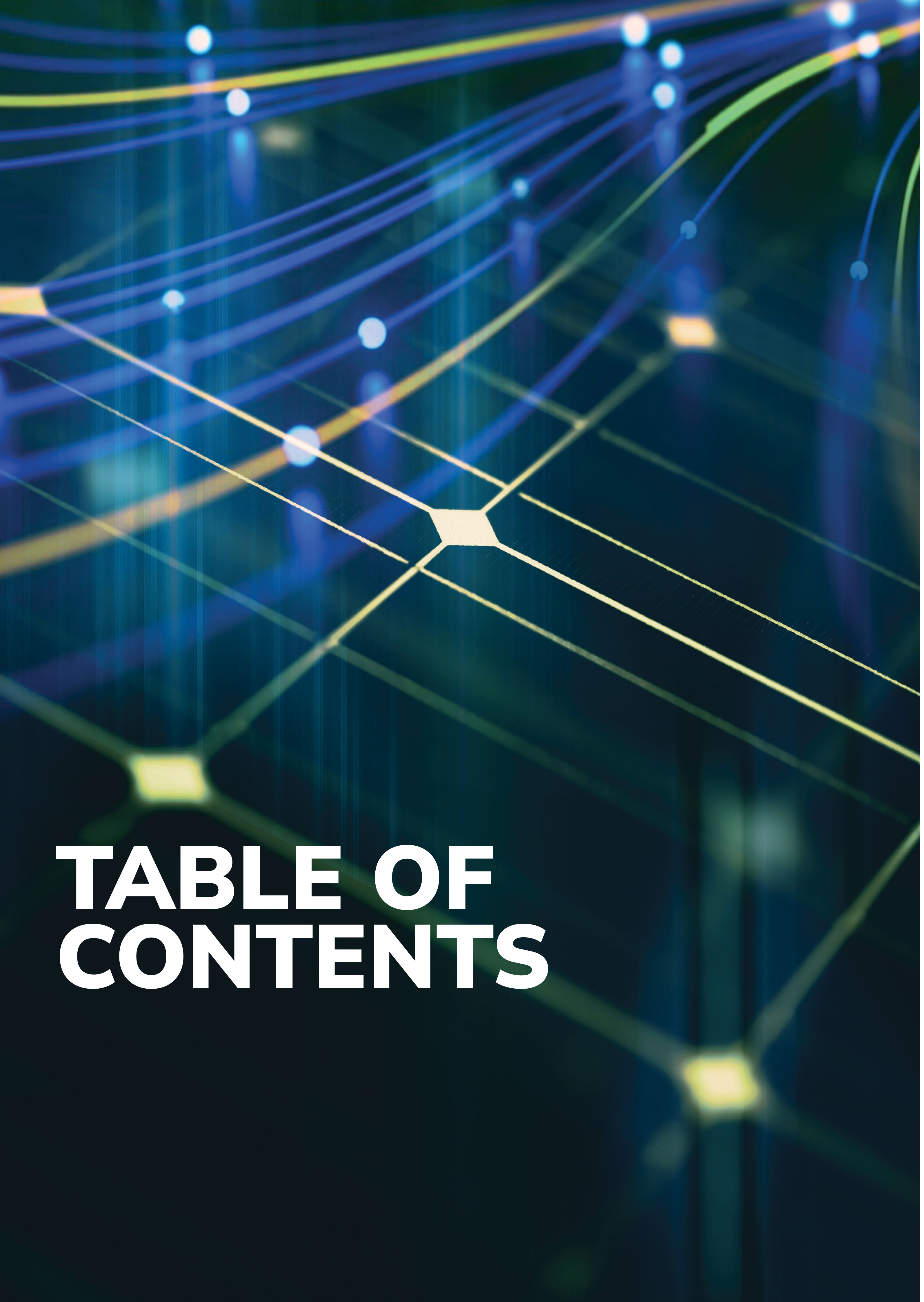
61
NATIONALITIES

26%
FEMALE EMPLOYEES

CDP DISCLOSURE INSIGHT ACTION
A-
Leadership Position

FTSE4Good
ESG Indicators
4/5
Above Industry Average

	2020	2021	2022
Customers (000)	47,764	48,924	52,418
Revenue (USD m)	5,311	5,033	5,644
EBITDA (USD m)	2,198	2,083	2,198
EBITDA Margin	41%	41%	39%
NET INCOME (USD m)	605	616	640
Free Cash Flow (USD m)	1,117	233	763
CAPEX (USD m)	1,359	1,053	936
CAPEX/Revenue %	26%	21%	17%



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STRATEGIC REVIEW

Board of Directors Statement

The Board of Directors welcome all shareholders and affiliated parties to the Annual General Assembly of Zain Group. We are pleased to present Zain Group's annual report where we highlight the financial results and important achievements of our operations and subsidiaries across Middle East and Africa, for the year ended December 31, 2022.

In recent years, the tendency to adopt digital transformation strategies in the Gulf and Middle East has increased, albeit at a relatively variable pace, with investments and innovation in the telecommunications and ICT sectors, and the growing trend towards seeking income streams and adopting new technologies outside energy-related sectors. This trend has resulted in the growth of the digital economy, and the transition to a digital future has become an urgent necessity to transform and improve the work of governments and enterprises of various sizes.

Zain Group has made substantial progress in laying solid foundations to achieve its '4Sight' strategic goal of "Building a Sustainable Digital Communications company", as the many strategic initiatives implemented have driven revenue growth and created value for all stakeholders.

These initiatives include the sale and leaseback of passive tower infrastructure across markets, with a refocus on new investments in the wholesale arm, the introduction of ZainTech to drive the full stack of ICT digital transformation solutions for enterprises, the expansion and upgrade of Fintech digital platforms, and the enhancement of digital services offerings including the Dizlee API platform and the launch of digital-only operators in Saudi Arabia (Yaqoot) and Iraq (oodi).

The continued momentum of demand for connectivity, digital services, and emerging technologies, by individuals and enterprises alike has been remarkable, and this impact can be expected to grow exponentially, fueling the productivity of the economies and entrepreneurial startup ecosystems of the markets we serve.

Focus on 5G upgrades and network expansion

With three Zain markets - Kuwait, Saudi Arabia and Bahrain - currently offering state-of-the-art 5G services, and Jordan expected to launch the technology in 2023, the Group continued to lead the race in expanding and upgrading telecommunications networks to be ready for the launch of 5.5G, which will further ensure reliable high-speed connectivity and enhance the mobile experience for consumers who thrive on content and gaming services, and also empower enterprises to transform themselves to provide quality differentiated services to their clientele.

Investing heavily in 4G expansion in Iraq, Jordan, South Sudan, and Sudan, as well as expanding our Fiber-to-the-Home infrastructure across markets is key to providing sound connectivity. Our regulatory teams are constantly renewing or upgrading spectrum license arrangements, with notable developments including the recent extension of Zain Jordan's existing spectrum licenses for 10 years and obtaining a 25-year 5G license for the operator.

Impressive growth in key financial KPIs

The consolidated financial results for the year 2022 reflected the positive developments achieved by the Group's '4Sight' strategy, as strong growth rates were achieved across all financial indicators.

For 2022, annual net profit rose 6% to KWD 196 million (USD 640 million) with earnings per share reaching 45 fils. Revenues increased 14% to KWD 1.7 billion (USD 5.6 billion), compared to total revenues of KWD 1.5 billion (USD 5 billion) in 2021.

EBITDA grew 7% to KWD 673 million (USD 2.2 billion), compared to KWD 628 million (USD 2.1 billion) in 2021, while the EBITDA margin for 2022 reached 39%.

CAPEX amounted to USD 936 million, representing 17% of revenues. This was instrumental in increasing our base by 7% to serve 52.4 million customers, attracted by the quality networks and appealing digital technologies offered. As a result, total data revenue increased 5% year-on-year to represent 40% of the Group's total revenue.

Across its footprint, Zain implemented a series of data monetization initiatives and B2B solutions to enrich its portfolio of services and provide more competitive capabilities amid major transformations in the telecommunications industry. This resulted in an impressive 52% increase in digital service revenue and a 28% increase in B2B revenue.

Recommendation for 2022 cash dividend and a new three-year minimum policy

The Board of Directors of Zain has made several recommendations. First, is a cash dividend of 25 fils per share for the second half of 2022.This dividend follows the semi-annual dividend of 10 fils distributed earlier in 2022, totaling 35 fils per share for the year.

Secondly, the Board made a recommendation to implement a minimum semi-annual and annual cash dividend policy of 35 fils in total, for the forthcoming three years.

Thirdly, the Board recommended the distribution of Directors' remuneration totaling KWD 435,000 for the financial year ended December 31, 2022. All three recommendations are subject to the Annual General Assembly and statutory approvals.

4Sight strategy

Creating value for all stakeholders is a key role of the Board and the corporate strategy we have implemented is guiding the transformation of the company into a multi-faceted provider of digital services for consumers, governments, and businesses. We are extremely satisfied how the '4Sight' strategy is advancing our digital ecosystems, enabling growth and development, enhancing the way Zain operates and serves customers, and drives the establishment of lucrative and value-accretive growth verticals.

Zain believes that high-quality and secure broadband connectivity will accelerate the development of information, education, and the digital transformation of societies, as the Group strives to provide reliable connectivity to individual and corporate customers.

Pioneering technologies

As a pioneer of mobile telecommunications playing a leading role in the digital transformation of the region, Zain consistently seeks technologies that contribute to building a strong, sustainable future for Kuwait and the markets we proudly serve. The completion of the first live trial in the region of Open and Virtual Radio Access Network (Open cRAN) in Kuwait enhanced Zain Kuwait's position on the global ICT map and empowers Zain with greater understanding and experience on new technical trends for further development. Such trials will enable us to continue offering distinct mobile services to our valued customers.

We have evolving plans for Zain Global Connect (ZGC), our wholesale data, roaming and voice services arm, as it proactively looks for and implements state-of-the-art equipment functionalities supporting the growing needs in Zain's operating markets and other global carriers for high-quality international connectivity. ZGC's ground-breaking plan to connect the Middle East with Europe via the J2M undersea cable linking Jeddah to Marseille marks the company's first subsea investment in cable ownership. The cable will offer Zain full operational independence, a critical factor in fostering digital transformation initiatives regionally, particularly for cloud and IoT services for the enterprises and governments we serve.

Growth sectors to create value

The ICT solutions that ZainTech provides to enterprises and government entities is a major growth area we are fostering, incorporating managed solutions for cloud computing, cybersecurity, big data, Internet of Things, artificial intelligence, smart cities, and emerging technologies for entities across the region.

Several strategic infrastructure partnerships have recently been concluded, notably the sale and leaseback of Zain Saudi Arabia's 8,069 passive tower network for USD 807 million, following approval of the binding offer submitted by the Kingdom's Public Investment Fund. In Iraq, Zain entered into a 15-year agreement to sell and leaseback, as well as the management rights of the passive physical infrastructure of its 4,968 tower portfolio in Iraq to TASC Towers for USD 180 million. These deals follow previous successful transactions in Kuwait and Jordan and the Group is seeking to expand its passive infrastructure model with its tower partner, taking advantage of its good regional position in acquiring more tower portfolios in the Middle East, Africa, and West Asia.

Furthermore, Zain has expanded the scope of its Fintech services, contributing to the development of the digital ecosystem regionally. We are witnessing exponential growth in the "Tamam" platform in Saudi Arabia, and "ZainCash" in Iraq and Jordan, where the overall customer base reached one million and value of transactions undertaken in 2022 alone exceeded USD 3.6 billion. In Sudan and Bahrain, we plan to launch Fintech services during 2023, while in Kuwait, we await a Fintech license from the Central Bank.

Through Zain Ventures, which spearheads Zain's investment portfolio, we aim to diversify the company's reach and leverage future investment opportunities. Zain extended its relationship with regional and international venture capital funds and continued to diversify its portfolio through direct investments offering them access to Zain's wide geographical reach and expansive customer base.

A leading regional brand

While the Zain Group serves its wide customer base distinctively and innovatively, we are constantly investing and transforming to ensure that our brand continues to win the hearts and minds of the region. The successful media campaigns, corporate sustainability, diversity, equity and inclusion initiatives and our ongoing investment in network upgrades that result in quality mobile and data services and exceptional customer experience, position Zain as one of the most inspirational and recognized corporate brands in the region.

Corporate Governance is critical

Good corporate governance plays a key role in providing long-term sustainable value to shareholders. The Board of Directors of Zain Group continue to develop and evaluate internal guidelines and procedures to ensure transparency and quality of corporate governance practices. Executive management plays an important role in ensuring compliance with legal and regulatory business requirements.

These efforts have resulted in Zain being named as offering the "Best Corporate Governance" in Kuwait by World Finance magazine, in recognition of transparency in governance practices, highlighting the company's commitment to achieving a comprehensive governance environment within its operations. Zain also looks to apply a sound corporate governance framework in line with applicable laws, regulations, and practices, which keep up with corporate governance regulations.

Sustainability

Zain Group owes a great deal of its success to incorporating sustainability into its business decisions, taking into account social, economic, and environmental considerations at the highest levels of decision-making. The company actively contributes to enabling societies to obtain broad social and economic benefits in the fields of education, health, and the economy.

As an active supporter of climate change actions, we firmly believe protection of our planet should be a key priority for every organization and individual. The A- score that Zain maintained in the latest CDP Score Report–Climate Change 2022, positioned us first in the region and among leaders globally with respect to climate control initiatives. We joined the United Nations Global Compact initiative, a platform for leadership to voluntarily develop and implement responsible business practices.

Diversity, Equity and Inclusion (DEI)

The Board's and management's focus on developing Zain's talent through a diverse, equitable and inclusive culture is evident through the series of programs and initiatives implemented. These programs all work towards positively

contributing to a vibrant, productive, and inclusive culture, encompassing how we hire, plan for succession, support and develop our people.

Zain's insistence in contributing to a better future, in a way that helps people grow and live prosperously, is at the heart of its interests. The Zain brand was included in the global list of Best Employers compiled by Forbes business magazine for the second time, as the Group topped the Kuwaiti market as the best employer and maintained its position in the list of the 10 best employers in the Middle East.

Conclusion

On behalf of all members of the Board of Directors, executive management and employees of Zain, we express our sincere appreciation for the confidence shown in us by our valued customers and shareholders, as well as by all the government ministries and regulatory authorities across our markets.

We would like to offer our deepest gratitude and appreciation to His Highness the Amir of Kuwait, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, as well as to His Highness the Crown Prince, Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah, and to His Highness the Prime Minister, Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah, and to the esteemed members of the government for their continued support of Kuwait's national organizations.

Board of Directors

YEAR IN REVIEW

January

Zain upgraded to A- in latest 'CDP Score Report – Climate Change 2021', ranking it first in region and among leaders globally

- Zain adapts its graduation program to ZTwentyTwo (Z22), to support transformational advances in the workplace

February

- Zain Saudi Arabia approves sale of its 8,069 tower infrastructure for SAR 3 billion to PIF
- Zain Esports teams up with Zain KSA and PLAYHERA to rollout the region's next generation gaming tournament platform – "PLAYHERA MENA"

- Zain KSA launches the Kingdom's First 5G Stand-Alone network and 5G LAN technology in the region providing customers a unique experience for 5G services via lower latency, higher reliability and security

- Zain Iraq upgrades its fourth-generation network to 4.5G+ technology, the most advanced in the country

March

- Zain Business launches managed cloud services and cybersecurity solutions to Kuwait's business community in partnership with ZainTech

- Zain Group returns to MWC Barcelona showcasing elements of its 4Sight strategy under the theme: 'Creating a Sustainable Digital Future and introduces 'Dizlee', the new brand entity for its groupwide API platform

- Zain Group enters strategic cooperation with GCC operators to address environmental challenges and enhance sustainability's regional agenda

April

- Zainiac Innovation Academy launched to enhance internal capabilities

- Zain publishes its 11th annual sustainability report, entitled 'A resilient journey across a challenging year'

- Zain's API platform transforms to 'Dizlee', a powerful Digital Monetization Ecosystem Provider

- Zain Global Connect announces J2M undersea cable linking Jeddah to Marseille

May

- Zain Kuwait first telecom operator globally to launch Vo5G with nationwide coverage on Samsung S22

- Zain Bahrain completes Kingdom's First 5G Streetlight Deployment Solution blending seamlessly with the infrastructure by turning existing streetlights into Zain 5G sites thereby expanding coverage and speed

June

- Zain publishes thought leadership report entitled 'The Climate Crisis – Achieving Net-Zero for a Sustainable Future'

- ZainTech partners with LigaData and Atos to deliver data-driven digital services and innovative transformation solutions to enterprises in MENA

- Zain Kuwait successfully completes trial for 4G / 5G Open and Cloud Native Radio Access Network (cRAN)

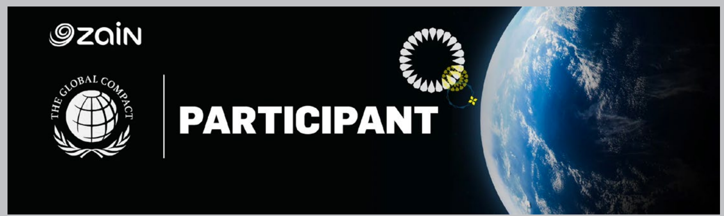
- ZainTech partners with Tunstall Healthcare to strengthen patient monitoring in MENA region
- Zain's Dizlee partners with Sesame Workshop offering premium educational content to its popular Zain Kids digital platform
- Zain Jordan signs agreement with the Kingdom's Ministry of Planning and International Cooperation and Ministry of Labor to establish four new call centers for customer services

July

• Zain first telecom operator in Kuwait to launch next-gen Fiber-to-the-Room (FTTR) technology

• 'Shlonik' health app wins 'best government project' award in Kuwait

August



• Zain joins UN Global Compact initiative for responsible business practices

• Zain Jordan opens second branch of Zain Esports at the Royal Automobile Club of Jordan with 1,300 gamers participating

• Zain Bahrain deploys innovative Narrowband Internet of Things (NB-IoT) technology accelerating businesses' adoption of innovative technologies thus fostering an IoT ecosystem to develop end-to-end solutions to meet the customers' needs

• Launch of PLAYHERA MENA platform, powered by Zain Esports, offering over 50 popular games

• Zain Kuwait becomes official Sponsor of the Kuwait Football Association's competitions for the next four seasons, including the Kuwait Premier League (renamed Dawri Zain), First Division League, H.H. the Amir's Cup, H.H. the Crown Prince's Cup, and the KFA Cup (renamed Zain Cup).

September

• Zain Jordan enters agreement with Kingdom's Telecommunications Regulatory Commission for introducing 5G services

• ZainTech enters strategic cooperation agreement with Amazon Web Services to accelerate cloud adoption in MENA

October

• ZainTech enters agreement to acquire leading managed cloud provider, BIOS Middle East

• Dizlee, Zain's API Platform boosts Zain Iraq to win 'Leading Carrier in DCB' award

• Zain Bahrain 1st operator in Kingdom to successfully trial advanced 5G mmWave technology that will provide faster speeds and lower latency

• Zain joins Middle East ORAN Consortium's Release of First Open RAN Whitepaper

November

• ZainTech partners with Oracle to accelerate technology transformation of enterprises in the region
• ZainTech recognized in Fast Company Middle East's Most Innovative Companies 2022

• Zain Kuwait opened its first-ever megastore in Salmiya offering the widest selection of tech products and digital services

• Zain honors World Children's Day by expanding MoU with Child Helpline International to facilitate child helplines across footprint, launches 2nd phase of Internet Monsters social media campaign

• Zain KSA's Cloud computing service obtains Payment Card Industry Data Security Standard (PCI DSS) Certification affirming its readiness and reliability to host Fintech companies in the Kingdom

December

• Zain announces title sponsorship of the 25th Arab Gulf Cup Silver Jubilee edition, entitled "Khaleeji Zain 25", held in Basra, Iraq, 6-19 January 2023

KEY MILESTONES

2022

- Zain maintained its A- score in 'CDP Score Report – Climate Change 2021', ranking it first in region and among leaders globally
- Zain Jordan granted 5G license for 25-year and extended 2G, 3G & 4G spectrum licenses extension for 10-year

2021

- Zain Jordan completes the sale and leaseback of it towers for $88 million
- Launch of 4G services in Zain Iraq & Zain South Sudan
- Establishment of ZainTech
- Zain KSA's "Tamam" receives first consumer micro-financing license in region.

2020

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

2019

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

2018

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

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

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%

2011

- Separated operations between Sudan and South Sudan

2010

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

2009

- Invested in 15.5% of Moroccan operator Inwi

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

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 Madagasca

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

Vice-Chairman & Group CEO Statement

BADER NASSER AL-KHARAFI

- Strong operational performance results in a healthy annual cash dividend of 35 fils
- Board recommends a minimum 35 fils dividend policy for the forthcoming three years
- Dividend distribution for three years will reflect an attractive average annual yield of 8% for entitled shareholders
- 4Sight strategy driving digital transformation, innovation and revenue growth
- Proactive Regulatory initiatives and Corporate Governance key to a positive business environment
- Vast investment in new technologies, 5G upgrades and network expansion paying off
- Sale and leaseback of Tower network driving efficiencies and creating value
- ZainTech and local B2B teams well-positioned for explosive growth in the enterprise space
- Focus on fostering Fintech, Esports and Digital Services enhancing brand appeal
- Multiple prestigious awards reaffirm the sound business practices we are implementing
- Sustainability, Diversity, Equity and Inclusion programs creating a vibrant culture

Returning to business as usual

2022 offered Zain the opportunity to continue normalizing and growing its operations following the major disruption caused by the pandemic.

Management, with the support of the Board, focused on multiple initiatives during the year centered around digital transformation and innovation, 5G network upgrades and data monetization initiatives, passive network tower sales, and lucrative enterprise opportunities. These programs were executed in tandem with sound regulatory, governance, sustainability and inclusion practices that were implemented across our footprint, which were all in accordance with our 4Sight strategy, which are combining to future-proof the company.

As a pioneer in digital technologies driving meaningful connectivity and socio-economic development across our footprint, Zain continues to pursue opportunities to innovate, maximizing the many developments within the core telecom business while exploring new frontiers and diversifying into emerging lucrative business verticals in the ICT, digital infrastructure, fintech, and digital services space.

The ever-growing demand for reliable, high-speed connectivity across our markets justifies our significant investment in spectrum license fees, 4G network expansion, FTTH, and 5G upgrades. We are diligently monetizing these networks, offering appealing fintech, content, gaming, and other highly demanded consumer services, as well as compelling B2B services to governments and enterprises.

At the same time, we continue to deal with multiple challenges including fluctuations in currency exchange rates, a changing taxation environment, regulatory and spectrum developments, intense competition, and the impact of inflation that is affecting consumer spending.

We recognize that everything we do for our customers at every touchpoint of the business impacts the Zain brand, and it was pleasing to witness the value of the Zain brand increase by US$ 200 million, up 9.6% Y-o-Y to reach US$ 2.4 billion, according to BrandFinance's 2022 global rankings. In February 2023, the brand valuation increased a further 14% to US$2.74 billion.

Furthermore, the attainment of multiple prestigious awards by global organizations during 2022 reaffirms the sound business practices we are implementing. Most notably, the recognition for Zain as being one of the top-ten employer brands in the region by Forbes Magazine; the Best Diversity & Inclusion strategy award by Informa; and the A- score in the 'CDP Score Report– Climate Change 2022', ranking Zain first in the region and among leaders globally with regards its climate-change mitigation initiatives. These accolades recognize the passionate efforts of the management team and our 7,400-strong talented workforce.

Sound financial performance results in a healthy cash dividend of 35 fils, a payout ratio of 78%

For the full-year 2022, Zain Group generated consolidated revenue of KD 1.7 billion (USD 5.6 billion), Y-o-Y increase of 14%. Consolidated EBITDA for the period increased by 7% Y-o-Y, to reach KD 673 million (USD 2.2 billion), reflecting an EBITDA margin of 39%. Consolidated net income reached KD 196 million (USD 640 million), up 6% Y-o-Y and reflecting earnings per share of 45 fils (USD 0.15).

The Board of Directors of Zain recommended a cash dividend of 25 fils per share for the second half of 2022.This dividend follows the semi-annual dividend of 10 fils distributed earlier in 2022, totaling 35 fils per share for the year and reflects a 2 fils increase on the previous three years and a 78% payout ratio, one of the highest in the region.

This improved dividend, along with the Board's minimum 35 fils recommendation for the forthcoming three years, provides a clear indication of the strong operational performance and strength of our financial solvency as we methodically grow the business and manage the continuing socio-economic challenges that several of our markets present. Both recommendations are subject to the Annual General Assembly and statutory approvals.

It is worth noting that the total recommended cash dividends of 25 fils for H2, 2022 and 35 fils each year for the next three years, will total 130 fils in cash dividends. This expected distribution based on the closing share price of Zain as of 13 March 2023, (the date we released our 2022 financial results), will reflect an average annual yield of approximately 8% for entitled shareholders for the three-year period.

Investments in network and technologies driving data and digital services revenue growth

Throughout 2022, Zain Group invested USD 936 million in CAPEX (17% of revenue), predominantly in 5G rollouts in Kuwait, Saudi Arabia and Bahrain; 4G upgrades and new sites across Iraq, Jordan, South Sudan and Sudan; expansion of Fiber-to-the-Home (FTTH) infrastructure; and spectrum license fees.

Such investment delivers meaningful connectivity to the communities we serve, in a reliable and high-speed manner. At the same time, this CAPEX is driving significant growth in data revenues, generating over USD 2.2 billion in 2022, representing 40% of Zain Group's consolidated revenues for the year.

Of note, Zain Kuwait was the first telecom operator globally to launch Vo5G with nationwide coverage and the first telecom operator in Kuwait to launch next generation Fiber to the Room (FTTR) technology.

The impressive 52% growth of our Group-wide digital services revenue reflects the many data monetization initiatives maximizing our networks. A key part of this is the 'Dizlee' Group API platform, which continues to grow to the appeal of customers, partnering with 25 global OTT and solutions providers and offering 51 different digital entertainment innovations around content and gaming, processing over 191 million payment transactions since launch.

Our digital platforms, Zain Saudi Arabia's 'Yaqoot' and Zain Iraq's 'oodi', continue to deliver healthy customer and revenue growth, offering a simple, all-digital mobile experience that frees customers from the traditional retail buying experience.

We will continue to foster these appealing and lucrative business areas and rollout similar dynamic platforms across other markets.

Fintech innovation and expansion

A key strategic initiative of Zain is to continue innovating and expanding mobile financial services across our operating markets, providing much needed services to our customer base and beyond.

With the roll-out of appealing new services, the customer and transaction growth experienced by 'Tamam', our micro-financing arm in Saudi Arabia, 'ZainCash' mobile money platforms in Jordan and Iraq were truly impressive, now serving one million customers who made over US$3.6 billion worth of transactions in 2022, resulting in a 241% increase in revenues.

In Bahrain, we acquired a digital banking license from the Kingdom's Central Bank and expect commercial launch in 2023, while in Sudan we are currently fulfilling the necessary regulatory requirements to be awarded a digital banking license, and expect to launch in early 2023. In Kuwait, we have applied for a digital banking license with the Central Bank. We will continue to nurture, adapt and invest to meet this ever-growing demand for Fintech services.

Zain Esports launches new tournament platform with e-commerce

We recognize that esports and gaming in general is one of the largest use cases for mobile and home broadband services utilizing state-of-the-art 4G, FTTH and 5G infrastructure.

Zain Esports' strategic tie-up with PLAYHERA Global and Zain Saudi Arabia to form PLAYHERA MENA and offer a new tournament platform powered by cloud gaming, content hosting, e-commerce, and merchandise sales, counting over 50 popular esports and other competitive games across the Zain footprint, is set to further expand the esports community, to Zain's benefit.
With the Middle East being one of the fastest-growing regions for online gaming in the world, Zain Esports aims to foster the growth of the ecosystem in the MENA and cement Zain as a leading regional gaming powerhouse.

ZainTech and Operation's B2B teams poised for impressive growth

ZainTech, Zain's one-stop digital and ICT solutions powerhouse, has gained enormous traction since its launch in October 2021, working closely with our country operation's B2B teams and establishing the groundwork for exponential profitable growth by being the digital partner of choice for governments and enterprises across our markets.

ZainTech's recent strategic acquisition of leading managed cloud provider BIOS Middle East represents a major step, as managed cloud is a highly relevant and critical business area for our region. With BIOS' established strong customer base, years of experience, and exceptional team combined with Zain's regional footprint and advanced network, this acquisition is set to supercharge our capabilities in hybrid and multi-cloud managed services.

Cybersecurity, IoT, AI, Big Data, Smart Cities, Drones, Robotics and other emerging technologies are additional services and growth areas that ZainTech is focused on, which will drive revenues and enable the company to provide the most comprehensive suite of digital and ICT transformation services in the region to organizations and government entities all under one-roof.

It was gratifying to see ZainTech attain several prestigious awards throughout the year, firmly cementing itself as a leading and trusted digital and ICT transformation provider. The 28% annual growth in B2B revenues across our footprint reflects the sound cooperative business model between ZainTech and our local operations' B2B teams.

Sale of passive Tower networks creating efficiencies and value

One of the key parts of the 4Sight strategy centers on portfolio optimization, extending to the sale and leaseback of the passive infrastructure of our tower network, thereby unlocking capital and allocating resources for more effective and sustainable use.

Following our pioneering sales of the towers in Kuwait and Jordan in recent years, in early 2022 we entered into an agreement with the Public Investment Fund in Saudi Arabia to sell 8,069 towers for US$ 807 million, which was finalized in January 2023. Similarly, in January 2023, Zain Iraq entered into a 15-year agreement to sell and leaseback, as well as the management rights of the passive physical infrastructure of its 4,968 tower portfolio in Iraq to TASC Towers for US$ 180 million.

By injecting the sale proceeds into the business, these deals provide greater flexibility for the operations to invest in network upgrades and ICT technologies to meet the ever-increasing demand for reliable and fast broadband. The deals also enhance operational efficiencies and enable a laser focus on service provision, thus providing customers a better mobile and data experience. In some markets we have opted to share passive assets with competitors, a process that helps reduce our carbon footprint.

Regulatory initiatives and Corporate Governance are key

The growth of the future digital economy in which Zain operates depends on developments across multiple industries, technologies, and sectors that have material impacts on the regulatory landscape, which is becoming increasingly complex.

As an organization subject to laws, regulations, policies, and mandates issued by regulators on telecommunications, financial services, data protection, cloud computing, civil aviation, and climate change, Zain engages with authorities through active participation in industry forums, regulator-led workshops, meetings with Ministers and policy officials, and responses to public and industry consultations initiated by regulatory bodies.

Furthermore, Zain has taken proactive steps to ensure regulatory compliance by instituting a robust Regulatory Compliance program across the Group, establishing internal controls, governance, monitoring, and risk-prioritized resolution approach to regulatory matters.

As a leading listed entity on the Premier Market in Kuwait, Zain Group seeks to exceed the regulations issued by all financial regulatory bodies including the Ministry of Commerce and Industry, the Capital Markets Authority, and Boursa Kuwait. Accordingly, it was a gratifying achievement to be recognized as possessing the 'Best Corporate Governance' practice in Kuwait for two years in a row by World Finance Publishing House. This milestone justly rewards our Investor Relations, Corporate Governance, and Sustainability teams' high ethical standards, transparency, and professionalism towards all our stakeholders, promoting investor and market confidence in Zain.

A Group-wide emphasis on Sustainability

Across its footprint, Zain is guided by the four pillars of its five-year corporate sustainability strategy, which are centred on Climate Change, Social Business, Inclusion, and Generation Youth.

Our emphasis on sustainability and safeguarding the environment was evident in our 2022 thought leadership report, entitled "The Climate Crisis - Achieving Net-Zero for a Sustainable Future," which explored various important topics related to working towards a Net-Zero economy, including understanding the role of the telecom sector in achieving this ambition; assessing science-based targets; emphasizing the importance of multisectoral cooperation; and leveraging digitization and innovation.

Notably, the A- score that Zain maintained in the latest 'CDP Score Report–Climate Change 2022', positioned us first in the region and among leaders globally with respect to climate control initiatives. We have recently committed to setting emissions targets in line with the Science-Based Targets initiative (SBTi) guidance to halve our carbon emissions before 2030 and achieve Net-Zero by 2050, highlighting our determination to foster sustainable systemic change and provide meaningful connectivity by integrating technologies to generate safe energy to help reduce global warming.

Zain has been one of the most active and vocal telecom operators in the region with regards its support of climate change actions, as we wholeheartedly believe protection of our environment should be a key priority for every organization and individual on the planet.

We also joined the United Nations (UN) Global Compact initiative — a voluntary leadership platform for the development, implementation, and disclosure of responsible business practices. With this announcement, Zain proudly united with thousands of other companies globally, and a select few telcos from the Middle East, in making this commitment to take responsible business action to create the world we all want.

During 2022, we remained as committed as ever to safeguarding young people and children online, and in commemoration of Universal Children's Day in November, we announced a memorandum of understanding with Child Helpline International to mobilize and facilitate child helplines in the region with a goal to promote children's rights across Zain's footprint. We used this occasion to reactivate the Internet Monsters campaign, which was successfully launched in 2021, calling on ending all forms of violence against children by 2030 in support of UN's Sustainable Development Goal 16.2.

Diversity, Equity and Inclusion programs creating a vibrant culture

Our focus on nurturing a diverse, equitable and inclusive culture through a series of programs and initiatives has become a key part of the fabric of the company, transforming how we hire, plan for succession, support and develop our people, which all work towards positively contributing to a vibrant, productive, and inclusive culture.

These efforts resulted in Zain being identified as the Best Employer in Kuwait as well as one of the top-10 employers across the Middle East by Forbes

magazine. Additionally, Zain was recognized as having the Best Diversity, Equity and Inclusion (DEI) strategy in the Middle East at Informa's Future Workplace Awards 2022, where Zain also won the award for Best Women Development & Leadership Program at the gala event, solidifying the company's reputation as being one of the most exciting, progressive, and inclusive companies to work for.

As a responsible listed entity accountable to multiple stakeholders, we believe corporate purpose is a strategic imperative. Accordingly, we created a new executive position of Chief Purpose Officer (CPO), whose role will be to bind company purpose with employee purpose, to guide, inspire, and drive innovation within and outside the organization. The CPO will be responsible for mobilizing employees and effectively leading the strategic purpose of the company's management goals and shared values in an inclusive and collaborative manner. The role also involves overseeing the company's reason for being, and the positive impact Zain delivers for employees, stakeholders, and society.

Additionally, we announced the formation of a Diversity University, a dynamic DEI educational platform for all 7,400 Zain personnel, together with a corporate partnership with IE Business School of Spain to upskill digital knowledge for over 2,000 employees.

As part of its 4Sight strategy, Zain is proactively embedding its shared values into its DNA to drive our business, sustainability, and DEI agenda, enriching our purpose for being as an organization.

The Zain brand continues to reach new heights

After a four-year absence, Zain Group participated in Mobile World Congress (MWC) in Barcelona, showcasing activities that are turning it into a leading digital lifestyle service provider; and introduce several cutting-edge solutions. The Zain booth attracted thousands of visitors over the four-day Congress, with Zain attendees utilizing the opportunity to meet and discuss opportunities with various stakeholders.

2022 also saw Zain recognized with the award of Best Telecom Operator at the Telecoms World Middle East Conference as well as Best Telecom Brand for the third consecutive year at the Telecom Review awards.

These awards as well as BrandFinance's remarkable US$ 2.74 billion valuation (as of end February 2023) some 15 years after the Zain brand launch is testament to the investment Zain has placed in establishing its name and identity, and the successful media campaigns, corporate sustainability, diversity, equity and inclusion initiatives it has instituted over the years. The well-regarded brand is also a reflection of our ongoing innovation and investment in network upgrades that result in quality mobile and data services and exceptional customer experience, making Zain one of the most inspirational and recognized corporate brands in the Middle East and Africa.

Thank you note

In conclusion, on behalf of the Executive Management team, I would like to express my personal gratitude to the Zain workforce, our individual and business customers, the Board of Directors, and government agencies and bodies we cooperate with across our footprint, who all play a vital role in providing meaningful connectivity to the communities we serve.

As we enter 2023 on the back of these impressive 2022 results, Zain is primed to further execute on its 4Sight strategy, building on and maximizing the many opportunities within the core telecom business while diversifying into new lucrative business verticals in the ICT, digital infrastructure, fintech and digital services spaces. We look ahead with confidence as we continue to make considerable progress and help deliver a significant and lasting positive impact on the societies we serve.

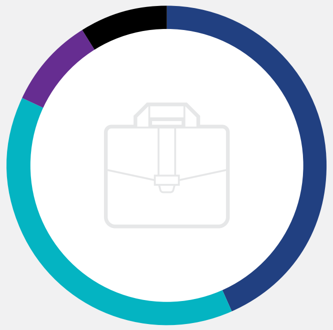
Bader Nasser Al-Kharafi

Our Shareholders

Overall Shareholding

Local vs. Foreign Shareholders

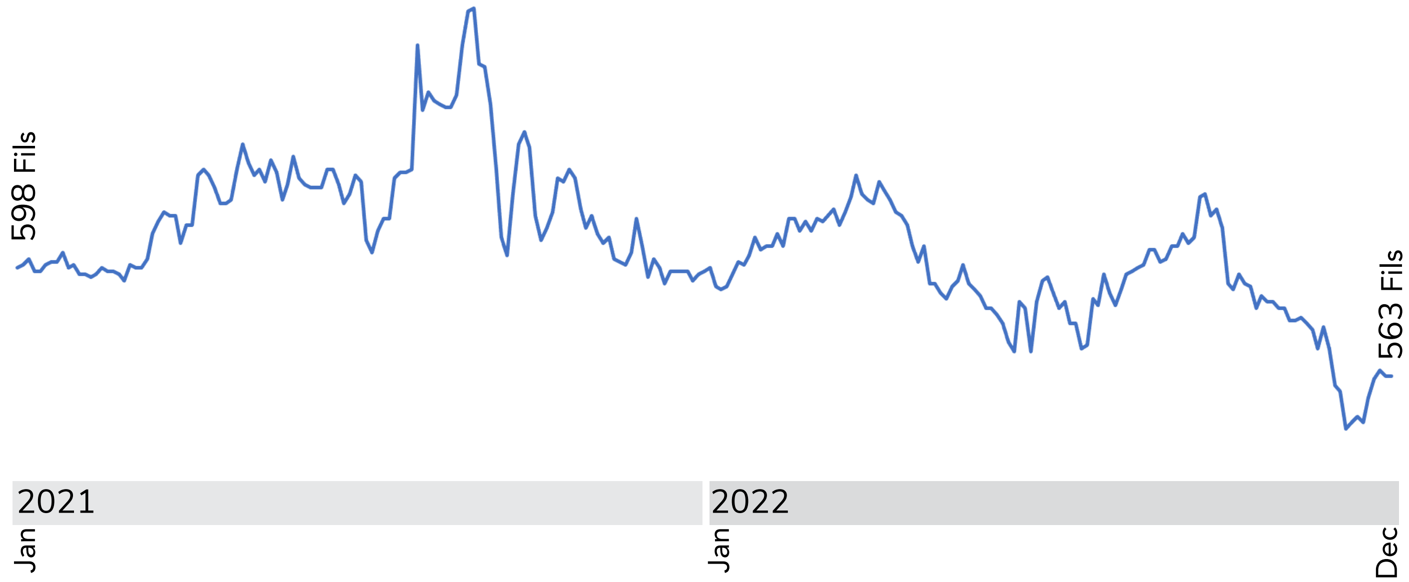
Major Shareholders



Dividends

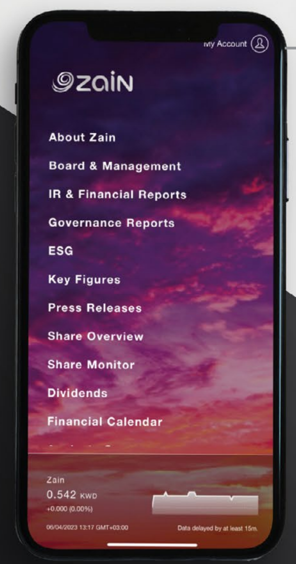
Year	EPS	DPS H1	DPS H2	DPS FY	Dividend Payout Ratio
2021	43 Fils	10 fils	23 fils	33 fils	77%
2022	45 Fils	10 fils	25 fils	35 fils	78%

Share price performance



Zain Share Details

Close (KWD)	0.563
52 Week High (KWD)	0.698
52 Week Low (KWD)	0.544
Average Daily Volume (Shares m)	4.3
Number of Shares	4,327,058,909
Market Cap. (KWD Billion)	2.44

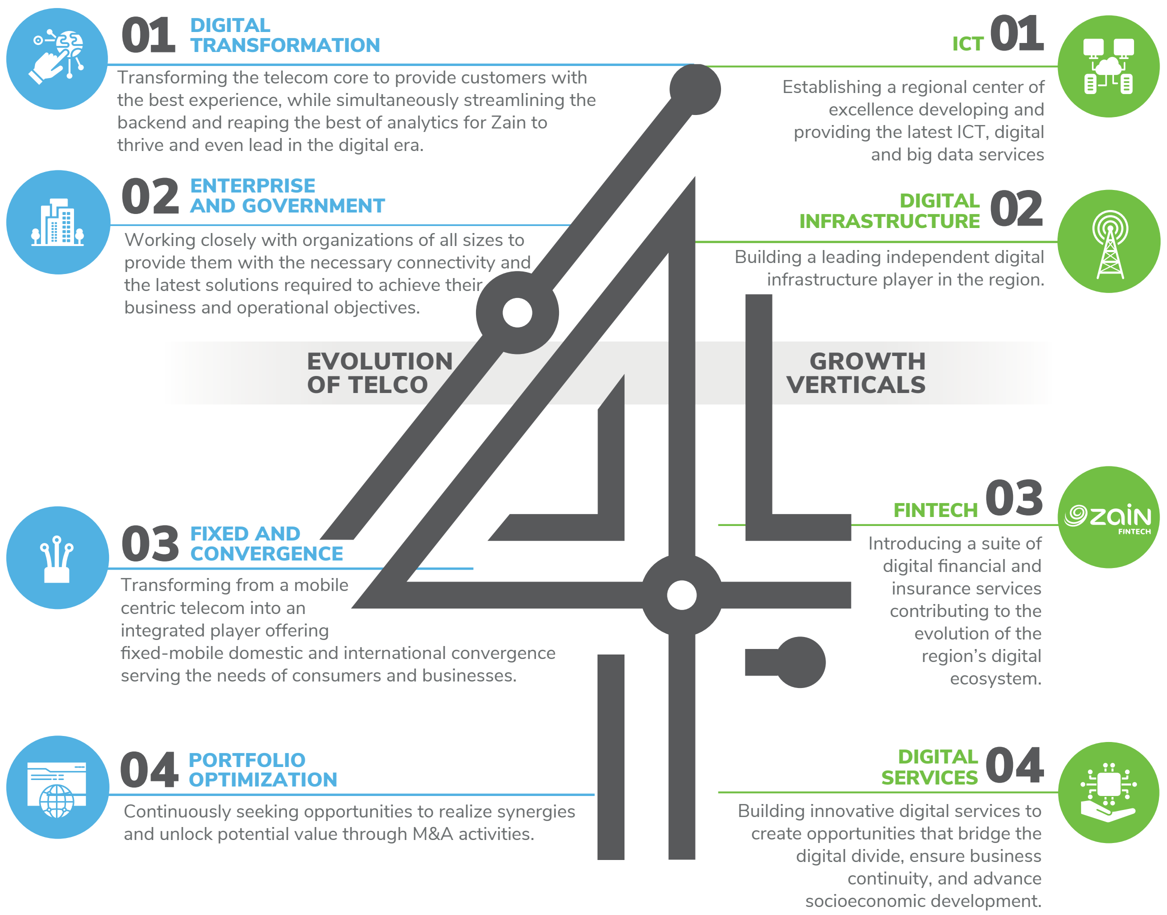


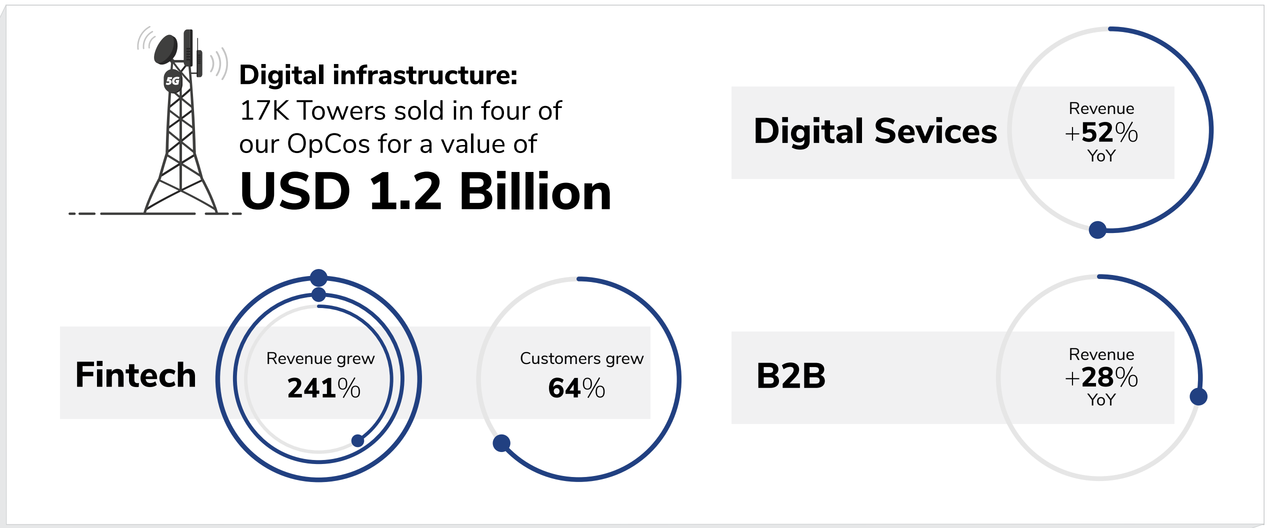
For more information, access our IR app by scanning the QR code

Strategy

4Sight: Creating our Sustainable and Digital Future

The driving force for Zain is its unwavering commitment to creating value for all stakeholders. The 4Sight strategy emerged from the company's desire to: push forward digital ecosystems across its footprint, enable growth and development, continuously enhance the way Zain operates and serves customers, as well as the establish carefully curated growth verticals. The corporate strategy guides the transformation of the company into a multi-faceted provider of digital services for consumers, governments, and businesses. In its fourth year, and under the clear direction and guidance of Zain's leadership, each pillar of the 4Sight strategy witnessed steadfast progression.





Evolution of Telco:

1. Digital Transformation

Guiding and driving the implementation of the Digital Transformation that would permit Zain to not only survive but thrive in the Digital Age, Zain has adopted a best-practice-inspired framework for transformation. The framework is centered on adopting a true customer mindset that drives the development of more pertinent Products and Services, a comprehensive approach to revisit all operational processes, as well as the technology solutions that facilitate this revamp. This is all supported by a strategic approach to upskilling and hiring of talent to effect the transformation, guided by a commitment to the utilization of Data and Analytics for tactical as well as strategic decision-making. To assure the full adoption of this transformation, a comprehensive internal and external communications strategy is in place.

In 2022, Zain Group has also driven several initiatives to develop its regional role in serving recent and upcoming technologies such as connected vehicles and modern industry, as well as several optimization initiatives related to Group-wide platforms such as Connectivity Management, Service Management, BSS and OSS, and eSIM management.

2. Enterprise and Government

Zain is committed to working closely with organizations and businesses to provide necessary connectivity and the latest solutions needed to grow businesses efficiently and effectively. Zain designs and implements state-of-the-art tailormade solutions for public and private organizations, engaging in a rigorous consultation process to cater to their needs. Zain's B2B teams work closely with ZainTech, the company's one-stop digital and ICT solutions powerhouse, to drive market development and cross-sell advanced ICT services to differentiate Zain's position in the regional enterprise market. Furthermore, Zain supports smaller businesses by granting access to a wide range of cloud products and services.

3. Fixed Connectivity

Zain believes that high quality and secure broadband connectivity will accelerate the evolution of information, education, and the digital transformation of societies. Across its footprint, the company strives to provide reliable fixed connectivity to residential and business customers whether through its own deployment of fiber networks or by strategically partnering with providers. This commitment transcends market limitations, where Zain uses fixed-like technologies to fulfill customer needs. Across its markets, customers benefit from the latest broadband connectivity delivered by the company, including 5G, 4G, and FTTH.

4. Portfolio Optimization

Zain continues to seek opportunities to allocate resources in a more efficient and sustainable manner. In 2022, Zain Saudi Arabia entered into an agreement with the Kingdom's Public Investment Fund (PIF) to sell 8,069 towers for USD 805 million, lease them back, and share passive assets with competitors in some areas, creating significant efficiencies by reducing the overall number of towers needed to service the KSA market. The sale led to the establishment of a special purpose tower company to focus on improving the passive assets and enhance the power infrastructure through modernization and alternative power solutions such as solar and wind thus reducing the carbon footprint of the market.

Growth Verticals

1. ICT

Through ZainTech, the company services enterprises and governments across the region, playing a transformational role across Zain's ecosystem. ZainTech provides managed solutions for cloud, cybersecurity, Big Data, IoT, AI, smart cities and emerging technologies. Additionally, ZainTech leverages Zain's footprint and global reach, offering a single point of contact for sales and customer care for multinational enterprises.

More information can be found in the 'ZainTech section' section on page 64.

2. Digital Infrastructure

Zain entered a strategic partnership with TASC Towers Holding as part of the company's strategy to create significant value for shareholders through the unlocking of capital and optimization of passive infrastructure assets. In early January 2023, Zain closed its second deal with TASC in Zain Iraq, selling and leasing back some 4,968 towers for USD 240 million.

TASC has already created added value by closing a deal with Zain Jordan in late 2021 selling and leasing back 2607 towers for USD 88 million, which puts it on the path to enhance network quality and unlock market driven operator efficiency. Furthermore, TASC is well positioned to acquire additional portfolios from the ongoing public divestment processes throughout the wider Middle East and Near Asia region.

It's important to note that Zain operations who sell their towers retain their active infrastructure, including wireless communication radios, antennas, intelligent software, transmission systems, and intellectual property with respect to managing its telecom network, which allows the operator's management team to purely focus marketing and sales activities to drive revenue growth.

TASC Towers has sustainability and carbon footprint reduction built into its core strategic objectives, whether it be a reduction of fuel consumption by connecting sites to the grid, or investing in power system upgrades that reduce carbon emissions. The unique value of a TowerCo is that such investments are not only good for the environment, but are also good for the network.

3. Fintech

In 2022, Zain scaled its fintech stream by introducing a suite of digital financial and insurance services, contributing to the evolution of the region's digital ecosystem. Leveraging the innovative products and services developed by fintech subsidiary FOO, Zain is fostering innovations within the fintech space through Tamam in Saudi Arabia; Zain Cash in Iraq and Jordan; and soon in Bahrain, Sudan, and Kuwait. In the meantime, Zain awaits the outcome of a digital bank application with the Central Bank of Kuwait.

Zain Cash Iraq
- Market leader
- Secured the required license to offer credit cards, with plans to launch in 2023
- Introduced remittance services in collaboration with Western Union
- Launching its new core banking platform in 2023

Zain Cash Jordan
- Market leader
- Rolled out a credit card offering
- Introduced remittance services in collaboration with Western Union
- Rolled out Zain Cash ATMs in partnership with licensed banks

Tamam Saudi Arabia
- Provides Murabaha financing for customers within minutes
- One of the fastest growing fintech companies in the region
- Launched buy now pay later services with Zain Saudi Arabia and Yaqoot
- Partnered with VISA to offer the first virtual credit card in the region

South Sudan
- Expanding partnership with m-Gurush

Kuwait
- Applied for a digital banking license with the Central Bank
- Finalization of the acquisition of Bookeey by Zain Fintech Holding
- Transforming Bookeey to provide more innovative fintech products and services in collaboration with a partner bank

Bahrain
- Acquired a digital banking license from the Central Bank of Bahrain
- Tech implementation with partner bank in progress
- Expected commercial launch in 2023

Sudan
- Fintech company has been registered as per regulatory requirements
- Final license to be obtained after the technical platform is finalized
- Expected commercial launch in early 2023

4. Digital Services

Zain Esports

In 2022, Zain Esports continued to experience impressive growth in its gamer audience, and across social media platforms following its additional focus to monetization of services through the joint venture investment with Zain Saudi Arabia and PLAYHERA Global in forming PLAYHERA MENA, a state-of-the art gaming and esports platform. Zain Esports kicked of the year with a Rainbow Six Siege tournament, the Zain Esports Challenger League in collaboration with Ubisoft. Thereafter, Zain Esports hosted its first free-fire tournament, "Survival Island", which was conducted in collaboration with GBarena, further boosting Zain Esports' presence across gaming platforms regionally.

During Ramadan, Zain Esports adopted a hybrid approach with regional as well as country-specific tournaments and activations for competitive and casual gamers alike. The year was capped with a five-week long PubG Mobile tournament, "Masters Clash," hosted on the PLAYHERA platform.

Zain Esports continued hosting offline tournaments across its operations with a multitude of local partnerships. Highlights included a Valorant and FIFA22 tournament for the National Union of Kuwaiti Students (NUKS), which was hosted at Zain's campus in Kuwait.

To showcase itself to a youthful Kuwait gaming audience, Zain Esports participated in Comfest, a pop-culture festival hosted in The Arena complex, as well as the Pop up by Comfest at SIRB Circuit.

In Iraq, Zain hosted a "Subway" tournament as well as Legends Challenge: Free-fire and Mobile Legends tournament in partnership with Huawei AppGallery. Likewise, in KSA and Jordan, the operations kept their gaming ecosystem engaged as well through multiple tournaments throughout the year that attracted thousands of gamers and audiences to their respective media channels.

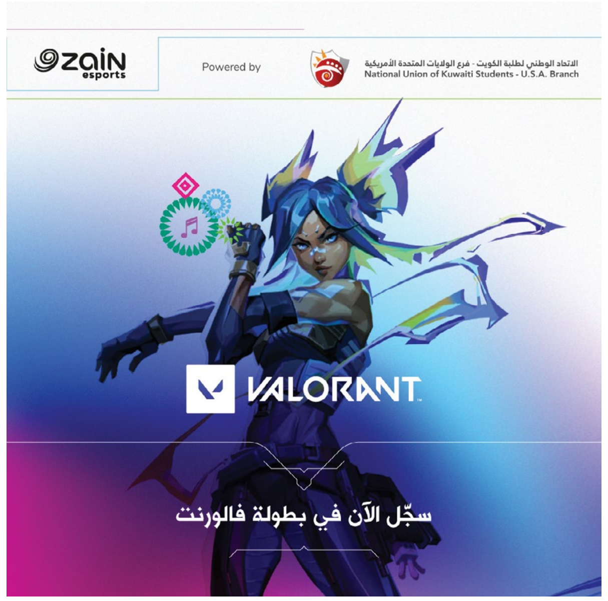
In Bahrain, Zain made its presence felt as a gaming and esports thought leader by signing a MoU with the Bahrain Schools and Collegiate Athletics Association to support the Kingdom's growing esports ecosystem.

Furthermore, in collaboration with Zain's Diversity, Equity and Inclusion department, Zain Esports hosted an online International Women's Day tournament, The Ace Cup.

PLAYHERA MENA

PLAYHERA MENA powered by Zain Esports offers a new tournament platform complete with e-commerce capabilities across the Zain footprint, including Omantel. With Zain Esports's ecosystem expanding rapidly, the company hosted the 'Next Level' forum where teams from across Zain and Omantel operations converged in Kuwait for three days. The teams discussed operational matters as well as the Zain Esports strategy moving forward.

In 2023, Zain Esports plans to launch a new range of e-commerce and related offerings including cloud gaming across the Zain footprint through the PLAYHERA MENA platform.



30,000+ Participating Gamers

70 Mn+ Social Media Impressions

15.1 Mn+ Social Media Engagements

28 Major Tournaments Conducted

104,080	32,208	28,249	53,514
@zain.esports	@ZainEsports	@ZainEsports	@Zainesports
197% YoY	143% YoY	33% YoY	234% YoY

DIZLEE

Dizlee aims to become a complete Digital Monetization Ecosystem provider in the coming year

In 2022, the Zain Group API Program evolved into Dizlee, an independent corporate entity wholly owned by Zain Group. The brand Dizlee was launched at the Mobile World Congress in Barcelona, with MoUs signed with LG U+ and HTC. The brand was further promoted among the content and digital services ecosystem at the World Telemedia Conference in Marbella, Spain in Q4 2022.

Additionally, 2022 was a year of capability building for Dizlee, as it started implementing a 360-degree Lifecycle Management Platform. This will enable all connected Zain operations and Omantel to monitor services and revenues in real time, and empower their customer care agents to take swifter actions on consumer complaints and issues.

As of end of 2022, Dizlee had partnerships with 25 leading global OTT and solutions providers offering 51 different digital innovations in mobile media, entertainment, content and financial solutions through direct operator billing.

In 2022, the following list of services were added to the program:

- **XR Academy:** An extended reality-based educational program that offers customers of all ages access to a unique lineup of educational games and videos. Being device agnostic, it does not require the user to purchase expensive VR headsets or any other special device to access the platform.
- **Golden Steps:** A gamified platform that rewards its users for completing daily and weekly fitness goals, usually the number of steps completed. The rewards are in the form of discount coupons with local and regional online/offline partners. The app uses the phone's pedometer to track steps and can also be connected to various fitness bands and smartwatches.
- **Micro-insurance application from Crosure:** A company offering various insurance services in Iraq. With Zain, they offer the 'Salamtak' life insurance product, where the user can subscribe online using a few simple steps, and the premium can be paid through operator billing.
- **Mindplus:** A web-based service offering online consultation on mental health and wellbeing from global experts, translated in Arabic and Kurdish. This is usually delivered as short videos and/or regular text-based updates.

Highlights of the Dizlee platform include:

Launched in June 2018 in partnership with Google Cloud and developed by FOO Solutions

25 partners

51 live services

41% YoY Growth

191 Million+ transactions since inception

Shlonik Application

An interactive app launched by the Ministry of Health (MoH) in Kuwait in collaboration with the Kuwait Central Agency of Information Technology, and Zain. The quarantine-based application allowed the MoH to connect with residents to monitor their behavior to effectively combat the spread of coronavirus. The application was mandated nationwide between April 2020 – June 2022, racking up 2.5 million downloads.

Zain Ventures

Zain Ventures spearheads Zain's investment portfolio, with the aim to diversity the company's reach and leverage on future investment opportunities. Zain expanded its relationship with regional and international venture capital funds and continued to diversify its portfolio through direct investments offering them access to Zain's wide geographical reach and expansive customer base.

During 2022, Zain Ventures's portfolio included:

BECO CAPITAL	BECO Capital Fund III is an early-stage venture capital fund managed by BECO Capital. The fund is located in Dubai, United Arab Emirates, and focuses on technology start-ups.
COLLE CAPITAL	This women-founded venture fund targets seed and early-stage technology companies in industries such as fintech, IoT and healthcare, and is based in the United States. The company invests in organizations that focus on ESG-related activities from business practices to economic and environmental impacts.
wamda capital	Headquartered in Dubai, Wamda MENA Venture I invests in growth stage technology companies operating in the MENA region. The fund has made investments in industries that are of interest to Zain such as insuretech.
MEVF II	A MENA-centric fund targeting early-stage technologies in new media, e-commerce, and enterprise software as a service ("SaaS"). This fund presents synergies with Zain's digital health and insuretech plans.
MEVF III	A growth-stage fund focusing on Series B technology start-ups in MENA and Turkey.
Valor	Valor Fund is managed by Valor Equity Partners, an operational growth investment firm focused on high growth companies across different industries and stages of development.

Direct Investment:

swvl	Invested in this mass transit industry leader that offers diversified transit solutions and has evolved its services to include SaaS and transport as a service (TaaS) offerings for businesses, schools, universities and other critical service organizations.
pipe	Finalized Zain's investment in this US-based fintech company that successfully developed a trading platform that transforms recurring revenue into up-front capital for growth without debt or dilution.
Revolut	Established in 2015, is a British fintech company that offers banking services including GBP and EUR bank accounts, debit cards, fee-free currency exchange, equities and cryptocurrency trading, as well as peer-to-peer payments. The investment in Revolut will add value to Zain's fintech efforts and overall offerings enhancing the ecosystem across Zain's footprint.
ZOODPAY	Zain made a direct investment in ZoodPay's series B US$38 million fundraising round, where the ZoodPay and ZoodMall apps count over 8 million users and ten offices across the Middle East and Central Asia. The application provides a mobile-only high-quality lending and shopping experience and cross-border services to merchants and shoppers across emerging markets.

Zain Kuwait

The Group's flagship, Mobile Telecommunications Company (Zain), was founded in Kuwait in 1983, becoming the first telecom operator to launch a commercial GSM service in the region in 1994. Listed on the Boursa Kuwait in 1985 and now on its Premier market incorporating all the Group's operations and assets across all markets, the Zain Group's market capitalization stood at USD 8 billion (at a share price of 563 fils) as of December 31, 2022.

The Group's most profitable operation delivered a strong set of results, with 2022 revenue growing by 8% Year-on-Year (Y-o-Y) to reach KD 342 million (USD 1.1 billion), with EBITDA increasing by 6% to KD 133 million (USD 434 million), reflecting an EBITDA margin of 39%. The operator recorded net income of KD 83 million (USD 270 million) reflecting a 3% increase with data revenue also growing by 1% YoY and representing 39% of total revenue. The customer base increased 6% serving 2.6 million.

In 2022, USD 103 million was invested in CAPEX to better serve 5G mobile and broadband customers, resulting in significant revenue growth, notably in the Enterprise (B2B) space. This CAPEX and superior nationwide network were instrumental in the operator capturing the largest 5G customer and revenue market share in the country, a testament to Zain Kuwait's commitment to innovation and customer service.

Zain was the first telecom operator globally to commercially launch voice over 5G (Vo5G) technology and the first telecom operator in Kuwait to launch next-gen Fiber-to-the-Room (FTTR) technology, further enhancing its position as a pioneer in the industry.

In addition, the awarding of a Cloud Computing License in April 2022, lead to the launch of Zain Cloud and Cyber Security services, in collaboration with ZainTech. Furthermore, it launched Z-HUB, a fully integrated hub to serve the business needs of startups and Small & Medium Enterprises (SMEs) offering a wide range of services and solutions in over 6 essential business areas including e-commerce, marketing, HR, location and online presence, insurance, tendering, Zain Business solutions, and more. Also, the operator launched Smart Security as a Service (SSaaS), a cutting-edge solution for cloud-based video surveillance and analytics.

The operator's commitment to excellence was recognized by the prestigious World Finance 'Best Corporate Governance Award 2022' in Kuwait for the second consecutive year, a testament to its commitment to transparency and ethical business practices. Zain Kuwait also received the Best Government Project Award for its "Shlonik" App, which was instrumental in controlling the spread of COVID-19 in Kuwait.

Aiming to be the first telco led digital bank in the country, the operator's fintech aspirations is awaiting the approval of its digital banking application to be announced in 2023. Once launched, Zain aims to revolutionize the digital banking experience for its customers, providing them with greater flexibility and convenience.

Looking to the future, the operator is focused on delivering sustainable growth and creating long-term value for shareholders, while continuing to provide innovative solutions and exceptional service to our customers.

1983
YEAR OF LAUNCH

5G
TECHNOLOGY

2.6 m
CUSTOMERS

$25
ARPU

100%
OWNERSHIP

34%
MARKET SHARE

175%
PENETRATION

39%
EBITDA MARGIN

39%
DATA REVENUE

NETWORK KPIs

5,003
Average Daily
Data Volume (TB)

100%
2G Population Coverage
3G Population Coverage
LTE Population Coverage
5G Population Coverage
Contact Centre Availability

Operational & Financial Performance	2022	2021	Growth (KD Terms)
Customers (000s)	2,603	2,466	6%
Revenue (USD m)	1,118	1,056	8%
EBITDA (USD m)	434	416	6%
EBITDA %	39%	39%	-
Net Profit (USD m)	270	266	3%
ARPU	$ 25	$ 25	-
CAPEX (USD m)	103	101	2%

Zain Saudi Arabia

Zain Saudi Arabia (KSA) launched commercial operations in the Kingdom on August 26, 2008, a year after it was awarded its mobile license. Zain Group holds a 37% equity stake in the operation, while the remaining shareholding is held by a Saudi consortium that owns 21%, and 42% is free floating on the Tadawul Stock Exchange (ZAIN KSA, 7030). The company's market capitalization stood at approximately USD 3.3 billion as of April 4, 2023, reflecting a share price of SAR 13.98

The year 2022 marked another successful chapter for Zain KSA, with the company making significant strides in various areas of its operations. The total customer base of Zain KSA saw impressive growth, reaching 8.6 million customers, an 8% increase YoY, with 617,000 new customers added.

The operator generated annual revenue of USD 2.4 billion up 15% YoY, with EBITDA amounting to USD 828 million, reflecting an EBITDA margin of 34%. Net income for the year soared 133% to reach USD 133 million, this substantial increase mainly due to a decrease in depreciation and amortization due to tower assets being classified as assets held for sale, as a result of the agreement with the Kingdom's Public Investment Fund (PIF).

After achieving an all-time record revenue and net profit, Zain KSA's Board of Directors recommended to distribute cash dividends to shareholders for the year 2022 at the rate of 5% of the share nominal value.

The successful completion of the tower transaction saw Zain KSA selling 8,069 towers to the PIF for USD 807 million. The company received cash SAR 2.4 billion (USD 645m) and a 20% stake in the PIF TowerCo, significantly bolstering its financial position.

Zain KSA continued to make significant investments in CAPEX, investing USD 242 million in expanding its 5G network coverage footprint covering 54 cities and enhancing 4G LTE capacity, resulting in data revenue representing 43% of total revenue.

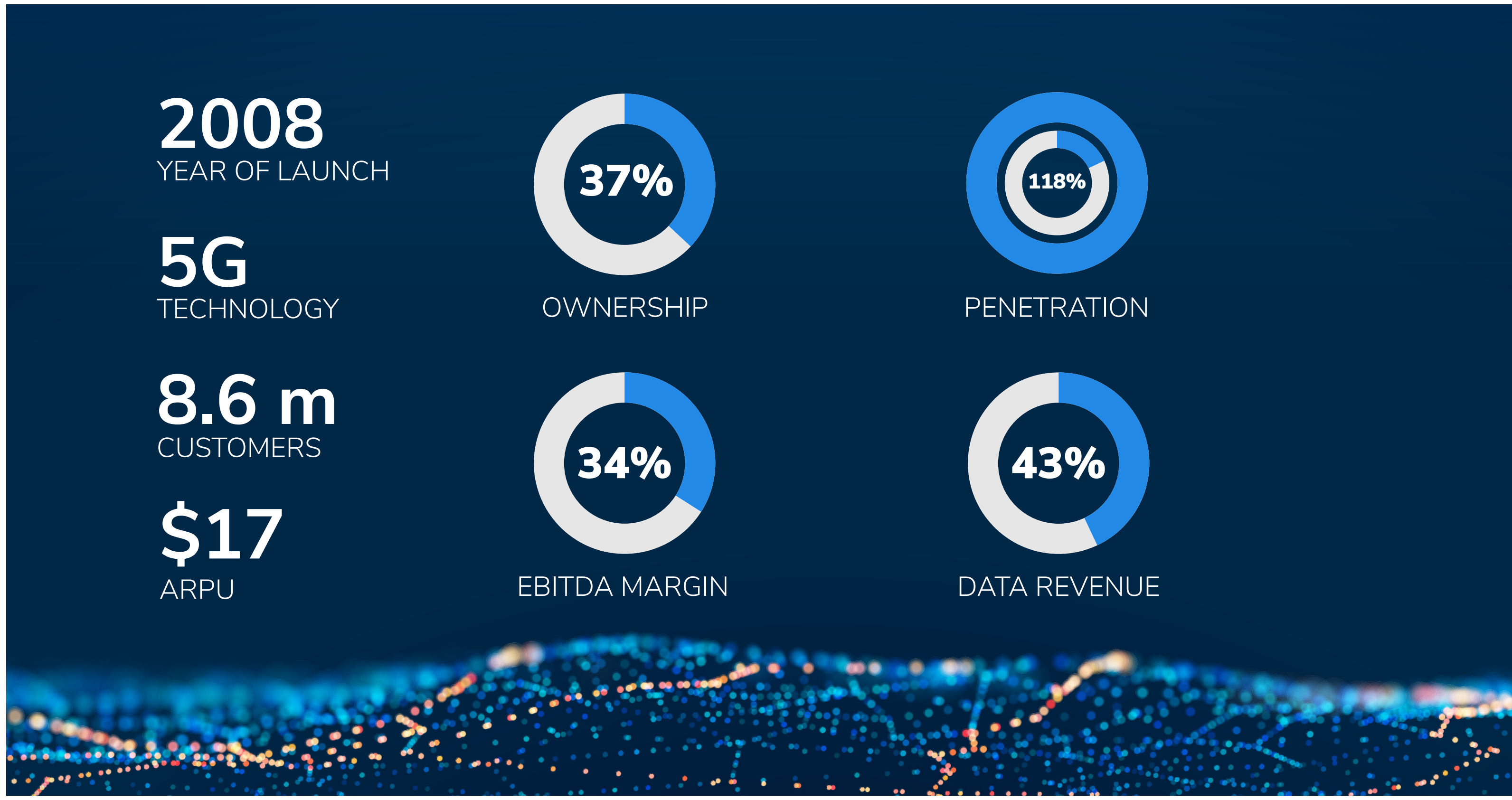
The focus on expanding the range of B2B services to enterprises and government bodies resulted in impressive B2B revenue growth of 38% YoY, supported by mega deals in ICT, connectivity, and managed services.

The operator's consumer microfinance arm, Tamam, experienced exponential growth, with customer numbers reaching 46K and revenue increasing sevenfold resulting in the rising fintech remarkably reporting impressive profits.

Likewise, Zain KSA's digital operator, Yaqoot, witnessed a 135% growth in revenue, with customer numbers increasing by 141% compared to the previous year. These achievements attest to the company's robust business model and effective strategies in a highly competitive industry.

Notably, the operator welcomed the Salam MVNO on its network, and plans to welcome another MVNO in 2023.

Overall, the year 2022 was fruitful for Zain KSA, with the company demonstrating its ability to navigate challenges while recording significant growth in various aspects of its operations. With a renewed focus on driving innovation, enhancing customer experience, and leveraging emerging technologies, Zain KSA is well-positioned to sustain its growth trajectory in the coming years.



NETWORK KPIs

12,491 Average Daily Data Volume (TB)

99% 2G Population Coverage

98% 3G Population Coverage

94% LTE Population Coverage

63% 5G Population Coverage

100% Contact Centre Availability

Operational & Financial Performance	2022	2021	Growth
Customers (000s)	8,644	8,027	8%
Revenue (USD m)	2,427	2,111	15%
EBITDA (USD m)	828	836	-1%
EBITDA %	34%	40%	-
Net Profit (USD m)	133	57	133%
ARPU	$17	$19	-
CAPEX (USD m)	242	271	-11%

Zain Iraq

Zain has been providing mobile services in Iraq since December 2003. After securing a 15-year license in August 2007 and a further extension to 2030 that included a 4G license, the operator has grown to become the largest mobile operator in the country, with an approximate market capitalization of USD 2.4 billion as of December 31, 2022.

Zain Iraq's customer base jumped by 12% YoY to reach 18.4 million customers which account for 35% of the Group's customer base. Despite facing a challenging environment, the operator's annual revenue reached USD 810 million up 5%, and EBITDA amounted to USD 323 million up 4% YoY, reflecting an EBITDA margin of 40%. Net profit reached USD 15 million for the year. However, net income came lower by 63% due to increased finance costs and a reversal of excess accruals in 2021.

In 2022, Zain Iraq invested USD 180 million in capital expenditures, focusing primarily on enhancing LTE coverage in major cities like Baghdad and Basra, while also expanding into new cities.

The digital operator oodi, saw tremendous growth, quadrupling revenues YoY and achieving triple-digit customer growth in its second year of operation. Oodi's ARPU is double that of the OPCO, reflecting a strong demand for digital-only operators.

In terms of regulatory changes, the removal of the 20% sales tax in December 2022 has led to a revenue boost in that month. This change in the tax regime is anticipated to have a positive impact on Zain Iraq's financial performance going forward.

The company's fintech arm, Zain Cash, has also experienced exponential growth, doubling the number of transactions since 2020, and is projected to continue growing at a similar pace in the coming years.

In early 2023, Zain Iraq entered into a 15-year agreement with TASC Towers to sell and leaseback, as well as to manage its portfolio of 4,968 towers for USD 180 million. This strategic partnership will enable Zain Iraq to further strengthen its network infrastructure and continue expanding its services across the country.

The Super Card portfolio launched by Zain in September 22, was the first ever physical card-based bundle in Iraqi market has been a key highlight targeting mid-high ARPU customers through convenience and high supply in relevant regions. Moreover the launch of the Prime package, in February 22 for postpaid customers has witnessed impressive uptake of customers.

Zain Iraq remains optimistic about its future prospects, particularly given the recent decision by the Iraqi government to increase the value of the Iraqi dinar against the US dollar.

2003
YEAR OF LAUNCH

4G
TECHNOLOGY

18.4 m
CUSTOMERS

$4
ARPU

76%
OWNERSHIP

52%
MARKET SHARE

40%
EBITDA MARGIN

108%
PENETRATION

NETWORK KPIs

1,374
Average Daily Data Volume (TB)

100%
2G Population Coverage

97%
3G Population Coverage

98%
LTE Population Coverage

100%
Contact Centre Availability

Operational & Financial Performance	2022	2021	Growth
Customers (000s)	18,405	16,448	12%
Revenue (USD m)	810	769	5%
EBITDA (USD m)	323	312	4%
EBITDA %	40%	41%	-
Net Profit (USD m)	15	42	-63%
ARPU	$4	$4	-
CAPEX (USD m)	180	286	-37%

Zain Sudan

In February 2006, Zain acquired the remaining 61% stake in Sudan's first mobile operator Mobitel in a deal for USD1.33 billion to attain 100% ownership. Rebranded to Zain in September 2007, the operator subsequently renewed its license for a period of 20 years.

In 2022, Zain Sudan achieved a remarkable year of growth, solidifying its position as the market leader in the country. The company's strategic focus on innovation and customer-centric initiatives has led to a significant increase in revenue, EBITDA, and net income.

The operator generated annual revenue of USD 489 million, up 48%, with EBITDA amounting to USD 250 million, up 53% and reflecting an EBITDA margin of 51%. Net income for the period reached USD 236 million (vs. USD 103 million last year, a growth of 129%). Data revenue grew a healthy 82%, representing 33% of total revenue, while the operator's customer base stood at 16.4 million, maintaining its market leadership.

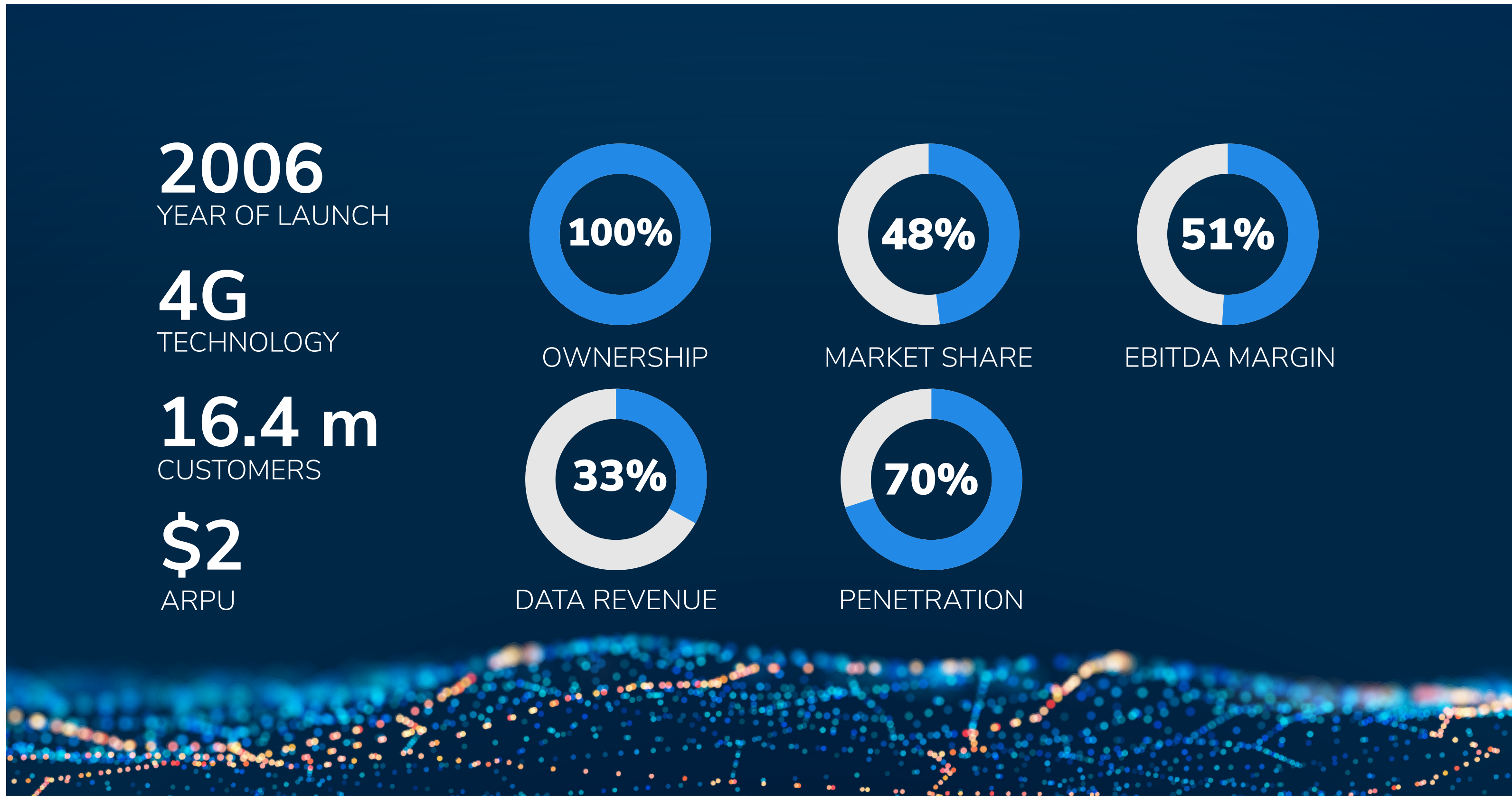
Zain Sudan's success in 2022 is a testament to the company's ability to adapt to changing market conditions and capitalize on emerging opportunities. The USD 94 million investment in CAPEX, which primarily went towards the expansion of 4G connectivity in rural areas, has significantly contributed to the growth of data revenue. By bridging the digital divide and extending its services to previously underserved regions, Zain Sudan has not only increased revenue but also fostered digital inclusion and socio-economic development.

In addition to the core telecommunications business, Zain Sudan has made significant strides in the fintech sector, having been awarded a Fintech License in May 2022. Its go-to-market strategy is currently being implemented, which will enable to the operator to leverage its extensive customer base and capitalize on the growing demand for digital financial services. This diversification into the fintech space demonstrates its commitment to continuous innovation and determination to create new revenue streams.

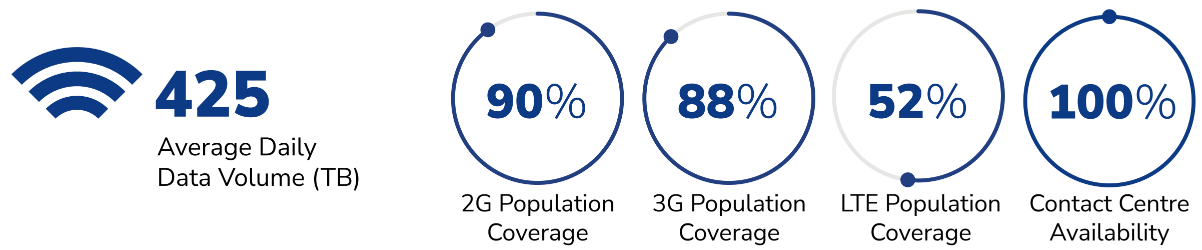
The ability to pay out USD 21 million dividends to Zain Group for the 2nd time in over a decade is a significant milestone for Zain Sudan, highlighting the remarkable progress.

Zain Group management has made a commitment to investing USD 800 million over the next five years in Zain Sudan's telecom infrastructure to enhance the mobile experience for customers.

The operation will continue to invest in the infrastructure, expand its service offerings, and embrace emerging technologies to ensure that it remain at the forefront of the industry, poised for even greater success in the coming years.



NETWORK KPIs



Operational & Financial Performance	2022	2021	Growth
Customers (000s)	16,358	16,309	0.3%
Revenue (USD m)	489	330	48%
EBITDA (USD m)	250	164	53%
EBITDA %	51%	50%	-
Net Profit (USD m)	236	103	129%
ARPU	$2	$2	-
CAPEX (USD m)	94	55	71%

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.

2022 was a great year for Zain Jordan. The operator remains the market leader, with its customer base growing 5% YoY and now serving 3.8 million customers.

For the year, revenue increased 2% to reach USD 512 million, EBITDA grew 5% to reach USD 240 million, reflecting an EBITDA margin of 47%, with net income reaching USD 69 million. With the expansion of 4G services across the country, data revenue grew 3% representing 50% of total revenue.

Net income, when compared to the previous year was impacted due to the tower sale transaction whereby in the previous year there was a one-off positive financial impact.

Zain Jordan invested USD 200 million in CAPEX during 2022, mainly 4G network expansion and FTTH deployment to new areas.

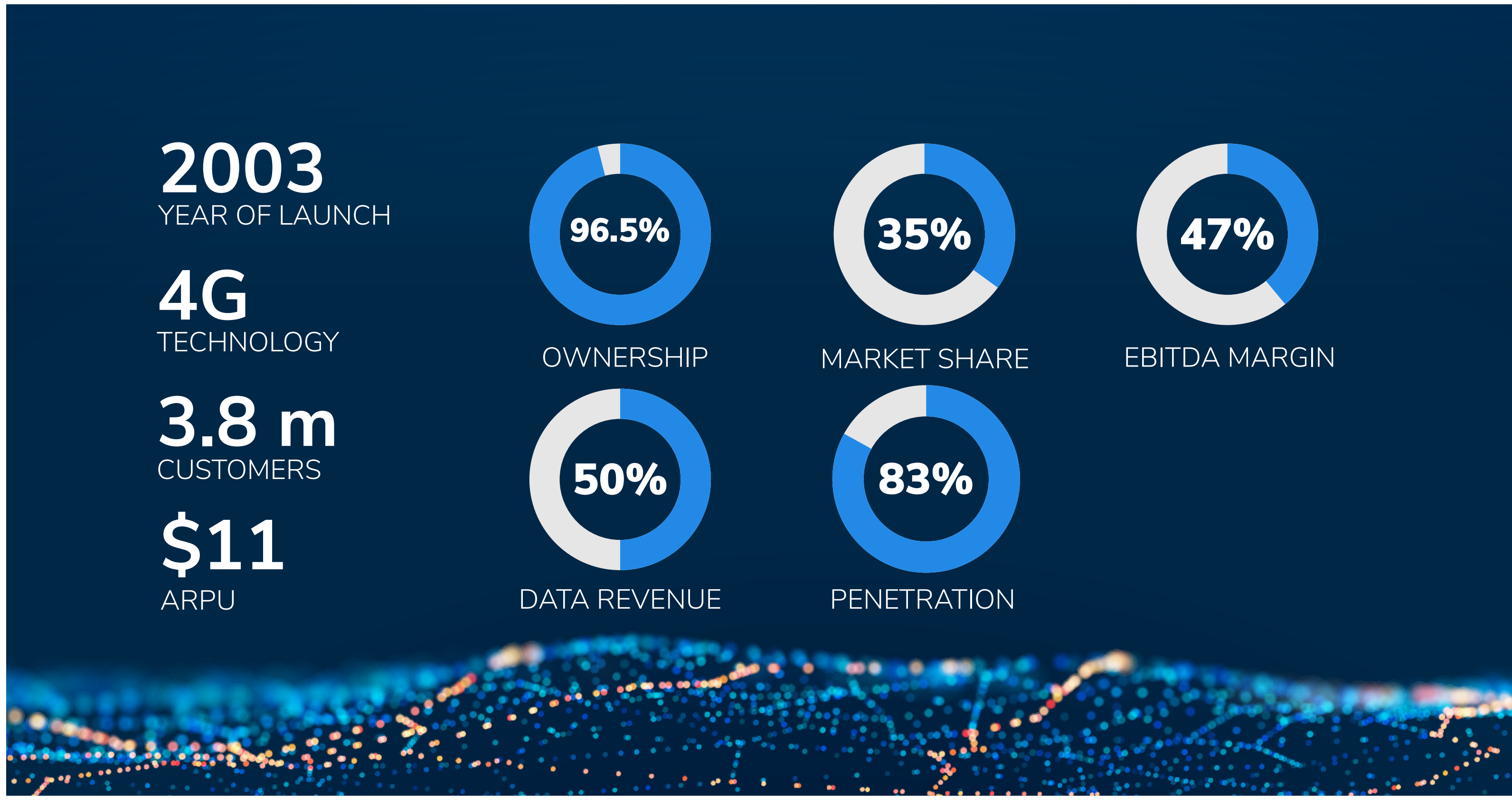
The operator signed a settlement agreement with the Kingdom's Telecommunications Regulatory Commission (TRC), which included a settlement of revenue share disputes, 10-year extension of 2G, 3G & 4G licenses, and grant of a 25-year 5G license for an amount of JOD 86million (USD 122m). This settlement agreement will result in significant savings and potential future benefits.

Operationally, Zain Jordan obtained approvals to receive electricity through the local national power company, NEPCO. This strategic move enables the operator to benefit from the sustainable and renewable energy generated by NEPCO's state-of-the-art solar farms, effectively reducing electricity costs by an impressive 20%. Additionally, this eco-friendly initiative will allow the operator to contribute towards a greener and more sustainable future, by reducing our carbon footprint and mitigating our environmental impact.

Zain Cash, the county's leading digital wallet, demonstrated remarkable growth over the past year, with a 29% increase in customer base and a 54% surge in revenue Y-o-Y. One notable initiative has been the introduction of Cloud packages for small and medium-sized enterprises (SMEs), enabling businesses to access scalable and efficient solutions for their unique needs.

In addition to these offerings, Zain Jordan has been vigorously promoting its Data-as-a-Service (DaaS) platform to banks and enterprises, ensuring seamless and secure access to valuable data resources. The recent launch of Fiber Sales through the eShop has streamlined the sales cycle, allowing leads to be handled directly.

Furthermore, Zain Jordan has enriched its ZainJo app by introducing new services such as purchasing negative balance, adding Zain Cash as a new payment method, and enabling users to update reference numbers. These enhancements are part of Zain Jordan's commitment to shifting customers towards a digital-first experience, emphasizing convenience and accessibility in every interaction with the brand.



NETWORK KPIs

2,900
Average Daily Data Volume (TB)

100%
2G Population Coverage
3G Population Coverage
LTE Population Coverage
Contact Centre Availability

Operational & Financial Performance	2022	2021	Growth
Customers (000s)	3,788	3,598	5%
Revenue (USD m)	512	500	2%
EBITDA (USD m)	240	230	5%
EBITDA %	47%	46%	-
Net Profit (USD m)	69	132	-47%
ARPU	$11	$10	-
CAPEX (USD m)	200	276	-28%

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 134 million (share price BD 0.137) as of December 31, 2022.

Zain Bahrain has demonstrated remarkable progress in expanding its infrastructure and services throughout the past year. For the full year, the operator generated revenue of USD 179 million, up 4% Y-o-Y. EBITDA increased 1% to reach USD 58 million, reflecting an EBITDA margin of 33%. Net income increased 3% to reach USD 15.2 million, with data revenue growing 6% to represent 47% of total revenue.

This growth was facilitated by the company's continuous focus on upgrading its infrastructure and adopting cutting-edge technologies to provide customers with the best possible service.

The company has focused on enhancing indoor coverage in major establishments and improving home broadband connectivity, particularly in newly developed areas. With an investment of USD 38 million in CAPEX, Zain Bahrain expanded its 5G network to cover more than 86% of the population. This expansion was complemented by the company's first nationwide commercial deployment of a Narrowband Internet of Things (NB-IoT) network and the sunsetting of its 3G network in Q4 2022.

The operator has made significant improvements in technological innovation as as the first operator in the Middle East and Africa to deploy the latest 5G Massive MIMO radio, reducing the company's 5G site-level power consumption by 15% and providing faster speeds and very low latency, and facilitating exciting new use cases, such as gaming and industrial applications.

Additionally, Zain Bahrain was the first operator in the country to activate 5G-NR Carrier Aggregation, further enhancing its network capabilities.

Moreover, the Zain Bahrain Basketball Arena is the first arena to offer 5G high-speed complimentary network service for all visitors services in the Kingdom.

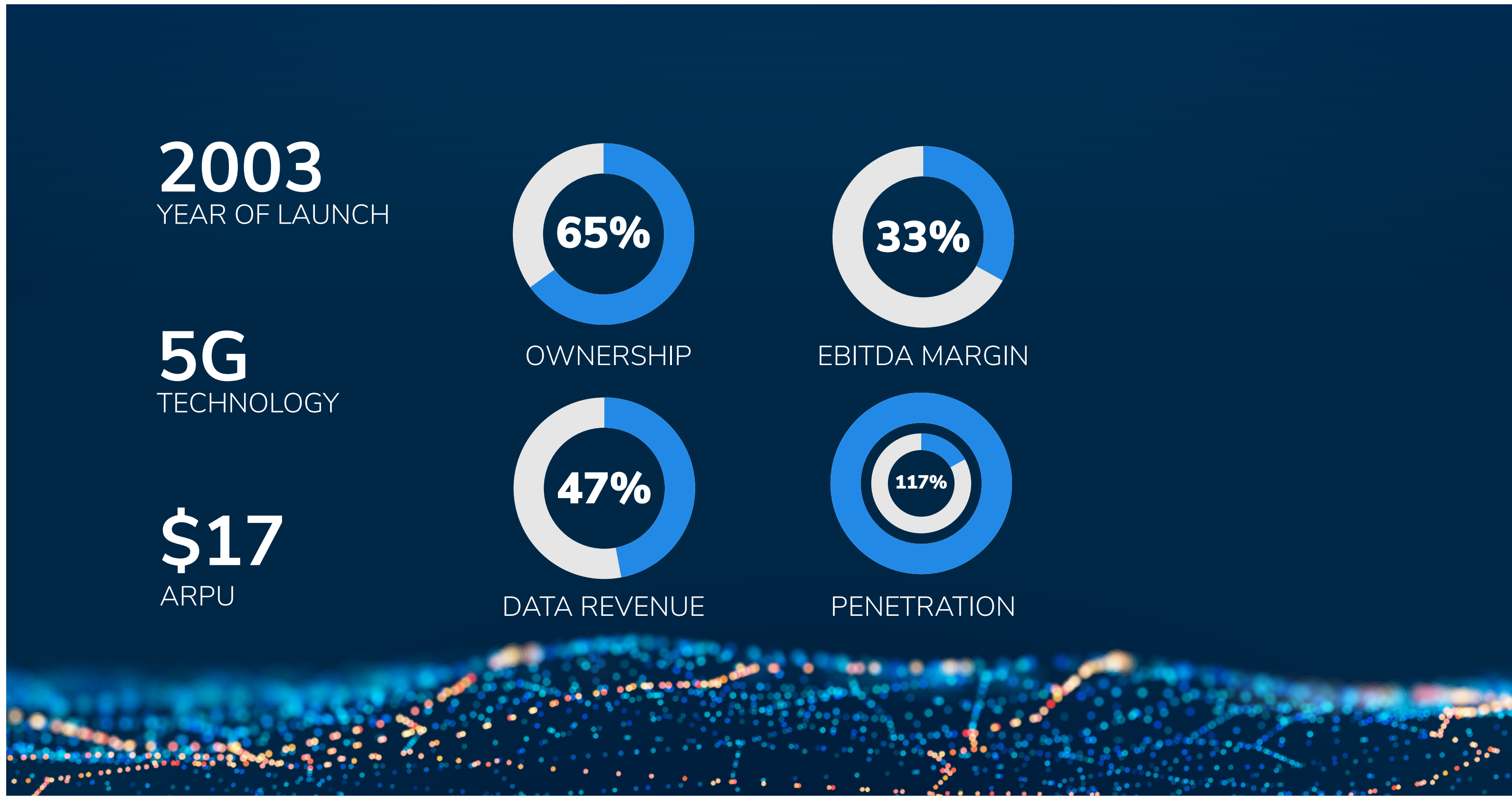
The operator also partnered ZainTech to accelerate the digital transformation of enterprises and government entities in Bahrain. This partnership with the ICT solutions powerhouse of Zain Group, offers a unique value proposition of comprehensive digital solutions and services under one roof.

In October 2022, Zain Bahrain was awarded a Fintech license by the Central Bank of Bahrain (CBB), with plans to launch its Fintech services in 2023. This new venture positions the company for growth in the rapidly evolving financial technology sector.

On a regulatory note; the Value Added Tax (VAT) increased to 10% in 2022, compared to 5% in 2021, impacting the company's financial landscape.

The Board of Directors of Zain Bahrain recommended distributing annual dividends of 8 fils per share to its shareholders.

Operationally, Zain Bahrain focused on the launch and expansion of 5G commercial services to accelerate business opportunities for numerous sectors. The operator's focus on expanding its B2B offerings and portfolio enrichment resulted in it securing major new lucrative deals across different sectors.



NETWORK KPIs

647 Average Daily Data Volume (TB)

100% 2G Population Coverage, 3G Population Coverage, LTE Population Coverage, Contact Centre Availability

86% 5G Population Coverage

Operational & Financial Performance	2022	2021	Growth
Revenue (USD m)	178.7	171.9	4%
EBITDA (USD m)	58.3	57.7	1%
EBITDA %	33%	34%	-
Net Profit (USD m)	15.2	14.8	3%
ARPU	$17	$18	-
CAPEX (USD m)	38	29	31%

REGULATORY AFFAIRS

Zain Group's operations are subject to cross-sector, sector-specific and extraterritorial legislation, regulations, and national licenses. The growth of the future digital economy depends on developments across multiple industries, technologies and sectors. These all have material impacts on the regulatory landscape, which is becoming increasingly complex. Zain Group's '4Sight' strategy has created the platform for Zain to venture into multiple domains. As an organization, we are now subject to laws, regulations, policies, directives and mandates issued by regulators on telecommunications, financial services, data protection, cloud computing, civil aviation (for drones), and climate change. Zain engages with regulators through active participation at industry forums, regulator-led workshops, meetings with Ministers and policy officials, and responses to public and industry consultations initiated by the regulatory bodies. Furthermore, Zain has taken proactive steps to ensure regulatory compliance by instituting a robust regulatory compliance program across the Group.

Regulatory Focus Areas Underpinned By Regulatory Compliance

WHERE TO PLAY?

Spectrum and Technical Regulations
- Spectrum Management & Technical Regulation
- Radio Access Network Spectrum
- Microwave Backhaul Spectrum
- National Spectrum Roadmaps
- Cross Border Frequency Coordination

Customer Affairs and Data Protection
- Personal Data Protection and Privacy
- Consumer Protection
- SIM-Registration / SIM-Caps
- Customer Complaints Handling
- Others: Billing / Collection / Spam

Infrastructure
- Service Licences
- Sites/Masts/Active/Passive Sharing/TowerCo
- National/Intercity/Metro Fibre/Open Access
- International Connectivity/Submarine Cables
- Data Centres/Cable Landing Stations

5G
- 5G Policy Development
- 5G Licensing Rollout Obligations
- Strategic Approach to Verticals
- 5G Security and Privacy
- Demand Stimulation for Use Cases

Industry Taxation and Levies
- Operator Regulatory Fees
- Consumer Levies
- Value Added Taxation
- Universal Service Fees
- Tracking of Regulatory Financial KPIs

B2B, IoT and Cloud
- B2B Enablement
- IoT Regulatory Framework
- eCall Regulations
- Cloud Computing Frameworks
- Cyber-security regulatory mandates

Competition and Market Developments
- Strategic Market Reviews and Remedies
- Access & Interconnection
- Competition Matters
- Telecom Law Reviews
- Others: New Entrants/OTT Players

Innovative Digital Services and Emerging Technologies
- Digital Identity / Facilitation of eKYC
- Electronic Transaction Law / E-Signatures
- E-payment Regulations
- AML/CFT Law and Regulations
- Others: Digital Health / E-Sports

HOW TO PLAY?

Constant alignment with Group Corporate Strategy '4Sight	Engagement with Group Divisions and OpCo Plans	Regulatory Compliance, Risk Evaluation, Prioritisation and Mitigation
Regulatory Authority Engagement	Public Consultation Responses	International Institutional Agenda Alignment
Increased Management Regulatory Awareness	Training and Capacity Building	Best Practices Benchmarking

Zain manages regulatory matters at the Group and the operating company level with robust internal controls frameworks implemented across business jurisdictions. Group-wide impact initiatives are led by Group, while individual markets manage and monitor developments locally.

Group Regulatory Initiatives

Regulatory Compliance Programme

In 2022, as part of Phase 1, Zain successfully rolled out the Telecom Regulatory Compliance Program (RCP) at Group Level and Zain Bahrain. The program institutes internal controls, governance, monitoring and a risk-prioritized resolution approach to regulatory matters. The RCP, envisaged in 2021, is aligned with ISO 37301 (Compliance Management Standard) and ISO 31000 (Risk Management Framework). The Group Regulatory Compliance Policy and Framework developed as part of this Program provides Zain's Regulatory Community with the guidelines for conducting its activities to achieve consistency and standardization across OpCos.

In December 2022, the Board of Directors issued a board resolution mandating further rollout of the RCP across all Zain OpCos in 2023. The RCP Phase II commenced in January 2023. This phase, once complete, will see the rollout of the regulatory compliance effort to Zain Kuwait, Sudan and Iraq in 2023. Subsequently, Phase III will be launched and to ensure that the remaining Opcos are also completed in 2024.

Operating Market Regulatory Developments

In 2022, critical developments took place in Zain's operating markets across the company's eight regulatory focus areas:

Spectrum and Technical Regulations

Covering frequency licence awards in 1800 MHz in Sudan, 1800 MHz and 2100 MHz in Iraq and South Sudan and 3.7 - 3.8 GHz award as part of the settlement agreement in Jordan. A critical development in Saudi Arabia was the issuance of regulations permitting spectrum trading – a first in the MENA region

Infrastructure

Including granting of authorization to commence surveys for submarine cables in Saudi Arabia and Sudan as well as infrastructure sharing studies in Jordan. Tower assets divestment in Iraq, Jordan and Saudi Arabia.

Industry Taxation and Levies

Including changes to revenue share structure in Jordan, new regulatory schedule of fees and value-added taxation increase in Sudan

Competition and Market Developments

Covering the emergence of new entrants in Bahrain and Saudi Arabia

Customer Affairs and Data Protection

Including developments in Bahrain

5G

Including the grant of a licence for 5G in Jordan and trial in Sudan.

B2B, IoT and Cloud

Covering the award or upgrade of cloud computing licenses in Saudi Arabia and Kuwait

Innovative Digital Services and Emerging Technologies

The grant of a financing company licence in Bahrain and other digital initiatives around the Group

Spectrum and Technical Regulations

New Spectrum Acquisition

IRAQ

- 2 x 10 MHz in 1800 MHz band
- Cost of USD 13.533 m per annum
- Tenure up to 30 August 2030
- 2 x 5 MHz in 2100 MHz band in five governorates only
- Cost of USD 2.5 m annually
- Tenure up to 30 August 2030

SOUTH SUDAN

- 2 x 5 MHz in 1800 MHz band in Jan 2022 followed by 2 x 5 MHz in 1800 MHz band in Sep 2022
- LTE Authorisation
- Total consideration of USD 1.925m
- Tenure until 30 Jan 2029

New Developments

JORDAN

Settlement Agreement

- 10-year licence extension for 900, 1800 and 2100 MHz band (25-year licence)
- Technology neutrality in 2100 MHz
- 25-year 5G licence with 100 MHz of spectrum in the 3.5-3.8 GHz band
- Revised revenue share schedule

¤ Renewal of 15-year service licence for broadband wireless access operator, Mada
¤ Extension of Mada's spectrum licence by 5 years as a consequence of settlement agreement

SAUDI ARABIA

- Issuance of new regulatory permitting spectrum trading in the secondary market subject to specific conditions imposed by CST - A MENA regional first

Spectrum Auctions

SUDAN

- Completed successfully auction of:
  ¤ 2 x 10 MHz secured in 1800 MHz band at USD 37m.
  ¤ 10-year licences
  ¤ Payments over five years installments

SAUDI ARABIA

- Auction of 2 x 30 MHz of extended 2100 MHz spectrum for non-terrestrial networks
- Zain chose not to participate
- Future auction of 600 MHz, 700 MHz and 3.8-4.0 GHz postponed

BAHRAIN

- Effective 1st December 2022, the TRA formally granted Zain Bahrain 100 MHz spectrum in the C-Band at BHD 1.8 m for 15-year tenure, payable in five (5) annual installments. Zain Bahrain has paid the first installment.
- Announcement of future plans to auction 700 MHz, 1400 MHz, 2300 MHz, 2500 MHz and 3800 MHz bands for IMT in 2023

Infrastructure

Submarine Cable Approvals

SAUDI ARABIA

- Preliminary approval from Communications, Space and Technology Commission to commence lands marine surveys
- Planning to land the 200G 15,000 km PEACE submarine cable

SUDAN

- Approval by the Telecommunications and Postal Regulatory Authority to land 400 Gbps 10,000 km Africa-1 submarine cable

5G Infrastructure Sharing

JORDAN

- Detailed study led by the Telecommunications Regulatory Commission and operators on merits of sharing 5G radio access amongst
- No regulatory mandate imposed on sharing

Industry Taxation and Levies

Changes to Revenue Share

JORDAN

- Settlement agreement has given rise to changes in revenue share structure.
- Voice and data services over 2G/3G/4G will give rise to 6% revenue share from 1 Jan 2021.
- All services delivered over 5G will give rise to a 10% revenue share.

Changes to VAT and Schedule of Fees

SUDAN

- Value added tax for telecommunications services is now at 40% (previously 35%)
- New schedule of fees reflects higher annual usage costs for radio access network spectrum, microwave links, and cable landing station.

Competition and Market Developments

Market Developments

BAHRAIN

- To curb incidents of default on payments of devices on instalment plans, operator implemented an innovative IMEI blocking solution to prevent unauthorised, stolen or defaulted devices from accessing networks in Bahrain
- In April 2022, the TRA issued a licence to Starlink (SpaceX) to offer satellite and internet services

JORDAN

- TRC commenced efforts to revise the fixed and mobile termination rates and other interconnection fees.
- TRC will use a Total Service Long run Incremental Cost Plus (TSLRIC+) model and expects to complete the work in 2023 in full coordination with licenced service providers.

SAUDI ARABIA

- Two licensed MVNOs (Salam and Redbull) launched MVNO services in Q1 2022, hosted on Zain's network
- In November 2022, CST granted authorisation to E-Space, a space company with a low Earth Orbit (LEO) network to provide satellite-based IoT-services.

Market Developments

SUDAN

- The Telecommunications and Postal Regulatory Authority has increased mobile termination rates from 0.075 SDG to 3 SDG per minute.
- In the long run, the higher MTRs will benefit Zain.
- Throughout 2022, Zain was able to secure approval for an aggregate retail tariff increase of 124%.

KUWAIT

- In 2022, Zain was successful in winning a court judgement at the court of first instance for the award of KD 24.680 million as compensation payable by the Ministry of Communications (MoC) and the Communications & Information Technology Regulatory Authority (CITRA). Both MoC and CITRA have appealed and lost the case. Now Zain is waiting for the final decision of the cassation court.
- Virgin Mobile Kuwait (MVNO hosted on stc's network) launched services in June 2022.

SOUTH SUDAN

- The National Communications Authority approved Zain's proposal to consider inbound international voice calls from one network area (ONA) countries as normal international roaming calls if the traffic has been generated for more than 30 days from the same device.
- This development will enhance profitability of roaming services.

Customer Affairs and Data Protection

Consumer Protection

SAUDI ARABIA

- Ministry of Commerce issued a draft of the Saudi Consumer Protection Law for comments in May 2022
- In June 2022, the Communications, Space and Technology Commission issued a regulation for the protection of ICT service users governing complaints management and data retention for complaints.

Personal Data Protection

BAHRAIN

- In March 2022, the Personal Data Protection Authority issued ten (10) executive regulations covering several areas including the transfer of data outside the Kingdom, the rules and procedures for processing sensitive personal data and data subject rights.

SAUDI ARABIA

- Personal data protection law came into effect on 23 March 2022.
- Saudi Data and Artificial Intelligence Authority (SDAIA) designated as data protection authority.
- Following Public Consultation initiated in November 2022, The Saudi Council of Ministers approved, on 21 March 2023, amendments to the Personal Data Protection Law.

5G

5G Developments

JORDAN

- Following finalisation of the Settlement Agreement, Zain has been issued a 25-year 5G licence with 100 MHz of spectrum in the 3.7 – 3.8 GHz band.
- Zain is obligated to rollout 5G within 18 months from the final allocation of 100 MHz
- Within 4 years Zain must achieve 50% population coverage and within 9 years, 75% population coverage

SUDAN

- In August of 2022, the Telecommunications and Postal Regulatory Authority granted Zain authorisation to conduct a 5G trial for six months.
- 100 MHz in the 3.5 GHz band has been granted to Zain for use on a temporary basis for the trials.
- The trial has been extended until H1 2023.

B2B, IoT and Cloud

B2B, IoT and Cloud

KUWAIT

- Communications & Information Technology Regulatory Authority (CITRA) granted Zain a cloud computing licence in April 2022.
- This licence authorises Zain to offer cloud computing services in compliance with CITRA's cloud computing framework issued in 2021.
- The licence (issued on 11 April 2022) is renewable annually.

SAUDI ARABIA

- In December 2021, Zain KSA had been granted a multi-year (more than 5 years) Class C cloud computing licence
- In October 2022, BIOS Middle East (a ZainTech company) was also granted a Class B licence by CST
- The cloud computing licences enable the organisations to comply with CST's cloud computing framework.

Innovative Digital Services and Emerging Technologies

Digital Services

BAHRAIN

- In October 2022, Zain Bahrain secured a licence from the Central Bank of Bahrain (CBB) to offer services as a Financing Company – including consumer micro-lending, credit cards, payments, peer-to-peer money transfers and other services.

SAUDI ARABIA

- Throughout 2022, as part of the IGNITE programme, the Communications, Space and Technology Commission issued various public consultation on the regulations of digital platforms (including audio and video-on-demand OTTs) with a focus on quality of service targets, licensing and revenue share.

JORDAN

- In 2022, the Government of Jordan initiated plans for Jordan Payments & Clearing Company (JoPACC) to deploy a national eKYC and authentication platform to be used by telecommunications companies, payments services providers and banks.

ZAIN'S REGULATORY AGENDA

Zain continues to refine its regulatory strategy of advocating regulatory modernization to safeguard its future and the sustainability of its operations. Through direct engagement, and responses to public consultations, workshops and seminars, Zain conveys vital messages to foster the development of regulations. Zain will work closely with advocacy bodies such as GSMA, SAMENA Telecommunications Council, and other industry bodies to advance these positions with regulatory bodies and other government stakeholders.

Spectrum and Technical Regulations

- Lowering of spectrum costs for new acquisitions and license renewals
- Grant Longer License Duration in line with international best practice (>20 years)
- Guarantee technology neutrality across all bands
- Favorable Payment Models: Installment over license tenure; deferred payment schemes
- Accelerated release of IMT spectrum in markets with limited spectrum holdings
- Regulator-led cross border frequency & synchronisation coordination across all bands
- Apply light-licensing regime to E-Band Spectrum for Microwave Backhaul
- Proactive Publication of National Spectrum Roadmap for Coordinated Planning

Infrastructure

- Support right to deploy fibre or regulated access to fibre on fair price and non-price terns
- Liberalisation of international gateway and cable landing stations
- To lower IP transit costs, advocate landing of more submarine cables
- Favourable legislation for passive/active infrastructure sharing & TowerCo establishment
- Offer unified or integrated licences to permitting fixed and mobile services for converged offerings
- Accelerate initiatives to support digital infrastructure: Data centres, IXPs, etc.

Industry Taxation & Levies

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

Competition And Market Developments

- Periodic Strategic market reviews to assess effectiveness of any ex-ante obligations
- Avoid stringent regulations or government behavior that impede competition (e.g monopolies)
- Implement proportionate remedies – only apply tariff pre-approvals on dominant operators
- Market liberalisation should consider ability of existing players to sustain and recoup investments

Customer Affairs

- Enact consumer protection legislation to guard against unfair terms and foster transparency
- Create a safer internet experience for consumers, businesses and society
- Develop Robust Standalone Data Protection Laws Across All Sectors
- Create flexible and reasonable SIM Registration Requirements

5G

- Ensure 5G rollout obligations are not onerous
- Government-led 5G investment support in exchange for accelerated rollout of 5G
- Licensed spectrum dedicated to MNOs and not to Verticals
- Government to stimulate 5G demand and cross sector collaboration to support use-cases

B2B, Cloud and IoT

- Lobby for Unified Licenses or Right to Offer Fixed/Data Centre Services
- Accelerate adoption of Cloud regulations through favourable legislation
- Permit cross-border transfer of non-personal data for centralized processing
- Create favourable regulatory frameworks to enable IoT/M2M deployment and service provision

Innovative Digital Services and Emerging Technologies

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

RISK MANAGEMENT

A. Overview

A robust and agile risk management framework enables Zain to achieve its strategic objectives by identifying, analyzing, mitigating, monitoring, and governing risks or potential threats to strategic objectives, as well as identifying opportunities.

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

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

Framework

The risk management framework has been benchmarked against leading global risk management standards and guidance such as ISO 31000 and the Committee of Sponsoring Organization (COSO) framework.

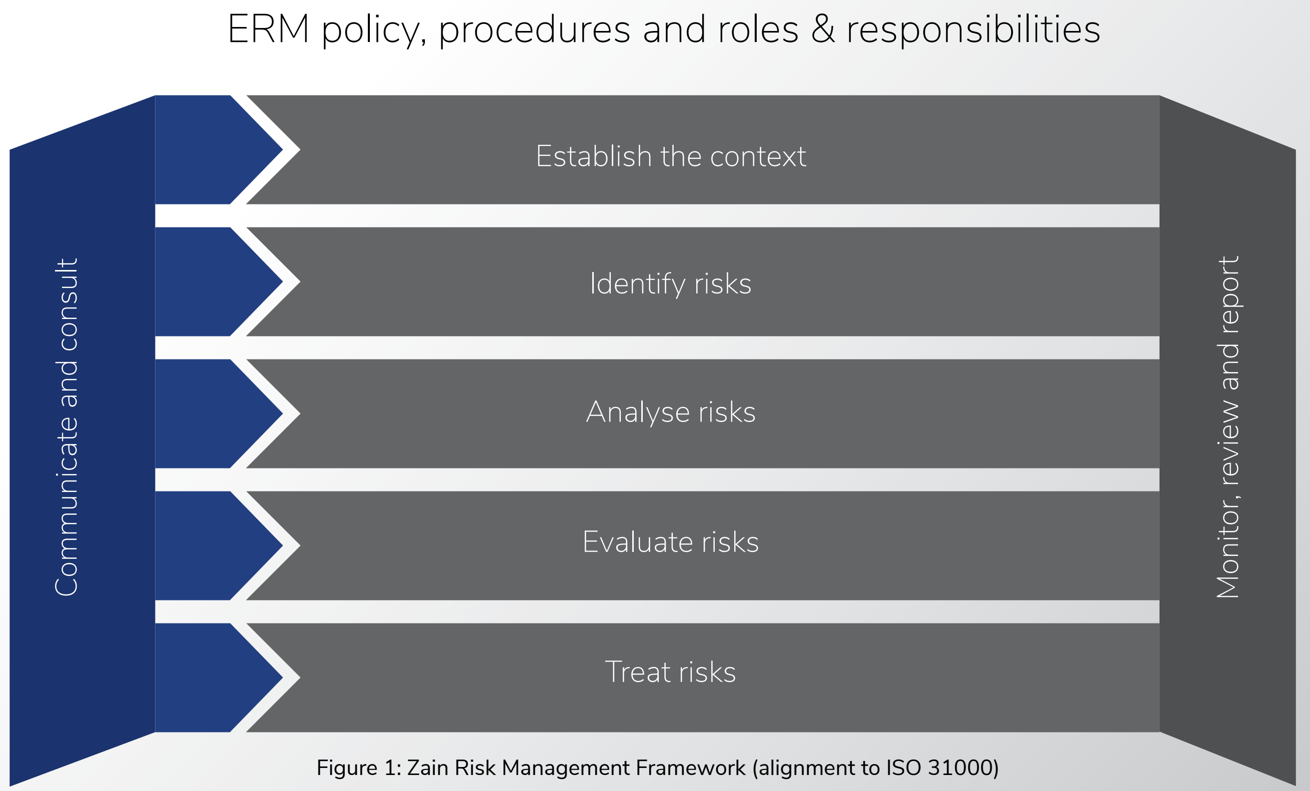


Figure 1: Zain Risk Management Framework (alignment to ISO 31000)

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

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

	Description	Impact	Mitigation
Evolving regulatory regime	As our business is undergoing digital transformation, regulatory implications bring new challenges. The risk of increased licensing fees	Increased cost of operations (license fees, cost of regulatory compliance) leading to reduced profits, delay or rejection in launching new businesses and services to create new revenue streams.	Collaborate with market regulatory authorities and other stakeholders, engaging in market issues, with a clear focus on common benefits. Innovation on new products and services to enhance revenues and overcome increased regulatory costs.
Cybersecurity	As technologies advance rapidly, cybersecurity threats are also evolving and need continuous monitoring.	Customer data breach, financial, reputational, or regulatory consequences.	Ongoing enhancement of our cybersecurity capabilities by updating: 1. Policies and procedures 2. Latest security tools 3. Training and awareness programs 4. Periodic security assessments
Revenue diversification	Disruptive technologies are being adopted at an extremely fast rate, where competitors are infringing on traditional voice and SMS revenue streams. Competition as well as new entrants in the market	OTT applications continue to impact revenues for all mobile network operators. Competition drives prices down and new entrants affect profitability and market performance.	Transform business from a pure telecom to a digital lifestyle provider by introducing 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 significantly. Geopolitical hindrances lead to reduced access to capital and technology. Political unrest causes disruption to operations.	Reduced customer spending leads to reduced revenues impacting the execution of the company's strategy. Weakening currencies impact the profitability of Zain's operations and asset valuation.	Ensure cost optimization initiatives and access to long- and short-term capital options through varied sources of funding. Employ various hedging instruments to prevent value erosion of assets. Ongoing improvement of our business continuity capabilities across operations.
Talent management	Digital transformation strategies require transformation of workforce capability and skills, as talent acquisition needs are pronounced in domains such as machine learning, data science, AI and software-based networks.	Business initiatives leveraging digital platforms and new skillsets will be affected, leading to disruption to the digital transformation program.	Re-structuring organizational structure to align with a digital future while maintaining an effective balance between external hires, contractors, and internal re-skilling program. Initiatives to attract digital/tech talent by creating a compelling value proposition for prospective talent.

Technology

Data Governance & Management

Zain is introducing a Data Governance Framework Program across its operations. It is considered the foundational blueprint of data management, practices, goals, responsibilities, technology, and culture that helps ensure usability of all the data an enterprise collects. The data governance program is driven by the global association DAMA to establish standardized data systems, policies, procedures, and measures across organizations. Data governance leads to improved data quality and efficiency, decreased data management costs, and increased access to data for all stakeholders. The result is better decision making, better business outcomes, and greater return on investment.

Business Intelligence and Analytics

By rolling out Data Lake and Enterprise data warehouse solutions across its operations, Zain aims to drive better business decisions, improve operational efficiency, and introduce data monetization use cases. Furthermore, Data Lakes based on big data or other Hadoop clusters are used as repositories for business intelligence (BI) and analytics data. On the other hand, BI self-service and data discovery tools are used by business users to develop reports, dashboards, analytics, and visualizations. Moreover, advanced analytics, such as data mining, predictive analytics, clustering, and statistical analysis are further developed by data scientists.

CDN Contribution to OPEX Optimization

Content Delivery Network (CDN) caches nearly all types of content (such as images, videos, and webpages) in proxy servers that are located closer to end users than origin servers, which may be located very far away. This approach eases the delivery of content in the fastest possible way and hence enhances the user experience by reducing the normal latency accompanied with such action. On the other hand, and from an operational perspective, we are trying to offload the Internet Service Provider (ISP) bandwidth which certainly means a considerable amount of OPEX saving. In 2022, we have expanded our CDN base in nearly all of our operations and added even new CDNs to enrich user experience. Currently, we save between 60-80% of ISP bandwidth in each operation, which can be interpreted as millions of dollars in savings every year. This is an ongoing optimization project in which we try to broaden and diversify our CDN base to gain maximum benefit.

Digital BSS

Zain continues to invest in Digital BSS transformation programs across its affiliates and is taking steps to transform the organization to become a digital enabled operator, a category leader, and best-in-class service provider.

Using agile methodology, some of these programs have completed their first drop(s) and have started showing actual benefits to Zain customers in Saudi Arabia, where the first drop is already live as part of one of the biggest BSS transformations across Zain operations. In the same spirit, Zain Iraq is in the last stages of transforming the legacy BSS to a digital BSS. Zain South Sudan is not far behind, moving to a brand new digital BSS stack in the first quarter of 2023.

As a leading digital player in the region, Zain will continue its transformation journey in 2023, with Zain Kuwait set to commence a large transformation journey with best-of-class concepts.

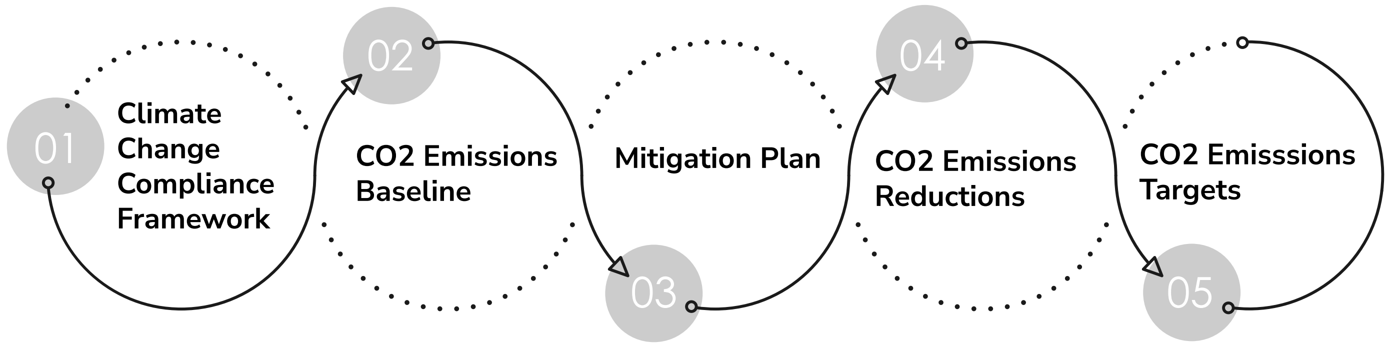
New CO2 Emissions Targets

Zain's current CO2 emissions targets are due to expire in 2022, having been set in 2017 for a period of five years. In December 2021, a CO2 focused committee made up of representatives from Zain's seven operating companies was created with the objective of redefining our emissions baseline, devising a mitigation plan, and evaluating the impact of such a plan on the baseline. Zain has a plan to cut its CO2 emissions by almost 24% between 2023 and 2027. The new CO2 emissions targets and related initiatives are aligned with the climate change compliance framework approved by Zain's Board of Directors.

Climate Change Compliance Framework

The need to structure our climate action guided the creation of Zain's climate change compliance framework in 2022. The framework clearly states

Zain's ambition to be Net Zero by 2050, which means aligning our climate action with the recommendations set by the IPCC, the GSMA and the SBTi to limit global warming to 1.5°C compared to pre-industrial levels. Our entire value chain is covered in the framework, which goes from the use of eco-design principles; to the deployment of energy efficient as well as renewable power solutions; the elimination of all types of waste; and engagement with suppliers and partners to address our indirect emissions.



All-Optical Backhauling Network

The increasing demand for ultra-high capacity and low-latency mobile network services make fiber optic connectivity the leading choice of technology, which can meet exponentially growing capacity and low-latency requirements without the limitations of existing wireless technologies.

Zain's fiber backhaul is an end-to-end optical infrastructure from mobile end site all the way to network data center, which provides more robust and secure services combined with a seamless experience. Zain believes that fiber optic backhaul will allow it to reduce the complexities in the network and add more capabilities to its transport networks, which will play a vital role in enhancing the evolution of its advanced 5G services, while accelerating its digital transformation and digital services.

Zain realized the importance of fiber optics for the success of its business and started early to expand its network in its operations in Jordan, Kuwait, Sudan, Saudi Arabia, and Iraq. Having deployed more than 41,000 kilometers of fiber optic cable and rolled out over 4,800 fiber-connected sites which grew in number by 10% during 2022, Zain Jordan and Zain Kuwait saw over 60% of fiber-to-site in their networks, while Zain Iraq also invested heavily and accelerated its fiber deployments. These investments are helping Zain operations to provide high-speed premium quality and stable services of up to 50Gbps per site.
Zain will continue to invest heavily in fiber optics as the company builds a long-term digital support transport network, which facilitates cutting-edge services and enables enjoyable experiences for customers.

Embarking on a 5G-Advanced Journey

After the successful introduction of 5G services in various Zain markets, with traffic share reaching 50% of the total traffic, and 5G users growing rapidly, Zain is now accelerating the evolution to 5G-Advanced to continue enriching the customer experience and providing innovation services to support digital transformation across multiple sectors.

Together with its technology partners, Zain will be working to optimize network architecture and extend 5G capabilities by verifying 5G-Advanced technology features through various deployments and trial, including extremely large Antenna Array Massive MIMO, Super Uplink, Supplementary Uplink, RedCap, Passive IoT, Sensing and Communications, and Network Intelligence. The target is to achieve an extraordinary 10Gbps download and 1Gbps upload speed milestone, 100 times more capacity connections, and native intelligence in the network. These technologies will equip businesses with new capabilities to deliver evolved use cases that further uplift various industries.

The Zain Brand

A brand committed to the region's economic and social prosperity

Zain continues to enhance its brand position as one of the most powerful and loved telecom entities in the region. Across the wider MENA region and its operating markets, Zain's awareness and tactical campaigns covering digital innovation, corporate sustainability, and eye-catching marketing and social media campaigns have inspired countless people across the region, reinforcing Zain's high standing.

15 years after the Zain brand was originally launched in 2007, the brand's valuation has consistently exceeded US$2 billion, with the 2022 valuation at US$2.4 billion, an increase of 9.6% year-on-year, according to the Brand Finance 2022 Global Telecom and Middle East brands report. This valuation and brand rating of AA maintains Zain's position as the unrivaled leading home grown brand from Kuwait and one of the region's most loved and recognizable brands.

This noteworthy valuation represents quality mobile and data services. Investments in emerging technologies and network capabilities including 5G and FTTH, in tandem with its 4Sight strategy of partnering with and investing in new business verticals, empowers Zain to offer compelling products and service that extend beyond telecom into a vast array of digital services, content, gaming, entertainment, home automation, e-sports, cloud, artificial intelligence, cybersecurity, smart cities, drones, robotics, and more.

As Zain, our commitment to creating a wonderful world is to lift the barriers to innovation through the introduction of digital services that will allow governments, businesses, and individuals within our operating areas to streamline their operations, increase their digital footprint, and reach heightened levels of success.

However, creating a wonderful world means much more than the introduction or expansion of cutting-edge technologies. It is an active global vision created to uplift all the lives we touch far beyond increasing their ease of access to the digital world.

Zain will continue to develop its brand equity by investing in operations, technology, innovation, marketing, and customer experience in tandem with its numerous corporate sustainability initiatives. The company's initiatives across operations have contributed to the reinforcement of the Zain brand promise and business ethos. The company seeks to unlock opportunities for customers and for the communities it serves, remaining committed to the region's economic and social prosperity.

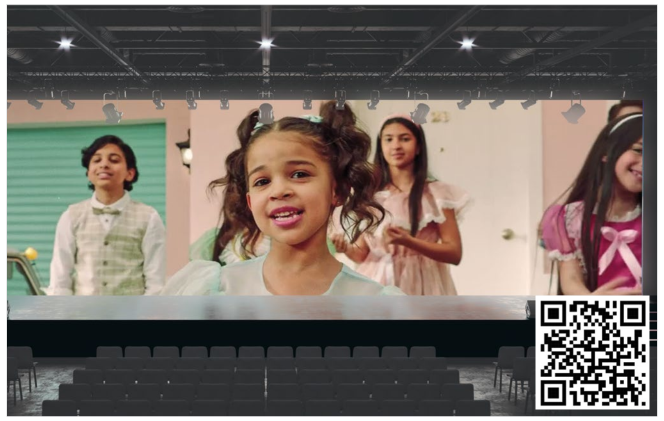
Successful marketing campaigns to enhance brand

Complementing multiple creative campaigns across its footprint, capturing the hearts and minds of the region, every Ramadan, Zain presents a new message that touches upon the most relevant issues in life in its television commercials to the region's substantial Ramadan audience.

The 2022 Ramadan and Eid television achieved 200 million views on YouTube alone, a record in the company's history. Apart from employing the best talent to produce its commercials, Zain partners with and utilizes the best creative digital agencies across the region to ensure its brand is widely seen and appreciated.

The Ramadan 2022 Television Commercial

The message behind this television commercial was to raise awareness about multiple social and political issues. We addressed the murmurs of the looming possibility of a Third World War while highlighting that there are also thousands of other battles happening daily that are on an individual basis, which affect the social fabric of our society, and included battles against bullying and racism. Lebanese actress Nadine Njeim plays the main character in the commercial, and Hala Al Turk sings the song. The commercial concludes with a powerful message: «Liable; our hearts are liable for the spoken and the achievable. Internal armies at wellbeing's defense with kindness but also a lance." It was viewed by over 20 million across various platforms, plus shown on various major satellite TV channels watched by millions.



The Eid 2022 Television Commercial

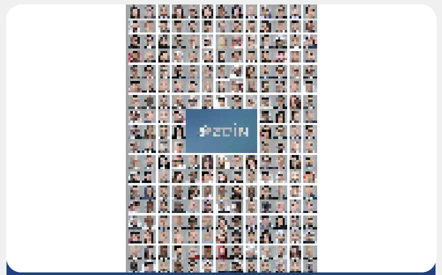
Focused on highlighting the joy and happiness we receive from Eid preparations, such as new clothes, Ahmed Saad, a famous Egyptian artist, depicts this joy in song and dance. The commercial concludes with the message, "You are the Eid of Zain, the heartbeat, the giggle of life, and the flutter of eyes." The commercial went viral, reaching 224 million organic views on YouTube, a record for Zain.

A multiple award-winning brand

Zain's multiple initiatives contributed to the overall increase of the company's brand equity and accordingly, Zain Group and its operations received numerous prestigious awards during 2022.

ZAIN GROUP

Zain Group granted the **'Best Telco Operator'** accolade for 2022 at the prestigious Telecoms World Middle East Awards.



Zain ranked the **'Best Employer in Kuwait'** and one of the top-10 companies to work for in the Middle East.

Zain recognized for the **'Best Diversity & Inclusion (D&I) Strategy'** and **'Best Women Development & Leadership Program'** in the Middle East at the Future Workplace Awards 2022.

Zain awarded the **'Best Telecom Brand'** in the Middle East for the third consecutive year at the Telecom Review Summit Excellence Awards gala ceremony.

Zain Group granted the World Finance **'Best Corporate Governance Award 2022'** in Kuwait for the second consecutive year.

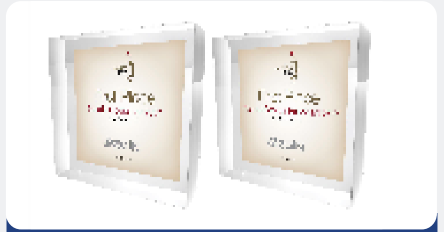
ZainTech recieves the Fast Company Middle East's **'Most Innovative Companies 2022'** award for accelerating digital transformation across the region

ZainTech awarded the **'Best Digital Service'** for delivering managed solutions across ICT verticals including cloud, cybersecurity, big data, IoT, artificial intelligence, smart cities, drones, robotics, and emerging technologies.

ZainTech received two awards for the **'Best ICT Investment'** for its agreement to acquire BIOS Middle East, a managed cloud service provider and **'Best Enhanced Service Provider'** for its Drone-as-a-Service offering.

ZainTech received two awards at the SAMENA Council-endorsed MEA Business Magazine Technology Achievement Awards 2022: **'Ground-Breaking Products'** and **' Services and Innovative Collaborations and Partnerships'**.

ZAIN KUWAIT



Zain Kuwait ranked first in the '**Best Mobile Operator**' category for the tenth time and the '**Best Internet Service Provider**' category for the sixth time in Kuwait for the year 2021 by Service Hero which was announced in 2022.

Zain Kuwait recieved the '**Best B2C and Marketplace Company**' by Liferay Inc. recognizing the company's innovation-driven digital customer experiences.

Zain was named '**Best Telecom Company**' and '**Best Digital Transformation Telecom Company**' in Kuwait for the year 2022, from International Finance Magazine that recognizes the company's success, transformation and innovation to serve its customer base.

Zain Kuwait recognized for four awards during the tenth Kuwait Creativity Award and became the most recognized company in the Award's 10-year history. Zain received a **Direction Award** in recognition of its Ramadan TVC, **Creativity Award** in recognition of its Eid TVC, **Entertainment Programs Excellence Award** for its Eid Play Zain Forever, and the Public Relations Award.

ZAIN SAUDI ARABIA

Telecom Review awarded Zain KSA's with several awards: "**Best Middle Eastern 5G Standalone Network**", "**Best Middle Eastern Cloud Provider**", "Best Middle Eastern CSR Initiative", and "Middle East CTO Merit Leader of the Year" during the summit's 16th edition.

Social media: promoting the brand to 23 million followers

Zain's relentless focus on promoting its brand creativity and messaging, corporate sustainability, and activities across its markets and the wider region through social media channels resulted in an impressive increase in followers, engagement, and views across social media channels. Both the Ramadan Eid and Eid Al Fitr television commercials attracted in the vicinity of 200 million views on YouTube. Annually, Zain Group and its operations' YouTube channels receive more than 250 million views.

In September, just before children return back to school, the company saw an opportune time to launch a campaign against bullying, which is a major topic worldwide and the subject was highlighted in an eight series short video campaign using the slogan لا يحق لك . (You don't have the right to bully anyone). Within 48 hours, the video was viewed by over 100,000 organic viewers across Group and opco social media platforms and racked up thousands of shares. The eight videos witnessed over one million views during the campaign.

Social media teams across Zain's footprint regularly produce appealing and engaging content, consumed by responsive followers. This has resulted in a loyal social media base across the Zain footprint, numbering over 22 million, with 13 million fans on Facebook, more than 7 million followers on Twitter, 2.6 million on Instagram, and 770,000 on LinkedIn.

ZainTech: The partner of choice for digital transformation

In 2021, we embarked on a journey to become a regional tech champion, and in 2022, our focus was centered on laying the foundation for an agile operation and building our position as a significant digital and ICT player in the region.

The company›s dedication led to a doubling in both team members and revenues. With over 300 experts; a complete portfolio of cutting-edge services across cloud, cybersecurity, digital, data, drones and robotics; agile service models with strong, fully managed operational capabilities, coupled with Zain›s telecom expertise, ZainTech is an ideal enterprise technology partner for customers in the MENA region.

With significant investments in automation, partnerships with innovative global players, and an extensive network of data centers across Zain's operating countries, ZainTech provides end-to-end multi-cloud capabilities across advisory, professional, and managed services that are traditionally delivered by global consulting firms for large enterprises. ZainTech is able to render these quality services to regional mid-sized enterprises at price points tailored to them.

The company currently operates in the UAE, Kuwait, Iraq, Jordan, Bahrain, Saudi Arabia, Sudan, and South Sudan, with cloud infrastructure servicing over 250 clients across various critical industries and with the potential to expand further.

Partnerships driving growth

In 2022, ZainTech established significant partnerships with leading industry players in the region to drive the best outcomes for all stakeholders and help customers leverage the strength of cutting-edge services to accelerate their digital transformation without multi-vendor complexities.

ZainTech was recognized as VMware's Strategic Partner during GITEX 2022, based on the ability of its multi-cloud solutions to empower organizations across its footprint with agile, efficient, and scalable solutions that meet the demands of sovereign regulations on data. As part of an ongoing partnership, ZainTech leverages VMware solutions to provide enterprises and governments with innovative engineering services that include compelling sovereign cloud capabilities and flexible, utilization-based pricing models for VMware technology and services that help optimize and reduce the total cost of ownership.

VMware customers can also be migrated to Zain's data centers in Kuwait, Bahrain, Iraq, Jordan, and Saudi Arabia, thus reducing the clients' requirement to make additional CAPEX investments should they be nearing their hardware end-of-life or full capacity. Zain›s data centers are also a viable prospect for new VMware customers, eliminating the need to invest in CAPEX by implementing a cost-effective OPEX-based model.

ZainTech partnered with Atos, a global leader in digital transformation, to bring businesses, governments, and communities state-of-the-art managed cybersecurity solutions to proactively hunt, monitor, contain, and respond to threats 24/7. LigaData, a data analytics specialist, joined the list of ZainTech partners to support the company in providing data analytics and artificial intelligence services to enterprise and government customers to assist them make better-informed decisions and drive business growth.

In 2022, ZainTech entered into a go-to-market strategic cooperation agreement with Amazon Web Services, Inc. (AWS), enabling ZainTech›s cloud business to offer holistic cloud services with strong multi-cloud competencies and provide customers with end-to-end capabilities ranging from cloud strategy to managed services. The two companies also worked closely together to deliver

new solutions in the areas of AWS Snowball Edge, including the AWS Outposts and AWS Snow Family; AWS artificial intelligence/machine learning, AWS Direct Connect, and AWS Cloud WAN offerings.

As part of the collaboration with AWS, ZainTech agreed establish a Cloud Center of Excellence (CCoE) to train and certify ZainTech's cloud teams and expand ZainTech›s strong business-driven approach to transformation, broad multi-cloud capabilities, and the company›s significant investments in automation and innovation. The companies will also work together to develop accelerators for migrating and managing SAP, VMware, and other enterprise applications to AWS, helping businesses integrate their existing IT investments.

ZainTech also partnered with Tunstall Healthcare, an international health and care technology company, to offer remote patient monitoring (RPM) as a service to healthcare providers (HCPs). The service assists HCPs in offering an enhanced experience by effectively monitoring patients' chronic diseases in and out of hospital premises. In partnership with Oracle Exadata Cloud@ Customer, ZainTech provided in-country cloud hosting services for an organization's Oracle Database across its operating countries, creating numerous business advantages.

ZainTech also partnered with Cloudera, Inc., a US software company providing enterprise data management systems, to build modern data platforms and accelerate ZainTech's big data initiatives leveraging the Cloudera Data Platform (CDP). The two companies combined their respective technologies and technical know-how to provide customers with a single point of veracity by collecting and analyzing data from various sources to provide information intelligence and improve customers' business processes.

Acquisitions to strengthen market position

One of 2022's major highlights was the acquisition of BIOS Middle East, a regional managed secure cloud provider with a presence in the UAE, Saudi Arabia, and Oman. This acquisition strengthened ZainTech's position in the market and opened up new growth opportunities.

ZainTech acquires BIOS Middle East

Since its establishment in 2002, BIOS has served over 300 global and regional customers by offering managed services and cloud solutions with 24x7x365 support and a measurable service layer agreement. CloudHPT, AWS, Microsoft Azure, managed multi-cloud access, security as a service, infrastructure as a service, and disaster recovery as

a service are just a few of the capabilities provided by over 140 BIOS professionals across the region. Full integration of the BIOS operations within ZainTech is to happen over the next 12-18 months, expanding the services offered to governments and enterprises.

Awards recognize the unique value proposition

The market responded positively to the ZainTech's initiatives, resulting in the company receiving multiple industry awards and recognitions. During the Telecom Review Summit Excellence Awards 2022 gala ceremony held in December 2022, ZainTech won the award for '**Best Middle Eastern ICT Investment**' for its acquisition of BIOS Middle East and '**Best Global Enhanced Service Provider**' for its use of Elios 3 drones in the inspection of a sea water network, which was a regional first.

In November, ZainTech was awarded Fast Company Middle East's prestigious **Most Innovative Companies 2022** award in the Enterprise segment for accelerating digital transformation across the region.

As a testament to its one-stop business model of providing digital transformation solutions to enterprises across the region, ZainTech received two awards at the prestigious SAMENA Council-endorsed MEA Business Magazine Technology Achievement Awards in October 2022. The first award was in the category of 'Ground-Breaking Products' for the company's unique value proposition of comprehensive digital solutions and services, while the second was in the category of '**Services and Innovative Collaborations and Partnerships**' in acknowledgment of the launch of the strategic go-to-market agreement with AWS. In May 2022, ZainTech was recognized with the '**Best Digital Service**' accolade at the Telecoms World Middle East Awards for providing a center of excellence and managed solutions across multiple ICT verticals, and for being a key pillar in the evolution of Zain Group's core telecom business. This included empowering Zain Business in key markets with a comprehensive range of quality enterprise offerings, expertise as well as broad partner relationships.

2022 AWARDS

TELECOM REVIEW AWARDS FOR BEST ME ICT INVESTMENT

TELECOM REVIEW AWARDS FOR BEST ENHANCED SERVICE PROVIDER

TELECOMS WORLD MIDDLE EAST AWARD FOR BEST DIGITAL SERVICE

FASTCOMPANY MOST INNOVATIVE COMPANIES AWARD

SAMENA COUNCIL-ENDORSED MEA BUSINESS AWARDS FOR GROUNDBREAKING PRODUCTS

SAMENA COUNCIL-ENDORSED MEA BUSINESS AWARDS FOR INNOVATIVE COLLABORATION

Looking Ahead

ZainTech is taking confident steps towards achieving its vision of becoming a leading digital transformation enabler in the MENA region. In 2023, the company looks forward to building further upon its strong foundation and focusing on growing awareness and winning mindshare. ZainTech will continue to deepen and widen its portfolio of products and services organically, and, where it makes sense to, look at inorganic growth opportunities as they arise, such as further partnering with technology stalwarts or assessing acquisition options.

Furthermore, the company will work closely and support Zain's local B2B teams across its footprint to drive market development and cross-sell advanced ICT services to differentiate Zain's position in the regional enterprise market.

OPERATING IN
8 COUNTRIES
WITH CLOUD INFRASTRUCTURE

UAE, KUWAIT, IRAQ, JORDAN, BAHRAIN, KSA, SUDAN & SOUTH SUDAN

250+
CLIENTS

300+
EXPERTS

Diversity, Equity & Inclusion

Zain is establishing itself as a global benchmark with regards to Diversity, Equity and Inclusion (DEI), reaping multiple awards for its diversity and Inclusion strategy and gaining global recognition for its initiatives in the areas of youth empowerment (ZY), internal innovation (ZAINIAC), gender diversity and inclusion (WE), disability inclusion (WE ABLE), mental wellness (BE WELL), and mentoring (REACH).

The relentless efforts of the Zain DEI team resulted in Zain recognized as having the “Best Diversity and Inclusion Strategy” and “Best Women Development and Leadership Program” in the Middle East at the Future Workplace Awards 2022, by the UK-based Informa Connect, a member of the FTSE 100.

Zain has set DEI targets to achieve a more balanced workforce, which include:

- The launch of the DEI University to ensure our inclusion competencies are instilled and integrated with our company values
- 25% of leadership pool to be women
- 50% of full-time employees trained in inclusive diversity and unconscious bias
- A data-driven platform that reports on inclusion and productivity in collaboration with HR
- Increase the number of people with disabilities within the Zain workforce to 100 Group-wide
- Ensure all training programs are disability-inclusive and guarantee accessibility across all touchpoints
- Train and increase ZY leaders – 100 youth leaders to be trained by 2025
- Achieving an award-winning innovation platform

BE WELL – Mental Wellness and Wellbeing

In a regional first, BE WELL gave employees access to free counseling sessions with Kuwait Counseling Center (KCC) and subscription to Tuhoon, an Arabic self-help application, which offers tools to support Zainers to maintain their mental health and enhance their workplace wellbeing.

Shedding light on several different aspects of wellness, Zain ensured it participates in all relevant awareness days linked to employee wellbeing and mental health. BE WELL also hosted several workshops and challenges in collaboration with professionals to combat stigmas and raise awareness.

ZY – Zain Youth Development Programs

The ZY program aspires to create an internal pool of empowered, engaged, and skilled youth within Zain. The programs invest heavily in the youth to prepare them for growth within themselves and to accelerate their careers. Four candidates graduated from Z22, a one-year development program aimed at identifying and assessing young graduates who innately possess leadership skills.

WE ABLE – Disability Inclusion Initiative

Zain’s partnerships with the Valuable500 and the International Labor Organization Global Business and Disability Network remain strong in ensuring Zain’s practices and day-to-day business are disability inclusive. The GROW program launched its second development program for fresh graduates with disabilities to prepare them for the workforce. Additionally, WE ABLE achieved a milestone by certifying more than 300 employees in sign language, showcasing Its serious stance on inclusion of people with disabilities.

WE – Gender Diversity and Inclusion

Zain’s gender diversity and inclusion initiative aims to diminish any potential glass ceilings through the development of potential leaders as well as tapping into other elements falling under gender gaps. Zain is focusing on addressing headcount gaps found in the technical division and revenue generating divisions through the development of women from STEM backgrounds.

Zain launched WE SUCCEED, a middle management succession program that included training on awareness and perspective, personal purpose, connection, and psychological safety. Half the participants in the program will be assigned with a Zain sponsor, to accelerate their career progression.

ZAINIAC – Internal Innovation

As Zain grows, and new business opportunities are presented, ZAINIAC aims to engage employees with the courage to share ideas, innovate, and aspire for greatness through the launch of their own startups through the platform.

Zain identified over 40 senior managers and directors during a three-month ZAINIAC Academy program, working on projects aligned with Zain’s

strategy, and following rigorous training which included over 85 hours spent on topics such as creative problem-solving skills, innovation, and the development of leadership competencies.

REACH – Mentoring Initiative

The REACH initiative brings employees together through a culture of openness, knowledge sharing, and learning, facilitating employees’ endless opportunities for networking and building skillsets through one-on-one meetings with Zain experts.

Throughout the year, employees were invited to engage in speed mentoring sessions where they would sequentially meet with a handpicked group of experts in their fields within Zain. More than 500 Zainers participated in speed mentoring during the year.

The REACH initiative brings employees together through a culture of openness, knowledge sharing, and learning, facilitating employees’ endless opportunities for networking and building skillsets through one-on-one meetings with Zain experts.

Corporate Sustainability

Zain's Corporate Sustainability (CS) strategy is key to driving socio-economic and environmental development across its operating markets. The targets set under Zain's four pillars of the CS strategy aim to address societal challenges ultimately contributing to the growth of its communities and the business. In 2022, the company underwent a comprehensive stakeholder engagement process that provided Zain with insights needed to adjust the CS strategy to ensure it incorporates its evolving operating context, stakeholder feedback, guidance provided by leading industry associations, and data from machine-learning based analytic platforms.

The targets set under the four pillars of the CS strategy allow the company to pursue sustainable development and growth for both the business and society.

Zain's Mission: To provide Meaningful Connectivity leading to equitable systemic change and empower Zain's communities

Zain's Vision:

- Safeguard the planet
- Address societal challenges through the core business
- Enable an inclusive digital society
- Build the youth of the future

All topics and materials mentioned in this section can be found in greater detail in Zain's 2022 Sustainability Report.

Link to report: **https://zain.com/SR2022**

Focus Pillars:

Climate Change

Decarbonize our business & **transition** towards **NetZero** by **2050**

Operating Responsibly

Embed ESG across our **value chain**

Inclusion

Reduce the digital inequality gap

Generation Youth

Build **resilience** across our communities by targeting **16 million** children and youth

Climate Change

Throughout the year, the company continued to achieve milestones to transition to Net-Zero by 2050. Zain recognizes that the journey is complex and requires a robust and agile approach to achieve this ambition. A thorough adaption and mitigation plan was set followed by concerted actions that aim to mitigate risks of climate change and leverage on its opportunities. In 2022, the plan established, and the newly revised targets have been finalized where implementation will commence in 2023. Zain continues to place great efforts in responding to market signals, investor and consumer demands while simultaneously reducing its carbon footprint.

In 2022, the company continued to disclose its climate management to CDP earning an A- score showcasing Zain's continued leadership position on climate action. Further, Zain discloses on Task Force on Climate-Related Financial Disclosures (TCFD) that has a designated section in the Sustainability Report to demonstrate its alignment to international best practices. Zain officially submitted its commitment letter to Science Based Targets initiative (SBTi) and received the formal approval on January 6, 2023. The company renewed its emission reduction targets starting from 2023 in line with SBTi. Further information can be found in Zain's Sustainability Report or Zain's official website.

The below are Zain's Emission Reduction Performance and Targets:
2022 Emissions Reduction Targets

CATEGORY 1 UNSTABLE POWER GRID

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

CATEGORY 2 STABLE POWER GRID

- BAHRAIN **15%**
- KUWAIT **25%**
- JORDAN **20%**
- SAUDI ARABIA **20%**

The tables below exhibit the total fuel and electricity consumptions across its operating markets as well as the respective Scope 1 and Scope 2 CO_2 emissions. The data also illustrates the percentage increase/decrease in emissions per base station from 2017 to 2022.

CO2 Emissions Reductions (2021-2022)

Descriptions	Units	Kuwait	Saudi Arabia	Iraq	Sudan	Jordan	Bahrain	South Sudan	Total
Scope1 - Fuel	Liters (millions)	11.5	59.1	44.7	23.2	0.3	1.2	2.9	142.9
Scope2 - Electricity	KWh (millions)	166.8M	548.1M	157.2M	61.2M	122.3M	54.8	6.1M	1116.7M
Scope1 - Refrigerants	CO2e KG (millions)	5.7M	11.0M	8.1M	1.7M	0.8M	1.1M	0.2M	28.5M
Total Scope2 & 1 Emissions	Kg CO2 (millions)	139.1M	503.9M	232.1M	82.6M	49.3M	42.6M	13.2M	1062.9M
CO2 Emissions per Base station [Scope1 & Scope2]	Kg ('000)	48	49	45	27	14	59	49	
Baseline-year 2022 Decrease/ increases in emission per base station [Year 2017 vs 2022]	%	27	8	-44	10	-11	-17	-31	

- For the conversion from liters of fuel to KWh, we have considered that 1 L = 3KWh on the basis that 1 liter produces 10KWH with Diesel generator efficiency of 30% as recommended by GSMA
- DG Battery Hybrid solution usually leads to around 50% saving on fuel consumption
- Estimate of KWh for solar system is based on the data provided by Zain Jordan as per sites monitoring and management solution. 750KWh is produced per site on average

Scope 3 Emissions Breakdown

SCOPE 3 BREAKDOWN VIEW		CO2-EQ VALUE (Metric Ton)
Category 1	Purchased goods and service	167,891
Category 2	Capital goods	93,100
Category 3	Fuel and energy related activities	121,271
Category 4	Upstream transport	51,685
Category 5	Waste generated in operations	7,694
Category 6	Business travel	536
Category 7	Employee commuting	10,818
Category 8	Upstream leased assets	23
Category 9	Downstream transport	-
Category 10	Processing of sold products	-
Category 11	Use of sold products	14,548
Category 12	End-of-Life of sold products (intermediate product, if relevant)	-
Category 13	Downstream leased assets	-
Category 14	Franchises	-
Category 15	Investments	29,056
TOTAL SCOPE 3 EMISSIONS		496,624

Operating Responsibly

Responsible Supply Chain

Zain's approach to responsible supply chain management encompasses its footprint to address ESG impacts. The company recognizes there is a strategic need to develop its supply chain to ensure alignment to Zain's values and sustainability agenda KPIs. The development of Zain's supply chain faces challenges due to different business practices including commercial and technical capabilities. To address this, the company has been working with its suppliers to upskill them and further develop their awareness and knowledge on sustainability-related components. As part of the supplier assessment and selection criteria, sustainability-related factors of its supply chain range from sourcing of materials, health and safety, human and labor rights, and anti-corruption are embedded in the process. The below table indicates the number of suppliers that have completed Zain's social and environmental self-assessment questionnaire:

Number of Suppliers

Zain Group	Kuwait	Saudi Arabia	Iraq	Sudan	Jordan	Bahrain	South Sudan	Total
45	30	26	73	11	81	72	3	341

Year-on-Year Total Suppliers:

In 2022, Zain scaled its physical audit process across its footprint. Each market had to conduct two audits, with the corporate sustainability and procurement departments working together, with observations then raised with suppliers for required remediation.

	Kuwait	Saudi Arabia	Iraq	Sudan	Jordan	Bahrain	South Sudan
Target of Number of Suppliers	5	2	2	2	2	2	2
Completed Audits	4	2	2	2	2	2	0

Inclusion

With the aim to bridge the digital divide that exists in each operating market, the company focuses on targeting the following segments:

- Elderly Community
- People with Disabilities
- Women in Technology

Other marginalized segments that include low-income communities, refugees, rural communities are assessed and embedded within the company's overall commercial and business strategies.

Elderly Community:

As this is considered a new segment for Zain, the company continues to work on setting the baseline and engaged with elderly people to gain a better understanding of the deficits they face. One of the challenges the company encounters is to identify customers from this segment from its user base as the mobile lines created for them are typically done by relatives and not by the users themselves. To address this, the company is taking a different approach and is targeting elderly homes directly, and through its communication campaigns aims to reach this specific audience.

People with Disabilities:

- The company launched its first fully accessible campaign titled #AlwaysAccessible in collaboration with the GSMA's Connected Societies and Digital Inclusion teams & Microsoft MENA on creating tips and tutorials on how to utilize accessibility features found in smartphones (Using GSMA's Mobile Internet Skills Training Toolkit (MISTT)) and Microsoft Office. The campaign reached 615,034 social media impressions.

- Zain employees, mainly sale agents in addition to employees from departments such as Human Resources, Corporate Communications, Technology and others, are learning sign languages to effectively interact with customers, employees or potential hires serve customers with hearing impairments. Currently, more than 300 Zain employees across Zain's operations are trained in their respective national sign language.

Women in Tech:

Based on the pilot program launched last year, with a target to mentor 5 women per operation, Zain noticed an overwhelming need to expand the reach of the program. The noticeable appetite for mentorship opportunities led the company to increase its target this year to 100 women per operation.

- Zain Iraq collaborated with universities in Baghdad and Basra and Career Development Centers 'CDCs' to reach the target audience. Receiving 500+ registrations the company filtered the applications following the WiT criteria. The program delivered six sessions for each student in addition to access to Udemy, an online learning platform where 124 women graduated from the program. Based on the feedback, Zain organized a job fair in its headquarters where graduated mentees can apply for available jobs at Zain or its sister companies; resulting in 12 females getting hired.

- Zain Jordan's Women in Tech stream was established where collaborative efforts were taken between various stakeholders to reach 100 students. The company leveraged its Zain Innovation Center (ZINC) to reach out to universities and target audience. A total of 8 sessions were provided to each student by Zain's experienced mentors.

- During the year, Zain Saudi Arabia kicked off its Women in Tech program by launching a country-wide campaign to attract its target audience, with more than 500 applicants being received. Zain Saudi Arabia achieved its target and mentored 100 female university students in 2022. The company established a partnership with CST and Google to provide additional informative workshops.

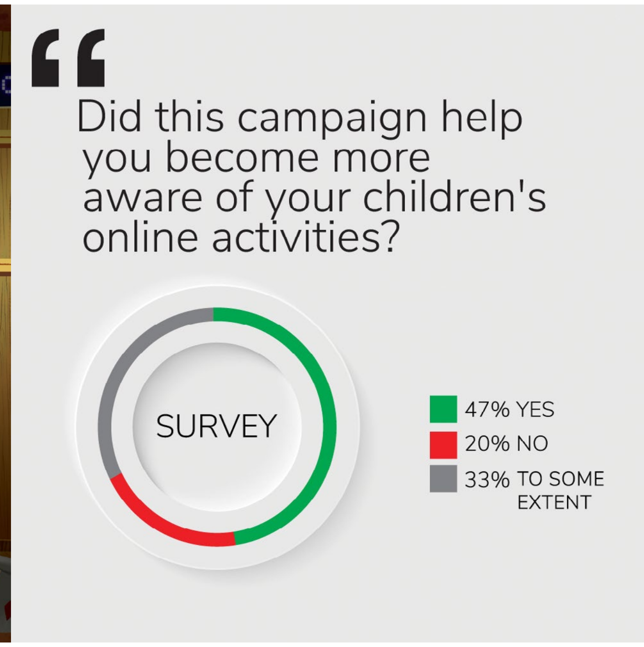
Generation Youth

Under the Generation Youth pillar the company set targets that are geared towards building, creating and supporting ecosystems that foster the well-being of young people to ensure sustainable, inclusive growth and social cohesion in our region. Zain continued to focus on the following areas:

Child Online Safety:

- The company expanded an MoU with Child Helpline International (CHI) to mobilize, facilitate and support child helplines across its footprint.
- Zain Group launched the second phase of its internet monsters campaign reaching 7.2 million individuals showcasing the company's commitment to raise further awareness on the risks children face online in alignment with the UN's Sustainable Development Goal 16.2 calling on ending all forms of violence against children by 2030.

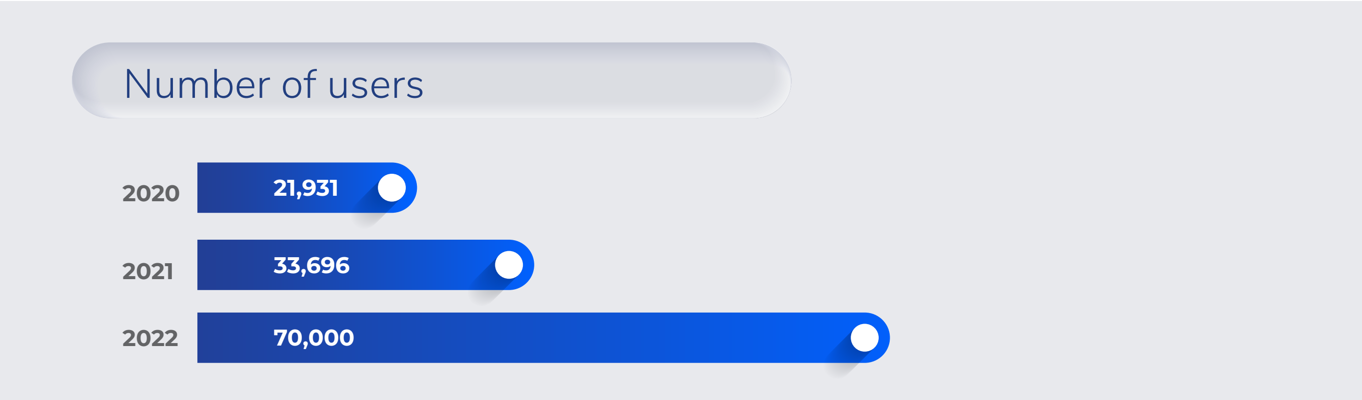
  Online risks the Campaign highlighted were:
  - Cyberbullying
  - Self-generated child abuse content
  - Social Media Addiction
  - Online Scams and Threats



Scan the QR code to get a chance to interact with the campaign on social media

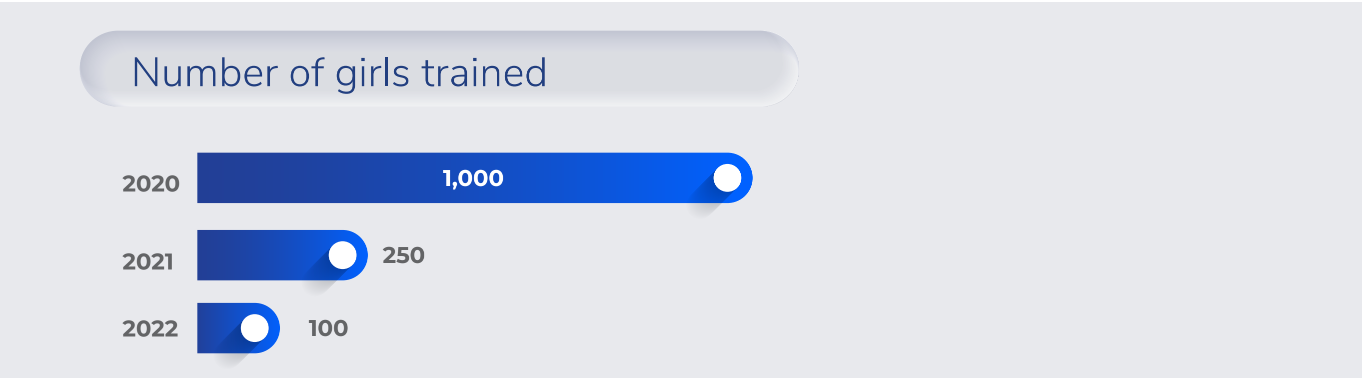
Digital Literacy:

• Zain Jordan in partnership with UNICEF launched UNICEF's Learning Passport a global digital learning platform powered by Microsoft.



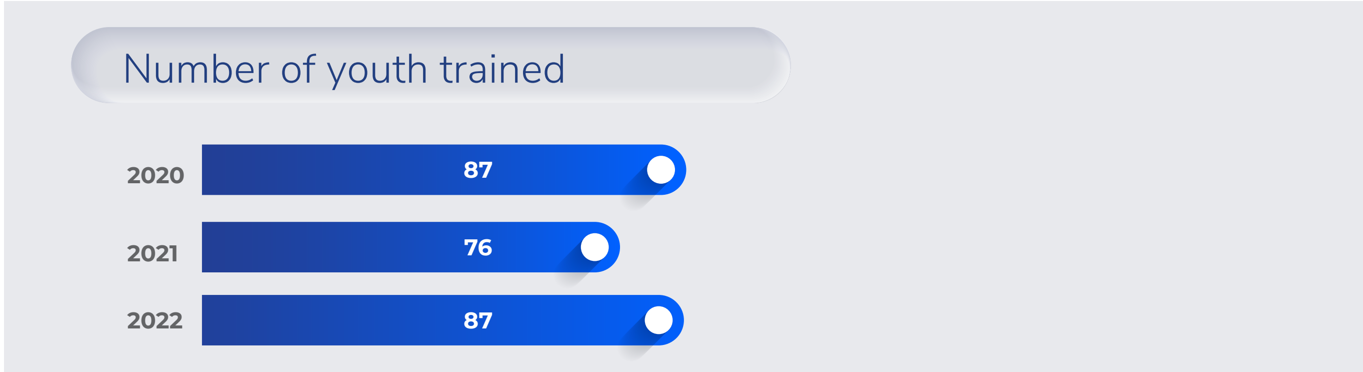
• Zain Sudan's Back to School program focuses on supporting schools and students where the company rehabilitated and renovated a school in the North Omdurman area. The renovation is expected to positively impact around 500 students yearly. In addition, Zain has provided 200 young students with school uniforms and 195 students with seating for their classrooms.

• Zain Bahrain continued its partnership with Supreme Council for Women to provide the Girls for Tech program powered by Clever Play an organization aimed to embed STEAM learning in children's educational experience. The program provides girls ages 8-14 with skills on website creation, code games, and basic robotics.



Youth Unemployment:

• For the 4th consecutive year, Zain Iraq conducted the Summer Training in Entrepreneurship in collaboration with IREX, a global development and education organization that operate in 100 countries worldwide, and the Ministry of Higher Education. Through cooperative efforts with 15 universities, Zain Iraq aimed to provide professional development and entrepreneurship skills to the trainees.



• The Zain Great Idea (ZGI) accelerator program is an initiative established by Zain Kuwait in association with Brilliant Lab. The program provides startup funding acceleration services that operate between Kuwait and Bahrain and Mind the Bridge. Throughout the years over 500 entrepreneurs had the opportunity to showcase their projects in 4 countries and 70 participants were supported to accelerate their idea into viable businesses.

02

GOVERNANCE

Corporate Governance Report 2022

Zain Group has established a corporate governance framework built on a solid foundation through effective Board leadership. The company focuses on achieving sustainable growth to maximize stakeholder value. The Board of Directors recognizes the importance of having strong corporate governance that shapes the decision-making process and helps generate sustainable long-term value for all stakeholders, including investors, employees, customers, regulators, suppliers, government bodies and the communities in which we operate. The Board ensures that the highest standards of corporate governance are adhered to through regular review of developments in the regulatory environment and international best practices. In addition, the Board evaluates the governance structures and processes of the Company to ensure they are consistent with the laws, regulations and international best practices. The corporate culture and work environment are also integral to achieving this successfully. This year, we have expanded our governance framework by adding a set of policies related to work ethics and principles of governance that ensure efficiency and integrity in the Group's operations.

The corporate governance report explains how the Group works considering the principles and instructions issued by the regulatory authorities and international organizations. The report shows the role of these principles in supporting our strategy and enabling the Board to make sound decisions, considering the rights of stakeholders and the company's influence in society. This report provides a closer look at the eleven principles on which the governance laws in Kuwait are based, which include forming the Board, defining responsibilities and roles within the company, and evaluating and developing the Board’s performance. It also contains details about the competencies of the Board and the executive team, the remuneration report of the Board and the executive management, and the integrity of the financial statements, risk systems, and internal controls. In addition, the report includes a summary of the company's efforts in integrated disclosure to achieve transparency, avoid conflicts of interest and protect the rights of shareholders and other stakeholders. Furthermore, the report dedicates a section to provide more information about the sustainability policy and, consequently, the initiatives.

A diverse Board is essential in achieving environmental, social, and governance (ESG)-related goals. In this regard, the Board approved the Board Diversity Policy, which aims to raise the awareness of shareholders regarding the importance of forming a diverse Board. It is essential to promote diversity in the Board's experience and knowledge regardless of gender, race, disability, age, nationality, religion/belief, marital status, and social class. At Zain Group, we oppose all forms of illegal and unfair discrimination. This policy was mainly created to address the importance of employing members' unique identities, skills, and experiences to benefit the company.

The Zain Group Board develops and evaluates internal policies and procedures on an ongoing basis to ensure transparency and quality of corporate governance practices. The corporate governance regulations included in the executive bylaw issued by the Capital Markets Authority (CMA) in Kuwait - through seventeen modules - promote the positive development of companies. The CMA rules establish a unified governance framework for the companies subject to the Authority's control.

Zain is subject to a set of laws and regulations that ensure conducting business consistently with the highest standards of governance and ethical behavior. The Board ensures compliance with all applicable laws and relevant international standards. Executive management plays a vital role in ensuring compliance with legal and regulatory requirements through the execution of policies and strategies. The business environment at Zain depends on the empowerment of decision-makers through diversity, inclusion, integrity and honesty and through adherence to Zain’s code of conduct.

Good governance plays a significant role in providing long-term sustainable value to stakeholders. Recently, investors have become more aware and assertive as the means for knowledge have increased, and access to these tools has become easy for everyone. This has increased demand for the company's scope and quality of disclosure and transparency.

With the increasing focus of investors on corporate environmental stewardship and reports on this performance, the company has raised the quality of disclosure of ESG factors. Zain Group has placed sustainable growth at the forefront of its priorities. The Board and executive management believe in building positive relationships among all stakeholders by strengthening corporate governance. One of the essential methods used by Zain in emphasizing the quality of reports in this regard is auditing ESG reports by independent external auditors approved by the regulatory authorities. These reports and publications contain detailed information about ESG strategy, development, performance and impact.

From a climate change perspective, Zain officially submitted its commitment letter to the Science-Based Target Initiative (SBTi) to halve carbon emissions before 2030 and achieve Net-Zero carbon emissions by 2050. Zan received the formal approval on January 6, 2023. The company also maintained its A- score in the 'Carbon Disclosure Project (CDP) Score Report – Climate Change 2022', a grade first achieved in 2021. Throughout the year, Zain also greatly scaled procurement-related practices to reach more suppliers for sustainability-related assessments. From an inclusion aspect, Zain increased its targets for its annual Women in Tech mentorship program that connects female university students studying Science, Technology, Engineering, and Math (STEM) with experienced Zain employees as mentors. Another area Zain prioritized is child online safety, expanding an MoU with Child Helpline International and launching the second phase of the Internet Monsters campaign to raise further awareness on the online risks’ children face.

In 2022, Zain was presented with the “Best Corporate Governance Award for 2022” in Kuwait for the second year in a row. World Finance is a print and online magazine providing comprehensive coverage and analysis of the financial industry, international business, and the global economy. The jury awarded this award in recognition of the integrity and transparency of Zain’s practices. Zain has adopted a good Investor Relations and Corporate Governance Framework that enhances the overall governance environment within the company in line with applicable laws, regulations, and leading practices. Wherever possible, Zain looks to exceed the requirements of the corporate governance regulations.

The information contained in this report is based on the laws on corporate governance and their amendments issued by the CMA, the Ministry of Commerce and Industry, Boursa Kuwait and other relevant regulatory authorities in the State of Kuwait, and the laws and regulations of the jurisdictions in which the company operates. Zain decided to focus on efforts to promote innovation, open the way to face future challenges, and enhance competitiveness by implementing an innovative way of working amidst rapid transformations. Zain's operations are based on principles according to the applicable laws. It executes its policies to protect the rights of stakeholders and to enhance the added value of all parties. This includes the economic, social and developmental contribution through the activities of companies in the communities in which it operates. In addition, the Group pursues growth through innovative management, as it works to create new and unique value through partnerships and various projects. The company's internal policies are also based on values, principles and practices of global corporate governance.

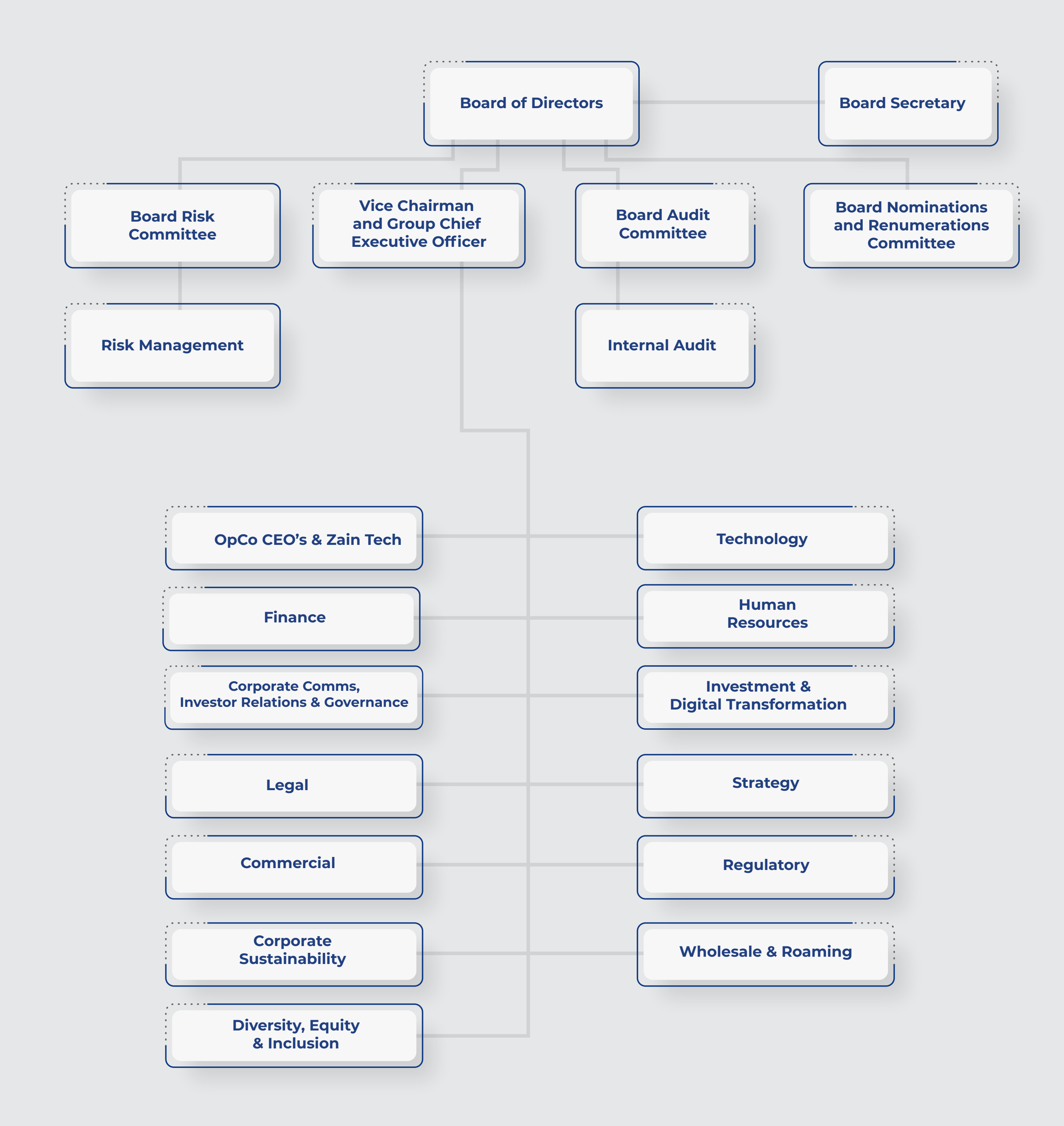
The corporate governance report has been prepared per the laws and regulations issued by the relevant governmental and regulatory agencies in Kuwait. A copy of this report is also available on the company's website, www.zain.com

The Board of Directors approved the Corporate Governance Report for the year 2022.

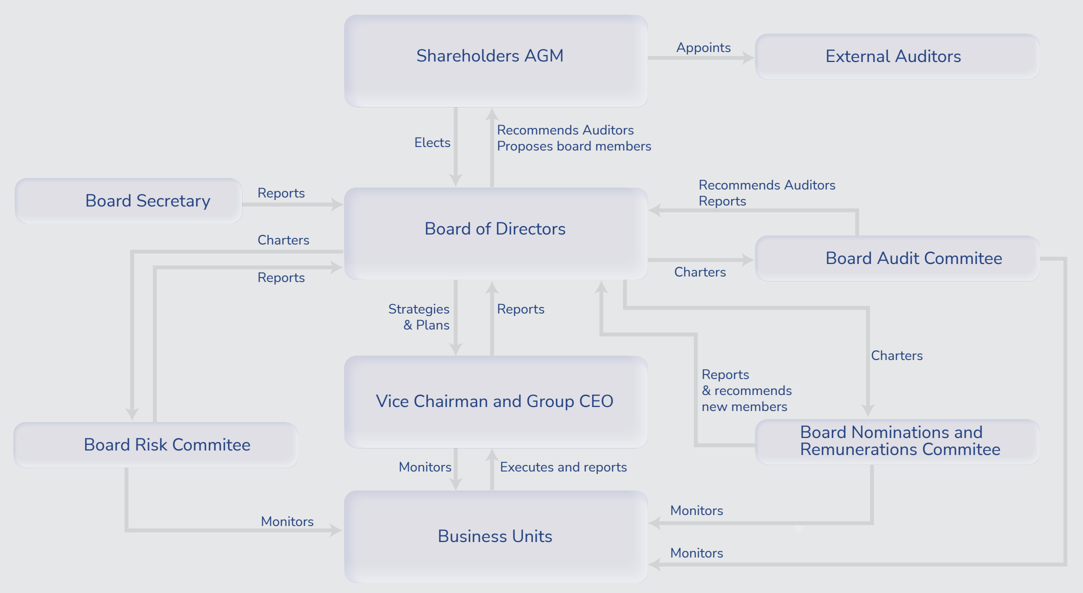
Rule I: Construct a Balanced Board Composition

Establishing an appropriate framework for decision-making is among the pillars of sound corporate governance. It depends on assigning responsibility and providing transparent reports that ensure understanding and monitoring of the company's development.

The Company's Organizational Structure



The Company's Framework



- Law no. 1/2016 [Companies Law]
- Capital Markets Authority: Law no. 7/2010 [executive bylaws and amendments]
- Communications & Information Technology Regulatory Authority: Law no. 37/2014 [executive bylaws and amendments]
- Boursa Kuwait – Rulebook
- Competition Protection Agency: Law no. 10/2007 [executive bylaws and amendments]
- Kuwait Anti-Corruption Authority Law no. 2/2016 [executive bylaws and amendments]

About the Board of Directors

The following list includes a brief about the members of the Board, including information on the date of appointment, the educational and professional background of each member in addition to the nature of the position – new Board members will be elected in the first half of 2023 during the Ordinary General Assembly.

Composition of the Board of Directors:

Name	Classification	Education	Professional Experience	Date of Election/ Appointment
Ahmed Tahous Al Tahous **Chairman**	Non-executive	Bachelor's Degree in Business Administration (Kuwait University)	36 years in the banking and investment sectors in the global and Kuwaiti markets	19 Mar 2020
Bader Nasser Al-Kharafi **Vice Chairman & Group CEO**	Executive	Master of Business Administration (LBS) & Bachelor's degree in Mechanical Engineering (Kuwait University)	Industrial and banking sectors, Investment and business sectors, Non-profit institutions, Telecommunications, and mechanical engineering sector	19 Mar 2020
Abdulrahman Mohammad Ibrahim Al Asfour **Independent**	Independent	Bachelor's Degree in Business Administration – Accounting Major (Kuwait University)	Technical expertise in the application of IT solutions, audit, and finance	19 Mar 2020
Talal Said Al Mamari **Representing Fajr Al Naseem Co.**	Non-executive	Bachelor's Degree in Business Administration (Duquesne University in Pittsburgh)	Finance experience in the telecommunications sector	19 Mar 2020
Zaki Hilal Saud Al Busaidi **Representing Jawharat Al Jibla Co.**	Non-executive	Master's degree in Public Administration from Exeter University	21 years in the civil service sectors, port services, investment, and insurance And communications	19 Mar 2020
Atif Said Rashid Al Siyabi **Representing Abeer Al Shuruq Co.**	Non-executive	Bachelor of Engineering in Computer Hardware and Networking Technology from Coventry University	18 years in information technology, business development, innovative technological solutions and information systems, investment and communications	19 Mar 2020
Aladdin Baitfadhil **Representing Danat Al Qiblah Co**	Non-executive	Bachelor's degree in Electrical and Electronics Engineering from Sultan Qaboos University.	19 years in the information and communication technology sector	12 Oct 2020
Nasser bin Suleiman Al-Harthy **Representing Naseem AL Dilta Co.**	Non-executive	Master's degree in business administration (MBA) from the University of Victoria, Australia	22 years in the investment, economic, financial, information management, legal and compliance sectors	12 Oct 2020
Yousef Khaled Al-Abdulrazzaq	Non-executive	Bachelor's Degree in Business Administration – Finance Major (Kuwait University)	Audit and investment expertise within the general reserve sector and investment funds	19 Mar 2020
Hatmal Farouq Al-Qadi	Secretary	Master of Laws (L.L.M) Coventry University	Legal Consultancy Telecommunications sector	12 May 2015

Board of Directors' Meetings in 2022:

The Board meets at least six times during the year. The Chairman of the Board – or his Deputy in his absence – sends the invite for the meeting, by any means, including modern means of communication. The Chairman must call for an emergency meeting if a written request has been submitted to him from at least two members. The Board meeting shall not be valid unless attended by at least half of the members. The meeting may be held using the modern means of communication specified by the Board. Decisions may be taken by circulation, provided that this is done with the approval of all members of the Board. It is not permissible to attend Board meetings by proxy.

	Meeting No. 1 10/2/2022	Meeting No.2 21/4/2022	Meeting No.3 17/7/2022	Meeting No.4 8/11/2022	Meeting No.5 7/12/2022	Meeting No.6 29/12/2022	Total Meetings Attended
Ahmed Tahous Al Tahous **Chairman**	✓	✓	✓	✓	✓	✓	6
Bader Nasser Al-Kharafi **Vice Chairman & Group CEO**	✓	✓	✓	✓	✓	✓	6
Abdulrahman Mohammad Ibrahim Al Asfour **Independent**	✓	✓	✓	✓	✓	✓	6
Talal Said Al Mamari	✓	✓	✓	✓	✓	✓	6
Zaki Hilal Saud Al Busaidi	✓	✓	✓	✓	-	✓	5
Atif Said Rashid Al Siyabi	✓	✓	✓	✓	✓	✓	6
Aladdin Baitfadhil	✓	✓	-	✓	✓	✓	5
Nasser bin Suleiman Al-Harthy	✓	✓	✓	✓	✓	✓	6
Yousef Khaled Al-Abdulrazzaq	✓	✓	✓	✓	✓	✓	6
Hatmal Farouq Al-Qadi	✓	✓	✓	✓	✓	✓	6
Attendance Percentage	100%	100%	89.9%	100%	89.9%	100%	

* Meetings No. 1, No. 2 and No. 3 were conducted through modern means of communication.

Management of Board Meetings

The Board Secretary ensures that all Board members have the resources required to perform their duties. The Secretary is also responsible for organizing the meetings of the Board and its committees and ensuring that the minutes of those meetings reflect the proper practice of the duties of the Board. In addition, the secretary acts as a communication channel between the Board and executive management by ensuring that the required information is available to the Board members on time. The role also entails cooperating with Board members to prepare for meetings by providing proper notice and promptly distributing materials such as agendas and minutes.

The Secretary supports the Chairman of the Board when preparing the agendas of meetings, submitting the required documents, supervising and following-up on the results of the meetings, and adhering to the approved work plans.

Once the Board approves the minutes of the meetings, they become an official record of the company, providing documentation of the achievements of the Board members and the challenges they face. During its meetings, the Board approves the main policies and sets a timeline of goals and business plans.

The Secretary of the Board records the minutes of all meetings, maintains records of committee meetings, oversees procedures related to Board membership, maintains official files and Board records, and publishes notices of scheduled meetings as specified in the company's policies. The Board Secretary's role is necessary to support the Board's increasing responsibilities, and includes performing compliance-related tasks, managing Board affairs, distributing discussion papers and proposals submitted to the Board and its committees by management, and ensuring that meetings between the Board and executive management are held in line with legal and regulatory requirements and internal policies.

The Board Secretary invites the concerned parties to Board meetings and its committees. The Secretary also ensures that the necessary records are created, properly updated, and maintained. The reports are prepared following legal requirements and obligations, as per the relevant regulatory authorities. Accordingly, the Board Secretary advises on the responsibilities and duties of the Board as per laws and regulations and the company's policies and charters, including the code of ethical conduct.

The Secretary ensures that these records are available upon demand. He is committed to maintaining various requirements, such as deadlines for submitting files to Board members at least three days before the scheduled meetings, as described in the company's internal policies and charters. These files include the meeting agenda, minutes of previous Board meetings, and all supporting documents related to the agenda. Among the preparation procedures for the Board meeting, the Secretary determines the duration of the meeting to ensure the availability of sufficient time to cover all items on the agenda, except for emergency meetings.

The Secretary's responsibilities also include recording all the decisions and discussions of Board members and recording the results of the voting processes that take place in those meetings. Under the supervision of the Chairman, the Secretary ensures that the decisions taken by the Board are implemented through the company's policies. Each member of the Board has the right to access these documents and files through the Secretary, who communicates with the concerned departments to provide the information required by the members of the Board to make sound and effective decisions.

The Secretary keeps pace with the external environment to stay fully informed of corporate governance trends, emerging issues, and best practices, particularly those related to the telecommunications sector, as the Chief Communications Officer provides. Furthermore, the Secretary informs the Board of trends and best practices in corporate sustainability, as directed by the Chief Sustainability Officer, which leads to effectively supporting the strategic goals of sustainability in the company.

Additionally, the Board Secretary assists new members of the Board and provides support to them through the induction program that includes information about the company, its business and activities, the responsibilities of the Board, its committees and executive management, the duties involved in these functions, an overview of the Group's operations, results, and meetings with executive management, and budget planning throughout the year.

The independent member acknowledges that the independence controls are met, and a copy of the declaration is included in the Arabic report.

Rule II: Establish Appropriate Roles and Responsibilities

The roles and responsibilities of the Board of Directors and executive management

The Board of Directors consists of nine members, including one independent member and one executive member. The members of the Board have extensive experience and skills in several fields across different industries. The Board sets strategies and objectives for the company to achieve the highest value in the short and long term. Moreover, it sets mechanisms to supervise the performance of the executive management and the progress made in achieving the goals. The Board communicates the company's plans transparently so that investors have a clear picture of long-term expectations and future opportunities while identifying and managing actual and potential risks.

Zain's Articles of Association (AOA) determine the requirements and the basis on which the members of the Board are elected. The General Assembly elects Board members by secret ballot. The membership term of Board members is three years, subject to renewal, provided the independent members make up 20% or more of the Board's composition. The AOA include more details, such as the conditions for the independence of members and the loss of membership, the Board's responsibilities, additional requirements for the selection of the Chairman, and instructions regarding Board meetings and attendance. All items in the AOA are based on relevant laws, regulations and guidelines, and the document is available on Zain's official website.

The Board elects a Chairman and a Vice-Chairman by secret ballot, and also appoints the CEO from among the members of the Board or others.

The duties and responsibilities of the Board are to define the strategies, directives, policies, goals and tasks of the company to ensure that the management and all employees have the same objective. The role of the Board includes monitoring the implementation of strategic plans and compliance with relevant policies, rules, business ethics and laws and regulations.

The Chairman of the Board represents the company in its relations with third-parties and before the judiciary, in addition to other terms of reference indicated in the AOA and Board meeting minutes. The Vice-Chairman shall take the Chairman's place in his absence, or if he is prevented from exercising his powers, or whenever necessary.

The Board may distribute the work among its members according to the nature of the company's business. The Board may also delegate one of its members, a committee from among its members, or a third-party to carry out a specific job or more, or supervise one aspect of the company's operations, or exercise some of the powers or competencies entrusted to the Board.

The Board is responsible for carrying out all the work required to run the company under its objectives. This authority is not restricted except by what is stipulated in the law, the AOA, or the resolutions of the General Assembly. The Board approves policies and charters, appoints members of the executive management, defines their responsibilities, and determines compensations. The Board is committed to performing its duties according to approved internal policies, which contain details about the Board affairs, such as its meetings, responsibilities, and other matters per relevant laws and regulations. The Board approves the objectives, strategies, plans, policies, annual budgets, and interim and annual financial statements. Moreover, the Board supervises the main capital expenditures of the company and develops a corporate governance framework, code of conduct, and policies related to ESG affairs. The Board creates a system to monitor the performance of each Board member and the performance of its committees and executive management according to key performance indicators, including ESG practices.

Every year the Board prepares an annual report to be read by the Chairman at the Annual General Assembly. The Corporate Governance report includes details about the procedures and measures undertaken by the company to complete the corporate governance requirements and the extent of compliance and determines the powers delegated to executive management. The Board must also monitor the performance of executive management and select the remuneration policy accordingly. The Board also guarantees the effectiveness and adequacy of the internal control systems in the company and its subsidiaries. The Board is responsible for managing risks appropriately according to the applicable laws and regulations and within the company's objectives to maximize shareholder value while assuming full responsibilities towards the shareholders and all other stakeholders. Moreover, to enhance efficiency, effectiveness, transparency, and accountability, the Board sets the company's values and standards, ensuring that they align with its strategic objectives and corporate culture. It also ensures that the company's obligations are understood by its shareholders and other stakeholders, including employees, suppliers, customers, law authorities, and the environment in which the company operates. The Board is also concerned with evaluating the appropriateness of the internal control and audit systems. The Board ensures that executive management has adequate risk management systems and procedures, and implements sufficient and effective internal controls. The Board is responsible for managing and supervising the Group and its activities. It strives to lead the company's business within the approved regulatory framework based on applicable regulations, laws, internal control systems and international standards. The Board continuously reviews the implementation of good corporate governance. The company has established a governance structure that enables the Board to focus on key areas of responsibility that affect the long-term success of the business. This structure involves forming three board committees: the Audit Committee, the Risk Committee, and the Nominations and Remunerations Committee. These committees are formed according to the laws. The Board supervises compliance with the laws, company objectives, AOA, and decisions of the General Assembly while adhering to the principles of governance, best practices and work ethics. This includes allocating sufficient time to adopt the company's vision, mission, directions, and strategies. In addition, Board members attend meetings and review and approve the main strategies and policies, as well as the company's financial objectives and operational plans.

As the Board plays a supervisory role, the responsibility for implementing the approved strategy rests with the CEO and executive management, leading to delegating the required work to the right employees within the company. Board members develop a clear strategy and business model and work closely with executive management within a set timeframe to drive continuous business growth in a changing world. This is pivotal to the company's success. The role of the Board of Directors is considered crucial in ensuring the establishment of a control environment to ensure the effectiveness of the anti-corruption policy. The control environment is the set of standards, processes and structures that provide the basis for implementing internal control across the company. In 2022, the Board approved the anti-money laundering policy, which ensures the creation of a proper framework under the relevant laws and regulations to combat corruption. The Board is also responsible for supervising a system that effectively supports the anti-corruption policy and oversees the executive management to safeguard the implementation of the policy. In addition, the board ensures raising employee awareness within the corporate culture, emphasizing this policy's importance. The role of the Board involves managing and resolving potential conflicts of interest and transactions with related parties by reviewing these transactions to ensure maximum benefit for shareholders and stakeholders, arranging appropriate channels of communication

with shareholders and overseeing the disclosure of material information to ensure correctness, consistency, transparency and credibility of disclosures at the highest standards. The Board and executive management recognize the responsibility towards society and the environment and the importance of sustainability. Therefore, priority is placed on improving the quality of life of the people in the communities in which the company operates.

Board Achievements in 2022

1. The Board set a plan to invest in Sudan over the next five years, approx. $800 million. Zain obtained final approvals for Africa1 submarine cable landing station. This step will contribute positively to increasing revenues and reducing costs.
2. Signing a settlement agreement between Zain Jordan and The Telecommunications Regulatory Commission (TRC) in Jordan, which resulted in saving a total of JD 270 million from extending licenses for a period of 10 years.
3. Signing an agreement with the Jordanian government to issue a license for the fifth generation (5G).
4. Completion of various acquisitions in the areas of frequency spectrum in Zain Bahrain, Zain Iraq, Zain Sudan, and Zain South Sudan
5. Approval of a number of acquisition deals necessary to achieve the company's strategy, especially those related to ZainTech, including strategic cooperation with Amazon Web Services, Inc (AWS).
6. The completion of a number of transactions related to the sale of assets, such as the sale of towers in Iraq and Saudi Arabia. The group increased its ownership in "TASC Towers" to about 83.47%, which is the largest tower management company in the markets of the Middle East and North Africa.
7. The Board of Directors renewed the group's commitment to climate action with more development and adaptation initiatives, as Zain Group joined the United Nations Global Compact initiative, as this initiative seeks to push international and institutional cooperation to build real partnerships, find innovative solutions to common challenges, and conduct business in a responsible manner.
8. Adopting the company's annual dividend policy recommendation of 35 fils per share as a minimum, for a period of three years starting from the 2023 dividends (this recommendation is subject to the approval of the General Assembly) and its aim is to strike a balance between current dividends and future growth that supports the share price.

Board Committees:

The Board has delegated tasks to its committees to handle specific issues more effectively and to use members' time more efficiently. The committees make recommendations to the board, which retains collective responsibility for decision-making.

Working through committees allows members to deepen their knowledge of the company, facilitate effective participation and fully use their expertise to assure stakeholders that the Board takes various issues seriously. Board committees offer many advantages as the decentralized process allows for knowledge specialization. This facilitates the Board's duty of overseeing the company's operations since specialized knowledge may be required depending on the issue. It increases the efficiency in distributing tasks to members. This leads to increased confidence by stakeholders in the Board to perform their supervisory duties more effectively. It also helps in the independence of the Board from executive management. Since the committees have set aside time to address some of the Board's tasks in depth, the Board expects them to conduct their due diligence with high accuracy and promptly in pursuing their responsibilities. When the Board is looking for comprehensive information, the committees can present it concisely to help with specific issues. The committee decisions are presented to the Board for approval and authorizing the work plan to implement them. In addition, the committees monitor the execution of these decisions by the concerned departments. Zain's Board has formed three committees: the Risk Committee, the Audit Committee, and the Nominations and Remunerations Committee. The following section recaps the details of these committees and their achievements:

Board Risk Committee (BRC)

Formed: 12 May 2015
Term: The membership period is the same as the term of the Board of Directors and not more than three years, renewable.
Responsibilities: The purpose of the Risk Committee (BRC) is to assist the Board with fulfilling its responsibilities related to identifying, assessing, and mitigating risks. These risks include operational risks, strategic risks, and external environment risks. Therefore, the committee is generally responsible for reviewing, monitoring, and approving the risk policies, frameworks, processes, and practices associated with the company. The BRC is also responsible for reviewing and approving risk disclosure data in public documents. It must ensure that the company takes appropriate measures to achieve a balance between risk and return in both ongoing and new businesses. The BRC assesses significant risk exposures and evaluates management actions to mitigate the exposures on time, including one-off actions by the company and continuing activities such as business continuity planning and disaster recovery planning. Its responsibilities include coordinating with the audit committee as needed. It submits regular reports to the Board. It reviews and reassesses the adequacy of internal procedures within the scope of its responsibility and recommends any proposed changes to the BoD for approval. It has access to any internal information necessary to perform its role. BRC ensures that executive management's risk management policies and procedures align with the company's strategy and risk appetite. It also promotes a company-wide culture that supports appropriate awareness of risks, behaviors and provisions related to risks and ensures problems are addressed on time. Its role includes evaluating executive management's performance.

Achievements of BRC during 2022

- 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 every quarter
- Assessed all kinds of risks in subsidiaries and worked to reduce their impacts
- Studied the latest cybersecurity developments in the company and its subsidiaries and the success of developing protection networks with contracted companies
- Reviewed related party transactions, discussed their impact, and made recommendations to the Board
- Opening and sponsoring the annual risk conference in Jordan to discuss aspects of cooperation between subsidiaries

Committee Members:

Talal Said Al Mamari (Committee Chairman)
Bader Nasser Al-Kharafi
Atif Said Rashid Al Siyabi
Yousef Khaled Al-Abdulrazzaq
Number of committee meetings in 2022: 4

Member	Meeting 1/2022 10/2/2022	Meeting 2/2022 20/4/2022	Meeting 3/2022 14/7/2022	Meeting 4/2022 8/11/2022
Talal Said Al Mamari **(Committee Chairman)**	✓	✓	✓	✓
Bader Nasser Al-Kharafi	✓	✓	✓	✓
Atif Said Rashid Al Siyabi	✓	✓	✓	✓
Yousef Khaled Al-Abdulrazzaq	✓	✓	✓	✓
Attendance Percentage	100%	100%	100%	100%

Board Audit Committee (BAC)

Formed: 9 June 2011
Term: The 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 (BAC) is responsible for assisting the Board in performing its duties concerning
(1) overseeing the quality and integrity of accounting practices, auditing, internal control, risk management framework, financial reporting, and the overall corporate governance framework.
(2) Evaluate the performance and qualifications of the licensed independent auditor (the external auditor).
(3) The firm's relationship with external auditors.
(4) The overall performance of the company's internal audit unit.
(5) In addition to complying with applicable laws and regulations.

The Board of Directors is responsible for the company's risk management, internal control, and corporate governance. The BAC's role includes focusing on the various aspects of preparing financial reports, managing business operations and financial risks, overseeing compliance with applicable legal, ethical, and regulatory requirements, and overseeing

Achievements of BAC during 2022

- Monitored the work of the Internal Audit Department for 2022
- Followed-up with the internal audit function quarterly and worked on implementing corrective measures of the observations in the reports
- Approved the Internal Audit Plan for 2023.
- Reviewed and audited Zain Group's financial statements quarterly, discussed them with executive management, and provided recommendations to the Board
- Met with the external auditor every quarter to review and discuss the external auditor's report on the financial and operating performance of the Group
- Evaluated the performance of executive management in closing observations with high and annual risks, linking them to the annual performance reward, and submitted a report to the Board
- Prepared the Audit Committee report, which the Chairman of the Board shall read during the AGM
- Recommended the appointment of the external auditor to the board and AGM

Committee Members:

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

Number of committee meetings in 2022: 4

Member	Meeting 1/2022 9/2/2022	Meeting 2/2022 20/4/2022	Meeting 3/2022 14/7/2022	Meeting 4/2022 7/11/2022
Nasser bin Suleiman Al-Harthy **(Committee Chairman)**	✓	✓	✓	✓
Aladdin Baitfadhil	✓	✓	✓	✓
Abdulrahman Al Asfour (independent)	✓	✓	✓	✓
Yousef Khaled Al-Abdulrazzaq	✓	✓	✓	✓
Attendance Percentage	100%	100%	100%	100%

Board Nominations and Remunerations Committee

Formed: 12 May 2015
Term: The membership period is the same as the term of the Board of Directors and not more than three years, renewable.
Responsibilities: The Nomination and Remuneration Committee (BNRC) assists the Board in fulfilling its oversight responsibilities of the effectiveness, integrity, and compliance with the company's remuneration and nomination policies and procedures. The BNRC must ensure that the remuneration policy is consistent with the company's strategic objectives and should also review and approve the selection criteria and appointment procedures for a member of the Board of Directors and senior management and ensure that the overall nomination policy and approach is consistent with the strategic objectives. This committee is responsible for nominating and re-nominating members of the Board and 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 CMA. In coordination with the Executive Management, the BNRC 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 BNRC maintains a training system to develop the skills of employees and evaluates the performance of management and facilitates the evaluation of the Board. The BNRC plays a vital role in the remuneration of the Board and Executive Management, following applicable regulations.

Achievements of BNRC during 2022

- Approved the mechanism for calculating and distributing annual remuneration for management.
- Prepared the remuneration report and submitted it to the Board for approval, which the AGM ultimately approves
- Discussed and approved evaluation mechanism of the Board agreed on conducting self-evaluation.
- Approved a number of training programs for Board members
- Reviewed and approved the company's organizational structure
- Prepared and approved the succession plan and submitted it to the Board for approval
- Provided recommendations to the board to reappoint current members, to preform their duties for the next 3 years untill 2025

Committee Members:

Zaki Hilal Saud Al Busaidi (committee chairman)
Ahmed Tahous Al Tahous
Bader Nasser Al-Kharafi
Talal Said Al Mamari
Abdulrahman Mohammad Ibrahim Al Asfour (Independent)
Number of committee meetings in 2022: 1

Member	Meeting 1/2022 7/2/2022
Zaki Hilal Saud Al Busaidi **(Committee Chairman)**	✓
Ahmed Tahous Al Tahous	✓
Bader Nasser Al-Kharafi	✓
Talal Said Al Mamari	✓
Abdulrahman Mohammad Ibrahim Al Asfour (Independent)	✓
Attendance Percentage	100%

Relationship between the Board of Directors and the Executive Management

A successful and balanced relationship between the Board and Executive Management is critical to good governance and organizational effectiveness. Zain's Board and Executive Management work as a team to ensure a smooth flow of information in both directions to enable effective decision-making based on constructive discussions and commitment to strategic direction. A fruitful relationship between the Board and Executive Management depends on a mutual understanding of the company's mission, vision, strategy, member capabilities, implementation plans and expectations for achieving results. Moreover, a clear understanding of the roles, mandates, and boundaries that allow each party to respect the responsibilities, contributions, and expectations of the other is essential.

The Board guides the company by defining corporate goals and strategy. In addition, the Board protects the company by setting boundaries and processes for the executive management and employees in general, ensuring safe operations and long-term success. Internal policies and procedures represent these limits.

The company's governance framework includes a set of policies and procedures that lay the foundation of the relationship between the Board and Executive Management. It also defines the responsibilities and expectations of both. Therefore, translating these principles into practice as part of the corporate culture and the relationship between the Board and Executive Management is significant. Accordingly, the Board is primarily responsible for promoting and maintaining a productive and efficient culture.

The Board enables the company's operations by supporting Executive Management and developing resources. The role of Executive Management is to manage the implementation of the approved policies and determine how to achieve the goals in light of the approved strategy. The Board has authorized Executive Management to carry out the work appropriately within limits set by the Board. Executive Management relies on the strategic direction and operational boundaries provided by the Board to establish operational plans and procedures, which ensure that the company accomplishes its business goals and maintains its integrity. Executive Management's role is complementary to that of the Board, as it is vital to the accomplishment of the company's mission.

The Board's supervisory role over Executive Management entails monitoring performance, holding them accountable for results, investigating issues, seeking clarification, providing direction, and sharing knowledge and experience. Board members rely on Executive Management to promptly share all material information needed to allow them to fulfil their obligations effectively.

Similarly, Executive Management expects the Board to trust them to implement the approved strategy and achieve results accordingly. The Board also defines performance objectives and the scope of authority transparently, ensuring ease of performance.

One aspect of the role of the Board is to choose experienced and competent members of executive management. The Board appoints the CEO to convey this vision to the management team. The Executive Management team, including the CEO, sees the Board as a tool that can be used to improve the company's performance; in return, the Board understands the advantages of working with a talented executive team.

The Board evaluates the CEO and executive management with the CEO and the BNRC. Accordingly, the CEO has a clear understanding of the performance expectations of senior management based on the directives issued by the Board. The evaluation is based on continuous improvement to give executive management a strong indication of the Board's expectations. The corporate culture at Zain depends on asking and answering specific and direct questions, which is a good way to ensure trust between the Board and Executive Management and help both parties achieve shareholder goals.

The Board supervises the development of the comprehensive business strategy and the decisions taken by Executive Management in pursuit of these goals. After approval by the Board and under the business strategy, Executive Management takes important decisions to implement that strategy. The Board ensures that such decisions support the achievement of the goals and long-term policies.

Moreover, the Board works to maintain and strengthen internal control systems and effective risk management. It also manages the information, related data and resources used to effectively achieve the company's objectives and assess management's compliance with applicable policies, standards, laws, and regulations.

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

About the Board of Directors

Board Nominations and Remuneration Committee (BNRC)

Ahmed Tahous Al-Tahous

CHAIRMAN OF BOARD OF DIRECTORS

- A representative of Kuwait Investment Authority
- Member of the Board of Directors since 2017
- Chairman of the Board of Directors since 2018

Date of birth: 1957
Education: Bachelor's degree in Business Administration with a major in economics from Kuwait University

Work Experience: 36 years in the banking and investment sector in the international and Kuwaiti markets.
He is the CEO of the tradable securities sector at the General Investment Authority (Kuwait), the world's oldest sovereign wealth fund.
Other Memberships: Chairman of the Board of Directors of the Tourism Enterprises Company, and a member of the Board of Directors of the Industrial Bank of Kuwait.

Bader Nasser Al-Kharafi

VICE CHAIRMAN AND GROUP CEO

- Member of the Board of Directors since 2011
- Vice Chairman of the Board of Directors since 2015
- CEO since 2017

Date of birth: 1977
Education: Master of Business Administration degree from London Business School, and Bachelor's degree in Mechanical Engineering from Kuwait University

Work experience: He is one of the most active business leaders in the Middle East and Africa region. He has an exceptional record of leading business development and consulting projects for major companies and international institutions. His expertise extends to the financial, investment, business, and industry sectors across various projects in the Gulf region, the Middle East, Europe, Africa, and Asia.
Other memberships: Chairman of the Executive Committee of Kuwait Stock Exchange Company, Board Member of Fouladh Holding Company, Member Board of Directors of the International Refreshment Commercial Company (Coca-Cola), Member of the Board of Directors of Gulf Bank, Chairman of NIC.

Talal bin Said Al-Mamari

MEMBER OF THE BOARD OF DIRECTORS

- Member of the Board of Directors since 2017

Date of birth: 1972
Education: Bachelor's degree in Business Administration from Duquesne University, Pittsburgh – Pennsylvania, as well as Senior Executive Program from London Business School, UK

Work experience: Al-Mamari is the CEO of Omantel with more than 20 years of experience in Telecom and ICT Industry. He played a pivotal role in many projects, primarily privatization of Omantel; the major restructuring which brought together mobile and fixed operations, and the legal merger of Oman Mobile with Omantel. He led the team to implement a transformational strategy that included capacity building, agile work culture, diversification programs besides the shift from traditional telecom services to ICT-solution based Organization. This is further to forming the third largest telecom group in the region by managing acquisition project of 22% stake of Zain Group.
Other Memberships: Membership of the Board of Directors of Oman Corporate Governance & Sustainability Centre, and BMJBR Properties Limited.

Abdul Rahman Mohammed Ibrahim Al-Asfour

INDEPENDENT BOARD MEMBER

- Member of the Board of Directors since 2018

Date of birth: 1981
Education: Bachelor's degree in Business Administration with a major in Accounting from Kuwait University

Work Experience: extensive technical experience in the application of information technology solutions, worked as a financial expert in the management of information systems at Equate Petrochemical Company,
He has experience in the field of auditing through his work at the State Audit Bureau.
Other Memberships: Chief Executive Officer of Alpha Group Holding. He also served as a board member of WABA Medical Insurance Company.

Yousef Khaled Al-Abdulrazzaq

Member of the Board of Directors

- A representative of the Kuwait Investment Authority
- Member of the Board of Directors since 2018

Date of birth: 1983
Education: Bachelor's degree in Business Administration, majoring in Finance, from Kuwait University

Work Experience: His experience extends to 17 years at Kuwait Investment Authority in the general reserve sector. In 2010, he participated in the project team for the privatization of Kuwait Airways. He is currently an investment manager within the General Reserve Sector under the Direct Holding department at the Kuwait Investment Authority.
Other Memberships: Member of the Board of Directors, Chairman of the Audit Committee, member of the Executive Committee of the Touristic Enterprises Company (2012-2019), Member of the Board of Directors and Chairman of the Audit Committee and Chairman of the Human Resources Committee in the Public Facilities Management Company.(2015-2018)

Zaki bin Hilal bin Saud Al Busaidi

Member of the Board of Directors

- Member of the Board of Directors since 2020

Date of birth: 1973
Education: Master's degree in public administration from the University of Exeter, United Kingdom, and Bachelor's degree in public administration from Yarmouk University in Jordan

Work Experience: He has nearly 20 years of experience, having worked in the Ministry of Civil Service in the Sultanate of Oman in 1996 for 18 years, held the position of Director General of Organization and Job Classification, and held the position of CEO at the Institute of Public Administration since 2014.
Other Memberships: Membership in the Port Services Company and the Oman Arab Investment Fund and currently in the National Life Insurance Company, membership in the Board of Directors of Omantel.

Atef bin Said bin Rashid Al-Siyabi

MEMBER OF THE BOARD OF DIRECTORS

- Member of the Board since 2020

Date of birth: 1980
Education: Master of Business Administration, General Franklin University · Ohio, USA
Bachelor of Engineering in Computer Hardware and Networking Technology (Hons)
Coventry University
Proffessional Leadership Development Program
HEC, Paris.

Work Experience: He has a proven track record of accomplishment in information technology and business development, spanning over 18 years. He has extensive experience leading innovative technological solutions and information systems, transforming business processes, and driving technological developments. Atif is involved in various investment initiatives in the ICT sector, where I have been leading numerous assignments, devising comprehensive strategies, and delivering several ICT projects at the national level.
Other Memberships: Atif Al Siyabi is the Chief Information Management at the Oman Investment Authority in the Sultanate of Oman.

Aladdin Fadelbeit

MEMBER OF THE BOARD OF DIRECTORS

- Member of the Board since 2020

Date of birth: 1978
Education: Bachelor's degree in electrical and electronic engineering from Sultan Qaboos University, He holds two certificates in Disruptive Strategies and Leading with Finance from Harvard University.

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

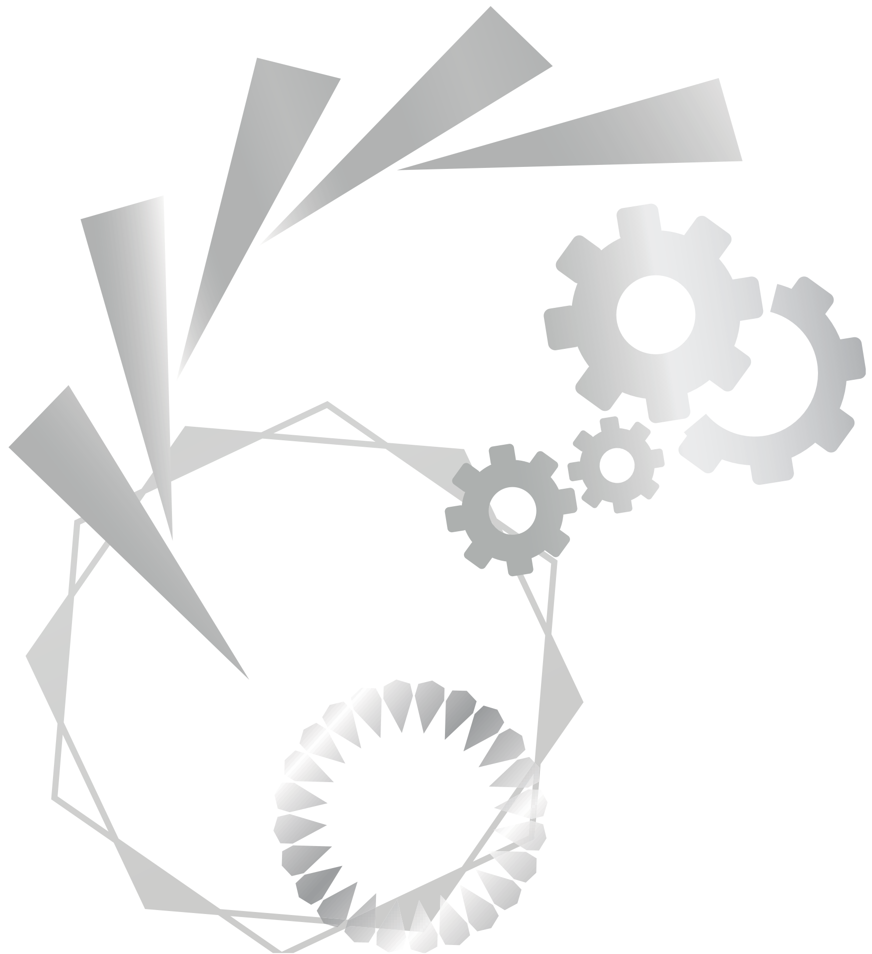
Nasser bin Suleiman Al-Harthi

MEMBER OF THE BOARD OF DIRECTORS

- Member of the Board since 2020

Date of birth: 1975
Education: Master of Business Administration from Victoria University in Australia,
Bachelor of Accounting from the United Arab Emirates University, National Leadership and Competitiveness Program (NLCP) from Oxford University.

Work Experience: He has experience of up to 21 years in the investment, economic and financial sectors. He is the Acting Vice President of Operations at the Oman Investment Authority, responsible for financial and administrative affairs, information management, legal affairs, and compliance.
Other Memberships: ASYAD Group Chairman, Fisheries Development Oman, Chairman, Vietnam Oman Investments, Chairman, Oman Etihad Rail Company, board member,



About the Executive Management at Zain Group

Ossama Matta
CHIEF FINANCIAL OFFICER

Appointment Date: 2010
Education: Master's degree in Business Administration from the American University of Beirut and CPA certificate

Work Experience: He has extensive experience of more than 23 years in the financial and administrative fields in the markets of the Middle East region. He joined Zain in 2004 and held the position of Chief Financial Officer for the company's business in Lebanon "MTC Touch", after which he was promoted to the position of Chief Financial Officer of Zain Kuwait until he was assigned the duties of the Chief Financial Officer of Zain Group in the Middle eastern markets.

Nawaf Al-Gharabally
CHIEF TECHNOLOGY OFFICER

Appointment Date: 2020
Education: Bachelor's degree in Engineering from Kuwait University

Work Experience: He has extensive experience of over 23 years in the wireless telecommunications sector in Kuwait, the Middle East and Africa. He participated in the plans to modernize and upgrade the networks for Zain's operations in the region's markets, including designing and building the third-generation network in Kuwait in 2005, installing the first wireless communications network in southern Iraq in 2003, and building the entire Zain Saudi network in 2007, he was responsible in 2019 for the Zain network development investments in Kuwait. The first company to launch 5G services in the Gulf region.

Kamil Hilali
CHIEF STRATEGY OFFICER

Appointment Date: 2018
Education: Bachelor of Science in industrial engineering at the National School of Mineral Industry, Morocco, Master of Business Administration from Suffolk University Boston, and Master of Finance from London Business School, United Kingdom.

Work Experience: He has extensive experience spanning 20 years in the areas of strategies, developing growth plans for operations, and implementing strategic policies, including business development and strategic investments, portfolio management, mergers and acquisitions, corporate development, and strategic investments, and he is a member of the Board of Directors of INWI Morocco, Zain KSA, ZainTech, Tasc Towers holding and Zoodmall.

Mohammad Abdal
CHIEF COMMUNICATIONS OFFICER

Appointment Date: 2015
Education: Bachelor of Science in Business Administration with a double major in Finance and Information Management Systems from Portland State University, USA

Work Experience: he presides over the departments of investor relations, corporate communications, governance, and compliance; he has extensive experience, which started with Zain 20 years ago, and witnessed its foreign expansion journey in the Middle East and Africa region, as he established the Middle East Investor Relations Association (MEIRA) in Kuwait.

Nawal Hamad Bourisli
CHIEF PURPOSE AND HUMAN RESOURCES OFFICER

Appointment Date: 2018
Education: Program for Leadership Development at Harvard Business School.

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

Malek Hammoud
CHIEF INVESTMENTS AND DIGITAL TRANSFORMATION OFFICER

Appointment Date: 2017
Education: Bachelor's degree in Electrical Engineering from the American University of Beirut (AUB), MBA from the London Business School (LBS), and a Chartered Financial Analyst (CFA).

Work Experience: A key member of Zain's executive management team, he is leading and involved in the execution of key verticals of the Group's 4Sight strategy in all its markets by building new revenue streams and seeking investment opportunities in the digital world and startup ecosystem. Leveraging on his extensive experience in the banking sector (capital markets, corporate and investment banking), under his remit, Zain has launched Zain Fintech, Zain Ventures, Zain esports, Dizlee API platform and Zain InsureTech in multiple markets.

Jennifer Suleiman
CHIEF SUSTAINABILITY OFFICER

Appointment Date: 2018
Education: Degree in Art History and Archeology from Washington University, St Louis, Missouri, USA

Work Experience: 30 years of experience, led a series of initiatives in the fields of sustainability, develops the group's sustainability strategy, publishes sustainability reports and thought leadership reports, leads the efforts to adopt the Sustainable Development Goals (SDGs), works on joint projects with related International bodies such as the GSMA – (Climate Action Taskforce, ESG Metrics for Mobile, the Mobile Alliance)- The United Nations Global Compact, Child Helpline International, and other parties concerned with sustainable development.

Dr. Andrew Arowojolu
CHIEF REGULATORY OFFICER

Appointment Date: 2016
Education: Ph.D. in Mobile Wireless Communication (University of Liverpool - 1994), M. Sc. in Microelectronics and Communication (University of Liverpool - 1991); BSc in Electrical and Electronic Engineering (University of Lagos – 1988); LLM (Master of Law) degree in Technology, Media and Telecommunications Law (Distinction) (Queen Mary University of London Center for Commercial Law Studies – 2022).

Work Experience: He has a proven track record in the telecommunications sector with over 30 years of experience in this field in the Middle East, Europe, Africa, and Asia markets. He is responsible for the group regulatory strategic focus areas, international advocacy body engagement and regulatory compliance with operating companies.

Firas Oggar
HEAD OF LEGAL

Appointment Date: 2017
Education: Master's degree from the University of Paris in international business law

Work Experience: Qualified lawyer before the Paris Bar with 22 years of experience in prestigious institutions in France and the Middle East, experiences in executive positions, Board member in Zain KSA and Zain Iraq. Member of the GC Power list Middle East (Legal 500) since 2015, member of the board of directors of the Association of Corporate Counsel (ACC), MENA Chapter.

Venkatesh Jandhyala
CHIEF INTERNAL AUDITOR

Appointment Date: 2014
Education: Bachelor of Commerce and Law degrees from Osmania University, Hyderabad, India, a dual degree in Master of Science in International Finance and an MBA in Finance and Marketing from the University of Miami, USA, Chartered/Board Secretary diploma from India.

Work Experience: 30 years in the business fields of telecommunications companies and consulting firms, having worked in various business environments in the Americas, Europe, Africa, the Middle East, and Asia. He received the Playmobil Honorary Award in Accounting.

AbdulGhaffar Setareh
CHIEF RISK OFFICER

Appointment Date: 2016
Education: Telecommunications Engineering degree from Rabat, Morocco

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

Maryam Saif
CHIEF DIVERSITY, EQUITY AND INCLUSION OFFICER

Appointment Date: 2017
Education: Master's degree in Organizational Behavior and Bachelor of Science in Computer Programming from London Met University, Strategy Execution from Said Business School, University of Oxford.

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

Board Nominations and Remuneration Committee (BNRC)

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

Remuneration Report for the Board of Directors and Executive Management

Summary of the company's remuneration and incentives policy, particularly related to members of the Board, Executive Management and managers.

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 company's goals and considers its operations' integrity and 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 market performance levels using analyses from specialized consulting firms.
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 employment levels.

The company's remuneration policy 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 annually and, when necessary, taking into consideration the extent of compliance with the laws and guidelines issued by the relevant regulatory bodies such as the CMA 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 BNRC, continues to prepare and update the remuneration policy in line with the company's strategy and overall risk framework.

Executive Management is responsible for designing the staff reward system per the approved policy and following up on implementing the strategy.

The KPIs are based on the company's overall strategy and are approved by the Board. Executive Management implements this strategy and reports thereon to the Board regularly.

Board Remuneration

- The total Board remuneration shall not exceed 10% of the company's net profits (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 2022, the total remuneration granted to Board members was KD 435,000, that was approved by shareholders' 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, the company's risk tolerance, and ESG factors 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 BNRC, in coordination with the relevant departments, if necessary (i.e., human resources), on an annual basis to reassess the total remuneration package, market conditions, and performance of divisions across the company.
- Fixed remunerations, including salaries, allowances, and benefits (and end-of-service indemnity), are awarded under the approved salary and grading structure by the Board of Directors, the applicable laws and regulations and the manual of contractual agreements of employees issued by human resources.

Variable Remunerations

- Variable remunerations are linked to the achievement of predefined goals.
- This type of remuneration is designed to motivate and reward Executive Management members. Variable bonuses are allocated based on the individual performance of the Executive Management member and the overall performance of the company.
- Variable remuneration in Zain can include two elements: annual variable remuneration (variable remuneration granted to employees on an annual basis) and multi-annual variable remuneration (variable remuneration given to employees over multiple years indicating that the Board 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 goals 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 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 based on BNRC recommendations.

Remunerations and benefits of Members of Board of Directors							
Total number of members	"Remunerations and benefits through the parent company"			Remunerations and benefits through the subsidiaries			
	Fixed remuneration and benefits (Kuwaiti Dinar)	"Variable remuneration and benefits (Kuwaiti Dinar)"		"Fixed remuneration and benefits (Kuwaiti Dinar)"		"Variable remuneration and benefits(Kuwaiti Dinar)"	
	Health insurance	Annual remuneration	Committees' remuneration	Health insurance	Monthly salaries total of the year	Annual Remuneration	Committees' remuneration
9		435,000	39,400				

*Details of the segments and types of remuneration and benefits mentioned are examples without limitation

Total remunerations and benefits granted to executives who have received the highest remunerations including Chief Executive Officer and the Chief Financial Officer or their deputy.																
Total executive positions	Remunerations and Benefits through the parent									Remunerations and Benefits through the subsidiaries						
	Fixed remuneration and benefits (Kuwaiti Dinar)								Variable remuneration and benefits (Kuwaiti Dinar)			Fixed remuneration and benefits (Kuwaiti Dinar)				Variable remuneration and benefits (Kuwaiti Dinar)
	Monthly Salaries (total of the year)	Health Insurance	Social Security	Annual Tickets	Housing Allowance	Transportation Allowance	Health Club Allowance	Childrens Education Allowance	Annual Remuneration	Monthly Salaries (total of the year)	Health Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Childrens Education Allowance	Annual Remuneration
5	989,572	6,300	7,590	13,824	118,320	34,560	1,570	28,579	1,865,724							

*Details of the segments and types of remuneration and benefits mentioned are examples without limitation

There are no material deviations from the remuneration policy approved by the Board of Directors.

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 2022 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 2022.

Emphasizing the independence and impartiality of the external auditor

External auditors enhance corporate governance by ensuring the accuracy of company reports and the fairness and clarity of the information in these reports. The external auditor examines the company to ensure that its systems, primarily the financial, follow internal controls.

The Companies Law and the CMA regulations stipulate specific requirements that external auditors must meet when preparing their audit reports and verifying the accuracy of company reports. Zain is committed to having the external auditor be independent of the company and its Board and not perform actions that may affect impartiality and independence. Therefore, the Audit Committee shall recommend the appointment, reappointment or change of the external auditor to the Board, including determining their fees and reviewing their appointment letters. The external auditor is officially appointed at the Ordinary General Assembly based on the recommendations of the Board while fulfilling the following requirements:

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

The audited financial statements provide an external view of the accounting and financial operations of the company. The company's accounting system aims to identify, compile, classify, analyze, record, and report on the company's transactions and maintain accountability for assets.

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

The external auditors meet with the Audit Committee quarterly; additionally, they have the right to request a meeting with the Committee when necessary, without the presence of executive management. The Board must call for a General Assembly meeting based on a request from the external auditor within 15 days from the date of the request. The external auditors attend the meetings of the General Assembly and read their report to shareholders, explaining any obstacles or interferences from the Board during the performance of their duties. The auditors must also inform the CMA of any material violations or obstacles and their details.

Accordingly, Deloitte and Touche (Al Wazzan & Partners) has been appointed to perform the functions required by the independent external auditor. We would like to confirm that Deloitte is not doing any additional services for Zain.

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, and tax services. Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL). It is the first Arab professional services firm established in the Middle East with an uninterrupted presence since 1926, with more than 5,000 staff working in over 26 offices in 14 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 10 Partners, Principals and Directors, and more than 110 dedicated audit professionals.

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March 23, 2023

Respective Audit Committee Member
Mobile Telecommunications Company K.S.C.P. – Zain Group
State of Kuwait

Subject: **Internal Control Systems Report For the year ended 31 December 2022**

Purpose of this Report
In accordance with our letter of engagement dated 12 January 2023, we have examined and evaluated the internal control systems of Mobile Telecommunications Company K.S.C.P. referred to as "Zain Group" which were applied during the year ended December 31, 2022, with regard to the following departments of business of Zain Group:

- Corporate Communications, Investor Relations, Corporate Governance and Compliance
- Finance
- Investment & Digital Transformation
- Technology
- Regulatory Affairs
- Strategy and Business Development
- Wholesale and Roaming
- Commercial
- Human Resources
- Legal
- Internal Audit
- Risk Management
- Zain Tec
- Corporate Sustainability
- Inclusion, Equity and Diversity

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

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

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

Because of inherent limitations in control system, and despite the levels of controls identified, there are still instances where these may not always be effective, and errors or irregularities may nevertheless occur and not be detected or traced. This may be due to human error, incorrect management judgment, management override, controls being by-passed or a reduction in compliance.

Our report is based on the findings and conclusion from the work undertaken, the scope of which has been agreed with the management, Also, projection of any evaluation of the systems to future periods is subject to the risk that information from management and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

The factors considered which might influence our report are:
- Inherent risk in the areas being examined / evaluated;
- Limitations in the individual area being examined / evaluated;
- The adequacy and effectiveness of the risk management and governance control framework;
- The impact of weakness identified;
- The level of risk exposure; and
- The response to management actions raised and timeliness of actions taken.

Procedures and Findings
In regard to the nature and scale of its business, during the year ended December 31, 2022, the internal control systems in the areas examined by us were evaluated and maintained in proportion to the size of the risks and business in Zain Group, except for the matters specified in the detailed report.

Dr. Shuaib Abdullah Shuaib
License No. 33-A"
RSM Albazie & Co.

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

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

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

Board Risk Committee

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

Internal Control Systems

Establishing the values, principles and responsibilities involved is a critical step in the decision-making process. Applying the company's code of conduct and internal policies is essential in managing operations efficiently and effectively while ensuring that the company's business is conducted ethically and legally. Therefore, the company emphasizes adherence to relevant laws, instructions, principles and practices through external and internal control systems designed to protect the rights of stakeholders and support the company's objectives and strategy.

OUR VISION

"to become the leading provider of innovation and digital lifestyle communications by providing the best and simplest experience for our customers"

OUR VALUES

Heart	Radiance	Belonging
The courage to make the choices that makes this a better world	Putting inspiration at the center of our powerful leadership	Breaking boundaries and bringing people together

INTERNAL CONTROL FRAMEWORK

Three-line defense	Defined Responsibilities	Control Environment	Risk Assessment	Awareness
• Internal Audit • Risk Management • Corporate governance and compliance	• Independent functions • Quality and Integrity • Assignment of roles per governance principles	• External factors that shape the internal control environment such as laws, regulations, charters and international standards • Independent registered external auditors	• Compliance risks • Market risks • Operations risks	• Policies • Procedures • Code of conduct • Technical tools and software • Training

External mechanisms for control and oversight

External control mechanisms are regulated by entities outside the company, such as regulatory bodies, government agencies, independent auditors, and others. Most often, the objectives of external control mechanisms are to assess compliance with laws, regulations and best standards. Zain undergoes an independent audit as part of an assessment of the overall corporate governance structure. The company is subject to oversight and inspection by the CMA, the Ministry of Commerce and Industry, the Anti-Corruption Authority, the Competition Protection Agency, and the Communications and Information Technology Regulatory Authority (CITRA), in addition to governmental and regulatory bodies in all countries in which our operations are located.

The CMA conducts a supervisory inspection and monitors the activities of the companies according to the relevant laws. As a result of the aforementioned control procedures, the company's operations are audited, and reports are provided that include details of compliance, implementation, and any required amendments, violations or other disciplinary measures. In addition, all company records are subject to examination and audit by the CMA.

Following the Companies Law in Kuwait and international accounting standards, the company must appoint an auditor during the Ordinary General Assembly after the recommendation of the Board of Directors and the Audit Committee of the Board. The auditor may not be the Chairman or a member of the Board of Directors of the company whose accounts they audit, or are entrusted with carrying out an executive position in it, or monitor its accounts or a relative up to the second degree of those who supervise the management of the company or its accounts, nor may they buy shares of the companies whose accounts they audit. Moreover, the auditor may not buy or sell company shares during the audit period or while performing any advisory work for the company.

The auditor has the right, at all times, to review all the company's books, records and documents and to request the data he deems necessary. The auditor or his delegate must attend the ordinary general assembly meetings and submit a report on the company's financial statements. The report shows the financial position of the company at the end of the fiscal year and the results of the company's business operations for that year. It also includes a statement on whether the data contained in the report of the Board and the company's books are compatible with generally accepted accounting principles and what is stipulated in the law. The Board or a number of shareholders representing 25% of the capital may request the replacement of the auditor during the fiscal year.

Internal controls systems

The Board understands the nature and size of risks facing the company's activities, including sustainability risks represented in environmental, social and governance issues. The Board constantly seeks to reduce the company's exposure and works with the executive management to determine the appropriate action to deal with these risks. This includes identifying internal or external factors that led to such risks and developing methods to confront them in light of the strategies and policies developed in this regard, particularly the company's risk appetite. The company's internal controls help to maximize the value for stakeholders and achieve strategic goals while complying with best practices, laws and regulations and managing risks. Zain's control systems are the cornerstone for building and operating an effective system of internal control in the company to achieve its strategic objectives, provide reliable financial reports to internal and external stakeholders, carry out its business efficiently and effectively, ensure compliance with all applicable laws and regulations, and protect its assets.

The following is a list of key procedures taken by Zain to ensure adherence to integrity and ethical values:

1. The company's organizational structure takes into account the Four Eyes Principle
2. The Internal Audit Department is independent as it reports to the Board Audit Committee. One of the responsibilities of this department is to audit the company's operations and procedures, to ensure compliance with relevant laws, policies and standards, and to identify areas that can be modified
3. Risk Management is independant as it reports to BRC
4. Assigning an independent audit office to evaluate and review the internal control systems and to prepare a report to be submitted to the CMA on an annual basis
5. An independent auditor reviews and evaluates the performance of the Internal Audit Department every three years; a copy of the findings report is provided to the Board Audit Committee and the Board.
6. A registered independent auditor provides limited independent assurance of the sustainability report

The elements of Zain's control environment include a commitment to oversee integrity and ethical values, maintaining the independence of the board of directors from executive management and their supervision over the company's internal control. It includes establishing the organizational structure, administrative hierarchy, authority, and responsibilities to follow up on business objectives. In addition, it ensures commitment to attracting, developing, and maintaining talent and upholding accountability for implementing internal controls. Internal control systems consist of the set of policies, standards, and procedures that are used to maintain control across the organization. The Board determines the structure and framework for decisions taken by executive management in handling the company's operations. The Board has approved these internal policies and procedures to ensure that they are in line with the rights of shareholders and stakeholders, the code of conduct, the applicable laws and regulations and the best standards. In addition, the Board identifies and analyzes risks at least annually and on an ad-hoc basis when significant changes occur in the company, the sector, or the regulatory environment. Thus, policies and procedures include control measures to address these risks. One of the duties of the Audit Committee is to assess the adequacy of the internal control systems applied within the company and to prepare a report containing the opinion and recommendations of the committee in this regard.

The efficient control environment at Zain allows the members of the Board and executive management to understand their responsibilities and the limits of their authority. The employees in this environment are also committed to following the company's policies, procedures, and code of conduct. The control environment also includes technical competency and ethical commitment. The Board guarantees the appropriate segregation of duties and procedures, maintaining documents and records, and assessing performance by independent bodies. Conducting independent checks on performance is a valuable control method. Based on the regulations and instructions by the CMA, the company appointed Al-Bazie & Partners, an independent auditing firm, to assess and review internal control systems. The Internal Control Review (ICR) includes a complete assessment of the company's internal control system to determine whether the company's functions and departments are operating as intended and whether they can manage the risks that the company may face in its day-to-day operations.

To enhance the control environment, the Board has created and published written policies and procedures, codes of conduct and standards of behavior, the aim of which is to act ethically and create a positive tone that requires the same standard of behavior from every individual in the company. In addition, executive management encourages the highest levels of integrity and professional standards and promotes a leadership style that enhances internal control systems within the company. The ICR provides stakeholders, including shareholders, regulators, and the board, with an overview of the effectiveness of the internal control environment. It highlights weaknesses in the company's internal control environment and identifies processes that can be improved. The ICR tests whether the internal controls are working as required and approved by the Board. The assessment includes determining the internal control objectives relevant to the company, reviewing the policies and procedures in place and documentation standards for each, discussing the existing controls with the stakeholders, and ensuring that the company has taken corrective actions on the identified weaknesses in a timely manner. The findings and recommendations are shared with the Board and the CMA.

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March 23, 2023

Respective Audit Committee Member
Mobile Telecommunications Company K.S.C.P. – Zain Group
State of Kuwait

Subject: Internal Control Systems Report For the year ended 31 December 2022

Purpose of this Report
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- Legal
- Internal Audit
- Risk Management
- Zain Tec
- Corporate Sustainability
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Our approach and procedures were carried out with regard to the Executive Regulations of Law no. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities, Module 15 "Corporate Governance" article no. (6-9).

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

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

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The factors considered which might influence our report are:

- Inherent risk in the areas being examined / evaluated;
- Limitations in the individual area being examined / evaluated;
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- The impact of weakness identified;
- The level of risk exposure; and
- The response to management actions raised and timeliness of actions taken.

Procedures and Findings
In regard to the nature and scale of its business, during the year ended December 31, 2022, the internal control systems in the areas examined by us were evaluated and maintained in proportion to the size of the risks and business in Zain Group, except for the matters specified in the detailed report.

Dr. Shuaib Abdullah Shuaib
License No. 33-A"
RSM Albazie & Co.

A brief statement on implementing the requirements for forming an independent department/office/unit for internal audit

The Internal Audit Department operates independently. It falls under the supervision of the Chief Internal Auditor and reports to the Board Audit Committee. The Audit Committee ensures that the company operates ethically and complies with laws and regulations. In addition, BAC is concerned with supervising financial reporting, risk management and internal control and is also responsible for submitting recommendations to the Board regarding the appointment of an external auditor. The Internal Audit Department reports to this committee in the company's organizational structure by the applicable laws and regulations.

The requirements to form the Audit Committee and define its responsibilities in the organization are complied with the relevant laws and regulations issued by the CMA and the Ministry of Commerce and Industry, which greatly enhanced the role of audit committees in the governance framework. The extent of the Audit Committee's role and duties is evident through its responsibilities (for details on the role and responsibilities of the committee, please see the second rule of this report). Internal audit is an independent, objective assurance and advisory activity designed to add value and improve the company's operations. The Internal Audit Department helps achieve the company's objectives by providing a structured and disciplined approach to assessing and enhancing the effectiveness of risk management, internal control, and governance processes.

In line with our mission, the Internal Audit Department provides the Executive Management, Risk Committee and the Board of Directors with information, assessments, recommendations and advice regarding the audited operations and other critical issues.

The Internal Audit function's primary responsibilities can be summarized as follows:
- Evaluating the adequacy of the internal control systems
- Recommending improvements in controls
- Assessing compliance with policies, procedures, and sound business practices
- Evaluating compliance with laws, guidelines, and regulations
- Examining operations to determine whether results are consistent with established objectives and whether processes are being carried out as planned
- Working closely with departments to identify and evaluate risks and controls without compromising the principle of independence
- Preparing an internal audit work plan based on a systematic risk assessment, including the risks/control issues identified by the executive management, the audit committee and the Board

The Chief Internal Auditor issues reports to the Audit Committee and the Board while carrying out the tasks and responsibilities assigned to the management. The Chief Internal Auditor meets with the Audit Committee of the Board periodically to report on the plans and results of the audit function and provide any other information required. In addition, he has direct access to the Chairman and the Board in matters of pressing importance.

Rule VI: Promote Code of Conduct and Ethical Standards

Professional Conduct and Values

The company seeks to achieve its objectives responsibly. It is the responsibility of all those involved, including the Board, executive management, and external parties that deal with the company, to perform their duties and act on behalf of the company ethically and legally. Integrity is critical to the company's long-term success; therefore, our Code of Conduct sets out what we expect from all parties, such as the Board, Executive Management, employees, suppliers, and partners. Zain ensures that all parties uphold the same standards and adhere to relevant rules, laws and regulations. By doing so, the company is assured of making a positive and long-term impact on the sector, the markets in which we operate, and society at large. Zain's Code of Conduct requires all employees to adhere to integrity, fairness, and honesty in all processes and business operations. The Board, executive management and all employees are committed to rejecting all forms of unethical conduct, including but not limited to corruption and bribery. Accordingly, all partners, suppliers and stakeholders are committed to implementing the company's code of conduct.

Zain is committed to operating its business activities grounded on integrity, respect for the law and going beyond the law to advance social and environmental responsibility. The company is firmly committed to the United Nations Universal Declaration of Human Rights (UDHR), the Core Conventions of the International Labor Organization (ILO) and the OECD Guidelines for Multinational Enterprises. Zain has created the Supplier Code of Conduct to ensure that our local and international suppliers share Zain's commitment to responsible business practices and adhere to Zain's values. The Supplier's code of conduct is available on the company's website. The code contains general requirements applicable to all suppliers to Zain Group, its operating companies, other subsidiaries and divisions.

The ethical guidelines of the Code of Conduct (available on the website) are intended to guide and enable employees, management and the Board to make the right decisions - as individuals and as a company. Adherence to the Code of Conduct is the responsibility of each employee at Zain Group and across the subsidiaries. By doing so, we can have a positive and long-term impact, as corporate sustainability provides key competitive advantages. Zain does not rely on mere adherence to legal minimums, but as an industry leader, we aspire to be among the best in global sustainability practices. To achieve this, the Board, executive management, and all parties in Zain are committed to the highest human rights and labor standards and establishing a sound environment and good governance practices in all business activities.

The Board adopted a Code of Conduct for its members to assist them in performing their duties towards the company. The Board is responsible for promoting the company's success by directing and supervising its affairs. The role of the Board is to lead the business and the company within the adequate controls that allow for risk assessment and management; the Board determines the company's values and standards and ensures that its obligations towards shareholders and stakeholders are understood and fulfilled.

Personal Data Protection and Privacy

Zain and its subsidiaries and affiliates are subject to laws, regulations, charters, and resolutions enacted and promulgated by the relevant legislative bodies and regulatory authorities in each respective jurisdiction. In addition, Zain complies with international standards such as those issued by the Sustainability Accounting Standards Board (SASB) and the International Standards Organizations ISO/IEC 27001 information security management standard.

The protection and privacy of personally identifiable information (PII) entrusted to Zain by customers, clients, employees, suppliers, stakeholders, local and international strategic partners, and other individuals Zain works with are paramount to the organization. Accordingly, we are committed to protecting and respecting the privacy of all data subjects who engage with the company securely and transparently to comply with applicable legislation.

Zain embeds its privacy administration processes in its Group-wide regulatory compliance management and risk evaluation program, which actively supports the implementation of Zain Group's '4Sight' strategy. The over-arching privacy policy at Zain sets out the broad principles and guidelines for collecting, processing, storing, and disclosing personal data in line with applicable laws and regulations. We also issue privacy notices on the websites of all Zain operating companies. These privacy notices are regularly updated, provide information on the latest country-specific data protection laws and regulations, and outline any country-specific mandates we further implement to protect your data. Please refer to the company's website to view the full data protection and privacy policy. The policy is approved by the Board.

Human Rights

Zain is committed to respecting human rights as defined in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the ILO Declaration on Fundamental Principles and the Rights at work. The policy is also guided by the United Nations Guiding Principles for Business and Human Rights, the UN Convention on the Rights of Persons with Disabilities, the UN Convention on the Rights of the Child, the Guidelines of the Organization for Cooperation and Economic Development for Multinational Companies, and it is in alignment with the principles of the United Nations Global Compact and the Global Network Initiative's principles on Freedom of Expression and Privacy – GNI Principles. This policy applies to all Zain operating companies and those entities under Zain Group management control. The policy also applies to all our suppliers and business partners. Our suppliers are expected to adhere to the Zain Group Supplier Code of Conduct and the Zain Group Human Rights Policy. Zain is committed to monitoring this policy's implementation through its internal processes overseen by Group Sustainability, Group Risk Management, Group Corporate Governance and Group Legal, whose mandate is to report on a transparent basis the progress made on human rights issues to the Board. In addition, human rights issues are communicated in Zain's Annual Corporate Sustainability Report.

Conflict of Interests

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

Board members and Executive Management at Zain are obligated to disclose every actual or potential case of conflict of interest, as defined within the company's policy based on relevant laws, regulations, and international standards. Zain's conflict of interest policy includes clear examples of cases of conflict of interest and the methods of addressing and dealing with them. A conflict of interest occurs when an individual's interests influence their judgment, decisions, or actions in a way that negatively affects their professional commitments or responsibilities and raises questions about whether their decisions can be unbiased. Accordingly, Zain includes conflict of interest in its policies, procedures and charters and treats every case with top priority.

Board members are also obligated to disclose any personal interest in the business and contracts for the company's account. This disclosure is recorded in the minutes of the meetings. The Board member with personal interests in the topic at hand refrains from participating in voting on the relevant resolution. If a Board member has a personal interest, a special report from the auditor shall be attached to this disclosure.

According to the CMA executive bylaw, the company assigns an independent expert to submit a report to the General Assembly or the Board regarding any transaction or any arrangement whereby each of the parties enters into any project or buys an asset or provides financing for it when the value of the transaction or arrangement is equivalent to 10% or more of the company's total assets. Such reports are submitted before the deal or agreement is approved.

The policy is based on several principles, such as protecting the rights of stakeholders and maximizing

shareholders' value. In addition, it emphasizes maintaining the confidentiality of transactions and information issued by the Board.

Sanctions

Zain Group has developed a sanctions policy in line with applicable sanctions laws and regulations. This policy summarizes the precautions imposed by the sanctioning authorities that control the company's ability to conduct any activity in some high-risk regions or with sanctioned persons. This policy also sets out restrictions and measures which must be followed by every employee in the company consistently. The company is committed to complying with the sanction laws and regulations in all the countries in which it operates; this aligns with its strategy and vision as the most trusted network provider.

This policy covers the effects of non-compliance with the sanctions laws and regulations and the process for reporting such violations.

Anti-Corruption

The Board has adopted an anti-corruption policy within the framework of corporate governance at Zain. The anti-corruption policy sets out the principles which Zain and its subsidiaries follow, based on zero tolerance for bribery and corruption. This policy aims to ensure appropriate measures are in place to combat corruption and bribery in all company operations to avoid any violations of relevant laws and regulations.

Zain Group strictly prohibits offering, authorizing, or receiving bribes under any circumstances, including bribery of individuals and government officials. Such actions are unethical and illegal. We strive to succeed with honesty and fairness, relying on our excellent performance and ethical business practices. We are committed to conducting our business activities with integrity, in line with our company Code of Conduct. This policy is communicated to all stakeholders, promoted, and supported by awareness and training initiatives, to ensure full understanding and compliance by all stakeholders.

The policy has been prepared under laws and regulations and covers various topics, including business conduct, giving and receiving gifts, doing business with a third-party, political and charitable contributions (Zain does not provide financial support to political parties and affiliations), financial facilities, non-controlling ownership percentages, commitment to maintaining accuracy and integrity in keeping company records, reporting and disciplinary measures in case of policy violation, conflict of interest, related party transactions, economic sanctions and anti-money laundering.

Anti-Money Laundering (AML)

Zain's commitment to the highest ethical and legal standards extends to its business operations across all countries. Accordingly, Zain Group takes all necessary measures to prevent money-laundering activities within its footprint. The Board approved this policy to ensure that Zain is committed to complying with all requirements of relevant Anti-Money Laundering and Counter-Terrorist Funding Laws, Regulations and Standards. This policy aims to ensure the completion of risk-based controls that prevent the misuse of Zain Group assets by money launderers and those involved in financing terrorism. It also protects Zain, its employees, and stakeholders from involuntarily committing money laundering and terrorist financing violations.

Diversity, Equity and Inclusion

Zain's Board is committed to the diversity, equity and inclusion (DEI) principles starting with the principles behind the composition of the Board, which is in line with the size and geographic spread of Zain, its portfolio, culture and status as a listed company. The company recognizes the importance of a diverse Board in providing a range of opinions in the decision-making process, which is beneficial to the company's long-term success and protects stakeholder rights. When selecting Board members, the process is based on reasonable criteria, and there is no discrimination on any personal or physical attributes that do not speak to a person's ability to perform as a member. The Board supports Zain's DEI approach and management efforts to ensure that the diversity of the Board and Executive Management is continuously enhanced.

The board approved this policy which aims to promote diversity on the Board in terms of experience and knowledge regardless of gender, race, ethnic origin, disability, age, nationality, national origin, religion/belief, marital status, and social class. At Zain Group opposes all forms of discrimination. This policy is largely set up to address the importance of a diverse Board in employing the unique identities, skills and experiences of the members in a way that collectively benefits the company.

Zain is proud to be among the first telecom providers in the region to have established a DEI department to indicate how seriously the company uplifts our entire workforce and benefits society.

This DEI department adopts a series of carefully prepared programs and initiatives in more than one field, such as programs for gender diversity, a program for people with special needs, a program for youth empowerment, and an internal innovation platform (helping Zain employees to turn their ideas into startups of their own) and programs for mental health. As Zain believes its employees represent its greatest advantage, it takes pride in its continuous efforts to support its employees. While Zain Group continues its programs and initiatives to enhance its workforce, it seeks at the same time to harness the power of this diversity to build a business model that inspires others and sets an example in the labor markets looking for a change. Details of DEI's initiatives and policies are available on the company's website.

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

Disclosure mechanisms and characteristics
Zain adheres to the rules and guidelines of disclosure and transparency according to the Disclosure and Transparency Module issued by the CMA. The following are the most important policies concerned with ensuring transparency in the company's operations:

Disclosure policy
The company's governance framework includes a disclosure policy through which it ensures the accurate, realistic, and timely disclosure of all material information related to the company, including financial position, performance, ownership, and corporate governance. The policy aims to enhance the company's ability to comply with the rules, laws, and instructions issued by the CMA and other relevant regulatory bodies while ensuring fairness and equality in providing the right to access that information.

The policy defines a framework for the proactive disclosure of information related to the company. It emphasizes achieving a balance between the confidentiality required by our customers with the information needed by stakeholders such as shareholders, regulators, and analysts. This policy aims to provide the necessary information to all stakeholders, whether they are employees, customers, members of society or the general public. This policy defines the principles and requirements of transparency and the types of information that will be disclosed to ensure that stakeholders are treated fairly. The Board monitors the disclosure process and communicates with internal and external stakeholders. A set of the company's internal policies has been published on the official website after the approval of the company's Board to provide a clearer picture of the company's internal processes, policies and procedures, which leads to a deeper connection with shareholders and other stakeholders and reaching the highest levels of trust with different groups of stakeholders. The Corporate Governance and Compliance Department is responsible for supervising the disclosure process in accordance with the requirements of the CMA to ensure full compliance by the company with the instructions contained in Module Ten of the CMA's executive bylaw on disclosure and transparency.

Accordingly, the Corporate Governance and Compliance Department works to provide any clarifications related to disclosure requirements. This department is the main point of contact responsible for communicating with and responding to the inquiries of the CMA and the relevant regulatory authorities.

Data protection and privacy policy
The company is legally and ethically obligated to protect customer information to ensure that it is not misused in a way that harms the customer's interests or the company's reputation. All employees are responsible for protecting customer information and not disclosing any information they are not authorized to disclose, following the relevant regulatory requirements. All employees are fully aware of all policies related to data protection, distribution, transmission, preservation, or disposal.

Disclosure archive
All public disclosures are posted on the company's website; with the approval of the Corporate Governance and Compliance Department and in cooperation with the Corporate Communications and Investor Relations Departments, the company utilizes its website to communicate with stakeholders (shareholders, investors, customers, regulatory authorities, etc.) and distribute company information that is required to be published. The information available on the website includes annual reports, quarterly reports, financial information, and market disclosures (for more than 12 years) and other information.

Insider Trading Policy
Zain establishes adequate contractual arrangements that require insiders who have access to internal information about it and its customers to maintain the confidentiality of such information, not misusing it, transferring it or causing it to be transmitted directly or indirectly to other persons, and not urging other persons to deal in securities based on such inside information. In addition, Zain maintains a permanent record of the insider's trades. Accordingly, Boursa Kuwait is obligated to receive the insiders' watchlist and to verify that the people whose names appear in that list comply with the provisions of applicable laws and regulations when trading in securities. Boursa Kuwait is also obligated to consider the adherence of the insiders of the listed company not to trade during the prohibition periods indicated in the regulations and to announce all disclosures received accordingly.

Disclosures record for the Board of Directors and Executive Management
The company maintains a record that includes all the disclosures of Board members and Executive Management. The company is committed to updating this record according to the disclosures issued to ensure accuracy.

The company also maintains a record that includes the disclosures of the insiders. The information and disclosures are kept within the internal electronic library that facilitates the availability of information to the concerned parties at the appropriate time.

The company's official website contains a record that includes all the company's disclosures to the market that date back more than ten years.

Investor Relations (IR)
Zain is committed to providing information and reports to shareholders and potential investors through the Investor Relations (IR) department. The Board has approved an IR policy that confirms compliance with applicable laws, rules, and instructions, that covers all employees of the company and the company's board of directors. The IR policy includes all means of communication with shareholders, potential investors, analysts, and the media; this includes annual and quarterly reports, news, prospectuses, memoranda for shareholders, press releases held by official spokespersons, and information on the company's website.

The most important principles of this policy are protecting shareholders' rights, communicating with shareholders, and issuing disclosures to shareholders. Accordingly, important information is made available to shareholders through appropriate means of disclosure such as periodic reports, annual reports, the company's website, Boursa Kuwait website, quarterly communication with analysts and relevant conferences, etc.

The responsibility for implementing this policy lies with the employees of the IR Department, in addition to other stakeholders in the company. This department plays a vital role in ensuring the protection of shareholders' rights by the company. The IR department includes multiple competencies and expertise, which ensures easy and continuous communication with shareholders, potential investors, analysts, and the media.

The main objectives of Investor Relations

1. Establish consistent and reliable communication channels 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 to strengthen the relationship of executive management with analysts and stakeholders
4. Provide financial and non-financial information related to the company to the Board of Directors, executive management, shareholders, and analysts.

Following the disclosure of the financial statements, the IR department organizes a call between Executive Management and analysts to discuss the results of the company's financial statements and open the door to any inquiries that analysts may have regarding the company's performance. The transcripts of these calls are available on the company's website to be a reference for shareholders and the public in both Arabic and English.

The IR team and Executive Management attend IR conferences to attract potential investors' interest and hold individual meetings with local and international potential investors and existing shareholders. All executives attending these conferences are fully prepared to answer any questions or inquiries raised during the meetings, provided that these meetings meet all relevant regulatory requirements.

The IR department is responsible for assembling the company's annual report, including requesting input from relevant departments. In addition, the IR team reviews the content received from these departments and ensures its consistency with the company's strategy and approved public image.

Key highlights of the year 2022 for the Investor Relations Department:

1. Achieved a significant accomplishment by elevating foreign ownership to 15% by the end of the year 2022, as compared to the previous year's 13%
2. Managed to increase the analyst coverage to six active analysts, up from five last year. (2023 Target is a total of 8 analysts).
3. Participated in four different Corporate-Days, hosted by Arqaam Capital, HSBC, and EFG Hermes (targeting different geographical markets including US, London & Dubai)
4. Contributed to amending the executive regulations of the Capital Markets Authority, and Boursa Kuwait in cooperation with investor relations associations in the Middle East with regard to the importance of investor relations in the premier market.
5. Participated in creating the Investor Relations Best Practices Handbook in cooperation with the Boursa Kuwait.
6. Managed the annual general assembly meetings of companies affiliated with Zain Group (preparation, organization and distribution of profits), Zain Saudi Arabia (elections of the Board of Directors), Zain Bahrain, Zain Iraq, Etisalat Plus, and Mada.

IT infrastructure and disclosure processes

- The company's website includes all the disclosures that date back more than ten years. The website also includes periodic financial reports, analyst reports and other facts and indicators.
- The website contains information about the Board, executive management and the company's code of conduct, and the main principles and values that support the company's operations.
- Zain IR App: Developed in 2017, it is a comprehensive platform that caters to all IR activities and publications of the company. The Zain app primarily focuses on disseminating key information to stakeholders, such as company financials, shareholders' presentations, earnings calls and management transcripts. Additionally, it provides updated share price information, dividend details, and analysts' consensus to ensure investors are well-informed about Zain's performance. The app also features an updated calendar that lets users track all the upcoming events related to Zain, ensuring that they do not miss any significant announcements. The Zain IR App is a crucial tool. It enhances the transparency and efficiency of all IR activities, ultimately leading to better communication with investors and greater value creation for all stakeholders.
- The CMA is addressed by e-mail (in addition to mail) to provide the required information and disclosures.
- Communication with the CMA takes place through the CMA's electronic portal, which was established to facilitate the transactions of the entities covered by its supervision and enhance and raise work efficiency in an electronic environment.
- The company follows the electronic system of disclosures through the Boursa Kuwait website to update disclosures and data.
- The company submits all required documents, such as the company's annual financial statements, the request, and other requirements necessary for holding the AGM, through the online platform provided by Kuwait Clearing Company. Moreover, all requests and inquiries by stakeholders are also received electronically by the Ministry of Commerce. Additionally, the platform facilitates other procedures and services.
- As listed in the Premier Market, Zain uses the electronic system provided by the Kuwait Clearing Company to hold its AGM and enable the companies' shareholders to participate in the shareholders' meetings without attending in person.
- 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 ending on 31/12/2019	AGM for the year ending on 31/12/2020	Extraordinary general meeting	Ordinary general meeting	AGM for the year ending on 31/12/2021
Date of BOD meeting	12/2/2020	23/2/2021	9/5/2021	14/7/2021	10/2/2022
Date and time of the General Shareholders Meetings	2020/3/19 10:00 a.m.	2021/3/17 10:00 a.m.	2021/6/8 10:00 a.m.	2021/10/12 10:00 a.m.	2021/3/22 10:00 am.
Venue	Zain HQ – Shuwaikh and online access	KCC Live streaming	KCC Live streaming	KCC Live streaming	KCC Live streaming
Percentage of Shareholders in Attendance	69.95%	72.49%	77.99%	66.43%	75.15%

Equal Treatment of Shareholders and 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 Board, executive management, or key shareholders. The company treats all shareholders of the same class equally and without discrimination, in line with the company's interests, and following the laws and regulations. The company is committed to providing the following rights to the shareholders:

- Recording the ownership value in the shareholders' register 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 operational and investment strategy regularly
- 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 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 following the laws. Shareholders are entitled to access the information contained in the Company's disclosure records. As part of the company's corporate governance framework, the protection of shareholders' rights policy has been developed to ensure the company's commitment to respecting and protecting the rights of all shareholders per the relevant laws and regulations. In the provisions of the regulations and instructions issued by the regulatory authorities, this policy applies to the company, its subsidiaries, the board of directors, the executive management, and all employees about their role in protecting the rights of the shareholders.

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 unclaimed dividend reports monthly
- Distribute outstanding share certificates, issue new shares for heirs, and register them
- Record mortgage transactions on the 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. Any class of shareholders is entitled to attend the meetings of the General Assembly without paying any fees for their attendance. The voting in the General Assembly shall be by secret ballot.

The Board invites all shareholders to the AGM under 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. In addition, the company provides all information related to the agenda items well before the General Assembly, particularly 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 to Board members 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 access to all the data contained in the disclosure register of the Board members and Executive Management members without any fees. In addition, shareholders are also entitled to access the minutes of the AGMs.

The company sends out invitations for the extraordinary general assembly meeting at the request of a number of shareholders who own at least fifteen per cent (15%) of the company's capital within thirty (30) days from the date of the request as stated in the relevant laws. In addition, shareholders who own a percentage of five per cent (5%) of the company's capital may add items to the agenda of the General Assembly meetings.

Each shareholder may file a case to nullify any decision issued by the Board or the general assembly (ordinary or extraordinary) in violation of the law, the company's articles of association (AOA) or the company's memorandum, or that was intended to harm the interests of the company. In addition, shareholders who own at least 15% of the capital may appeal before the court in the decisions of the ordinary and extraordinary General Assembly, which prejudice the rights of the minority shareholders.

Rule IX: Recognize the Roles of Stakeholders

Protecting the rights of stakeholders

The demands of our stakeholders are constantly evolving and engaging with them regularly is essential to the continuity of our business. Zain is committed to protecting the rights of stakeholders and creating benefits and job opportunities by ensuring a stable and strong financial position for the company. Accordingly, the Board is responsible for setting standards for protecting the rights of all stakeholders and updating them, as appropriate, to clarify changes in the provisions of the law, regulations, and instructions issued by the regulatory bodies.

The purpose of this policy is to focus on the company's efforts to protect the rights of all stakeholders. This policy applies to the company, its subsidiaries, the Board, executive management, and employees, as each has a role in protecting the stakeholders' rights. Therefore, all members of the company's management and its employees must be aware of the requirements of this policy and the relevant laws and are working to comply with them.

Stakeholder categories include shareholders, regulators, customers, employees, the community, suppliers, and third-parties such as partners and competitors.

The company safeguards the protection of the rights of stakeholders through the following:

- Dealing with all stakeholders fairly and ensuring that members of the Board, related parties and stakeholders are treated fairly and without discrimination
- Allow stakeholders to access information and data related to their activities to obtain and refer to that information quickly and regularly

As the company guarantees the protection of the rights of stakeholders, it also expects all stakeholders to fulfil their obligations governed by contracts, laws and regulations issued by the relevant authorities.

Stakeholder participation and following the company's operations

The major responsibilities of the company's Board towards its stakeholders include:

- To appoint competent executive management – As executive management, headed by the CEO, is responsible for the day-to-day management of the company's operations and for the implementation of the company's strategy, it is one of the foremost responsibilities of the Board to select a company of personnel that is capable of performing this task competently.
- To effectively and efficiently supervise the company's affairs – The company's Board has overall responsibility for the company, including approving and overseeing the implementation of strategic objectives, risk strategy and corporate governance standards. This is in addition to the Board's responsibility for overseeing executive management. The Board administers its supervisory duties directly or through its committees (Board Risk Committee, Board Audit Committee, and Board Nomination & Remuneration Committee).
- To adopt sound policies – The Board must provide executive management with a clear framework for managing the company's operations. This is achieved by having oversight over the key policies followed within the company, covering such areas as investments, credit and asset and liability management, and other related policies.
- To remain abreast of the company's conditions and performance – The Board is aware of any developments in the company's internal or external environment. This enables the Board to intervene promptly when the need arises.
- To maintain proper capitalization of the company – Capital adequacy is one of the primary measures of a company's financial health. Therefore, it is the responsibility of the Board to ensure that the company remains reasonably capitalized, taking into account regulatory requirements and the company's strategic objectives.
- To observe laws, by-laws, and instructions – The company is governed by a set of regulations with which it must comply. It is ultimately the responsibility of the Board to ensure that there are no violations.

Our Stakeholders:

Our Customers

Communication Channels

- Interactive digital channel
- Customer satisfaction surveys
- Store experience surveys
- Services available through app, website, retail stores, contact centers
- Digital and alternative channels – inbound customer service agents & telesales
- Direct messaging, social media platforms and various media outlets

Priorities

- Reliable, accessible, innovative and affordable service
- Awareness about promotional material and other useful info
- Customized services
- Transparency and accuracy of billing
- Data protection and information security
- Efficient complaint resolutions
- Feedback analysis

Our People

Communication Channels

- Workshops
- Groupwide emails and awareness material
- In-person events
- Annual employee engagement surveys
- Whistleblowing form
- Zainers app

Priorities

- Job security and satisfaction
- Employee benefits
- Opportunities for development and growth
- Competitive salaries
- Have a relation to company's core values and principles
- Access to international networking opportunities
- Health and safety protection
- Mental health and wellbeing

Our Suppliers

Communication Channels

- Open direct channels and automated process engagement
- Provide periodic assessments
- Supplier Code of Conduct
- Check against conflict of interests, related party transactions, and sanctions policies
- Efficient onboarding procedures

Priorities

- Embedding principles of diversity and inclusion
- Incorporating sustainability standards
- Provide timely payments

Our Community

Communication Channels

- Social media awareness campaigns
- Support and develop sustainable initiatives and activities
- Establish meaningful partnerships
- Participate in community events, forums and workshops

Priorities

- Build climate change mitigation and adaptation plans, in addition to biodiversity protection
- Enable an inclusive digital society
- Responsible supply chain management
- Commitment to upholding health and safety standards.
- Establish community outreach programs that support underprivileged communities

Our Investors

Communication Channels

- Meetings, conferences (in-person and virtual)
- Annual/interim reports and presentations
- Press Releases
- Disclosure of company material info
- Analyst Calls / Webcasts
- IR app/website/emails
- Social Media
- Annual General Meetings (AGM)
- Feedback and surveys

Priorities

- Financial reporting and integrity
- Communicating the Strategy
- News about operations and activities
- Industry-specific news and updates
- Dividend Policy
- ESG and corporate governance updates
- Regulatory Updates
- Investor Relations Events & Roadshows

Our Governments

Communication Channels

- CMA online portal
- Boursa Kuwait (disclosure portal, emails)
- KCC (Kuwait Clearing Company) emails communications, eAGM
- Inspection visits
- Disclosure forms
- Annual/periodic reports
- Participation in events, workshops, forums
- Meetings (in-person and virtual)
- Website (disclosure archive, reports, articles of associations, policies)
- Topic specific correspondence with regulatory authorities
- AGM

Priorities

- Compliance with laws and regulations
- Promoting best standards in the industry and the market
- ESG principles
- Disclosure and transparency
- Raising awareness about key topics such as ESG, digital transformation and innovation investment

Rule X: Encourage and Enhance Performance

Board Training and Development Plan
Board evaluation is a legal requirement per corporate governance regulations in Kuwait, and it is one of the most important practices related to the Board's performance. The Board of Zain clearly expresses the company's vision, mission, and values; therefore, its performance is characterized by a clear purpose, effective leadership, and strategic direction.

The training program is designed to improve the effectiveness of the Board by expanding its awareness in all matters related to the company, its performance, the telecommunications sector, the markets in which it operates, and other important areas. The Board is always keen to utilize the available methods and techniques to improve its effectiveness.

The training program for the Board aims to create a real difference in the company's performance. The Board develops its performance by exploring challenges related to the performance of its role. The Chairman of the Board reviews the members' training and development needs based on the evaluation results and in cooperation with the BNRC. The Board seeks to develop its skills and competencies through training courses and increasing its knowledge of the leading technical aspects of the company's activity.

The company has prepared an induction program for the members of the Board that contains information about the company, its performance, mission and vision, and all internal policies and procedures, in addition to meeting with the executive management, conducting field visits to the company's facilities, attending presentations on strategic plans and the most important matters related to financial and accounting affairs, risk management, and compliance programs, the company's internal and external auditors and legal advisors.

The company encourages members of the Board to attend training courses and seminars to develop members' skills related to the company's business.

Board Evaluation
Board performance evaluation clarifies individual and group roles to be more effective, translating into better corporate governance. The Board, its committees and individual members are evaluated annually. The evaluation of the Board includes several topics that affect its performance, added value, and the objectives of the company in general. Among these measures are the following:

- Attendance and key performance indicators following the company's strategy and objectives and relevant laws and regulations
- The Board's commitment to laws and regulations that deal with various topics such as business development, formation of the board's structure, adoption of internal policies and other responsibilities and roles as determined by the regulations of the CMA
- Diversity, equity and inclusion in the composition of the Council
- Environmental, Social and Governance (ESG) Performance Standards
- Coordinating meetings, topics, and agendas by relevant laws
- The items of discussion, their objective and relevance and their impact on the company's performance
- Telecom industry trends and latest developments
- The company's risks and the most critical developments and procedures.
- Communication with stakeholders and the effectiveness of these channels
- Related party transactions and conflicts of interest
- Discussing the reports issued by the regulatory authorities, auditors, or any inspection team and the work plans
- Deviations from the approved budget

- Required training courses
- Acquiring required information in a timely manner

Many benefits can be considered for evaluating the Board and developing its performance. These benefits include creating an opportunity for members to self-reflect, analyze and assess areas of weakness, providing Board members with a tool to measure their effectiveness and competencies, stimulating a learning culture, and defining action plans to improve communication for effective decision-making. In addition, this process will improve the working relationship between the committees and the Board. It will facilitate identifying the training needs of the Board to ensure keeping abreast of the latest developments.

The Board's annual self-evaluation is one of the most effective ways to create a space for communicating any concerns and measuring the board of directors' performance. During the self-evaluation process, the members are given the chance to expand their knowledge and awareness, be reminded of their responsibilities, and create a healthy Board culture. Self-evaluation is considered one of the most effective ways to give room for the members of the Board to express their opinions and add value to the performance of the Board, which is shaped by their personal touch and stems from the experience and background of each member.

The Board decided to conduct a self-assessment of their performance during 2022, covering all areas and criteria based on the assessments made during the past three years by an external party. In addition, the Board has incorporated updates to reflect recent trends and requirements by regulators and the best global standards. The Board evaluates itself and is assisted and supported by the Secretary of the Board and the BNRC. The evaluation is provided to all members by the Secretary in an online questionnaire, and the results are analyzed. Decisions regarding performance development are made based on the feedback.

Value Creation
Zain's Board is responsible for overseeing the company's business and the performance of executive management. The Board also oversees the overall conduct of achieving our strategic objectives and creating long-term success to generate sustainable value for our shareholders and other stakeholders. The Board seeks to lay the foundation for a bright and sustainable future, aiming to accelerate growth through responsible, inclusive and sustainable technology. The goal is to ensure that Zain continues to build trust and create value for stakeholders. In addition, the Board monitors progress on the digital impact and sustainability policy and oversees progress in achieving goals related to climate and the environment.

Zain has adopted sustainability practices in response to emerging challenges and stakeholder expectations through environmental, social and governance (ESG standards. Strategic focus in these ESG areas leads to superior financial performance and motivates the Board and Executive Management to keep abreast of developments in the industry and achieve the highest value for shareholders and stakeholders. In addition, trust and integrity in business operations lead to the attraction and retention of shareholders and increased customer loyalty. These non-financial factors act as sources of competitive advantage, which increases the company's value in the long run.

Similar positive effects resulting from an excellent performance in the areas of ESG come through more operational capabilities, quality of management, increase in confidence and efficiency of execution, and more efficient management of capital. These factors also indicate the company's ability to make sound decisions strategically. As a result, it leads to allocating and attracting wealth and leading the company in an effective, productive and valuable way. In addition, ESG disclosures impact the company's reputation, leading to an increase in the company's market value, thus, achieving higher value for shareholders in the long-term.

Rule XI: Focus on the importance of social responsibility

A summary of the development of a policy that ensures a balance between each of the company's goals and society's goals.

The Corporate Sustainability (CS) department at Zain is responsible for assessing the company's social, economic and environmental impacts to create long-lasting value for the organization and its stakeholders. The CS department works cross-functionally to embed the CS strategy across the company's entire value chain. Zain's CS strategy aims to provide meaningful connectivity that leads to equitable and inclusive systemic change across Zain's communities.

The company developed its CS policy to support and outline the role of the CS department and ensure that the CS strategy is embedded across the company's business activities. The CS strategy is in direct alignment with the company's 4sight strategy contributing towards achieving the company's goals and strategic targets. The CS policy is an official statement that confirms Zain's commitment to addressing key social, economic and environmental challenges in its markets. The key focus areas highlighted in the policy are an extension of Zain's overall CS strategy, which include but are not limited to climate change, supply chain management, data privacy and security, child online safety and youth unemployment.

The CS policy is available on the company's official website to ensure all stakeholders can access the policy in Arabic and English.

An overview of the programs and initiatives in the field of social work
Under Zain's newly established Corporate Sustainability strategy 2020-2025, the company continues to establish programs that help support the achievement of the strategic targets.

1. Climate Change:

In 2022, Zain continued to embrace its evolving landscape by revisiting the assumptions regarding climate-related issues and how they might impact the business in the short-, medium- and long term. To remain agile and competitive and address its stakeholders' concerns, the company continued to transition from a business-as-usual energy-intense organization to a Net-Zero emissions' pathway.

To do so and embark on a comprehensive transition, Zain developed its Climate Change Compliance Framework. As a result, it is necessary to structure climate change adaptation and mitigation initiatives, allowing the company to assess its business resilience to physical and transition risks and create more value for its shareholders and customers.

From a community and customer standpoint, the company continued to track and measure behavioral change concerning climate-related issues. As a result, Zain set quantitative targets for each of its markets to address 40% of its customer base by 2025. After revising the targets in 2022, the company increased the target by 10%. Additionally, Zain continues to further efforts in afforestation initiatives through partnerships with multiple stakeholders, including governmental entities and environmental organizations.

Each market conducted a variety of communication campaigns where Zain embedded pre- and post-surveys to assess and measure generated impacts. The following are examples of the awareness campaigns launched in each market:

Bahrain
- Under its annual e-waste campaign, the company conducted an e-waste competition where students across 23 public and private schools participated in a country-wide competition resulting in the top three schools being awarded prizes from Zain.
- To conserve the Bahraini agricultural heritage and enhance biodiversity, Zain Bahrain collaborated with the National Initiative of Agriculture Development (NIAD); Zain Bahrain supported an afforestation program of the Al Istiqlal Walkway in the Kingdom planting a total of 230 trees with a target of planting 1,000 by 2023.

Iraq
- In 2022, Zain Iraq reached 10 million people via its awareness campaigns on topics tackling plastic consumption, water pollution, and afforestation to measure behavioral change.
- Zain Iraq collaborated with Nakhleh Company to support the Ekfel Palm project, which aims to plant palms and spread awareness on carbon offsetting initiatives planting 2,000 palm trees to date.

Jordan
- Zain Jordan, in partnership with its innovation center ZINC, launched its very first climate change hackathon targeting innovative ideas and projects to solve emerging environmental challenges in the following areas: Water crisis, energy consumption, agriculture, and waste management. 200 participants and 52 ideas were pitched, and two winners were selected to receive funding and support from Zain.

Kuwait
- Zain Kuwait partnered with the Kuwait Dive Team to collect waste in Kuwait Territorial Waters. Through this collaboration, Zain Kuwait aims to raise much-needed awareness on marine pollution, collecting a total of 2,850 tons of waste.

Saudi Arabia
- Zain Saudi Arabia supported the National Green Initiative by planting 12,000 trees under the Um Al Shagoog reforestation initiative in partnership with Green Horizon. The initiative aims to increase vegetation in the Um Al Shagoog park, which covers 18 million square meters, to enhance biodiversity and promote ecological regeneration.

Sudan
- Zain collaborated with the Sudan Animal Rescue Center in Khartoum to rehome and rehabilitate endangered species found in the country, most prominently the center's lions. In addition, Zain provided irrigation supplies, planted 500 seedlings across the center, and provided a caravan that could be used as a mobile veterinary clinic.

South Sudan
- Zain launched a country-wide SMS campaign to its 1.4 million subscribers on World Environment Day and corresponding social media campaigns.

2. Operating Responsibly

To address ESG impacts, Zain's approach to responsible supply chain management encompasses all the companies' operations. The company has been working with its suppliers to upskill them and further develop their awareness and knowledge on sustainability-related components. As part of the supplier assessment and selection criteria, sustainability-related aspects of the supply chain ranging from sourcing materials, health and safety, human and labor rights, to anti-corruption, are embedded in the process.

Operation	Bahrain	Iraq	Jordan	Kuwait	Saudi Arabia	Sudan	South Sudan
Number of Suppliers	72	73	81	30	26	11	3

Additionally, the company scaled its physical audit process across its footprint. Each market had to conduct two audits, with the corporate sustainability and procurement departments working together, with observations then raised to suppliers for required remediation. After conducting the visits, Zain raises its observations to the suppliers per Zain's audit checklist. Based on the observation raised, Zain provides a time frame for the supplier to rectify and respond to the observation.

Operation	Bahrain	Iraq	Jordan	Kuwait	Saudi Arabia	Sudan	South Sudan
Target Number of Suppliers	2	2	2	5	2	2	2
Completed	Yes	Yes	Yes	4	Yes	Yes	No

3. Inclusion

People with Disabilities:

- The company launched its first fully accessible campaign titled #AwaysAccessible in collaboration with the GSMA's Connected Societies and Digital Inclusion teams & Microsoft MENA on creating tips and tutorials on how to utilize accessibility features found in smartphones (Using GSMA's Mobile Internet Skills Training Toolkit (MISTT)) and Microsoft Office. The campaign reached 615,034 social media impressions.

- The be an inclusive organization, Zain employees, encompassing sale agents in addition to employees from departments such as Human Resources, Corporate Communications, Technology and others, are learning sign languages to effectively interact with customers, employees or potential hires to communicate and serve people with hearing impairments. Currently, more than 300 Zain employees across Zain's operations are trained in their respective national sign language.

Women in Tech:

Launched in 2021, the Women in Tech (WiT) program is a mentorship program targeting female university students studying Science, Technology, Engineering, and Math (STEM) by matching them with experienced mentors who are Zain employees.

- Zain Iraq collaborated with universities in Baghdad and Basra and Career Development Centers 'CDCs to reach the target audience. Receiving 500+ registrations, the company filtered the applications following the WiT criteria. The program delivered six sessions for each student in addition to access to Udemy, an online learning platform where 124 women graduated from the program. Based on the feedback, Zain organized a job fair in its headquarters where graduated mentees can apply for available jobs at Zain or its sister companies, resulting in 12 females being hired.
- Zain Jordan's WiT stream was established through collaborative efforts between various stakeholders to reach 100 students. In addition, the company leveraged its Zain Innovation Center (ZINC) to reach out to universities and the target audience. A total of eight sessions were provided to each student by Zain's experienced mentors.
- During the year, Zain Saudi Arabia kicked off its WiT program by launching a country-wide campaign to attract its target audience, with more than 500 applicants being received. Zain will announce the selected 100 students in 2023. In addition, the company established a partnership with CST and Google to provide additional informative workshops.

4. Generation Youth:

Child Online Safety:

- The company expanded an MoU with Child Helpline International (CHI) to mobilize, facilitate and support child helplines across its footprint.
- Zain Group launched the second phase of its Internet Monsters campaign, showcasing the company's commitment to raising further awareness on the risks children face online in alignment with the UN's Sustainable Development Goal 16.2, calling on ending all forms of violence against children by 2030.

Digital Literacy:

- In partnership with UNICEF, Zain Jordan launched UNICEF's Learning Passport, a global digital learning platform powered by Microsoft.

	2020	2021	2022
Number of Users	21,931	33,696	70,000

- Zain Sudan's Back to School program focuses on supporting schools and students where the company rehabilitated and renovated a school in the North Omdurman area. The renovation is expected to positively impact around 500 students yearly. In addition, Zain provided 200 young students with school uniforms and 195 students with seating for their classrooms.
- Zain Bahrain continued its partnership with the Supreme Council for Women to provide the Girls for Tech program powered by Clever Play, an organization aiming to embed STEM learning in children's educational experiences. The program provides girls aged 8-14 with skills on website creation, code games, and basic robotics.

	2020	2021	2022
Number of Users	1,000 Girls	100 Girls	250 Girls

Youth Unemployment:

- For the fourth consecutive year, Zain Iraq conducted the Summer Training in Entrepreneurship in collaboration with IREX, a global development and education organization that operates in 100 countries worldwide, and the Ministry of Higher Education. Through cooperative efforts with 15 universities, Zain Iraq aimed to provide professional development and entrepreneurship skills to the trainees.

	2020	2021	2022
Number of Youth	87	76	87

- The Zain Great Idea (ZGI) accelerator program is an initiative established by Zain Kuwait in association with Brilliant Lab. The program provides startup funding acceleration services that operate between Kuwait and Bahrain and Mind the Bridge. Over the years, over 500 entrepreneurs have had the opportunity to showcase their projects in four countries, and 70 participants have been supported to accelerate their ideas into viable businesses.

03

FINANCIAL REPORTS

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 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters 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 2022, 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.

Right of use assets (ROU), lease liabilities, assets of disposal group classified as held for sale and liabilities of disposal group classified as held for sale, which are carried in the consolidated statement of financial position at KD 106 million, KD 105 million, KD 260 million and KD 88 million respectively, include ROU, lease liabilities, ROU classified as held for sale and lease liabilities classified as held for sale pertaining to the Group's operations in a subsidiary of KD 65 million, KD 56 million, KD 82 million and KD 66 million respectively. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the ROU, lease liabilities, ROU classified as held for sale and lease liabilities classified as held for sale pertaining to the Group's operations in that subsidiary because we had not been able to complete the audit procedures relating to these amounts at the time of issuing this report. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group has recognized revenue from telecom services amounting to KD 1,728.058 million for the year ended 31 December 2022. There is inherent complexity in the telecom services revenue recognition process 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. The process from setting up of customers in network system through generation of call records till recognition of revenue in the accounting records is highly automated and does not involve significant judgements. However, there is a risk management override related to revenue occurrence as there could be inappropriate manual journal entries, given revenue is a key performance indicator for stakeholders Even though the inherent risk of complexities in the revenue recognition process is reduced through the highly automated nature of the systems, due to the inherent risk of fraud associated with revenue recognition, particularly occurrence of revenue as described above, we have considered this as a key audit matter. The accounting policy for revenue recognition is set out in note 2.3.15 and the related disclosures are made in note 19 and note 25 to the consolidated financial statements.	Our audit procedures included: • an understanding of the significant revenue processes and identifying the relevant controls, IT systems, interfaces and reports; • an evaluation of the relevant IT systems, with the assistance of our internal IT specialists, and the design and implementation of internal controls related to revenue recognition. • testing the operating effectiveness of controls over the recording of revenue transactions and the change control procedures in place around the systems. • verifying key reconciliations performed by the Group's Revenue Assurance team, including testing end to end reconciliation from business support systems to billing and rating systems to the general ledger, this testing includes validation of material non standard journals processed in the revenue ledger. • using data analytic tools to identify revenue related manual journal entries posted to the general ledger and agreeing and evaluating these entries to source systems and the underlying supporting documentation on a sample basis. • testing a sample of subscribers to determine that the revenue is recognised based on a valid customer contract. • testing a sample of subscribers invoices back to the cash receipts. • verifying reconciliation of deferred revenue to the charging system and the recognition of this revenue in profit or loss. We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.
Impairment of Goodwill As at 31 December 2022, goodwill is carried at KD 568.916 million which represents 11.5% of the total assets. The impairment test of goodwill performed by management is significant to our audit because the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. Estimates of future cash flows are based on management's views of variables such as the growth in the telecommunications sector, economic growth, expected inflation rates and yield. Therefore, we identified the impairment testing of goodwill as a key audit matter. The Group's policy on assessing impairment of goodwill is set out in note 2.3.8 and related disclosures are made in note 12 to the consolidated financial statements.	We evaluated the design and implementation of controls over the impairment assessment process. With the support of our internal valuation experts, we benchmarked and challenged key assumptions forming the Group's value-in-use calculation including the cash flow projections and discount rate. We compared actual historical cash flows with previous forecasts and assessed differences, if any, were within an acceptable range. We assessed the cash flow forecasts and compared the discount rate and growth rate to market data. 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 disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other Information

Management is responsible for the other information. The other information comprises of the information included in the Annual Report of the Group for the year ended 31 December 2022. 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 2022 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. We are unable to conclude if the other information is materially misstated as a result of the matters described in the Basis for Qualified Opinion section of our report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company’s Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Company or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2022, that might have had a material effect on the business of the Company or on its consolidated financial position.

Licence No. 62A
Deloitte & Touche - Al-Wazzan & Co.

Kuwait
14 March 2023

	Note(s)	2022 KD '000	2021 KD '000
ASSETS			
Current assets			
Cash and bank balances	4	240,409	231,884
Trade and other receivables	5	784,406	687,334
Contract assets	19.2	70,457	60,756
Inventories	6	48,144	59,218
Investment securities at fair value through profit or loss	7	34,129	28,423
		1,177,545	**1,067,615**
Assets of disposal group classified as held for sale	8.1	259,759	4,906
		1,437,304	**1,072,521**
Non-current assets			
Contract assets	19.2	49,155	42,857
Investment securities at FVOCI	7	17,600	18,165
Investments in associates and joint venture	9	96,533	78,602
Other non-current assets	11	42,328	57,673
Right of use of assets	10	106,461	163,745
Property and equipment	11	1,067,694	1,217,268
Intangible assets and goodwill	12	2,132,433	2,147,811
		3,512,204	**3,726,121**
Total Assets		**4,949,508**	**4,798,642**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	983,262	938,352
Deferred revenue	19.2	64,270	90,853
Income tax payables	14	18,604	23,900
Due to banks	15	213,559	406,217
Lease liabilities	16	19,424	33,599
		1,299,119	**1,492,921**
Liabilities of disposal group classified as held for sale	8.1	88,281	625
		1,387,400	**1,493,546**
Non-current liabilities			
Due to banks	15	1,152,999	899,343
Lease liabilities	16	85,375	148,708
Other non-current liabilities	17	427,874	445,029
		1,666,248	**1,493,080**
Equity			
Attributable to the Company's shareholders			
Share capital	18	432,706	432,706
Share premium		1,707,164	1,707,164
Legal reserve	18	216,354	216,354
Foreign currency translation reserve	18	(1,513,879)	(1,499,458)
Investment fair valuation reserve		(9,353)	(4,620)
Other reserves	18	3,855	(2,492)
Retained earnings		392,999	339,781
		1,229,846	**1,189,435**
Non-controlling interests	28	666,014	622,581
Total equity		**1,895,860**	**1,812,016**
Total Liabilities and Equity		**4,949,508**	**4,798,642**

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

	Note(s)	2022 KD '000	2021 KD '000
Continuing operations			
Revenue	19.1	1,728,058	1,517,251
Cost of sales		(565,587)	(461,156)
Operating and administrative expenses	20	(457,259)	(430,913)
Expected credit loss on financial assets (ECL)		(32,247)	2,605
Depreciation and amortization	10,11,12	(335,289)	(356,261)
Interest income		4,820	3,330
Investment income	22	5,478	410
Share of results of associates and joint venture	9	3,605	3,381
Other income	21	1,520	7,765
Gain on sale and lease back transactions	8	402	961
Gain on modification of financial liabilities		-	2,073
Impairment of goodwill	12	(21,197)	-
Finance costs	23	(88,303)	(68,296)
Gain/ (loss) from currency revaluation		1,883	(6,652)
Net monetary gain	35	-	313
Profit before contribution to KFAS, NLST, Zakat, income taxes and Board of Directors' remuneration		**245,884**	**214,811**
Contribution to Kuwait Foundation for Advancement of Sciences		(2,027)	(1,768)
National Labour Support Tax and Zakat	24	(8,091)	(5,524)
Income tax expenses	25	(10,939)	(20,596)
Board of Directors' remuneration		(435)	(435)
Profit for the year from continuing operations		**224,392**	**186,488**
Discontinued operations			
Profit for the year from discontinued operations	8.2	-	14,390
Profit for the year		**224,392**	**200,878**
Attributable to:			
Shareholders of the Company		**195,972**	**185,745**
Non-controlling interests		28,420	15,133
		224,392	200,878
Earnings per share (EPS)	26		
Basic and diluted – Fils		45	40
From continuing operations		-	3
From discontinued operations			

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

	2022	2021
	KD '000	**KD '000**
Profit for the year	224,392	200,878
Other comprehensive income:		
Other comprehensive income items that may be transferred or reclassified to consolidated statement of profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(8,051)	(110,713)
Other reserves	17,206	7,742
Other comprehensive income for the year	**233,547**	**97,907**
Items that will not be reclassified to consolidated statement of profit or loss:		
Changes in the fair value of equity investments at FVOCI	(4,694)	(654)
Total comprehensive income for the year	**228,853**	**97,253**
Total comprehensive income attributable to:		
Shareholders of the Company		
From continuing operations	183,204	65,254
From discontinued operations	-	13,889
	183,204	**79,143**
Non-controlling interests		
From continuing operations	45,649	17,609
From discontinued operations	-	501
	45,649	**18,110**

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

	Equity attributable to Company' shareholders								
	Share capital KD '000	**Share premium KD '000**	**Legal reserve KD '000**	**Foreign currency translation reserve KD '000**	**Investment fair valuation reserve KD '000**	**Other reserves KD '000**	**Retained earnings KD '000**	**Non-controlling interests KD '000**	**Total equity KD '000**
Balance at 31 December 2021	432,706	1,707,164	216,354	(1,499,458)	(4,620)	(2,492)	339,781	622,581	1,812,016
Profit for the year	-	-	-	-	-	-	**195,972**	28,420	224,392
Other comprehensive income for the year	-	-	-	(14,421)	(4,694)	6,347	-	17,229	4,461
Total comprehensive income for the year	**-**	**-**	**-**	**(14,421)**	**(4,694)**	**6,347**	**195,972**	**45,649**	**228,853**
Realised loss on equity securities at FVOCI	-	-	-	-	(39)	-	39	-	-
Cash dividends (note 18)	-	-	-	-	-	-	(142,793)	-	(142,793)
Cash dividends to minority shareholders of subsidiaries (2021)	-	-	-	-	-	-	-	(2,216)	(2,216)
Balance at 31 December 2022	**432,706**	**1,707,164**	**216,354**	**(1,513,879)**	**(9,353)**	**3,855**	**392,999**	**666,014**	**1,895,860**
Balance at 31 December 2020	432,706	1,707,164	216,354	(1,390,619)	(3,966)	(5,383)	359,180	619,108	1,934,544
Profit for the year	-	-	-	-	-	-	185,745	15,133	200,878
Other comprehensive income for the year	-	-	-	(108,839)	(654)	2,891	-	2,977	(103,625)
Total comprehensive income for the year	**-**	**-**	**-**	**(108,839)**	**(654)**	**2,891**	**185,745**	**18,110**	**97,253**
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	(19,080)	(10,196)	(29,276)
(note 3)									
Cash dividends (2020) (note 18)	-	-	-	-	-	-	(186,064)	-	(186,064)
Cash dividends to minority shareholders of subsidiaries (2020)	-		-	-	-	-	-	(4,441)	(4,441)
Balance at 31 December 2021	**432,706**	**1,707,164**	**216,354**	**(1,499,458)**	**(4,620)**	**(2,492)**	**339,781**	**622,581**	**1,812,016**

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

	Note(s)	2022 KD '000	2021 KD '000
Cash flows from operating activities			
Profit for the year before income tax, KFAS, NLST, and Zakat		245,449	228,766
Adjustments for:			
Depreciation and amortization	10,11,12	335,289	356,261
ECL on financial assets		32,247	(2,605)
Interest income		(4,820)	(3,330)
Investment income	22	(5,478)	(410)
Share of results of associates and joint venture	9	(3,605)	(3,381)
Gain on sale and lease back transactions	8	(402)	(961)
Gain on modification of financial liabilities	15	-	(2,073)
Impairment of goodwill	12	21,197	-
Gain on disposal of Discontinued Operations	8.2	-	(14,390)
Finance costs		88,303	68,296
(Gain)/ loss from currency revaluation		(1,883)	6,652
Net monetary gain	35	-	(313)
Loss/ (gain) on sale of property and equipment		136	(533)
Cash flows from operating activities before working capital changes		**706,433**	**631,979**
Increase in trade and other receivables		(114,103)	(94,543)
Decrease/ (increase) in inventories		11,270	(10,076)
Decrease in trade and other payables and deferred revenue		(83,289)	(87,264)
Cash generated from operations		**520,311**	**440,096**
Payments:			
Income tax		(11,338)	(18,637)
Kuwait Foundation for Advancement of Sciences (KFAS)		(6,816)	(4,062)
National Labour Support Tax and Zakat		(3,153)	(5,908)
Net cash from operating activities		**499,004**	**411,489**
Cash flows from investing activities			
Deposits maturing after three months and cash at banks under lien	4	(3,878)	27,326
Proceeds from sale of investment securities		758	2,044
Investments in securities		(5,107)	(20,686)
Acquisition of non-controlling interest		-	(8,758)
Investment in associate and joint venture		(115)	(777)
Acquisition of property and equipment (net)		(182,766)	(216,260)
Acquisition of intangible assets (net)		(77,424)	(129,881)
Proceeds from sale of telecom assets (sale and lease back)	8.1	589	3,134
Interest received		2,713	2,310
Dividends received		331	83
Net cash used in investing activities		**(264,899)**	**(341,465)**
Cash flows from financing activities			
Proceeds from bank borrowings	15	458,543	452,366
Repayment of bank borrowings	15	(420,518)	(338,584)
Repayment of lease liabilities		(64,635)	(57,331)
Dividends paid to Company's shareholders		(141,872)	(185,514)
Dividends paid to minority shareholders of subsidiaries		(2,215)	(4,480)
Finance costs paid		(53,340)	(45,117)
Net cash used in financing activities		**(224,037)**	**(178,660)**
Net increase/ (decrease) in cash and cash equivalents		10,068	(108,636)
Effects of exchange rate changes on cash and cash equivalents		(5,421)	(25,214)
Cash and cash equivalents at beginning of year		**229,716**	**363,566**
Cash and cash equivalents at end of year	**4**	**234,363**	**229,716**

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

1. Incorporation and activities

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

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 7 other countries (31 December 2021 - Kuwait and 7 other countries) under licenses from the governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone systems; and invests surplus funds in investment securities.

The Company is a subsidiary of Oman Telecommunications Company SAOG, Oman ("Parent Company").

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Company on 13 March 2023 and are subject to approval of the shareholders at their forthcoming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

The economy of Republic of South Sudan became hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies. The methods used to measure the fair value and adjustments made to the accounts 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 2022.

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 36.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.2 New and revised accounting standards

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

2.2.1 New and amended IFRS Standards that are effective for the current year

The Group has applied the following new and revised IFRS Standards that have been issued and effective:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID19-) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID19- is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'- Cost of Fulfilling a Contract The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	Annual periods beginning on or after 1 January 2022

The application of this amendment did not have a significant impact on the Group's consolidated financial statements, since there were no material rent concession from lessors during the year.

2.2.2 Standards issued but not effective

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

Standard, interpretation, amendments	Description
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. Note that the IASB has issued a new exposure draft proposing changes to this amendment. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments. **Effective Date:** Deferred until accounting periods starting not earlier than 1 January 2024
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. **Effective Date:** Annual periods beginning on or after 1 January 2023
Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. **Effective Date:** Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. **Effective Date:** Annual periods beginning on or after 1 January 2023
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. **Effective Date:** Annual periods beginning on or after 1 January 2023
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only - it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. **Effective Date:** Annual periods beginning on or after 1 January 2023

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 Significant accounting policies

2.3.1 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to 31 December each year. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

2.3.3 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "interest income" line item.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:
(1) The financial instrument has a low risk of default,
(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities measured subsequently at amortised cost.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial guarantee contract liabilities
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:
- The amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above)
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derivative financial instruments and hedging activities
The Group enters into derivative financial instruments to manage its exposure to interest rate. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset.

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

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value hedges
The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges
The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Hedges of net investments in foreign operations
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

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

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

2.3.5 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.3.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

2.3.7 Property and equipment

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

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

	Years
Buildings	50
Leasehold improvements	3 – 8
Cellular and other equipment	3 – 20
Furniture and fixtures	3 – 5

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. Assets in hyper inflationary economies are restated by applying the change in the general price indices from the date of acquisition to the current reporting date. Depreciation on these assets are based on the restated amounts.

2.3.8 Intangible assets and goodwill

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 12. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Reacquired rights

These represents rights which were previously granted to the acquiree to use one or more of the recognized or unrecognized assets of the acquirer, but reacquired as part of a business combination. These reacquired rights are measured on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals of the contract or other binding arrangement in determining its fair value.

A reacquired right is an identifiable intangible asset and is recognized separately from goodwill and are amortised over the remaining contractual period in which the right was granted.

IRUs

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

De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill is initially recognised and measured as set out in note 2.3.1 above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in note 2.3.6 above.

2.3.9 Impairment of property, plant and equipment right-of-use of assets and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use of assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

2.3.10 Fair value measurement

Fair values

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3.11 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.3.13 Post-employment benefits

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

2.3.14 Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Impairment of property, plant and equipment right-of-use of assets and intangible assets excluding goodwill' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and leaseback

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of profit or loss, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

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

2.3.15 Revenue

Revenues from operations consist of recurring revenues, such as billings to customers for monthly subscription fees, roaming, leased line and airtime usage fees, and non-recurring revenues, such as one-time connection fees, and telephone equipment and accessory sales.

Handsets and telecommunication services

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

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

Value added services - Principal vs. agent

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

Significant financing component

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

Commissions and other contract costs

Certain incremental costs incurred in acquiring a contract with a customer is deferred on the consolidated statement of financial position and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party distributors and employees.

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

Customer loyalty programs

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

Installation and maintenance contracts

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

Interest income is recognized on a time proportion basis using the effective yield method and dividend income is recognized when the right to receive payment is established.

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

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

2.3.16 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3.18 Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.3.19 Financial reporting in hyperinflationary economies

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

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

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

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

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

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

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

2.3.20 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

2.3.21 Contingencies

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

3. Subsidiaries and Associates/Joint Venture

The principal subsidiaries and associates/joint venture are:

Subsidiary	Country of incorporation	Percentage of ownership	
		2022	2021
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	65.11%	65.11%
Mobile Telecommunications Company Lebanon ("MTCL")	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited ("Zain Sudan")	Sudan	100%	100%
Kuwaiti Sudanese Holding Company ("KSHC")	Sudan	100%	100%
South Sudanese Mobile Telephone ("Zain South Sudan") 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 Saudi Arabia ("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	100%	100%
Associate/Joint Venture			
IHS Kuwait Limited	Kuwait	30%	30%
Zain Al Ajial S.A (Wana Corporate S.A is an associate of this joint venture)	Morocco	50%	50%
TASC Towers Holding Limited (TASC)	UAE	69.1%	25%

Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC – "JMTS". Al Khatem owns 100% of Atheer.

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

Lebanon
The MTCL's Network Management Agreement (NMA) with the Government of Lebanon to manage the state owned cellular mobile telecommunications network was not renewed on its expiry on 31 December 2019. The Group was requested to continue to manage the network for another sixty days from the approval of the above by the Presidency of the Council of Ministers, to facilitate the handover to the Government. The actual handover took place on 1 November 2020. Accordingly, the financial statements of MTCL included in these consolidated financial statements is prepared on other than going concern basis.

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

Financial support to Group companies
The Group has committed to provide working capital and other financial support to certain subsidiaries including Mobile Telecommunications Company Saudi Arabia ("SMTC"), Zain Jordan (Pella) and Al Khatem (Atheer) whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

4. Cash and bank balances

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

	2022	2021
	KD '000	KD '000
Cash on hand and at banks	213,681	200,401
Short-term deposits with banks	56,336	47,919
Government certificates of deposits held by subsidiaries	8	11
	270,025	**248,331**
Expected credit loss	(29,616)	(16,447)
	240,409	**231,884**
Cash at banks under lien	(6,038)	(2,157)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(8)	(11)
Cash and cash equivalents	**234,363**	**229,716**

5. Trade and other receivables

	2022	2021
	KD '000	KD '000
Trade receivables:		
Customers	381,492	340,285
Distributors	63,040	46,706
Other operators (interconnect)	74,775	63,083
Roaming partners	12,584	7,775
ECL	(162,188)	(166,871)
	369,703	**290,978**
Other receivables:		
Accrued income	21,889	5,179
Staff	1,309	1,338
Deposits and other receivables	106,128	92,250
Prepayments and advances	130,501	144,568
Others (refer note below)	156,988	155,088
ECL	(2,112)	(2,067)
	414,703	**396,356**
	784,406	**687,334**

In 2011, the Group paid US$ 473 million (equivalent to KD 144.756 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. In 2020, the courts in KSA rejected the Company's application to enforce the arbitral award in KSA. During 2020 the Company wrote to Supreme Judicial Counsel requesting that the matter be referred back to the enforcement court for reconsideration. The Supreme Judicial Counsel recommended that MTC file a second reconsideration motion with the Riyad Appeal Court. On 21 June 2022, MTC filed its third reconsideration motion with the Riyadh Appeal Court. On 29 November 2022, the Riyadh Appeal Court dismissed MTC's motion for reconsideration. MTC is considering its strategy and options for proceeding with enforcement of the award.

In 2010, the Group paid US$ 40 million (equivalent to KD 12.232 million) to settle guarantees provided by the Company to lending bank for loans to a founding shareholder of SMTC. In 2013, the Group won a legal action for the recovery of that amount and is currently pursuing further legal action for its implementation in KSA at the High Supreme Court.

Both the above amounts are secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC.

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

	2022	2021
	KD '000	KD '000
Kuwaiti Dinar	59,145	54,707
US Dollar	230,799	205,068
Bahraini Dinar	12,997	11,438
Sudanese Pound	6,299	5,869
Jordanian Dinar	45,152	54,275
Iraqi Dinar	106,088	115,630
Saudi Riyals	318,032	235,117
Others	5,894	5,230
	784,406	**687,334**

6. Inventories

	2022	2021
	KD '000	KD '000
Handsets and accessories	53,290	65,469
Provision for obsolescence	(5,146)	(6,251)
	48,144	**59,218**

7. Investment securities

	2022	2021
	KD '000	KD '000
Current investments		
At fair value through profit or loss		
Unquoted equities	976	947
Funds -mandatorily at FVTPL	3,255	3,679
Other funds	29,898	23,797
	34,129	**28,423**

	2022	2021
	KD '000	KD '000
Non-current investments		
At fair value through other comprehensive income		
Quoted equities- designated at inception	1,857	1,412
Funds	2,803	2,702
Unquoted equities - designated at inception	12,940	14,051
	17,600	**18,165**

Investment securities are denominated in the following currencies:

	2022	2021
	KD '000	KD '000
Kuwaiti Dinar	5,069	5,091
US Dollar	45,582	40,563
Other currencies	1,078	934
	51,729	**46,588**

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

8.1 Assets and liabilities of disposal group classified as held for sale – Kuwait, KSA and Iraq

Assets and liabilities of disposal group classified as held for sale represent telecom tower assets in Kuwait, KSA and Iraq classified as held for sale, on the basis of plan to sale and lease back of those assets.

KSA

During the year, SMTC has received board of directors' approval on the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud bin Fahd Bin Abdulaziz, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in SMTC's towers infrastructure comprising of 8,069 towers, valuing these assets at USD 807 million (KD 250.089 million). Pursuant to the Final Offers SMTC will own 20% stake in newly formed Tower Company. PIF's Final Offer also includes a call option that will grant PIF the right to buy the remaining 20% stake from SMTC for a certain amount. Under the terms of the offers, SMTC will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

On 28 May 2022, SMTC received a letter from the Communications and Information Technology Commission ("CITC"), which included the CITC's Board of Directors approval for "Zain Business Limited" Company (a subsidiary of SMTC) to acquire aforementioned telecom tower sites owned by SMTC.

In September 2022, PIF acquired Zain Business Limited and changed the name to Golden Lattice Investment Company (GLI).

In October 2022, SMTC entered into a Shareholders' Agreement "SHA" with the shareholders of GLI. Simultaneously in October 2022, SMTC also entered into an Asset Purchase Agreement ("APA") with GLI to transfer aforementioned sites for an aggregate value as mentioned above. Under the APA, upon "Financial Completion" SMTC will receive a cash proceed of SAR 2,421 million (KD 197.4051 million) along with a 20% equity stake in GLI.

On 9th of January 2023, the group completed all the conditions to the "Financial Completion" under the APA, and received the cash proceed of SAR 2,421 million (KD 197.142 million) along with a 20% equity stake in GLI.

Iraq

During July 2022, Atheer Telecom Iraq Limited has received Board of Directors' approval for an offer from TTI Holding Limited to acquire Atheer's towers infrastructure. The decision to approve the offer by the Board of Directors was unanimous. The approved offer was to acquire Atheer's towers infrastructure. Under the terms of the offer, Atheer will sell its passive physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

Subsequently in January 2023, the Group has agreed with TTI for sale and leaseback of towers infrastructure including 4,604 towers, for an aggregate value of USD 180 million (KD 54.936 million). The financial impact of this transaction is immaterial at Group level.
Based on above, the management has classified the assets and the liabilities directly associated to these assets as held for sale and stopped depreciating the assets from the date of classifying them as held for sale.

Kuwait

During the year 2020 and 2021 the Company completed the sale and lease back of 1,355 telecom towers in Kuwait.

In September 2022, the Company completed the sale and lease back of additional 43 telecom towers in Kuwait for a total sale consideration of US$ 2.729 million (KD 0.845 million). Total gain from this transaction was KD 0.402 million which is recognized in the statement of profit or loss during the year.

The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity.

The carrying value of disposal group held for sale comprises of remaining telecom tower assets, remaining right of use of assets and its related lease liabilities classified as held for sale in Kuwait, KSA and Iraq as follows.

	KD '000				
				Total	
	Kuwait	KSA	Iraq	31 December 2022	31 December 2021
Telecom tower assets	1,631	111,260	37,656	150,547	1,631
Right of use of assets	5,161	81,710	22,341	109,212	3,275
	6,792	192,970	59,997	259,759	4,906
Lease liabilities	**1,588**	**65,503**	**21,190**	**88,281**	**625**

8.2 Discontinued operations - Jordan

On 13 December 2021, the Group through Pella entered into a sale agreement to dispose of Al Masar Al Momtaz Leanzamet Al Itesalat (Al Masar) which carried out the majority of the Group's towers and related leased space operations in Jordan. The disposal was completed on 13 December 2021, on which date control of Al Masar passed to the acquirer (an associate of the Group).

The total assets and liabilities of discontinued operations amounted to KD 26.384 million and KD 19.738 million respectively. The profit from discontinued operations amounted to KD 14.390 million which includes gain from disposal of discontinued operations amounting to KD 14.196 million.

The consideration of JD 62.6 million (KD 26.673 million) was partially settled during the year 2022 by acquisition of additional shares in the associate of the Group. (Refer note 9)

9. Investments in associates and joint venture

Investments in associates

This includes the Group's :

- KD 1.083 million (31 December 2021 – KD 0.650 million) interest in IHS Kuwait Limited which represents 30% of the equity shares and voting rights of the associate. The associate became operational in February 2020 pursuant to the sale and lease back of telecommunication towers transaction with the Company.

- KD 13.360 million (31 December 2021 – KD Nil) interest in TASC Towers Holding Limited ("TASC") which represents 69.1% (31 December 2021 - 25%) of the equity shares of the associate.

During the year, the Group acquired the additional shares of TASC Towers Holding Limited and increased its shareholding to 69.1%. The purchase consideration amounting to KD 14.103 million was settled against the amount that was due to the Group from TASC.

However, the Group determined that it does not have the control over TASC on the basis that the Group does not have majority representation in the Board under the terms agreed in the agreement between TASC shareholders.

The carrying value of the associates and their results for the period are determined by Group management using the equity method based on management information provided by the associates.

Investments in joint venture

This includes Group's KD 81.925 million (31 December 2021 - KD 77.866 million) interest in the joint venture, Zain Al Ajial S.A. that owns 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company that is specialized in the telecom sector in that country). The carrying value of this joint venture and its results for the year are determined by Group management using the equity method based on management information provided by Wana Corporate.

10. Right of use of assets

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

31 December 2022	KD '000		
	Land and building	Cellular and other equipment	Total
Balance as of 31 December 2021	153,665	10,080	163,745
Add: Additions	60,977	17,640	78,617
Less: Depreciation	(25,854)	(6,874)	(32,728)
Less: Retirement	(1,033)	(646)	(1,679)
Transfers to assets of disposal group classified as held for sale	(104,051)	-	(104,051)
Reclassification from intangible assets	377	-	377
Exchange adjustments	2,065	115	2,180
Closing balance as at 31 December 2022 (excluding assets of disposal group classified as held for sale)	**86,146**	**20,315**	**106,461**

31 December 2021	KD '000		
	Land and building	Cellular and other equipment	Total
Balance as of 31 December 2020	163,424	5,868	169,292
Add: Additions	59,317	16,913	76,230
Less: Depreciation	(50,538)	(7,797)	(58,335)
Less: Retirement	(15,662)	(4,902)	(20,564)
Exchange adjustments	(2,876)	(2)	(2,878)
Closing balance as at 31 December 2021 (excluding assets of disposal group classified as held for sale)	**153,665**	**10,080**	**163,745**

Land and building comprises mainly of telecommunication sites on lease.

The Group does not have any lease contracts with variable lease payments which are not included in the measurement of the lease liabilities.

The Group's leasing activities and how these are accounted for:

The Group mostly leases indoor and outdoor spaces for installation of its telecommunications sites. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

11. Property and equipment

	Land and buildings and leasehold improvements	Cellular and other equipment	Projects in progress	Total
	KD '000	KD '000	KD '000	KD '000
Cost				
As at 31 December 2020	112,027	3,063,808	154,686	3,330,521
Additions	1,306	105,191	101,375	207,872
Transfers	1,091	95,038	(96,283)	(154)
Disposals/write off	(38)	(42,102)	(715)	(42,855)
Exchange adjustments	(8,087)	(110,279)	(18,728)	(137,094)
As at 31 December 2021	**106,299**	**3,111,656**	**140,335**	**3,358,290**
Additions	1,183	56,096	149,253	206,532
Transfers/Reclassification	958	153,735	(161,621)	(6,928)
Disposals/ write off	(80)	(19,431)	(284)	(19,795)
Effect of derecognition of subsidiary	(7)	(23)	-	(30)
Transfers to assets of disposal group classified as held for sale	-	(342,202)	(17)	(342,219)
Exchange adjustments	(73)	20,440	(1,922)	18,445
As at 31 December 2022	**108,280**	**2,980,271**	**125,744**	**3,214,295**
Accumulated depreciation				
As at 31 December 2020	49,361	1,967,578	-	2,016,939
Charge for the year	2,504	198,541	-	201,045
Disposals	(38)	(35,149)	-	(35,187)
Exchange adjustments	(3,581)	(38,194)	-	(41,775)
As at 31 December 2021	**48,246**	**2,092,776**	**-**	**2,141,022**
Charge for the year	2,638	195,176	-	197,814
Transfer/Reclassification	(248)	2,085	-	1,837
Disposals	(65)	(18,878)	-	(18,943)
Effect of derecognition of subsidiary	(3)	(9)	-	(12)
Transfers to assets of disposal group classified as held for sale	-	(193,303)	-	(193,303)
Exchange adjustments	357	17,829	-	18,186
As at 31 December 2022	**50,925**	**2,095,676**	**-**	**2,146,601**
Net book value				
As at 31 December 2022	57,355	884,595	125,744	1,067,694
As at 31 December 2021	58,053	1,018,880	140,335	1,217,268

Exchange adjustments in previous year include effect of hyperinflationary restatement of property and equipment in Zain South Sudan based on the respective price index changes.

Advances of KD 22.443 million (2021: KD 47.50 million) paid for projects in progress are included under Other non-current assets in the statement of financial position.

12. Intangible assets and goodwill

	Goodwill	Licences and spectrum fees	Others	CWIP	Total
	KD '000	KD '000	KD '000	KD '000	KD '000
Cost					
As at 31 December 2020	624,156	2,713,822	275,644	-	3,613,622
Additions	-	103,836	6,112	-	109,948
Write off/ Disposal	(6,752)	-	-	-	(6,752)
Exchange adjustments	(20,895)	(18,728)	(1,526)	-	(41,149)
As at 31 December 2021	596,509	2,798,930	280,230	-	3,675,669
Additions	-	61,441	13,147	6,298	80,886
Transfers/ Reclassifications	-	-	6,808	-	6,808
Write off/ Disposal	-	-	(208)	-	(208)
Impairment	(21,197)	-	-	-	(21,197)
Exchange adjustments	5,546	31,036	2,137	(11)	38,708
As at 31 December 2022	**580,858**	**2,891,407**	**302,114**	**6,287**	**3,780,666**
Accumulated amortization/ Impairment					
As at 31 December 2020	18,694	1,294,156	133,236	-	1,446,086
Charge for the year	-	80,976	15,905	-	96,881
Write off/ Disposal	(6,752)	-	-	-	(6,752)
Exchange adjustments	-	(6,782)	(1,575)	-	(8,357)
As at 31 December 2021	**11,942**	**1,368,350**	**147,566**	**-**	**1,527,858**
Charge for the year	-	89,737	15,010	-	104,747
Transfers/ Reclassifications	-	-	(1,837)	-	(1,837)
Write off/ Disposal	-	-	(69)	-	(69)
Exchange adjustments	-	14,299	3,235	-	17,534
As at 31 December 2022	**11,942**	**1,472,386**	**163,905**	**-**	**1,648,233**
Net book value					
As at 31 December 2022	**568,916**	**1,419,021**	**138,209**	**6,287**	**2,132,433**
As at 31 December 2021	**584,567**	**1,430,580**	**132,664**	**-**	**2,147,811**

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:

	2022	2021
	KD '000	KD '000
Pella	79,517	79,517
Zain Sudan	2,006	2,622
Atheer	470,115	485,320
SMTC	15,095	14,926
Others	2,183	2,182
	568,916	**584,567**

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.

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

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth from technology and license upgrades. The growth rates are consistent with forecasts included in industry and country reports. Compounded annual growth in revenue of up to 20.1% (2021: 31.11%) for Zain Sudan, 13.3% (2021: 10.89%) for Atheer, 3.5% (2021: 4.60%) for Pella and 6.8% for SMTC 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% (2021: 3%) for Zain Sudan, 2.2% (2021: 3%) for Atheer, 3% (2021: 3%) for Pella and 3% for SMTC. 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 25.2% (2021: 18.85%) for Zain Sudan, 20% (2021: 8.80%) for Atheer, 12.1% (2021: 7.65%) for Pella and 7.8% for SMTC. 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.

Based on this, for Atheer, Group determined that the recoverable amount is lower than the carrying amount as a result of higher discount rate owing to increased interest rate and recognized an impairment loss of KD 21.197 million.

The recoverable amount of Atheer determined based on the value in use calculation was US$ 2,293 million (KD 701.139 million).

These calculations use cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amounts of all CGUs other than Atheer were higher than the carrying amount of the CGUs.

License and spectrum

	End of amortisation period	2022	2021
		KD '000	KD '000
License – SMTC	2047	1,015,832	1,046,283
License – Atheer	2030	128,285	142,804
License – Pella	2026 to 2036	133,874	106,093
Spectrum – SMTC	2032 to 2034	112,403	121,304
Spectrum – Atheer	2027	13,404	-
Others		15,223	14,096
		1,419,021	**1,430,580**

Atheer
This includes the fee paid for the initial license in 2007, its renewal in 2020, 3G license in 2015 and for the 4G license in 2020.

Pella
In 2021, the Pella agreed to renew the new dynamic Telecom license from TRC for a period of 15 years at an amount of JD 156,375,000 (KD 66.631 million) with payment terms being three equal instalments over a ten-year period without any interest charges.

In September 2022, JMTS a subsidiary of Pella, entered into a settlement agreement with TRC, to end all the disputes related to revenue sharing and to extend the useful lives of existing licenses, and grant of 5G license. Under this agreement all the existing spectrum licenses will be extended for 10 years, in addition to another 5 years to be evaluated after 3 years based on specific criteria.

The Group allocated the total amount of the settlement agreement of JD 85.9 million between telecom license extensions, 5G license and to the dispute related to the revenue share based on the relative fair value. The amount allocated to the 5G, existing licenses and the dispute amounted to JD 26.9 million (KD 11.601 million), JD 36.1 million (KD 15.569 million) and JD 22.9 million (KD 9.876 million) respectively. (Refer note 30)

13. Trade and other payables

	2022	2021
	KD '000	KD '000
Trade payables and accruals	715,383	720,839
Due to roaming partners	15,259	10,803
Due to other operators (interconnect)	8,161	8,428
Dues to regulatory authorities (refer below)	101,608	63,537
Taxes payable	68,774	45,362
Dividend payable	24,985	24,066
Directors' remuneration	435	435
Other payables	48,657	64,882
	983,262	**938,352**

Dues to regulatory authorities include amount of SAR 975.862 million (KD 79.708 million) (2021: KD 57.191 million) payable by SMTC to Ministry of Finance and KD 11.204 (2021: Nil) payable by Atheer to CMC for the renewal of existing license.

14. Income tax payables

	2022	2021
	KD '000	**KD '000**
Atheer – Iraq	10,029	11,746
Pella – Jordan	2,861	5,917
Other	5,714	6,237
	18,604	**23,900**

Atheer - Iraq

At Atheer Iraq, income tax assessment orders for the years 2004 – 2010 are final and fully paid (refer note 30).

Income tax assessment for 2011 is contested and is currently under the consideration of Appeals Committee of Iraq General Commission for Taxes (IGCT). Income tax assessment for the years 2012, 2013 and from 2014 to 2018 is paid and settled.

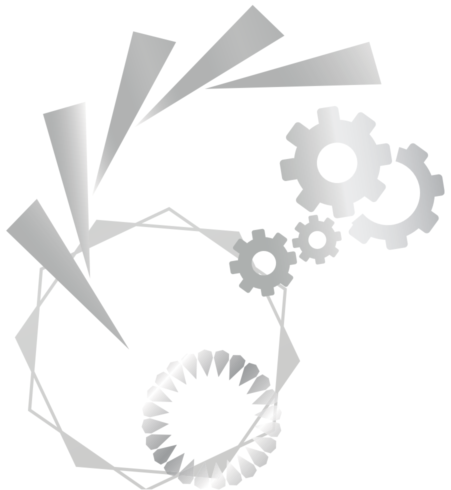
Atheer has booked the income tax expenses for the year from 2019 to date, based on self-assessment. No assessment order has yet been received.

During the current year, Atheer revised the income tax computation for the year ended 31 December 2022 based on their correspondence with Ministry of Finance – General Commission for Tax and reversed income tax amounting to US$ 9.803 million (KD 2.999 million) for prior years. This was offset by charge of income tax amounting to US$ 3.714 million (KD 1.136 million) for current year.

Management believes that they have adequate provisions for liabilities in respect of the assessments contested.

Zain Sudan

Starting from financial year ended 31 December 2021, Zain Sudan filed its corporate income tax declaration claiming a 50% tax relief under the Double Taxation Avoidance Agreement (DTAA) signed between Republic of Sudan and the State of Kuwait. Accordingly, the Corporate Income Tax paid by the Zain Sudan for the financial year ended 31 December 2021 was @ 3.5%. This resulted in a reversal of SDG 3,754 Mn (KD 2.028 Mn) during the year, being the excess provision carried in the books for the year ended 31 December 2021.



15. Due to banks

	2022	2021
	KD '000	**KD '000**
Company		
Short term loans	21,406	39,273
Long term loans	538,854	498,060
	560,260	**537,333**
SMTC		
Long term loans	490,723	472,631
	490,723	**472,631**
Zain Jordan		
Long term loans	79,506	48,337
	79,506	**48,337**
Atheer		
Bank overdrafts	2,516	7,089
Long term loans	233,553	240,170
	236,069	**247,259**
	1,366,558	**1,305,560**

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

	2022	2021
	KD '000	**KD '000**
Opening balance	1,305,560	1,196,376
Proceeds from bank borrowings	458,543	452,366
Repayment of bank borrowings	(420,518)	(338,584)
Effect of change in foreign exchange rates	22,973	(4,598)
	1,366,558	**1,305,560**

The current and non-current amounts are as follows:

	2022	2021
	KD '000	**KD '000**
Current liabilities	213,559	406,217
Non-current liabilities	1,152,999	899,343
	1,366,558	**1,305,560**

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

	2022	2021
	KD '000	**KD '000**
US Dollar	670,902	862,260
Kuwaiti Dinar	296,343	25,000
Saudi Riyals	399,313	418,300
	1,366,558	**1,305,560**

The average effective interest rate as at 31 December 2022 was 4.06% (2021 – 2.81%) per annum.

The Group is compliant with the principal covenant ratios, which include:
- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- consolidated net borrowings to consolidated net worth (equity);

Company
During the year, the Company has;
- drawn down loans amounting to KD 143.489 million from the existing facilities (31 December 2021 - KD 164.139 million). This includes:
  - KD 45 million from a KD 70 million long- term loan facility.
  - US$ 85 million (KD 26.053 million) and KD 30.397 million from a US$ 330 million/ KD 100 million revolving credit facility.
  - US$ 35.29 million (KD 10.816 million) and KD 20 million from a US$ 226.850 million/KD 88.50 million long- term loan facility.
  - US$ 32.68 million (KD 10.016 million) from a US$ 129.718 million long- term loan facility.
- repaid loans amounting to KD 127.457 million (31 December 2021 – KD 275.53 million). This includes:
  - US$ 100 million (KD 30.58 million) of a revolving credit facility amounting to US$ 100 million
  - US$ 100 million (KD 30.58 million) of a revolving credit facility amounting to US$ 250 million
  - US$ 60 million (KD 18.348 million) of a revolving credit facility amounting to US$ 130 million
  - US$ 30 million (KD 9.174 million) of a long-term facility amounting to US$ 317 million

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

SMTC
Long-term loans include:
1) SAR 5,488 million (KD 448.259 million) (31 December 2021: SAR 2,955 million equivalent to KD 238.675 million) syndicated murabaha facility and SAR 520 million (KD 42.474 million) (31 December 2021: SAR 650 million equivalent to KD 52.5 million) working capital facility availed from a consortium of banks.

   In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the Murabaha facilities that existed as of that date and to secure additional funding for future capital investment.

   The Agreement:
   a. Includes a Total Term Murabaha Facility of SAR 6,000 million (KD 490.080 million), consisting of SAR 4.880 billion (KD 0.399 billion) and US$ portion of SAR 1.120 billion (KD 0.091 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (KD 0.284 billion) and balance for future specified business purposes.
   b. Includes a revolving working capital facility of SAR 1,000 million (KD 81.680 million) consisting of SAR 813.393 million (KD 66.438 million) and a US$ portion totaling to SAR 186.607 million (KD 15.242 million).

   The Murabaha Facility continues to be secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables. Under the Murabaha Financing Agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement.

   A portion of above syndicated loan has been hedged through a profit rate swap contract.

2) During 2019, SMTC signed syndicated junior murabaha facility amounting to SAR 2,250 million (KD 183.780 million) (31 December 2021: SAR 2,247 million equivalent to KD 186.231 million) from a consortium of banks with a two- year tenure with an option to extend for one more year. During April 2022, SMTC has voluntary settled the outstanding principal as per the Murabaha Financing agreement.

During the period SMTC has:
- drawn down SAR 2,800 million (KD 228.704 million) from Syndicated Murabaha facility and SAR 520 million (KD 42.474 million) from working capital facility availed from a consortium of banks.
- repaid SAR 650 million (KD 53.092 million) of working capital facility availed from a consortium of banks.
- repaid SAR 2,250 million (KD 183.780 million) of syndicated junior murabaha facility

Zain Jordan
Long term loans include:
1) US$ 160 million (KD 48.928 million) (31 December 2021 – US$ 160 million equivalent to KD 48.336 million) term loan from a commercial bank which is repayable by 2025.

2) US$ 100 million (KD 30.58 million) (31 December 2021 – US$ Nil) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer
Long term loans include:
1) US$ 70 million (KD 21.406 million) (31 December 2021 – US$ 90 million equivalent to KD 27.189 million) term loan from a commercial bank which is repayable by 17 December 2024.

2) US$ 105 million (KD 32.109 million) (31 December 2021 – US$ 105 million equivalent to KD 31.721 million) term loan from a commercial bank which is repayable by 30 June 2023.

3) US$ 150 million (KD 45.870 million) (31 December 2021 – US$ 150 million equivalent to KD 45.315 million) revolving credit facilities from a commercial bank which is repayable by 17 December 2025.

4) US$ 100 million (KD 30.580 million) (31 December 2021 – US$ 100 million equivalent to KD 30.21 million) term loan from a commercial bank which is repayable by 31 July 2023.

5) US$ 50 million (KD 15.290 million) (31 December 2021 – US$ 50 million equivalent to KD 15.105 million) term loan from a commercial bank which is repayable by 14 April 2024.

6) US$ 63.75 million (KD 19.495 million) (31 December 2021 – US$ 75 million equivalent to KD 22.658 million) term loan from a commercial bank which is repayable by 28 April 2025.

7) US$ 125 million (KD 38.225 million) (31 December 2021 – US$ 125 million equivalent to KD 37.763 million) term loan from a commercial bank which is repayable by 03 May 2025.

8) US$ 100 million (KD 30.580 million) (31 December 2021 – US$ 100 million equivalent to KD 30.21 million) term loan from a commercial bank which is repayable by 25 May 2024

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

16. Lease liabilities

	2022	2021
	KD '000	KD '000
Balance as of 1 January	182,307	182,128
Additions	63,361	74,522
Accretion of interest	7,046	11,837
Payments	(60,047)	(60,749)
Retirements	(2,802)	(23,079)
Transfers to liabilities of disposal group classified as held for sale	(86,693)	-
Exchange adjustments	1,627	(2,352)
Closing balance as at 31 December (excluding liabilities of disposal group classified as held for sale)	**104,799**	**182,307**
Current	19,424	33,599
Non-current	85,375	148,708
	104,799	**182,307**

Maturity analysis of lease liability is given in note 31 to the consolidated financial statements.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities was in the range of 3.5% to 21% (2021: 3.5% to 21%).

The carrying amounts of the lease liabilities are denominated in the following currencies:

	2022	2021
	KD '000	KD '000
Saudi Riyals	55,527	118,937
US Dollar	12,040	35,318
Jordanian dinar	12,070	10,263
Bahraini dinar	12,611	11,155
Kuwaiti Dinar	5,707	6,221
Others	6,844	413
	104,799	**182,307**

17. Other non-current liabilities

	2022	2021
	KD '000	KD '000
Payable to Ministry of Finance – KSA (refer below)	203,152	247,131
Due for acquisition of spectrum	167,239	137,466
Customer deposits	3,190	3,193
Post-employment benefits	46,648	40,908
Others	7,645	16,331
	427,874	**445,029**

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due until 2021. The amounts are repayable in seven years starting from June 2021. The current portion of these payables is recorded under trade and other payables.

18. Share capital and reserves

	2022	2021
	No. of shares	No. of shares
Authorised, Issued and fully paid up (in cash and bonus shares)	4,327,058,909	4,327,058,909

Legal reserve
In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit for the year has to be appropriated towards legal reserve until such time it reaches a minimum of 50% of the share capital (the "threshold"). The Company has not made any transfers to legal reserve during the year as it has reached the threshold. This reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

Voluntary reserve
The Company's Articles of Association provide for the Board of Directors to propose appropriations to voluntary reserve up to a maximum of 50% of its share capital. During the year, the Board of Directors did not propose any transfer (2021 - Nil).

Foreign currency translation reserve
Foreign currency translation reserve mainly represents foreign exchange translation losses arising from Zain Sudan and Zain South Sudan.

Other reserves
Other reserves mainly includes hedge reserves gain amounting to KD 3.857 million (2021- loss amounting to KD 2.798 million).

Dividend

	2022	2021
	fils	fils
Interim dividend	10	10
Proposed dividend	25	23
Total dividend	35	33

Dividend – 2021
The annual general meeting of shareholders for the year ended 31 December 2021 held on 22 March 2022 approved distribution of cash dividends of 33 fils per share for the year 2021 (31 December 2020 - 33 fils).

Dividend 2022 – Proposed and interim
The Board of Directors recommends distribution of a cash dividend of 25 fils per share to the registered shareholders, for the second half of the year 2022, subject to shareholders and statutory approvals. This is in addition to the interim dividend of 10 fils distributed earlier in 2022 totaling 35 fils per share for the year 2022 as in the table above.

19. Revenue

19.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	2022	2021
	KD '000	KD '000
Airtime, data and subscription	1,528,212	1,362,106
Trading income	199,846	155,145
	1,728,058	1,517,251

The total revenue disaggregated by primary geographical market and timing of revenue recognition is disclosed in note 27. The Group has recognized the following contract assets and liabilities related to contract with customers;

19.2 Contract balances

Contract assets

	2022	2021
	KD '000	KD '000
Assets relating to sale of handsets		
Current and non-current	124,552	108,880
Loss allowance	(4,940)	(5,267)
	119,612	103,613

Contract liabilities

	2022	2021
	KD '000	KD '000
Deferred revenue- prepaid customers	64,270	90,853

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

20. Operating and administrative expenses

This includes staff costs of KD 146.531 million (2021 – KD 127.486 million).

21. Other income

Other income includes amount of JD 22.9 million (KD 9.876 million) allocated to the settlement of revenue sharing dispute in Pella Jordan based on the settlement agreement signed with the Government of Jordan (refer note 12 and 30)

22. Investment income

	2022	2021
	KD '000	KD '000
Gain on investments at fair value through profit or loss	5,147	327
Dividend income	331	83
	5,478	410

23. Finance cost

Finance cost consists of :

	2022	2021
	KD '000	KD '000
Due to banks	57,613	37,779
Lease liabilities	11,723	11,837
License and spectrum	9,261	8,016
CITC (KSA)	8,909	8,641
Others	797	2,023
	88,303	68,296

24. National Labour Support Tax (NLST) and Zakat

	2022	2021
	KD '000	KD '000
NLST- Kuwait	3,072	2,351
Zakat- Kuwait	1,229	941
Zakat – KSHC	7	2
Zakat- Sudan	1,901	859
Zakat- KSA	1,882	1,371
	8,091	5,524

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.

25. Income tax expenses

This represents the income tax and other tax expenses of subsidiaries.

	2022	2021
	KD '000	KD '000
Corporate income tax	14,427	20,280
Reversal of corporate income taxes in respect of previous years (refer note 14)	(5,019)	-
Other taxes	1,531	316
	10,939	20,596

The tax rate applicable to the taxable subsidiary companies is in the range of 7% to 26% (2021: 7% to 26%) whereas the effective income tax rate for the year ended 31 December 2022 is in the range of 4% to 24% (2021: 18% to 34%). 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.

26. Earnings per share

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

	2022	2021
	KD '000	KD '000
Profit for the year attributable to shareholders of the Company:		
From continuing operations	195,972	171,856
From discontinued operations	-	13,889
	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		
From continuing operations	45	40
From discontinued operations	-	3

27. 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 2022							
	Kuwait KD '000	Jordan KD '000	Sudan KD '000	Iraq KD '000	Bahrain KD '000	KSA KD '000	Others KD '000	**Total KD '000**
Segment revenues airtime, data & subscriptions (Over time)	255,608	149,751	147,777	245,599	45,431	651,559	32,487	1,528,212
Segment revenues trading income (Point in time)	86,517	6,913	2,157	2,439	9,261	91,444	1,115	199,846
Net profit before interest and tax	81,200	35,343	74,957	23,832	5,322	86,956	(4,048)	303,562
Interest income	1,811	1,180	1,608	59	118	846	78	5,700
Gain on sale and lease back transaction	402	-	-	-	-	-	-	402
Impairment of Goodwill	-	-	-	(21,197)	-	-	-	(21,197)
Finance costs	(760)	(8,608)	(281)	(19,656)	(798)	(46,908)	(111)	(77,122)
Income tax expenses	-	(6,677)	(4,031)	499	-	-	(143)	(10,352)
	82,653	**21,238**	**72,253**	**(16,463)**	**4,642**	**40,894**	**(4,224)**	**200,993**
Unallocated items:								
Investment income								5,478
Share of results of associates and joint venture								3,202
Others (including unallocated interest income, income tax and finance costs net of elimination)								14,719
Profit for the year								**224,392**
Segment assets including allocated goodwill	**413,424**	**391,668**	**116,730**	**1,063,028**	**100,683**	**2,301,613**	**102,344**	**4,489,490**
ROU asset	10,137	9,725	2,555	5,849	12,574	64,516	1,105	106,461
Unallocated items:								
Investment securities at FVTPL								34,129
Investment securities at FVOCI								17,600
Investment in associates and joint venture								96,533
Others (net of eliminations)								205,295
Consolidated assets								**4,949,508**
Segment liabilities	124,993	137,271	45,585	173,627	33,184	985,000	97,856	1,597,516
Lease liabilities (Current & non-current)	16,789	11,801	1,635	5,406	12,611	55,527	1,030	104,799
Due to banks	-	79,506	-	236,070	-	490,723	-	806,299
	141,782	**228,578**	**47,220**	**415,103**	**45,795**	**1,531,250**	**98,886**	**2,508,614**
Unallocated items:								
Due to banks								560,259
Others (net of eliminations)								(15,225)
Consolidated liabilities								**3,053,648**
Net consolidated assets								**1,895,860**
Capital expenditure incurred during the year	31,745	61,687	28,853	55,278	11,554	74,144	23,210	286,471
Unallocated (net of eliminations)								947
Total capital expenditure								**287,418**
Depreciation and amortization	41,816	27,807	2,721	64,544	9,465	151,830	5,572	303,755
Amortization of ROU assets	6,278	1,491	875	4,068	3,131	16,867	18	32,728
Unallocated								(1,194)
Total depreciation and amortization								**335,289**

	31 December 2021							
	Kuwait KD '000	Jordan* KD '000	Sudan KD '000	Iraq KD '000	Bahrain KD '000	KSA KD '000	Others KD '000	**Total KD '000**
Segment revenues airtime, data & subscriptions (Over time)	245,788	144,998	98,841	230,177	42,210	571,365	28,727	1,362,106
Segment revenues trading income (Point in time)	72,417	5,615	715	1,688	9,604	64,991	115	155,145
Net profit before interest and tax	78,249	54,552	37,813	34,048	5,232	56,534	6,956	273,384
Interest income	1,656	731	780	238	87	106	10	3,608
Gain on sale and lease back transaction	899	62	-	-	-	-	-	961
Finance costs	(691)	(7,655)	(1,860)	(14,713)	(862)	(39,396)	(39)	(65,216)
Income tax expenses	-	(7,912)	(5,657)	(6,936)	-	-	(3)	(20,508)
	80,113	**39,778**	**31,076**	**12,637**	**4,457**	**17,244**	**6,924**	**192,229**
Unallocated items:								
Investment income								410
Share of results of associates and joint venture								2,013
Others (including unallocated interest income, income tax and finance costs net of elimination)								6,226
Profit for the year								**200,878**
Segment assets including allocated goodwill	**404,944**	**382,304**	**60,875**	**1,080,558**	**93,929**	**2,190,901**	**75,757**	**4,289,268**
ROU asset	9,224	8,783	776	26,307	11,117	107,503	35	163,745
Unallocated items:								
Investment securities at FVTPL								28,423
Investment securities at FVOCI								18,165
Investment in associates and joint venture								78,602
Others (net of eliminations)								**220,439**
Consolidated assets								**4,798,642**
Segment liabilities	118,496	142,491	25,143	170,234	30,683	936,301	59,105	1,482,453
Lease liabilities (Current & non-current)	16,487	10,263	397	25,053	11,156	118,937	14	182,307
Due to banks	-	48,337	-	247,259	-	472,632	-	768,228
	134,983	**201,091**	**25,540**	**442,546**	**41,839**	**1,527,870**	**59,119**	**2,432,988**
Unallocated items:								
Due to banks								537,332
Others (net of eliminations)								16,306
Consolidated liabilities								**2,986,626**
Net consolidated assets								**1,812,016**
Capital expenditure incurred during the year	30,415	83,464	16,456	86,446	8,595	81,863	14,451	321,690
Unallocated (net of eliminations)								(3,870)
Total capital expenditure								**317,820**
Depreciation and amortization	36,223	27,573	3,046	60,734	9,307	157,144	4,196	298,223
Amortization of ROU assets	6,491	3,541	149	6,635	2,929	38,540	50	58,335
Unallocated								(297)
Total depreciation and amortization								**356,261**

* Figures disclosed under Jordan includes result from discontinued operations as disclosed in note 8.2.

28. 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	
	2022	2021	2022	2021	2022	2021
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Current assets	579,789	305,413	203,698	147,966	31,786	27,120
Non-current assets	1,742,043	1,946,208	714,985	789,629	81,471	77,926
Current liabilities	(735,649)	(831,903)	(239,059)	(234,563)	(34,437)	(30,898)
Non-current liabilities	(789,761)	(689,596)	(176,044)	(207,983)	(11,357)	(10,941)
Non-controlling interests	-	-	-	-	(1,217)	-
Equity attributable to:						
- Owners of the Company	295,035	270,474	382,713	376,229	43,925	41,154
- Non-controlling interests	501,387	459,648	120,867	118,820	23,538	22,053
Revenue	743,003	636,356	248,038	231,865	54,692	51,814
Profit for the year	40,894	17,244	4,734	12,637	4,642	4,457
Other comprehensive income	17,206	7,743	-	-	-	-
Total comprehensive income	**58,100**	**24,987**	**4,734**	**12,637**	**4,642**	**4,457**
Total comprehensive income attributable to:						
- Company's shareholders	21,523	9,257	3,598	9,603	3,023	2,901
- Non-controlling interests	36,577	15,730	1,136	3,034	1,619	1,556
	58,100	**24,987**	**4,734**	**12,637**	**4,642**	**4,457**
Cash dividend paid to non-controlling Interests	-	-	-	(3,015)	(822)	(650)
Net cash flow from operating activities	157,868	108,788	85,065	61,451	15,027	17,431
Net cash flow from used in investing activities	(109,318)	(70,067)	(33,881)	(119,338)	(13,002)	(11,257)
Net cash flow used in financing activities	(57,311)	(69,064)	(37,251)	(10,938)	(4,247)	(4,092)
Effects of exchange rate changes on cash and cash equivalents	(112)	(179)	74	(203)	39	(11)
Net (decrease)/ increase in cash flows	(8,762)	(30,343)	13,933	(71,840)	(2,222)	1,432

29. 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:

	2022	2021
Transactions	**KD '000**	**KD '000**
Revenue	2,702	811
Cost of sales	8,775	7,076
Key management compensation		
Salaries and other short term employee benefits	2,514	2,245
Post-employment benefits	552	822
Balances		
Trade receivables (from parent company)	2,649	700
Other receivables (from associate)	13,996	25,959
Trade payables (to parent company)	8,355	6,872

30. Commitments and contingencies

	2022	2021
	KD '000	**KD '000**
Capital commitments	63,803	80,091
Uncalled share capital of investee companies	634	1,303
Letters of guarantee and credit	64,461	80,982

Income taxes in Iraq

Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US$ 196 million (KD 59.937 million) and submitted its objections against the tax claim.

On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US$ 88.8 million (KD 27.155 million). IGCT had the option to challenge this decision before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer did not receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer petitioned the Cassation Court to direct IGCT to issue the final settlement order. On 29 June 2022, the Cassation Court decided in Atheer's favor which is considered final.

Atheer received additional income tax claim of US$ 19.3 million (KD 5.902 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer submitted its objection to this additional income tax claim which was rejected by the IGCT on 15 March 2020. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

Pella - Jordan

a) During Q1 2022, a letter was issued by the Telecommunications Regulatory Commission (TRC) that included an extract from a decision that was issued by the cabinet of the Hashemite Kingdom of Jordan aiming to reform the telecom sector and boost the operators' appetite to introduce 5G technology in Jordan. In September 2022, a settlement agreement was entered into with the government which put an end to the disputes related to revenue sharing, extended the useful lives of existing licenses, and resulted in awarding of 5G license among other things. On 04 October 2022, the TRC approved the pre-conditions to the settlement agreement and as of that date the agreement has become effective. The details of agreement are as follows:

- To settle all the disputed amount between the TRC and operators for the years 2000 to 2020 regarding the revenue share calculation and dismiss all the related legal cases from the court.
- To extend spectrum and individual licenses validities for additional 10 years and become a neutral band, therefore, the total license validity shall become 25 years with a possibility to extend for further 5 years based on a specific criterion which will be evaluated after 3 years from the date of settlement agreement signature.
- Grant the operator's spectrum licenses in the 3500MHZ band (5G), with 100MHZ per each operator, for 25 years, with operators' commitment to start launching within 18 months, and to cover 50% of population within a period not exceeding 4 years from the spectrum grant date.
- The agreement envisages a total payment of JD 85.9 million (KD 37.046 million) as full and final settlement for all of the above component.
- During Q4 2022 the management has completed the process of allocating the total settlement amount on the basis of their relative fair values of each of the above component and recognized provision for settlement of disputed amount (note.12).

b) Pella is a defendant in lawsuits amounting to KD 22.573 million (31 December 2021 – KD 22.292 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

MTC Kuwait
A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communication since 26 July 2011 was invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group has a claim in the form of recovery of excess regulatory tariff paid amounting to KD 24.680 million. In June 2022, the first degree judgement was issued in favour of the Group. In February 2023 Court of Appeal judgement was issued in favour of the Group, which is now subject to appeal within 60 days.

SMTC
SMTC received withholding tax assessments from Zakat, Tax and Customs Authority ("ZATCA") for an additional amount of SAR 221.9 million (KD 18.125 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees. The SMTC believes that the outcome of those appeals will be in its favor with no material financial impact as SMTC has sufficient provisions to cover these amounts.

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.

31. 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	KD '000	KD '000
31 December 2022			
Cash and bank balances	240,409	-	-
Trade and other receivables	668,998	-	-
Investment securities	-	34,129	17,600
Other assets	15,967	-	-
	925,374	**34,129**	**17,600**
31 December 2021			
Cash and bank balances	231,884	-	-
Trade and other receivables	542,923	-	-
Investment securities	-	28,423	18,165
	774,807	**28,423**	**18,165**

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, 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, recognised 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	2022	2021
	KD '000	KD '000
US Dollar	21,499	40,249
Euro	108	181
Other	6,217	6,803

(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 and FVTPL. 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 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 'fair value through other comprehensive income' arising from a 5% increase/ decrease in equity market index, with all other variables held constant is as follows:

	2022		2021	
Market indices	Impact on net profit	Effect on equity	Impact on net profit	Effect on equity
Kuwait Stock Exchange	±163	±93	±184	±71

(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 2022, 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 6.551 million (2021: KD 6.528 million).

Interest rate benchmark reforms

The Group is exposed to US$ LIBOR. The exposures arise on derivatives and non-derivative liabilities (debt). The Group has cash flow hedge relationships affected by the interest rate benchmark reform. Hedged items in these hedges include issued US$ floating rate debt. Hedging instruments include LIBOR based interest rate swaps. The Group also has debts linked to US$ LIBOR, which are not designated in hedging relationships.

Progress towards implementation of alternative benchmark interest rates:

Interest rate benchmark transition for non-derivative financial instruments

The Group is in the process of transition of existing LIBOR-linked contracts to risk-free rates (SOFR) through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBOR to RFR at an agreed point in time. The transition is expected to be completed before 30 June 2023.

Interest rate benchmark transition for derivatives and hedge relationships:

The Group has in issue US$ denominated floating rate bank borrowings, linked to LIBOR, which are cash flow hedged using interest rate swaps. The Group is in the process of agreeing the changes with counterparties related to transition of interest rate swaps to alternative risk-free rate (SOFR).

The following table contains details of all of the financial instruments that the Group holds at 31 December 2022 which reference US$ LIBOR and have not yet been transitioned to SOFR:

	31 December 2022	31 December 2021
	KD '000	KD '000
Non-derivative liabilities exposed to US$ LIBOR		
Measured at amortised cost		
Due to banks	471,252	795,570
Total non-derivative liabilities exposed to US$ LIBOR	**471,252**	**795,570**

Refer note 32 for details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

(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	KD '000	KD '000	KD '000	KD '000
	12-month	Lifetime	Lifetime	Lifetime	Total
At 31 December 2022					
Cash and bank balances	153,292	85,280	31,453	-	270,025
Less: ECL	(123)	(1,185)	(28,308)	-	(29,616)
	153,169	84,095	3,145	-	240,409
Customers	-	-	-	381,492	381,492
Distributors	-	-	-	63,040	63,040
Contract assets	-	-	-	124,552	124,552
Less: ECL	-	-	-	(161,837)	(161,837)
	-	-	-	407,247	407,247
Roaming partners	-	-	-	12,584	12,584
Other operators (interconnect)	-	-	-	74,775	74,775
Less: ECL	-	-	-	(5,291)	(5,291)
	-	-	-	82,068	82,068
Other receivables	-	113,235	-	-	113,235
Less: ECL	-	(2,112)	-	-	(2,112)
	-	111,123	-	-	111,123
At 31 December 2021					
Cash and bank balances	179,375	36,320	32,636	-	248,331
Less: ECL	(84)	(540)	(15,823)	-	(16,447)
	179,291	35,780	16,813	-	231,884
Customers	-	-	-	340,285	340,285
Distributors	-	-	-	46,706	46,706
Contract assets	-	-	-	108,880	108,880
Less: ECL	-	-	-	(166,271)	(166,271)
	-	-	-	329,600	329,600
Roaming partners	-	-	-	7,775	7,775
Other operators (interconnect)	-	-	-	63,083	63,083
Less: ECL	-	-	-	(5,867)	(5,867)
	-	-	-	64,991	64,991
Other receivables	-	99,863	-	-	99,863
Less: ECL	-	(2,067)	-	-	(2,067)
	-	97,796	-	-	97,796

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

	31 December 2022	31 December 2021
	KD '000	KD '000
Collectively assessed	161,837	166,271
Individually assessed	7,403	7,934
	169,240	**174,205**

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

	Collectively assessed	Individually assessed	Total
	KD '000	KD '000	KD '000
1 January 2021	191,200	9,546	200,746
Recoveries	336	21	357
Amounts written off	(23,138)	(429)	(23,567)
Foreign exchange gains and losses	(542)	(132)	(674)
Net decrease in loss allowance	(1,585)	(1,072)	(2,657)
31 December 2021	**166,271**	**7,934**	**174,205**
Recoveries	161	-	161
Amounts written off	(25,108)	(765)	(25,873)
Foreign exchange gains and losses	1,280	161	1,441
Net increase in loss allowance	19,233	73	19,306
31 December 2022	**161,837**	**7,403**	**169,240**

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 2022			31 December 2021		
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	270,551	2%	5,296	205,419	3%	5,693
31 – 60 days	15,107	3%	523	15,232	3%	413
61 – 90 days	13,380	9%	1,161	9,427	12%	1,133
91 – 180 days	26,636	17%	4,514	19,296	18%	3,432
> 181 days	243,410	62%	150,343	246,497	63%	155,600
	569,084		**161,837**	**495,871**		**166,271**

Credit quality of roaming, interconnect and other balances:

	31 December 2022	31 December 2021
	KD '000	KD '000
Credit quality – Performing	170,248	164,189
Impaired	30,346	6,532
ECL	(7,403)	(7,934)
	193,191	**162,787**

The net decrease in the loss allowance during the year is mainly attributed to the increase in collections.

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 50.757 million (2021 - KD 33.917 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	KD '000	KD '000	KD '000
At 31 December 2022				
Bank borrowings	258,518	702,759	585,534	-
Trade and other payables	787,441	-	-	-
Other non-current liabilities				
Payable to Ministry of Finance – Saudi Arabia	63,935	103,520	135,344	-
Due to CITC for acquisition of spectrum	17,947	37,722	101,948	59,119
Other	2,346	327	2,193	1,786
Lease liabilities	122,375	20,547	45,925	21,440
Net settled derivative liabilities - Interest rate swaps	-	-	-	-
At 31 December 2021				
Bank borrowings	431,441	251,319	710,780	-
Trade and other payables	822,519	-	-	-
Other non-current liabilities				
Payable to Ministry of Finance – Saudi Arabia	51,641	106,512	103,179	65,997
Due to CITC for acquisition of spectrum	15,241	30,482	45,723	63,582
Other	2,233	1,962	1,333	1,859
Lease liabilities	67,532	34,974	69,695	47,411
Net settled derivative liabilities - Interest rate swaps	32	9,320	2,618	-

32. Derivative financial instruments

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

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

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

At 31 December 2022:	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
Derivatives held for hedging:			
Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed profit rate			
Profit rate swaps (maturing after one year)	9,056		236,872
At 31 December 2021:			
Derivatives held for hedging:			
Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed profit rate			
Profit rate swaps (maturing after one year)	-	8,895	258,464

Profit 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 profit rate swaps to hedge changes in interest rate risk arising from floating rate borrowings.

33. 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:

	31 December 2022	31 December 2021
	KD '000	KD '000
Total borrowings including lease liabilities (refer note 15 and 16)	1,471,357	1,487,867
Less: Cash and bank balances (refer note 4)	(240,409)	(231,884)
Net debt	1,230,948	1,255,983
Total equity	1,895,860	1,812,016
Total capital	3,126,808	3,067,999
Gearing ratio	39%	41%

34. Fair value of financial instruments

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

31 December 2022	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Financial assets at fair value:				
Investments at fair value through profit or loss	-	12,021	22,108	34,129
Investments at fair value through other comprehensive income	1,857	2,803	12,940	17,600
Total assets	**1,857**	**14,824**	**35,048**	**51,729**

31 December 2021	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Financial assets at fair value:				
Investments at fair value through profit or loss	234	9,440	18,749	28,423
Investments at fair value through other comprehensive income	1,412	2,703	14,050	18,165
Total assets	**1,646**	**12,143**	**32,799**	**46,588**

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.

35. Net monetary gain – South Sudan

Net monetary gain

The Republic of South Sudan economy had become 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. The impact of Net monetary gain for the current year is not material to the Consolidated financial statements.

36. Significant accounting judgments and estimates

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

Judgments

Business combinations

To allocate the cost of a business combination management exercises significant judgment to determine identifiable assets, liabilities and contingent liabilities whose fair value can be reliably measured, to determine provisional values on initial accounting and final values of a business combination and to determine the amount of goodwill and the Cash Generating Unit to which it should be allocated.

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

The Group considers that it controls SMTC though it owns less than 50% of the voting rights. In assessing whether the Group has de-facto control, the management exercised significant judgment which takes into account many factors such as it being the single largest shareholder in SMTC, its majority representation in the Board, voting patterns of other dominant shareholders etc. If the Group had concluded that the ownership interest was insufficient to give the Group control in SMTC, it would instead have been classified as an associate and the Group would have accounted for it using the equity method of accounting.

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

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

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

Consideration of significant financing component in a contract
The Group sells bundled services on a monthly payment scheme over a period of one to two years.

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

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

Assets held for sale
The Group has announced its decision to sell some of the telecom tower assets in Kuwait, KSA and Iraq. Part of these telecom towers were sold during the year and the remaining towers are recorded under “assets and liabilities of disposal group classified as held for sale”. This is considered to have met the criteria as held for sale for the following reasons:

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

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

Classification of equity investments
On acquisition of an equity investment security, the Group decides whether it should be classified as fair value through profit or loss or fair value through other comprehensive income.

Contingent liabilities
Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities or litigation is based on management’s judgment.

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

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

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

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

Determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Extension options (or periods after termination options) are only included in the lease term if the lessee is reasonably certain to extend (or not to terminate) the lease. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments
The lease payments are discounted using the Company’s incremental borrowing rate (“IBR”). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

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 31.

Tangible and intangible assets
The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives. Changes in technology or intended period of use of these assets as well as changes in business prospects or economic industry factors may cause the estimate useful of life of these assets to change.

Taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes a liability for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Any changes in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of the deferred tax assets.

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

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