



WELCOME TO OUR WORLD OF POSSIBILITIES





**HIS ROYAL HIGHNESS
PRINCE KHALIFA BIN SALMAN
AL KHALIFA**

Prime Minister of the Kingdom of Bahrain



**HIS MAJESTY
KING HAMAD BIN ISA
AL KHALIFA**

King of the Kingdom of Bahrain



**HIS ROYAL HIGHNESS
PRINCE SALMAN BIN HAMAD
AL KHALIFA**

Crown Prince, Deputy Supreme
Commander and First Deputy Prime
Minister of the Kingdom of Bahrain



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OUR WORLD OF POSSIBILITIES





Zain has been shaped by an idea — to build a company powered by the possibilities of technology, moulded by the values of sustainability, and carved out of a compulsion to establish new standards in customer empowerment, revenue generation and product innovation.

The possibilities remain endless.

Zain is in the business of bringing transformation to the way customers interact with telecom products and services — placing them at the very heart of a rich and intuitive experience that takes simplicity, ease of use and convenience to a whole new level.

2017 marked a significant step in this digital journey as Zain recorded greater number of adopters than previous years. Zain customers' acceptance of these digital platforms provides a strong endorsement to the strategic thought guiding these initiatives.

The possibilities are there — to accelerate a technological revolution that brings the future here and now; to enable customers to be a vital ingredient in the entire value chain; to introduce thoughtful innovation that impacts people's lives positively; to deliver solutions that help in developing enterprises; and to create new opportunities to enhance and enrich customer relationships.

Zain. Welcome to our world of possibilities.

VISION MISSION & VALUES





Vision

To become the Kingdom of Bahrain's telecommunications leader, offering care to all its stakeholders and supporting their lifestyles.

Mission

To provide the Bahraini market with quality telecommunications services centered on excellent customer care, and managed by believers in the Zain brand promise, who are empowered, self-motivated and caring.

To develop a people centric organisation which cares about others.

Values

Zain subscribes to a set of core values that define its desired organization culture and brand image. These core values are:

Radiance - Leading the way with imagination and vision; bringing joy, color and richness to your life.

Heart - Living your life with courage; engaging your spirit; touching your emotions; connecting to your soul.

Belonging - Bringing fellowship and community to all; transcending cultural and geographical boundaries.

KEY MILESTONES



2004

Achieved 20%
market share

2006

Introduction of HSDPA
services in Bahrain

2008

Joined the elite group of
challengers who have taken
market leadership from
the incumbent

2003

Successful Launch
of the first 3G network
in the region

2005

Broke even and
achieved net profit

2007

Launch of the first
nationwide WIMAX
network in the
world

2009

Double-digit growth
across all financial KPI's
in a 130% penetrated
market

2010

Maintained steady
ARPU despite aggressive
competitor

2011

Establishment
of enterprise
services

2012

Continuous growth in
subscribers' base
and revenues

Strategic shift towards
data-centric products

2013

Launch of 4G
LTE network

2014

The Company officially
listed in Bahrain Bourse

Migrated to a completely
new network

2015

Accelerated growth
through Commercial
Competitiveness
driven by data

2016

A record number of
total subscribers

2017

Continuous growth
in data and digital
services revenues

Significant adop-
tion on company's
digitised channels

KEY HIGHLIGHTS



2017 AT A GLANCE



CHAIRMAN'S MESSAGE



On behalf of the Board of Directors, I have the pleasure of presenting the audited financial statements for Zain Bahrain for the year ended 31st December 2017, which saw significant growth in our data revenues, influenced by a continued expansion of our digital services.

Our Strategy

Innovation is the new currency of today's digital age. During 2017, we continued to innovate by broadening our digital channels and product offerings. Demand for data will continue to soar in the coming years as new applications are introduced, and the world gets smaller and more connected. In line with this trend, Zain Bahrain forged partnerships with digital content and value-added service providers to ensure that our customers have convenient access to the latest and the best that the world has to offer. They know that we are not just selling digital services, but a complete digital lifestyle.

We also further digitised our internal processes to help streamline operational efficiency and improve the already impressive quality of our customer service. This focus on excellence is what allows us to continue to grow in a highly competitive market where we operate.

During 2017, interaction over digital channels increased by 84 per cent in December, and payment through digital channels increased by around 90 per cent.

Operational and Commercial Review

During 2017, interaction over digital channels increased by 84 per cent in December, and payment through digital channels increased by around 90 per cent.

Building on the considerable success of 2017, we will continue to enhance our network's capacity, and our digital competence to accommodate a greater amount of data traffic as well as further improve overall user experience.

Financial Indicators

Driven by a 23 per cent jump in yearly data revenues, Zain Bahrain's annual revenues surged by 13 per cent — from BD 64.6 million to BD 73 million in the previous year. On top of these achievements in revenues, we continued our efforts to streamline our operations resulting in a BD 4.3 million net profit for 2017, up 1.2 per cent from 2016. Our consistently positive results year after year in these challenging conditions underline the strength of our strategy.

Our Employees

Zain Bahrain boasts one of the most energetic and inspired corporate cultures in the Kingdom. Our sophisticated corporate sustainability policies and initiatives have also instilled a strong entrepreneurial spirit in our people who we always consider to be our greatest asset. Our Bahrainisation level stands at almost 92%, one of the highest in the country. We are actively attracting, engaging and retaining talent and continuously developing a leadership and coaching culture.

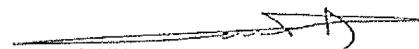
Proposed Dividend

Zain Bahrain's revenue growth, combined with its operational improvements, has resulted in a healthy EBIDTA margin of almost 30 per cent despite difficult economic conditions. I am happy to report that it allows us to reward our shareholders with a dividend payout for the fourth consecutive year since our public listing on the Bahrain Bourse. The Board of Directors will recommend to the Annual General Assembly of Shareholders a full year cash dividend of BD 1.84 million at a value of 5 fils per share.

Outlook for 2018


With the rise of artificial intelligence, virtual reality, augmented reality and the Internet of Things, the future is shaping up to be increasingly connected. In 2018, we will build on last year's momentum by further expanding our digital offerings and enhancing our state-of-the-art mobile app and customer care portal. Leveraging the power of big data and our high-speed connectivity, we will continue to integrate our customers' online presence with their offline lives.

Zain Bahrain also remains committed to achieving the highest standards of corporate governance, thus assuring business integrity and maintaining our shareholders' trust.



Ahmed Bin Ali Al Khalifa
Chairman

GENERAL MANAGER'S MESSAGE



Zain Bahrain has always placed customers at the forefront and regarded them to be at the centre of all our operations, taking into account their needs and expectations while delivering an exceptional customer experience. With the rise of the digital age, customer journeys are evolving from traditional multi-channel touch and feel platforms to simplified interfaces, and Zain Bahrain has responded by developing a best-in-class digital customer experience. Over 2017, Zain Bahrain enhanced its digital platforms, including its cutting-edge mobile app, offering customers simplicity, convenience, and the autonomy to take control of their own user experience.

As part of an effort to broaden our digital offerings, Zain Group proudly forged strategic partnerships with service providers such as iFlix and Booking.com. These tie-ups highlight our commitment towards offering customers a more powerful overall experience with the latest products, content and technology.

The results speak for themselves. The past year saw an impressive 1,273 per cent increase in active Zain Bahrain app users, with 50,000 downloads since its January 2017 launch. Furthermore, the app has been used in more than BD1 million worth of transactions, including bill payments, top-ups, and subscriptions, a noteworthy achievement in such a short period of time!

Digital strategy forms one of Zain Bahrain's main strategic pillars. Last year, digitisation played a role in



The past year saw an impressive 1,273 per cent increase in active Zain Bahrain app users, with 50,000 downloads since its January 2017 launch.

almost every aspect of Zain Bahrain's business —internally and externally. It positively impacted our operational performance, and helped in further improving the quality of our services and lowering costs. It also enabled to differentiate us in an undeniably crowded marketplace.


But more than anything else, Zain Bahrain remains a people-oriented organisation, and in 2017 we proved this in many ways. We provided 130 instructor-led training sessions to 210 staff members for a total of 13,311 hours. We also offered 588 hours of e-Learning training and 218 certificates of completion and coaching for 80 per cent of our employees from all levels. In addition, we provided customised training to the community with specific projects for schools and Bahrain Government officials. Our efforts were recognised at the highest national levels, helping us win the Human Resources Development and Training Award at the Ministry of Labour and Social Development awards.

In line with the Economic Vision 2030, the Government of Bahrain aims to position the Kingdom as a regional and international hub of excellence in telecommunications and digital services. Despite its relatively small size, Bahrain stands tall amongst the most connected countries in the world. Outdoor mobile coverage already stands at 99 per cent, and this figure looks set to grow alongside further improvements in technology and quality. Zain Bahrain is proud to support this national vision and looks forward to playing an important part in its realisation.

We remain committed to improving the quality of our services, launching more innovative products, and using our market-leading technological capabilities to add value to our customers' lives. Together, we create our wonderful world.



Mohammed Zainalabedin
General Manager



**Last year, digitization
played a role in almost
every aspect of Zain
Bahrain's business
—internally and
externally.**



BOARD OF DIRECTORS

Sheikh Ahmed Bin Ali Al Khalifa (Chairman)

Non-Executive / Non-Independent

Sheikh Ahmed Bin Ali Al Khalifa acts as the chairman of the board of DHL International Bahrain W.L.L., DHL Aviation W.L.L. and MENA Aerospace Enterprises W.L.L. He has been acting as the chairman of the board of MENA Aerospace Enterprises W.L.L. since its establishment in 2004. Sheikh Ahmed Bin Ali Al Khalifa is also the Chairman of Muharraq Club since 1989 and prior to that he was the Vice Chairman of the club from 1978 to 1988.

Mr. Mohannad Mohammad Al-Kharafi (Vice Chairman)

Non-Executive / Non-Independent

Mr. Mohannad Al-Kharafi is the Chairman of Zain Group. He is also Vice-Chairman of Mohammed Abdul Mohsen Al-Kharafi & Sons Group, a company that has a strong footprint in finance, investment and business operations in more than 135 registered companies operating in 28 countries. He has a distinguished track record in the business and finance sector in Kuwait and the Arab region. Mr. Al-Kharafi holds a Bachelor's Degree in Business, Economics and Political Science from Kuwait University (1991). In addition, Mr. Al-Kharafi is Vice-Chairman of the National Investments Company, one of the largest investment asset management companies in Kuwait. He is also a member of the Board of Directors of Kuwait Food Company (Americana), one of the largest food companies in the Arab region. He was formerly a member of the Board of Directors of Al-Ali Fuel Company. Mr. Al-Kharafi has extensive experience in the real estate sector, holding the position of General Manager of Al-Dorar Al-Arba'a Trading and Real Estate Company.



Sheikh Rashid Bin Abdulrahman Al Khalifa

Non-Executive / Independent

Sheikh Rashid Bin Abdulrahman Al Khalifa has been the Managing Director of Mi'mar Architecture & Engineering since 1992. Prior to that, he worked with the Bahrain Defense Force, holding the position of Director of Military Works from 1982 to 1991 and Head of Engineering Department from 1978 to 1980. Sheikh Rashid holds a BSc in Architectural Engineering from the University of Cairo, Egypt, a Master's degree in City Planning from Howard University, USA, and a certificate of Advanced Management Program from Harvard University, USA. He is a registered member of the Committee for Organizing Engineering Professional Practice (COEPP), the American Institute of Architects and the American Planning Association.

Mr. Bader Nasser Al-Kharafi

Executive / Non-Independent

Mr. Bader Nasser Al-Kharafi was appointed Vice-Chairman of Zain Group Board of Directors in February 2014, having earlier joined the Board in April 2011. On 12th March, 2017, following the Ordinary Annual General Assembly, the newly elected Board of Zain Group decided to combine the role of Vice-Chairman and Group CEO and duly appointed Mr Al-Kharafi with the additional role of Group CEO. Mr. Al-Kharafi holds office as Chairman, Vice President, Managing Director and Board member in several businesses that form part of the Kharafi conglomerate, one of the largest privately owned, diversified groups based in Kuwait and operating across the GCC and MENA with more than 135 registered companies operating in more than 28 countries in various sectors. Mr. Al-Kharafi is also the Chairman and Managing Director of Kuwait based Gulf Cables & Electrical Industries KSC; General Manager of Al-Khair National for Stocks and Real Estate Co; and a Board member of Refreshment Trading Company (Coca-Cola). Additionally, he is a Board member of Gulf Bank, Kuwait, one of the country's largest financial institutions, as well as a Board member of Foulath Holding B.S.C. (Bahrain Steel BSCC). In early 2014, Mr. Al-Kharafi was appointed to the Middle East Advisory Board of Coutts, the wealth division of the Royal Bank of Scotland Group. He is also a fervent supporter of, and active member on, the Board of INJAZ, Kuwait. He is also a member of the Industrial Advisory Board for the Mechanical Engineering Department at Kuwait University. Mr. Al-Kharafi attained an Executive MBA from London Business School and holds a Bachelor's degree in Mechanical Engineering from Kuwait University.

Mr. Ahmed Tahous Al-Tahous

Non-Executive / Non-Independent

Mr. Ahmed Tahous Al-Tahous is a member of the Board of Directors at Zain Group and holds a Bachelor's degree in Business Administration with a specialisation in Economics from Kuwait University (1981). Mr. Al-Tahous has over 34 years of experience in the banking and investment sectors. He began his career by joining the US Treasury Department in 1983 and moved to Morgan Stanley Asset Management in New York, where he was the portfolio manager of the Kuwait Investment Authority (KIA). Mr. Al-Tahous is the Executive Director of the Marketable Securities Sector at KIA, Kuwait, the world's oldest sovereign wealth fund, which he joined in 2006. He is the Chairman of the Board of Directors at Touristic Enterprises Company, a leading tourism development company in Kuwait. He has also been a member of the Board of Directors of the Industrial Bank of Kuwait since 2011. He has served as a board member of the Egyptian Kuwaiti Development and Investment Company, a company specialising in the management of real estate, tourism and housing projects. He has also served as a board member of Jordan National Bank, as well as Housing Bank for Trade and Finance (Jordan).

BOARD OF DIRECTORS



Mr. Talal Jassim Al-Kharafi

Non-Executive / Non-Independent

Mr. Talal Jassim Al-Kharafi has extensive experience in the investment and industrial sectors, acquired through his work in many institutions over the last 17 years. He is Chairman of the Gulf North Africa Holding Company and Vice-Chairman of Heavy Engineering Industries & Shipbuilding Co. He is Vice-Chairman of Kuwait Science Club, and a member of the Board of Directors of Asiya Capital Investment Company. Mr. Al-Kharafi has been a member of the Board of Directors of the Kuwait Chamber of Commerce and Industry since 2008. Mr. Al-Kharafi has a proven track record in banking, being a member of the Board of Directors of the Industrial Bank of Kuwait for the past eight years. He was a member of the Board of Directors of Kuwait Pipe Industries and Oil Services Company. He also served as a member of the Board of Directors of the Gulf Employment Company and the United Marketing & Organizing Exhibitions Company (UNIEXPO). He holds a Bachelor's degree in Political Science with a minor in Marketing from Kuwait University.

Mr. Ali Hassan Al-Khaja

Non-Executive / Independent

Mr. Ali Hasan Al-Khaja is backed by a wealth of experience across various sectors, Mr. Al-Khaja was the driving force behind the launch of the world's first Customer Service Transparency Standard, an international qualification standard for the services sector. Mr. Al-Khaja is a technology entrepreneur and a holder of several patents in the areas of e-commerce and m-commerce across the USA and the EU. He is also a passionate innovator; developing a mobile transactional patent and innovative cloud services with an aim of further developing the customer care industry across the Middle East. Mr. Al-Khaja started off his career in the hospitality industry before progressing to the telecommunications sector. He received his Diploma in Hospitality.



DIGITAL STRATEGY



Zain Bahrain remains sharply focused on performing strongly, achieving tangible results in meeting fiscal goals, and in making strategic investments that would help bolster the company's core competencies and in expanding its appeal across diverse customer segments.

2017 proved to be an eventful year. It marked the culmination of substantial changes that were taking place over the past three years, and set the stage for Zain Bahrain's transformation into an operationally efficient, cost competitive and customer focused company.

The changes were part of an on-going strategy to digitise the levels of interaction customers have with the company, and provide another incentive to enrich their experience of doing business with Zain Bahrain.

By leveraging some of its advanced technology to meet its customer friendly initiatives, Zain Bahrain was able to lay a strong foundation to build the future direction of the company, restructure and automate some of its processes, and diversify the options for customer interactions.

Zain Bahrain's Digital Strategy, as a result, is one of the key pillars driving the company's operations, and is responsible for creating the best in class customer experience. At the heart of this strategy lies

the determination to unlock the true potential of the technologies, help prepare the company to meet future challenges, and ensure that there remains a clear path for growth and improved productivity.

As part of the strategy, simplicity, ease and convenience have been integrated into each and every digital channel along with enhancements to the mobile app and portal, customer journey redesign and other products and service offerings. This move is in response to global trends that is witnessing a greater move towards simplified interfaces and connected innovative experiences.

Digital Services offerings

Zain Bahrain launched new digital services across different verticals (OTT TV content, games, e-commerce, others) by joining hands with relevant partners to support a digital lifestyle.

Zain Bahrain customers can enjoy an extensive range of thousands of TV shows, movies and more with Arabic and English subtitles, including many first run exclusives and award winning programmes all available on iflix. In addition to having the best of Hollywood, Bollywood, regional and local programming along with over 2,000 episodes of children's content, iflix plans on introducing exclusive Arabic content soon, as well as offer an extensive collection of highly acclaimed Arabic shows and movies.



Process Digitalisation

Digitalisation is expected to touch each and every aspect of Zain Bahrain's business. It is expected to include automation of its internal business processes that would eventually lead to a positive impact on both operations and performance.

Under Process Digitalisation, steps are taken to analyse and understand the current process objectives, flow, stakeholders, output, risks controls, etc. Later, process optimisation is improved against both efficiency and effectiveness measures while digitalisation and automation opportunities along with digitalisation solutions are analysed and identified. After the execution, there is further monitoring and control.

Nutanix Enterprise Cloud OS Software

Zain Bahrain successfully deployed a new cloud based enterprise software solution that helped in achieving higher operational efficiency. The Nutanix Enterprise Cloud OS software, combined with the Nutanix AHV hypervisor, allows the operator to rapidly analyse data, leading to better decision making and freeing up resources so that Zain Bahrain can focus on its key strength – innovating new products and services for its customers.



CUSTOMER ADVOCACY

Zain Bahrain once again demonstrated its commitment towards delivering long-term value creation through a strong customer oriented foundation. Zain Bahrain has outlined a detailed strategic plan where the customer is at the centre of all operations, and provides the basis for its advanced technologies as well as its portfolio of innovative products and services.

Zain Bahrain's belief in supporting initiatives that enrich the customer experience has prompted the company to open up new applications as well as build a robust IT infrastructure that helps in improving performance as well as strengthen productivity for customers.

Performance has been tested and has delivered results not only to the company and its suppliers but also across its diverse customer base.

In 2017, Zain Bahrain remained on track in meeting its customer focused objectives as the company's digital strategy began to encompass wider sections of its operations. The result has been a paradigm shift in how the company does business, and has positively impacted both revenues and costs.

Zain Bahrain is committed to deliver an exceptional customer experience across all channels, and to ensure that the customers' voice is heard at all times. One of the more successful platforms in meeting this goal has been the annual Customer Interaction Day that was launched in 2015.

Zain Bahrain Mobile App

This year, Zain Bahrain's mobile app received a major update that paved the way in boosting greater customer empowerment. The latest version brings to

the market a first-of-its-kind self-service experience in the entire Kingdom — placing customers in complete control of their Zain line.

Zain Bahrain's app provides customers with unmatched convenience through its comprehensive self care tools that includes various options such as, skipping the line, paying online, monitoring daily usage, viewing Zain's entire products and services range as well as a view of a wide selection of services.

One of the most significant milestones achieved since its launch, was that mobile app users increased by 1,273 per cent between January and December of this year. Downloads exceeded 50,000 and transactions (Bill payment, top-ups, subscriptions) surpassed one million Bahraini dinars in value.

The initiative forms part of Zain Bahrain's Digital Care strategy that has been specially designed to give more power to customers. With self-service tools such as the mobile app, IVR and Live Chat, customers are offered greater freedom and convenience.

Currently, self-service now represents more than 80 per cent of all customer interactions with Zain Bahrain.

tNPS Award

Zain Bahrain was awarded the overall best in class program for the company's impressive year-on-year improvement in customer engagement across all channels. The award given by ResponseTek C.A.R.E for Outstanding Experience judged on how well the company listens to its customers, how well its employees are directly connected to and learn from their customers, and the engagement levels of employees in acting upon their findings to provide a richer customer experience.

CORPORATE SOCIAL RESPONSIBILITY




Corporate Sustainability and Social Responsibility

In 2017, Zain Bahrain maintained a steady course in delivering value to its various stakeholders across the wider community in the Kingdom of Bahrain.

Building upon its credentials as a responsible corporate citizen, many of Zain Bahrain's actions and initiatives were aimed at being a catalyst for positive change, and to reflect the broader scope of its fiduciary duties to its customers and shareholders.

Zain Bahrain has always recognised that as a telecom player delivering next generation technology, it is in the business of shaping the future. This passion for tomorrow has prompted the company to develop a wide range of products and services that facilitate communication, bridge distances and promote seamless commercial transactions.

While the company continues its march towards the future, it is aware that the demands of the present remain a priority. One of the best ways to meet these demands is to assess the social impact of the company's core competencies, and then develop a framework for social action that bolsters Zain Bahrain's altruistic credentials.



**"This passion for tomorrow
has prompted the company
to develop a wide range of
products and services"**

Future Leadership

As a company with a region wide presence, Zain remains committed to boost the entrepreneurial spirit amongst Arab youth, and provide opportunity to expand their knowledge base and inculcate the idea of innovation as a driver for economic and social progress. It was this focus that guided Zain's support for the 10th edition of the MIT Enterprise Forum (MITEF) for the Pan Arab Region — a competition that included 74 semi-finalists from 11 Arab countries as well as three from Bahrain, and covered three tracks: startups, social entrepreneurship and ideas. The semi-finalists underwent training sessions in Bahrain where they were able to present their work to a jury comprising some of the Arab world's key investors and business leaders. The winners shared a total cash prize of \$160,000.

Thirteen Bahrain Bayan School students enjoyed a two week educational summer programme with Zain Bahrain. The 10th and 11th grade students were exposed to the working environments of the call center, retail, marketing, technology and human resources departments among others. They were also given an overview of mobile telecommunications, visited the switching centre and participated in several educational workshops including a series of soft skills seminars on time



"As a company with a region wide presence, Zain remains committed to boost the entrepreneurial spirit amongst Arab youth"

management, communications, negotiation skills, and career development.

New Identity for the Basketball League

Promoting sports amongst the youth remains one of Zain Bahrain's key priorities in its social initiatives, and the decade long success of the Zain Bahrain Basketball League is a clear testament of the importance Zain Bahrain places on the growth of this popular sport. In 2017, Zain Bahrain and Bahrain Basketball Association celebrated 10 years of partnership with the launch of a new identity for the basketball league that was inspired by Zain's values of Radiance, Heart and Belonging.

AWARDS



Zain Bahrain remains at the cutting edge of today's technology — shaping the world of tomorrow with solutions that set the stage for innovation, and in building a better world for all stakeholders.

2017 was marked by a strategic focus on strengthening value to the customer base, and in achieving continued progress towards setting new benchmarks in excellence. Zain Bahrain remains steadfast in its commitment to be a customer focused entity, dedicated to deliver on strategies, and being responsive to the pace of change taking place at both the macro and micro-level.

The company's efforts were recognised by some of the leading voices from the corporate sector, governmental and non-governmental organisations. The awards provide tangible evidence to the success of Zain Bahrain's strategic agenda and customer driven focus.

ResponseTek C.A.R.E. Award for Outstanding Customer Experience

ResponseTek — a global leader in customer experience management solutions — presented Zain Bahrain with an award for outstanding customer experience. Securing first place in the category, Zain Bahrain was awarded the overall best in class programme for the company's impressive year-on-year improvement in customer engagement across all channels.

Zain Bahrain was judged on how well it listens to its customers, how well its employees are directly connected to and learn from their customers, and the engagement levels of employees in acting upon their findings to provide a better and richer customer experience.

Zain voted "Best Brand" at Telecom World Middle East Awards 2017

Zain was awarded the "Best Brand" for telecom for the fourth consecutive year at the Telecoms World Middle East Awards gala event held in Dubai.

The award was given by a panel of expert judges assembled by Terrapinn, the organisers of the annual Telecoms World Middle East Conference and Awards. The awards recognise outstanding performance in key areas throughout the Middle East telecom industry, and shine a spotlight on key players that have contributed towards making the sector one of the most dynamic globally.



Zain — 2nd most powerful brand in the region

Brand Finance — a London based leading valuing and strategy consultancy — compiled a list of the Middle East's 50 most valuable brands, classified by both their industry and their nation.

Zain was ranked as the second most powerful home-grown brand in the region. The valuation of Zain's brand for 2017 was calculated at US\$2.34 billion, a 9 per cent increase on its 2016 valuation.

Brand Finance looked at two key factors. The first being revenues (both historic and forecasted) and second being the strength and familiarity of each brand. In terms of the latter factor, Brand Finance examined marketing investment, preference, sustainability and margins. By stripping out the effect of revenues, it was possible to get an even clearer picture of what the brand power brings to the overall business and the effect it has on the success of its customer-focused efforts.



Zain Bahrain honoured for Social Media Contributions

The Social Media Club of Bahrain presented Zain Bahrain with a special award in recognition for the company's pioneering role in championing the growth of social media.

In its overall assessment, the Social Media Club recorded Zain Bahrain as having one of the highest levels of engagement on Facebook, Instagram, Twitter and other networks. It was stated that Zain Bahrain offers innovative content combined

with a well thought out digital media strategy to engage with all of its stakeholders, keep them informed on new products and services along with developments in the company's corporate social responsibility activities.



Zain Bahrain — Winner of the GCC Best Employer Brand Award

Zain Bahrain was awarded the 2017 GCC Best Employer Brand award in recognition of the company's outstanding human resources practices.

The GCC Best Employer Brand Award recognises organisations that have used marketing communications effectively in attracting, retaining, and developing talent. Some of the key criteria assessed included how well the company's vision is translated into action through HR strategies; the alignment of its HR strategy with business objectives; and the cultivation of competencies that enable readiness for the future.



CORPORATE GOVERNANCE



"Zain Bahrain BSC is committed to the global leading practices in corporate governance and compliance with the laws and regulatory requirements."

Overview

As a listed company on the Bahrain Bourse, Zain Bahrain BSC ("Zain Bahrain") or ("Company") is committed to global leading practices in corporate governance and in compliance with laws and regulatory requirements. The purpose of implementing the corporate governance framework is to protect the rights of all shareholders and stakeholders, and to ensure compliance with applicable laws and regulations. The Company's commitment to achieving the highest standards of corporate governance is reflected by its approach in embracing the governance principles outlined by the Central Bank of Bahrain ("CBB") and the Ministry of Industry, Commerce and Tourism ("MOICT").

In accordance with the Company's Corporate Governance guidelines, Zain Bahrain is in compliance with the CBB Module with the exception of the following:

- Sheikh Ahmed Bin Ali Al Khalifa was appointed by the Board of Directors as the Chairman of the Board. The CBB Module recommends that the Chairman should be an independent and non-executive Director and that he is not the Company's CEO. The Chairman is not Zain Bahrain's CEO, however as he owns 16.10% of the Company's shares, he is not considered an independent Director. The Board has reviewed this recommendation and does not believe its non-compliance will affect the balance of power and greater capacity of the Board for its independent decision making.

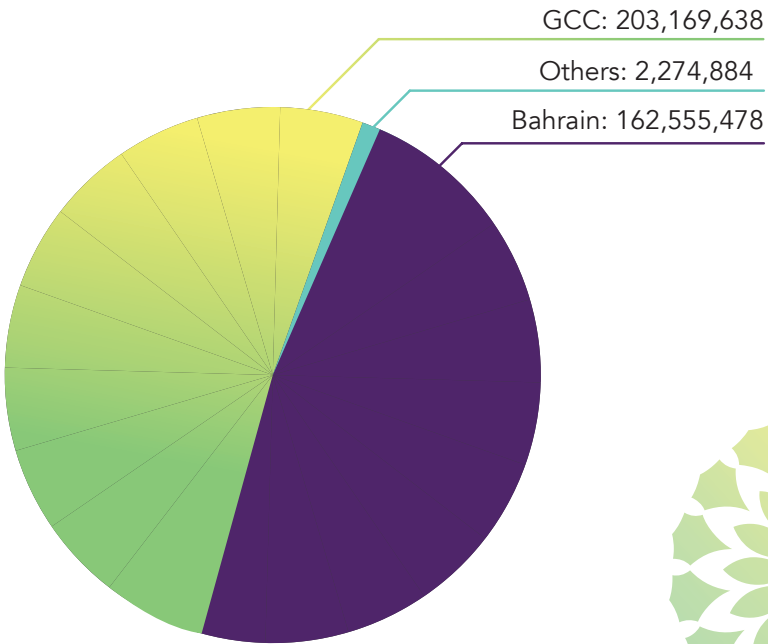
- The CBB Module states that the Audit Committee consist of a majority of independent directors and that it's chairman is an independent director. The CBB Module also requires the Nomination and Remuneration Committee to include only independent directors or, alternatively, only non-executive directors whom a majority must be independent and its chairman shall be independent. As Zain Bahrain is reliant on the expertise and management of Mobile Telecommunications Company K.S.C.P (MTC), these committees do require members from MTC for the Company to achieve its objectives. Therefore, the majority members of the Nomination and Remuneration Committee (NRC) and the Board Audit Committee (BAC) as well as their respective chairperson are representatives of MTC for the year 2017. However, on 26 July 2017, the Board restructured the Board Audit Committee replacing a non-independent member with an independent member therefore achieving the CBB Module requirement of a majority of independent directors. The chair of the committee remained a representative of MTC.

1. Ownership Structure

1.1 Ownership Structure by Nationality

The table and illustration shows the distribution of ownership of Zain Bahrain shares by nationality:

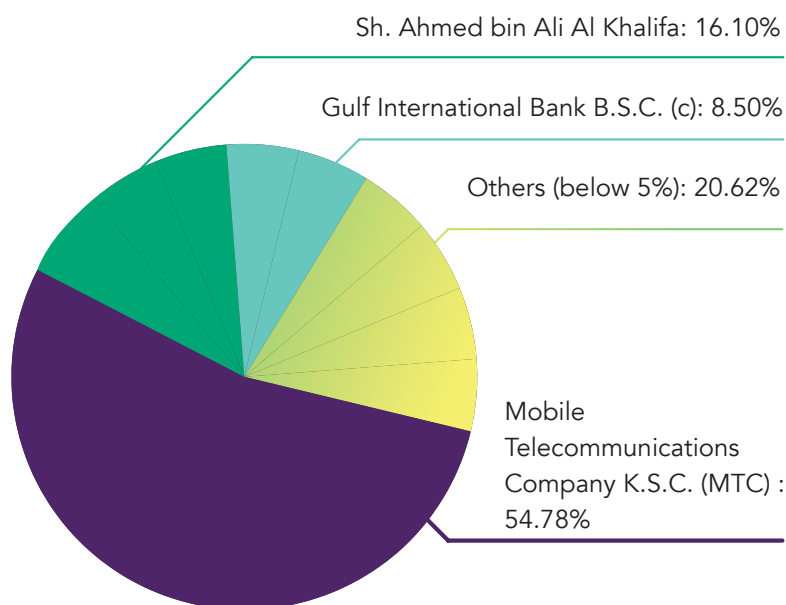
Nationality	Number of Shares	% of Shares Held
Bahrain	162,555,478	44.17%
GCC	203,169,638	55.21%
Others	2,274,884	0.62%



1.2 Ownership Structure by Size

The table and illustration shows the distribution of ownership of Zain Bahrain shares by size (5% and above):

Owner	Number of Shares	% of Shares Held
Mobile Telecommunications Company K.S.C. (MTC)	201,600,000	54.78%
Sh Ahmed bin Ali Al Khalifa	59,260,000	16.10%
Gulf International Bank B.S.C. (c)	31,285,097	8.50%
Others (below 5%)	75,854,903	20.62%



1.3 Ownership Structure by Category

The table below shows the ownership distribution of Zain Bahrain's shares by government entities, directors and executive management:

Government Entities	Number of Shares	% of Shares Held
Minors Estate Directorate	2,400,000	0.65%
Pension Fund Commission	15,000,000	4.08%

Directors	Number of Shares	% of Shares Held
Sh. Ahmed bin Ali Al Khalifa	59,260,000	16.10%
Sh. Rashid bin Abdulrahman Al Khalifa	1,200,000	0.32%
Mr. Ali Hasan Al-Khaja	1,440,000	0.39%
Mr. Mohannad Mohammed Al-Kharafi	201,600,000	54.78% (MTC)
Mr. Bader Nasser Al-Kharafi		
Mr. Ahmed Tahous Al-Tahous		
Mr. Talal Jassem Al-Kharafi		

Executive Management	Number of Shares	% of Shares Held
Mrs. Ameera Al-Mukharreq	11,000	0.0029%



2. Board Function, Structure, Members and Management

2.1 Function

The Company is managed by its Board of Directors which has the ultimate responsibility for the overall conduct of the Company's business. The primary responsibility of the Board is to provide effective oversight over the Company's affairs for the benefit of its shareholders and to balance the interests of its stakeholders.

The Board has a fiduciary duty of care and loyalty to the Company and its shareholders, and is accountable to them for the proper conduct of the business. In addition, the Board is also responsible for overseeing the accuracy and completeness and the Company's compliance with its Corporate Governance Framework.

2.2 Structure

The Board comprises of seven members with four members representing Mobile Telecommunications Company K.S.C.P (MTC). On 11th June 2017, MTC replaced its appointed members in Zain Bahrain's Board. The newly appointed members are shown in the below table:

Member	Board Position
Mr. Mohannad Mohammed Al-Kharafi	Vice Chairman
Mr. Bader Nasser Al-Kharafi	Member
Mr. Ahmed Tahous Al-Tahous	Member
Mr. Talal Jassem Al-Kharafi	Member

The above mentioned members replaced the following members:

Member	Board Position
Mr. Asaad Ahmed Al-Banwan	Vice Chairman
Mr. Waleed Abdulla Al-Roudan	Member
Mr. Jamal Shaker Al-Kazemi	Member
Ms. Shaikha Khalid Al-Bahar	Member

Zain Bahrain has two Independent Directors. Sheikh Rashed Bin AbdulRahman Al Khalifa and Mr. Ali Hasan Al-Khajjah represent the Independent Directors of Zain Bahrain as defined in the CBB Module. The Chairman of the Board is Sheikh Ahmed Bin Ali Al Khalifa.

Detailed information on the directors, including directorships of other Board positions, qualification and experience is presented in Appendix 1.

2.3 Number and Names of Independent Members

Please refer to section 2.7.

2.4 Board Term

The Board was re-elected/ re-appointed by the shareholders during the Annual General Meeting ("AGM") held on 26th February 2015 for a term of three (3) years. The year 2018 will witness the appointment and election of new Board members in accordance with Zain Bahrain's Articles of Association as the term of the current Board will complete its third year.

2.5 New Directors' Orientation and Education

In accordance with CBB Module and Company's Board Charter, the Chairman of the Board ensures that any new director receives a formal and tailored induction to ensure his contribution to the Board from the beginning of his term.

Zain Bahrain's induction includes meetings with senior management, visits to the company's facilities, presentations regarding strategic plans, significant financial, accounting and risk management issues, compliance programmes, its internal and external auditors and the legal counsel/ compliance officer. Details of new Directors' orientation are set out in the Company's Board Charter.

2.6 Election/ Appointment and Termination Process of Directors

2.6.1 Election/ Appointment

The Board is appointed for a period of three years on a renewable basis. At the request of the Board, the MOICT may extend the membership term of a Director for no more than six months at which time he/ she is subject to re-election.

2.6.2 Director's Appointment Letters

In accordance with the CBB Module, each Director has signed a Director's appointment letter, which sets out such directors' duties and responsibilities, and the terms and conditions of such directorship.

2.6.3 Termination Process

Termination of directorship can take effect in the cases set out below as specified in the Commercial Companies Law and in the Company's Board Charter:

- If a Director does not have the appropriate legal qualifications or has been sentenced for an act, a fraud or a crime affecting his/ her honour or integrity;
- If a Director is appointed or elected in a manner contrary to the provisions of the law;
- If a Director abuses his/her membership to carry on a competitive business to the Company or causes damages to the Company;
- If the shareholder appointing the member removes him/her; or
- The General Assembly may also dismiss all or some of the Board members in accordance with Article 178 of the Commercial Companies Law of Bahrain.

2.7 Board Meetings' Dates and Attendance

The members of the Board have met four times during the year 2017 on the following dates:

31st January 2017	30th April 2017	26th July 2017	23rd October 2017
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The record of all members, their terms and attendance is set out below:

Director's Name	Board Position	Status of Director	Meetings Attended
Sh. Ahmed Bin Ali Al Khalifa	Chairman	Non-Executive/ Non-Independent	Four out of Four
Mr. Mohannad Mohammed Al-Kharafi	Vice Chairman (From June 2017)	Non-Executive/ Non-Independent	Two out of Two
Sh. Rashid Bin AbdulRahman Al Khalifa	Member	Non-Executive/ Independent	Four out of Four
Mr. Bader Nasser Al-Kharafi	Member (From June 2017)	Executive/ Non-Independent	Two out of Two
Mr. Ahmed Tahous Al-Tahous	Member (From June 2017)	Non-Executive/ Non-Independent	One out of Two
Mr. Talal Jassem Al-Kharafi	Member (From June 2017)	Non-Executive/ Non-Independent	Two out of Two
Mr. Ali Hassan Al-Khaja	Member	Non-Executive/ Independent	Four out of Four
Mr. Asaad Ahmed Al-Banwan	Vice Chairman (Up to June 2017)	Non-executive/ Non-independent	Two out of Two
Mr. Waleed Abdulla Al-Roudhan	Member (Up to June 2017)	Non-executive/ Non-independent	One out of Two
Mr. Jamal Shaker Al-Kazemi	Member (Up to June 2017)	Non-executive/ Non-independent	One out of Two
Ms. Shaikha Khalid Al-Bahar	Member (Up to June 2017)	Non-executive/ Non-independent	Two out of Two

2.8 Remuneration Policy for Directors

The Company's remuneration policy for Directors ensures that the Board is reasonably compensated for the time, resources, and effort spent in performing their fiduciary duties. The Board's remuneration, which is approved annually by the shareholders at the AGM, includes an annual stipend and allowance for out-of-pocket-expenses. For the year ending 31st December 2017, a total of BHD 223,612 was recommended by the Board.

2.9 List of Executive Management and Profile of Each

Mr. Scott Gegenheimer, Chief Executive Officer

Date of Appointment: December 2012

Mr. Gegenheimer is a telecom veteran having over 25 years' experience, along with a track record of impressive results, and a good portion of his time was spent in Kuwait and other places in the region. He is a US native and prior to joining Zain Group, he spent the last decade in various senior management and leadership positions at regional operators, including in Kuwait. Mr. Gegenheimer was appointed CEO of parent company, Zain Group on 2nd December, 2012. On 12th March, 2017, following the Ordinary Annual General Assembly in Zain Group, the newly elected Board decided to combine the role of Vice-Chairman and Group CEO and duly appointed Mr. Gegenheimer with the new role of Group CEO-Operations. He holds a Bachelors of Science degree in Finance and Management from Northern Illinois University and an MBA from DePaul University in Chicago, US.

Mr. Mohammed Zainalabedin, General Manager

Date of Appointment: May 2008

A widely recognised name in the telecommunication sector, Mr. Zainalabedin was appointed as the General Manager of Zain Bahrain in May 2008. Prior to this appointment, Mr. Zainalabedin led several functions across the operations where he was responsible for sales, marketing, customer care and Information Technology departments. During that period, the operations grew to represent a significant market share of 35% in a three-player market.

Prior to joining Zain Bahrain, Mr. Zainalabedin gained almost ten years of experience in the IT field, working for companies such as International Turnkey Systems where he held the position of Core Banking Group Manager. Mr. Zainalabedin, a Bahraini national, holds a Bachelor of Science (Hons) degree in Computer Engineering from King Fahad University of Petroleum and Minerals, Saudi Arabia.

Ms. Latifa Salahuddin, Director, Legal, Regulatory & Compliance

Date of Appointment: May 2014

Ms. Latifa Salahuddin is responsible for providing and managing legal support, advising on, drafting and reviewing Zain Bahrain's local and international agreements and for liaising with regulatory agencies and government authorities. She is also secretary to the Board and supervises the implementation of its decisions. She is a qualified Bahraini lawyer. Prior to joining Zain Bahrain, she was a senior associate at Zu'bi & Partners Attorneys & Legal Consultants since 2006. Ms. Salahuddin holds an LLB (Bachelor of Laws) from London Guildhall University and an LLM (Master of Laws) from the University of London – The School of Oriental & African Studies (SOAS) in the United Kingdom.

Mrs. Dana Bukhammas, Director, Human Resources

Date of Appointment: July 2014

Mrs. Dana Bukhammas is responsible for learning and development, performance management, employee relations and services, staffing and organisational development. She earlier held various other positions in Zain Bahrain's Human Resources department including supervisory roles in the Sales Department. Mrs. Bukhammas joined Zain Bahrain in July 2003. She holds a BSc in Business Management from the University of Bahrain.

Mr. Mudassar Ali, Director, Finance

Date of Appointment: February 2015

Mr. Mudassar Ali's mandate includes day-to-day financial management, maintaining full control over the company's revenue and disbursements, annual budgeting and forecasting, managing core system implementations and

critical decision-making processes as well as treasury and cash flow management. With more than 20 years under his belt, Mr. Ali held leading positions across several industries spanning telecoms and services. During his previous role at Zain Kuwait, he played a significant role in the operational improvement, financial reporting stability and technology utilisation. He received a Bachelor of Commerce from University of Punjab, Pakistan, and is a certified Oracle Financial connoisseur. He obtained an advanced development program certification from the London Business School.

Mr. Ali Mustafa, Director, Corporate & Wholesale

Date of Appointment: June 2015

Backed by over ten years of experience within the telecoms industry, Mr. Ali Mustafa is responsible for wholesale, corporate, government sales and VIP segments ensuring revenue and profitability in such segments for the Company. His role also involves maintaining oversight over enterprise products and services in addition to roaming.

He began his career as an Account Manager in one of the telecommunication companies operating in the kingdom, climbing the corporate ladder to clench the position of General Manager of Wholesale & Carrier Services. Mr. Mustafa obtained his Bachelor's Degree in Marketing and Management from the University of Bahrain.

Mrs. Ameera Al-Mukharreq, Director, Business Planning & Analytics

Date of Appointment: January 2016

One of the earliest members of the Zain Bahrain team who joined prior to the Company's launch in 2003, Mrs. Al-Mukharreq served as an engineer managing and deploying value added services and soon led many other functions within the Technology department. Some of these responsibilities included the 24/7 Network Operation Center, Network Planning and Performance, International Carriers and

Roaming technical functions. In 2010 Mrs. Al-Mukharreq joined the Strategy and Business Planning department where she developed short-to-mid-term business plans and led the company's major projects. In her current role; she is in charge of Business Planning, Business Excellence, Experience Simulation and Business Analytics. She holds a BSc in Computer Science from the University of Bahrain.

Sheikh Abdulla Bin Khalid Al Khalifa, Director of Corporate Communications and Investor Relations

Date of Appointment: January 2017

Sheikh Abdulla Bin Khalid Al Khalifa oversees Zain Bahrain's strategic communications activities that include its investor relations as well as its corporate sustainability (CS) & social responsibility (CSR) functions. He is also a successful telecoms entrepreneur having co-founded one of the Kingdom's telecom start-ups, Lightspeed Communications, where he oversaw the launch of Bahrain's first double-play Voice and Internet service in 2007. He holds an Executive MBA from the International Institute for Management Development (IMD) in Lausanne, Switzerland and a BS in Computer Information Systems from Bentley University, Waltham, MA, USA.

Mr. Ammar Al-Ketbi, Acting Director, Consumer Sales & Channels

Date of Appointment: August 2017

Mr. Ammar Al-Ketbi is responsible for Zain Bahrain's consumer segment, which includes indirect sales and retail sale which includes of telesales and branches. Mr Al-Ketbi has taken a wide number of development and training courses, and has also received the Distinguished Manager Award from Bahrain's Ministry of Labour and Social Development.

Mr. Al-Ketbi started his career with Zain Bahrain as a Distribution Account Manager in 2007, then moved on to a role as Retail Area Manager. Mr. Al-Ketbi became the manager of Indirect Sales Channels before being appointed as Manager for Retail and Franchise Sales, a position he held until August 2017. He holds a BSc in Banking and Finance from the University of Bahrain.

Mr. Abdulla Yusuf Salmeen, Acting Director, Customer Care

Date of Appointment: August 2017

Mr. Abdulla Yusuf Salmeen is responsible for B2C Lifecycle Management, and heads the Business After Sales department for both GSM Mobility & Enterprise Solutions as well as leading Preventative & Curative Retention activities. Further, he manages the Signature Dedicated Contact Centre, back office and retention teams, and also leads the company wide Customer Experience Programme. In addition to his Zain Bahrain role, he leads projects across Zain Group operations, most recently the Unified Complaint Experience and Voice Biometrics.

Mr. Salmeen started his career with Zain Bahrain as a Logistics and Distribution Centre Agent in 2003 and held the role until 2007. From there he held a number of other positions before assuming his current role as Acting Director, Customer Care in August 2017.

Mr Salmeen holds an LLB (Bachelors in Law) from the University of Bahrain, College of Law.

Mr. Salah Abdulla, Acting Director, Technology

Date of Appointment: September 2017

Mr. Salah Abdulla has over 24 years of progressive national/ international work experience in strategic planning and facilitating the implementation of critical business solutions. Throughout his time with the company, Mr. Abdulla has been involved in several key projects and has made substantial contributions towards the development of technological services. Some of his most notable achievements include: leading an insource/outsource Technology Operation Team that manages and develops Zain Bahrain's mobile technology infrastructure; developing a Technology Strategy and preparing the platform for the implementation of a five-year roadmap; leading a Technology Rationalisation programme; implementing a new data centre; and enhancing business continuity by redeploying services across multiple physical sites.

Mr. Abdulla has been appointed as Acting Technology Director of Zain Bahrain in September 2017, and is an active contributor to the development of a 10-year strategic plan for network IT management. He holds an MBA from Curtin University of Technology, Australia, and a BSc in Computer Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia.

Mr. Mohammed Al-Alawi, Acting Director, Consumer Marketing

Date of Appointment: October 2017

Mr. Mohammed Al-Alawi has over 15 years of experience in the fields of product management, product development, management, sales, marketing, IT, telecommunication and ICT. He has extensive knowledge in designing market strategies, deployment and management of mobile products, Broadband products, Datacom services, PABX services and cloud services. In his role, Mr. Al-Alawi has been responsible for developing, launching and managing mobile services.

Mr. Al-Alawi started his career with Zain Bahrain in 2007 as an expert in Enterprise and Broadband Products & Services, before moving on to become the manager in 2010. He holds a BSc Honours degree in Management & IT from the University of Manchester, United Kingdom.

Mr. Hamad Al-Romaihi, Director, Technology (Up to August 2017)

Date of Appointment: July 2010

Mr. Hamad Al-Romaihi was the Company's Director of Technology and was responsible for planning, development, operation and maintenance of the network including ensuring coverage and quality. Moreover the planning, development, operation and maintenance of all IT systems including the billing system, enterprise applications (Human Resources and Finance), ISP infrastructure, business intelligence system and call centre voice system were a major part of his responsibility.

Mr. Al-Romaihi holds a BSc in Electronic and Electrical Engineering from the Strathclyde University, United Kingdom.

Mr. Arslan Khan, Director, Sales and Customer Care (Up to May 2017)

Date of Appointment: November 2012

Mr. Arslan Khan was responsible for customer care and acquisition targets in the consumer segment, signature and business segment. He joined Zain Bahrain in November 2012. Prior to that, he held senior positions in sales and marketing with telecommunications operators in the MENA region including: Group Commercial Director for Vtel Holdings, Group Chief Commercial Officer for Bintel Ltd, Chief Marketing Officer for MTN, Commercial Director for Digicel, Marketing Director/Head of Residential Market for Etisalat and Marketing Director for Millicom International Cellular. He holds an MBA from Preston University, USA and a BSc in General Studies from Punjab University, Pakistan.

Mr. Roland Loetscher, Director, Marketing (Up to October 2017)

Date of Appointment: September 2015

Mr. Roland Loetscher was the Marketing Director at Zain Bahrain and was responsible for the company's strategic and tactical marketing activities. Backed with two decades of international telecoms experience including stints at Swisscom, Telefonica and Orange. Roland first joined the Zain Group in 2008 heading the Product Management and Marketing Department for Zain Nigeria. He moved to the Orange Group where he was appointed as the Vice President, Mobile Propositions Group.

He received his MBA from the University of Chicago Booth School of Business, USA and a Bachelor in Business Administration from the School of Economics and Business Administration in Basel, Switzerland.



2.10 Remuneration Policy for Management

The Company's remuneration policy for management is designed to attract, retain, and motivate employees of diverse skill sets and business acumen, educational background and experience. For the year ending 2017, the annual remuneration fees of the executive management were in the form of salaries, allowances and bonuses. Refer to Note 20 (Compensation of key management personnel) of the financial statements.

2.11 Details of Stock Option and Performance Linked Incentives

(Not applicable to Zain Bahrain)

2.12 Code of Conduct

In Zain Bahrain, the Directors and the employees are expected to maintain the highest level of corporate ethics and personal behaviour. Therefore, the Company has adopted MTC's code of conduct which provides an ethical and legal framework for all employees in the conduct of its business.

3. Board Committees

3.1 Name and Function of the Committees

3.1.1 Audit Committee

The purpose of the Board Audit Committee (BAC) is to assist the Company's Board of Directors in fulfilling its overview responsibility with respect to:

- Review the internal control, finance, accounting policies and procedures.
- The appointment of external auditors and review the financial statements.
- The appointment of the internal audit and the review of the activities and performance of the internal audit.

- Review the information technology systems controls and telecom systems controls.
- Oversee the implementation of the governance policy framework.

3.1.2 Nomination and Remuneration Committees

The purpose of the Nomination and Remuneration Committee (NRC) is to assist the Company's Board of Directors in fulfilling its oversight responsibility with respect to:

- Making recommendations to the Board regarding potential candidates for board membership to be included by the Board of Directors on the agenda for the next annual "General Assembly", upon the expiry of the board members term.
- Recommending nominees for each committee of the Board.
- Overseeing matters related to the compensation (to be approved by the shareholders), skills and expertise requirements and orientation, and conducting of the Board, Board Committees.
- Reviewing the remuneration framework for the Board.
- Reviewing and approving the amendments to the existing organisational structure.
- Reviewing with the new Board Members, Committee Members and Officers their roles and duties.



3.2 Committee Members and Meetings' Attendance

Set out below are the Committee members and the number of meetings attended. The BAC is required to meet at least four times a year while the NRC is required to meet at least twice a year. This requirement is satisfied during the year 2017. Below are details of Board members' attendance:

Director's Name	Committee Positions	Board Audit Committee (BAC) Meetings Attended	Nomination and Remuneration Committee (NRC) Meetings attended
Mr. Mohannad Mohammed Al-Kharafi	Chairman – NRC Committee	-	One out of One
Sh. Rashid Bin AbdulRahman Al Khalifa	Member – Audit Committee	Four out of Four	-
Mr. Bader Nasser Al-Kharafi	Chairman - Audit Committee	Two out of Two	One out of One
	Member – NRC Committee		
Mr. Ali Hassan Al-Khaja	Member – Audit Committee (From June 2017)	Two out of Two	Two out of Two
	Member – NRC Committee		
Mr. Asaad Ahmed Al-Banwan	Chairman - Audit Committee	Two out of Two	-
Mr. Waleed Abdulla Al-Roudhan	Member – Audit Committee	One out of Two	-
Mr. Jamal Shaker Al-Kazemi	Member – NRC Committee	-	-
Ms. Shaikha Khalid Al-Bahar	Chairman – NRC Committee	-	One out of One

4. Auditors

- The External Auditors of Zain Bahrain for the audit year ended 2017 is Deloitte & Touché. The agreed audit fee for such year is BHD 32,000 and the non-audit service fee is BHD 5,100.
- The Board has recommended the reappointment of Deloitte & Touché for the audit year ending 2018. The reappointment shall be approved by the Shareholders at the Annual General Assembly Meeting.

5. Related Party Transactions, Directors Trading of Company Shares and Key Persons Policy

Related party transactions are carried out at arm's length and at rates approved by the Company's management. Amounts due from/to related parties are unsecured, bear no interest and have no fixed repayment terms. The management considers these to be current assets and current liabilities as appropriate. Refer to the Note 20 (Related Party Transactions) of the financial statements.

Zain Bahrain's Directors, Executive Management and employees have the right to trade in the Company's shares. However, such trade must be in compliance with the Company's Key Persons Policy to ensure that no trade is made by making use of non-published material information.

No transactions took place by the persons stated in the Key Persons Register in the year 2017.

6. Means of Communication with Shareholders and Investors

The Board is committed to maintain an open communication channel with its shareholders and investors in order to ensure the transparency and effectiveness of communication. According to the CBB's principles, the Board has the legal responsibility to publicly disclose fair, transparent, comprehensive, and timely information to its stakeholders. To communicate with its

shareholders, Zain Bahrain uses the following means:

- The Company's audited financial statements.
- The Company supports the principle of effective communication through the Annual Report of the Company and the General Assembly Meetings.
- Any required notifications are made to the Bahrain Bourse for publishing on its website.
- All material facts are available on the Company's website.

7. Management of Principle Risks and Uncertainties

The Company holds rigorous risk management controls for day-to-day internal processes. These are set out in the financial statements Note 23.

8. Review of the Internal Control

Through the BAC, the Board of Directors maintains and reviews an effective system of internal control that provides reasonable assurance against material misstatement or loss. The primary objective of the Internal Audit is to assist the BAC in measuring the control environment by providing reports, recommendations and information on activities reviewed.

The Internal Auditor reports significant issues and effectiveness of controls and any other matters deemed appropriate to the BAC, CEO and CFO of the parent company (MTC) and Zain Bahrain's Executive Management.

There are clear processes for monitoring and reviewing the system of internal controls and reporting any weaknesses in the Company. BAC has the authority to conduct the internal control audit. The scope of internal

control activities is subject to the BAC review and approval but will not otherwise be restricted. All staff and management of MTC shall make all efforts to provide necessary assistance to, and cooperate with our staff in performing their duties effectively.

The Company has implemented a system of internal controls that provides reasonable assurance of the effectiveness and efficiency of the operations including all types of controls such as finance and regulatory compliance.

9. Announcements of Results

As a public joint stock company, Zain Bahrain has ongoing reporting requirements and obligations imposed by the CBB, Bahrain Bourse and MOICT.

The announcement of results in the press will include income statement, cash flow statement, statement of comprehensive income and changes in shareholders' equity, Auditor's Report, Auditor's signature date and Board Approval date. The results of the annual financial review for the year ended should be published within sixty (60) days of the related year end. Results of quarterly financial review should be published within forty-five (45) days of the related quarter. The AGM should be held within ninety-days (90) after the year end.

10. Directors' Responsibilities for the Preparation of Financial Statements

The BAC is formed by the Board to assist in fulfilling the Board's responsibility in respect to:

- The integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls;
- The annual independent audit of the Company's financial statements, the engagement of the external auditors and the evaluation of the external auditor's qualifications, independence and performance; and

- Compliance by the Company with legal and regulatory requirements.

11. Conflict of Interest

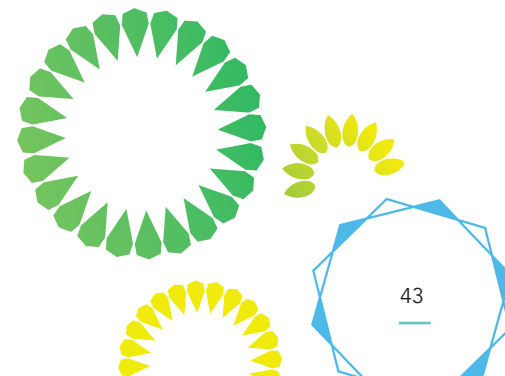
The Directors are obliged to arrange their personal and business affairs to avoid any conflict of interest with the Company. If any conflict of interest arises such Director is responsible to inform the entire Board in writing.

For 2017, no conflict of interest was raised to the Board and no Director abstained from voting.

The Directors' Code of Conduct Policy can be requested from Zain Bahrain's Compliance Officer.

12. Performance Evaluation

The NRC is assigned the responsibility of developing and recommending to the Board for its approval an annual self-evaluation process for the Board and its committees as well as overseeing the annual self-evaluation. It has also the responsibility of assisting the Board in determining the compliance of each Director and Officer with the "Director's Code of Conduct" and "MTC's Code of Conduct" and reports any violations to the Board.



The background of the page is a teal-colored globe with a grid of latitude and longitude lines. Overlaid on the globe is a yellow logo consisting of a semi-circle of leaves or petals, with a small circular pattern above it. The text "FINANCIAL CONTENTS" is written in a bold, yellow, sans-serif font.

FINANCIAL CONTENTS

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended December 31, 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide telecommunication services under various licences issued by the Telecommunications Regulatory Authority of the Kingdom of Bahrain.

REVIEW OF BUSINESS

The results for the year are set out on page 53 & 54 of the financial statements.

SHARE CAPITAL STRUCTURE

	2017(%)	2016(%)
Shareholders:		
Mobile Telecommunication Company K.S.C. - Kuwait	54.78	54.78
Al Sheikh Ahmed Bin Ali Al Khalifa	16.10	16.10
Gulf International Bank B.S.C.	8.50	8.50
Others	20.62	20.62
	100.00	100.00

CHANGES IN DIRECTORS

Mr. Asaad Ahmed Al-Banwan, Mr. Jamal Shaker Al-kazemi, Mr. Waleed A M A Al-roudan and Ms. Shaikha Khalid A A Al-bahar resigned on June 8, 2017 and Mr. Mohannad Al-Kharafi, Mr. Bader Nasser Al-Kharafi, Mr. Ahmed Tahous Al-Tahous and Mr. Talal Jassem Al-Kharafi were appointed.



DIRECTORS' REPORT (CONTINUED)

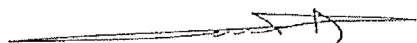
DIRECTORS REMUNERATION

Director's remuneration charged during the year ended December 31, 2017 amounted to BD 223,612 (2016: BD 218,513).

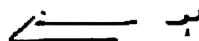
AUDITORS

A resolution proposing the reappointment of Deloitte & Touche - Middle East as auditors of the Company for the year ending December 31, 2018 and authorising the Directors to fix their remuneration will be put to the Annual General Meeting subject to the approval of the Central Bank of Bahrain.

On behalf of the Board



Al Sheikh Ahmed Bin Ali Al Khalifa
Chairman



Mr. Bader Nasser Al-Kharafi
Board Member

February 5, 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Zain Bahrain B.S.C.
Kingdom of Bahrain

Report on the Audit of the Financial Statements

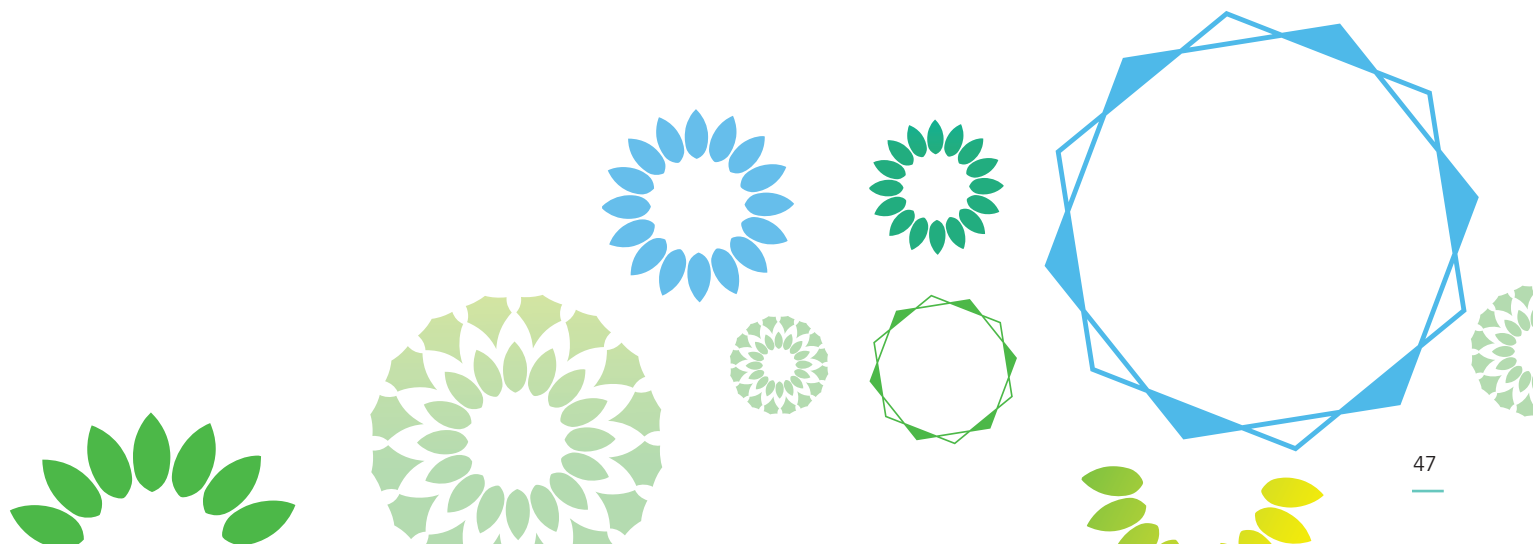
Opinion

We have audited the financial statements of Zain Bahrain B.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Revenue recognition</p> <p>The Company has various revenue streams recognized in the financial statements which are disclosed in Note 16 to the financial statements. The Company's accounting policies with regard to revenue recognition are presented in Note 3 to the financial statements.</p> <p>We have considered revenue to be a key audit matter due to the following:</p> <ul style="list-style-type: none">● Revenue is the key business driver for the Company;● Complexity of billing systems, impact of changing pricing models to revenue recognition (tariff structure, incentives arrangements, discounts, etc.) and arrangements with multiple elements.	<p>In responding to this area of focus, our audit procedures included the following:</p> <ul style="list-style-type: none">● Performing procedures aimed at the design, implementation and operating effectiveness of relevant controls related to the revenue process;● Involving our internal information technology ("IT") specialists in performing the test of specific application controls and information produced by the entity ("IPE") reports surrounding relevant revenue IT systems, and IT general controls related to those systems;● Performing analytical reviews of significant revenue streams including performance of an end to end walkthrough of the revenue assurance process;● Reviewing key reconciliations performed by the Company's Revenue Assurance team;● Testing a sample of subscribers invoices back to the cash receipts;● Performing tests on the accuracy of subscribers bill generation on a sample basis;● Performing procedures to ensure that the revenue recognition criteria adopted by the Company for all major revenue streams is appropriate and in line with the Company's accounting policies.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Key Audit Matters (Continued)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Automated systems and controls</p> <p>An important part of the Company’s financial processes is highly dependent on its information systems (“IT”) with automated controls over these systems.</p> <p>This represents a significant audit effort because of the complex information technology environment supporting various business processes, including billing systems, and the mix of manual and automated controls.</p>	<p>We evaluated the design and tested the operating effectiveness of the controls in systems relevant to financial reporting. Where we concluded that testing controls is not an appropriate or efficient testing approach, we performed testing on the financial information being produced by the systems.</p> <p>We obtained an understanding of material new IT systems which were implemented during the year and tested IT general controls. We also tested the completeness and accuracy of data migration from the legacy systems to the new systems.</p> <p>Additionally, we performed the following:</p> <ul style="list-style-type: none">● Utilized data technology to extract and analyze the population of journals and tested manual journals as part of our work on possible management override of controls;● evaluated user access controls around the relevant applications; and● tested user access rights to specific menus and transactions within the relevant applications.

Other Information

Management is responsible for the other information. The other information comprises the Directors Report which we obtained prior to the date of this auditor’s report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is

materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements or, if such disclosure 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 Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Other Legal and Regulatory Requirements

Further as required by the local regulations, we report that in our opinion, the Company has maintained proper accounting records and the financial statements have been prepared in accordance with those records. We further report that, to the best of our knowledge and belief, the financial information provided in the Directors' Report is in agreement with the financial statements and based on the information and explanations provided by the management which were required for the purpose of our audit, we are not aware of significant violations of the relevant provisions of the Bahrain Commercial Companies Law 2001 and the Company's Memorandum and Articles of Association, the Central Bank of Bahrain (CBB) Rule Book (applicable provision of Volume 6) CBB directives and regulations and associated resolution, rules and procedures of the Bahrain Bourse, having occurred during the year ended December 31, 2017 that might have had a material adverse effect on the business of the Company or on its financial position.



DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 184

Manama, Kingdom of Bahrain
February 5, 2018

ZAIN BAHRAIN B.S.C.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

		December 31	
	Notes	2017	2016
		BD '000	BD '000
ASSETS			
Current assets			
Cash and banks	5	1,912	5,364
Accounts receivable and other assets (net)	6	27,642	21,218
Inventories	7	4,347	3,390
Total current assets		33,901	29,972
Non-current assets			
Property and equipment	8	65,481	74,656
Intangible assets	9	6,825	13,451
Total non-current assets		72,306	88,107
Total assets		106,207	118,079
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other liabilities	10	34,324	39,222
Current portion of term loans from banks	11	1,875	7,786
Deferred revenue		1,867	3,542
Total current liabilities		38,066	50,550
Non-current liabilities			
Non-current portion of term loans from banks	11	-	1,875
Provision for employees' end of service benefits	12	321	300
Total non-current liabilities		321	2,175
Total liabilities		38,387	52,725

ZAIN BAHRAIN B.S.C.

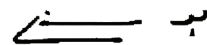
STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

	Notes	December 31	
		2017	2016
		BD '000	BD '000
Equity			
Share capital	13	36,800	36,800
Share premium	14	3,032	3,032
Statutory reserve	15	11,238	10,807
Retained earnings		16,750	14,715
Total equity		67,820	65,354
Total liabilities and equity		106,207	118,079

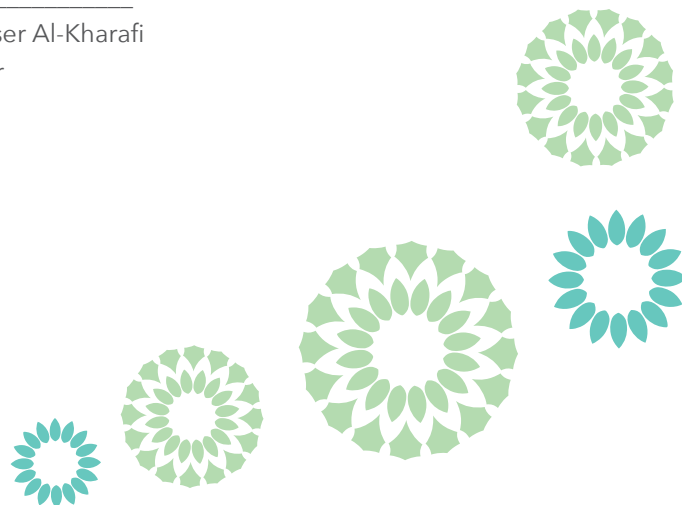
The financial statements from page 53 to 103 were approved by the Board of Directors on February 5, 2018 and signed on its behalf by:



Al Sheikh Ahmed Bin Ali Al Khalifa
Chairman



Mr. Bader Nasser Al-Kharafi
Board Member



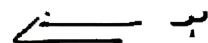
ZAIN BAHRAIN B.S.C.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME YEAR ENDED DECEMBER 31, 2017

	Notes	Year ended December 31	
		2017	2016
		BD '000	BD '000
Revenue	16	73,012	64,647
Cost of revenue		(20,838)	(11,187)
Gross profit		52,174	53,460
Operating and administrative expenses	17	(28,992)	(27,419)
Depreciation and amortization	8, 9	(17,491)	(20,430)
Provision for impairment of receivables	6	(940)	(1,022)
Provision for inventories		(206)	(230)
Operating profit		4,545	4,359
Other income – net		76	378
(Loss) / gain on currency translation adjustment		(74)	8
Interest income		40	71
Cost of funds	11	(281)	(562)
Profit for the year		4,306	4,254
Other comprehensive income		-	-
Total comprehensive income for the year		4,306	4,254
Basic and diluted earnings per share	18	Fils 12	Fils 12



Al Sheikh Ahmed Bin Ali Al Khalifa
Chairman

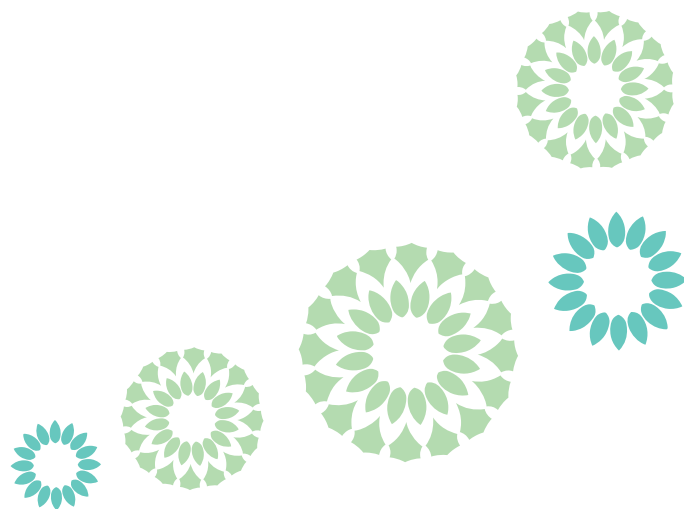


Mr. Bader Nasser Al-Kharafi
Board Member

ZAIN BAHRAIN B.S.C.

STATEMENT OF CHANGES IN EQUITY YEAR ENDED DECEMBER 31, 2017

	Share Capital	Share Premium	Statutory Reserve	Retained Earnings	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Balance, January 1, 2016	36,800	3,032	10,382	12,726	62,940
Dividends declared (Note 13)	-	-	-	(1,840)	(1,840)
Total comprehensive income for the year	-	-	-	4,254	4,254
Appropriation to statutory reserve	-	-	425	(425)	-
Balance, December 31, 2016	36,800	3,032	10,807	14,715	65,354
Dividends declared (Note 13)	-	-	-	(1,840)	(1,840)
Total comprehensive income for the year	-	-	-	4,306	4,306
Appropriation to statutory reserve	-	-	431	(431)	-
Balance, December 31, 2017	36,800	3,032	11,238	16,750	67,820



ZAIN BAHRAIN B.S.C.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2017

		Year ended December 31	
	Notes	2017	2016
		BD '000	BD '000
Cash flows from operating activities			
Profit for the year		4,306	4,254
Adjustments for:			
Depreciation and amortization	8, 9	17,491	20,430
Provision for impairment of receivables	6	940	1,022
Provision for inventories		206	230
Cost of funds	11	281	562
Interest income		(40)	(71)
Loss on disposal of property and equipment		(24)	-
Provision for employees' end of service benefits	12	82	75
		23,242	26,502
Working capital changes:			
Increase in inventories		(1,163)	(1,115)
Increase in accounts receivable and other assets	6	(7,364)	(2,164)
Increase in accounts payable and other liabilities	10	1,070	912
Decrease in deferred revenue		(1,675)	(626)
Payments for employees' end of service benefits	12	(61)	(60)
Net cash from operating activities		14,049	23,449

ZAIN BAHRAIN B.S.C.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2017

		Year ended December 31	
	Notes	2017	2016
		BD '000	BD '000
Cash flows from investing activities			
Acquisition of property and equipment	8	(6,365)	(5,739)
Increase in intangible assets	9	(1,235)	(10,009)
Interest income received		40	71
Net cash used in investing activities		(7,560)	(15,677)
Cash flows from financing activities			
Settlement of term loans from banks	11	(7,786)	(7,786)
Interest paid		(364)	(610)
Dividends paid		(1,791)	(1,834)
Net cash used in financing activities		(9,941)	(10,230)
Net decrease in cash and cash equivalents		(3,452)	(2,458)
Cash and cash equivalent, beginning of year		5,364	7,822
Cash and cash equivalents, end of year		1,912	5,364

1. CORPORATE INFORMATION

Zain Bahrain B.S.C. (the "Company") is a Bahraini Shareholding Company (Public) incorporated in the Kingdom of Bahrain on April 19, 2003 and registered with the Ministry of Industry and Commerce under Commercial Registration number 50603. It's shares are listed on Bahrain Bourse. The Company is a subsidiary of Mobile Telecommunications Company K.S.C.P. (the "Parent Company"), a Kuwaiti shareholding company listed on the Kuwait Stock Exchange. The Company's registered office is P.O. Box 266, Manama, Kingdom of Bahrain.

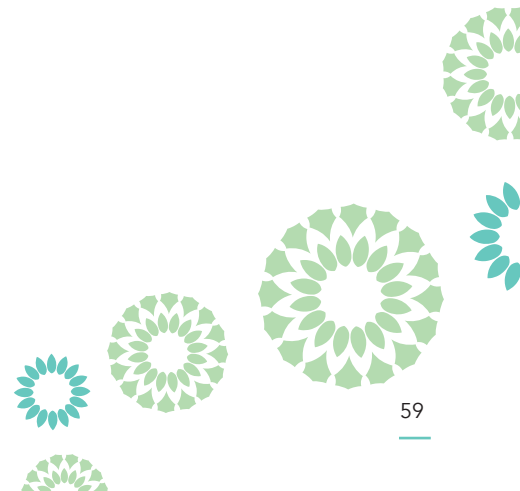
The Company is mainly engaged in the provision of public telecommunications and related products and services.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendment to IFRS 12 *Disclosure of Interests in Other Entities* providing relief from disclosing summarized information for interests in subsidiaries, associates, or joint ventures classified as held for sale.
- Amendment to IAS 7 *Statement of Cash Flows - Disclosure Initiative* requiring disclosures enabling users to evaluate changes in liabilities arising from financing activities.
- Amendment to IAS 12 *Income Taxes* providing clarification on recognition of tax assets for unrealized losses.
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle.



2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS and interpretations in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs and interpretations that have been issued but are not yet effective:

Effective for annual periods beginning on or after January 1, 2018

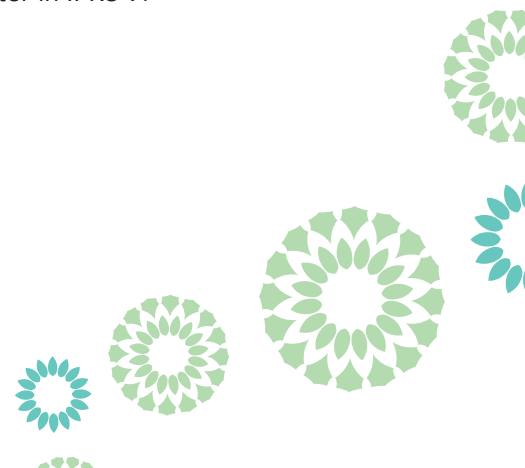
- ***IFRS 9 Financial Instruments***

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

The Company will adopt it from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

The Company is continuing to analyse the impact of the changes and currently does not consider it likely to have a major impact on its adoption. This assessment is based on currently available information and is subject to changes that may arise when the Company presents its first interim financial information as on March 31, 2018 that includes the effects of its application from the effective date.

- Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.



2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS and interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2018 (Continued)

- ***IFRS 15 Revenue from Contracts with Customers***

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

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

Subsidized handsets

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

Portfolio accounting

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS and interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2018 (Continued)

Upgrade rights

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

Customer retention discounts

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

Significant financing component

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

Commissions and other contract costs

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS and interpretations in issue but not yet effective (continued)

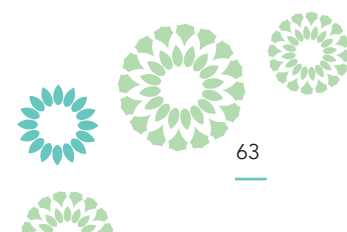
Effective for annual periods beginning on or after January 1, 2018 (Continued)

Transition options

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

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

- Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.
- Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.
- Amendment to IFRS 4 *Insurance Contracts*. Amended by applying IFRS 9 with IFRS 4. Temporary exemption and the overlay approach.
- Amendments to IAS 28 *Investments in Associates and Joint Ventures*. Amended by annual improvements to IFRS Standards 2014 – 2016 cycle (Measuring an associate or joint venture at fair value).



2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS and interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2018 (Continued)

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**

The Interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.



NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS and interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2019

- In January 2016, the IASB issued IFRS 16 *Leases* with an effective date of annual periods beginning on or after January 1, 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 *Leases*. Lessees will recognize a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortized over the length of the lease and the financial liability measured at amortized cost. Lessor accounting remains substantially the same as in IAS 17. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.
- IFRIC 23 *The Interpretation* clarifies the accounting for *Uncertainty Over Income Tax Treatments*.
- Amendments to IAS 28 *Investments in Associates and Joint Ventures*. Amended by Long Term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.
- IFRS 17 *Insurance Contracts*. Supersedes IFRS 4 *Insurance Contracts*. IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Effective for annual periods beginning on or after January 1, 2021
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011). Amendments relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture. Effective date deferred indefinitely. Adoption is still permitted

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company's in the period of initial application, except for IFRS 9, 15 and 16 which impact is discussed above.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable requirements of the Bahrain Commercial Companies Law and the Central Bank of Bahrain Rule Book.

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements have been presented in Bahraini Dinars ("BD") which is the Company's functional currency. All financial information presented in Bahraini Dinars has been rounded to the nearest thousand (BD'000) except where stated otherwise.

The principal accounting policies are set out below.

Revenue

Revenues which consist of income streams of a recurring and non-recurring nature are recognized when related services are provided and are measured at the fair value of the consideration received or receivable and are reduced for rebates and other similar allowances.

Post-paid

Recurring post-paid revenue represents billings to subscribers in respect of monthly rentals, airtime (voice and data) usage fees and roaming charges. These are recognized when the related services are provided.

Revenue arising from the previous billing date to the reporting date is accrued.

Prepaid

Prepaid vouchers enable the users to forward purchase a specified value of airtime (voice and data). The sale price of the prepaid vouchers is based on airtime bundles while revenue is recognized based on airtime usage. Unused airtime which has not been earned at the reporting date is recognized in the statement of financial position as deferred revenue. Non-recurring revenues include one-time charges of subscription and other services fees. One-time charges are recognized when services to the customers are activated or provided, as appropriate.

Roaming

Roaming revenue arises from revenue sharing arrangements with other telecommunication operators in respect of traffic exchanged and is recognized as earned.

Roaming revenue is presented on net basis

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue (Continued)

Interconnection

Revenue (inbound)

Interconnection revenue represents amounts receivable from other network operators for their subscribers' traffic terminated on the Company's network and is accounted for during the period of such use.

Expenses (outbound)

Interconnection expenses represent amounts payable to other network operators for the traffic terminated on their network by the Company's subscribers and are accounted for during the period of such use.

Trading revenue

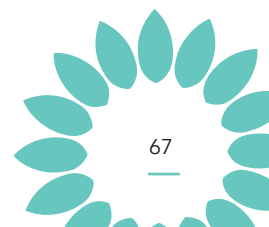
Revenues arising from trading primarily comprise of hand sets, equipment and SIM card starter packs sales and are recognized upon delivery to the customer.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition cost of the asset. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.



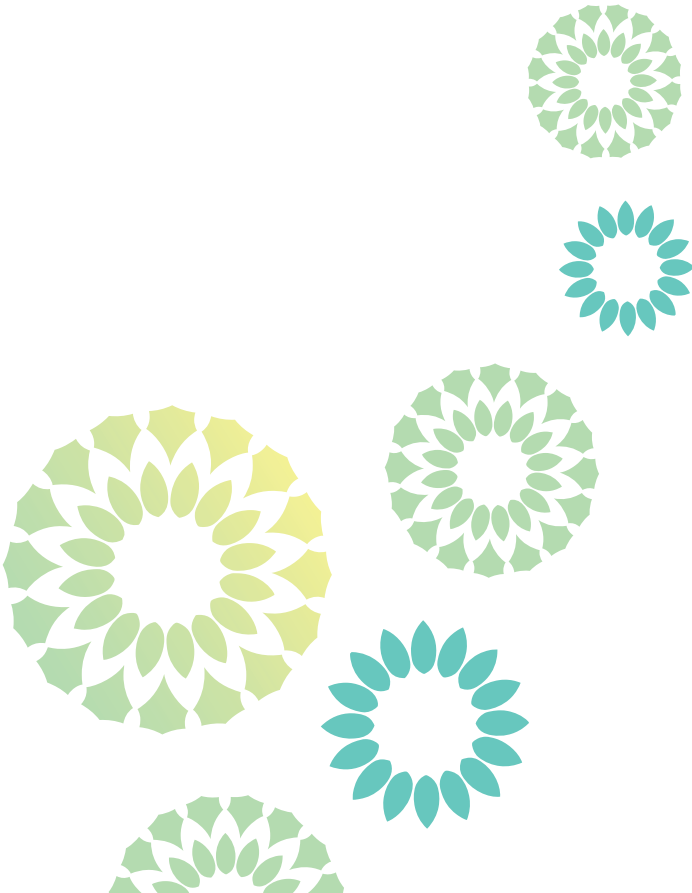
3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Depreciation is recognized so as to write off the cost of assets or valuation of assets (other than freehold land and capital work in progress) over their useful lives, using the straight-line method.

The estimated useful lives of property and equipment are as follows:

Freehold building	50 years
Network equipment	3-20 years
Office equipment	4-5 years
Furniture and fixtures	5 years
Vehicles	5 years



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Freehold land is not depreciated. Assets (including capital work in progress) are depreciated from the time an asset is completed and ready for use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. For acquired network businesses whose operations are governed by fixed-term licenses, the amortization period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortized on a straight line basis over the life of the license. Customer contracts and relationships are amortized over the contract period (one to four years). To the extent handsets are provided below cost as part of the telecom service connection, it is treated as a subscriber acquisition cost and recognized as an intangible asset and amortized over the period of the contract.

Indefeasible Right to Use ("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 Company has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight line basis over the shorter of the expected period of use and the life of the contract.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where there is an indication of impairment in value, such that the recoverable amount of an asset (other than inventories) falls below its net book value, an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Funding 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. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Inventories

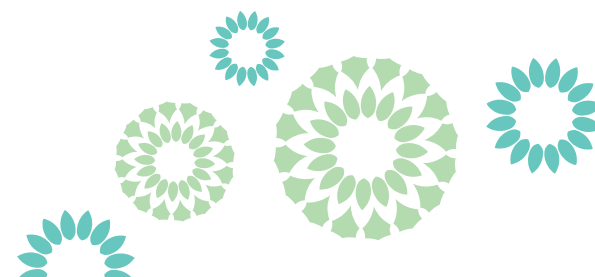
Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Costs are those expenses incurred in bringing each product to its present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of business less all estimated selling expenses.

Financial assets

Financial assets include trade and other receivables, unbilled revenue, due from telecommunication operators, cash and bank balances. Financial assets are recognized on the date at which they are originated. Financial assets are initially recognized at fair value plus directly attributable transaction costs for instruments not at fair value through profit or loss.

Receivables: Subsequent to initial recognition, accounts receivables are measured at amortized cost, less any allowance for impairment.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

Cash and cash equivalents: Cash and cash equivalents include cash on hand and deposits with banks with original deposit period of 3 months or less.

Impairment of financial assets: Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets which share similar credit characteristics are assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Derecognition of financial assets: The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

The difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities

Financial liabilities include trade and other payables, due to telecommunication operators and borrowings. Financial liabilities are initially recognized at fair value plus directly attributable transaction costs.

Accounts payable are stated at their nominal value. Borrowings are initially recognized net of transaction costs and subsequently measured at amortized cost using the effective interest rate method.

Derecognition of financial liabilities: The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial liability derecognized and the sum of the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 same 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 the reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

The Company as lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance expenses and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

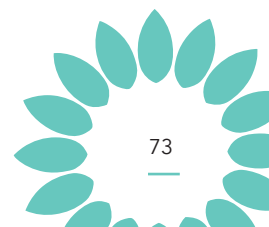
Provision for employees' end-of-service benefits

The Company provides end of service benefits to all its expatriate employees in accordance with the Bahrain Labor Law. The entitlement to these benefits is based upon the employee's final basic salary and length of service. The expected costs of these benefits are accrued over the period of the employment.

For Bahraini employees, the Company makes contributions to the Social Insurance Organization, based on the applicable law and regulation.

Foreign currencies

The functional currency of the Company is the Bahraini Dinar. Transactions in foreign currencies are recognized in functional currency at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

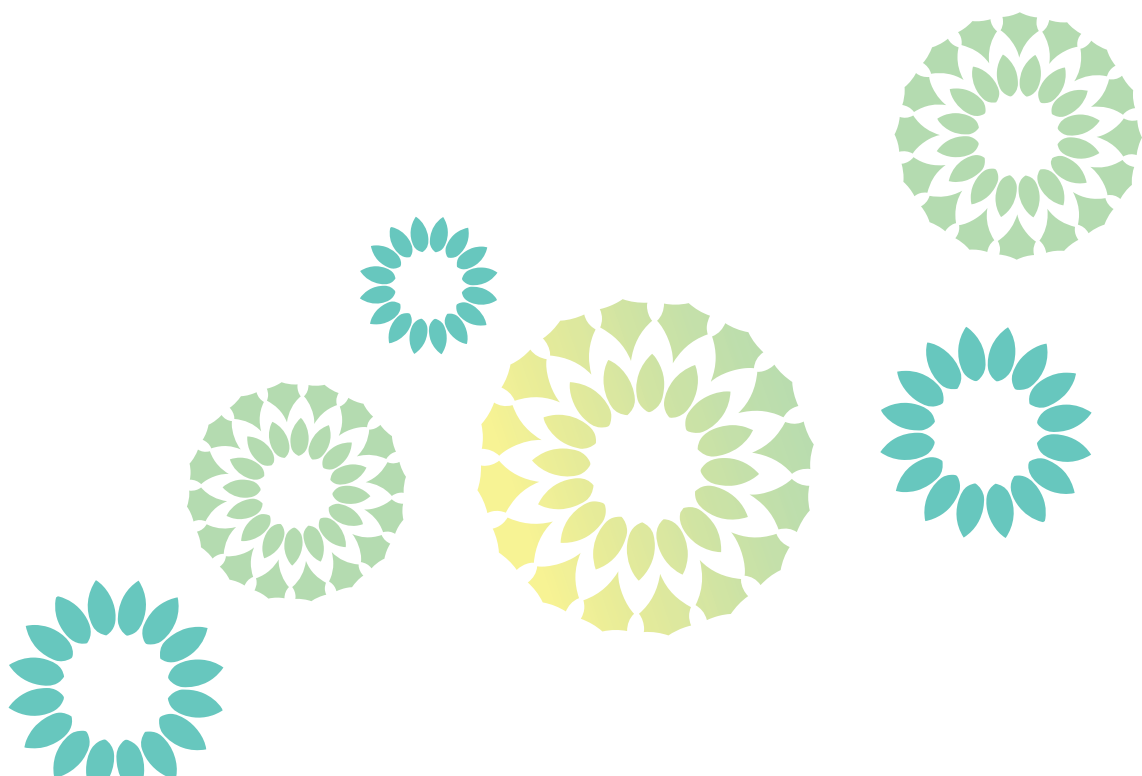
Leasing (continued)

Segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Offsetting Financial Assets and Financial Liabilities

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



4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 3, management did not have to make judgements that may have significant effect on the amounts recognized in the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Property and equipment - network:

Due to the nature of the Company's business, the network assets of the Company, as detailed in Note 8, are susceptible to rapid technological obsolescence. Management depreciates those assets over 3 to 20 years. The estimation of network assets useful lives is based on management judgement and estimates. In order to estimate the lives of network assets, management considers the nature of the assets, usage and technological advancement. Therefore, any technological advancement in future may warrant the need for substantial upgrade or replacement of equipment. As described in Note 3, management reviews the network assets to identify any indication that those assets have suffered an impairment loss. As per the policy, the impairment loss, if any, will be recognised immediately in the profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Allowance for impairment of trade and other receivables:

The Company's policy is to provide for late receivables after taking into account factors such as the time period for which the amount has been outstanding, type of subscribers and period the subscriber balance has remained inactive. On the basis of the age analysis of due from subscribers, management uses certain percentages applied to the different aging periods excluding certain subscriber categories such as Government agencies, VIPs, employees of the Company and amounts in the process of being collected by collection agencies. These percentages and the exceptions provided to certain categories of subscribers have been developed by management on the basis of their experience and past recovery trends. The ability to estimate the required provision will become more accurate over time as long as sufficient reliable data is built up. Refer to Note 6 for further details.

Provision for obsolete and slow moving inventory items

Considerable judgement by management is required in the estimation of the obsolete and slow moving inventory.

Management review of inventory obsolescence is mainly based on the aging of inventory items and applying percentages which reflect management assessment of obsolescence.

5. CASH AND BANKS

	2017	2016
	BD '000	BD '000
Cash and current accounts with banks	1,493	4,983
Items under collection	419	381
Cash and Banks	1,912	5,364

ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET)

	2017	2016
	BD '000	BD '000
Trade receivables:		
Post paid subscribers (6.1)	20,911	21,319
Roaming partners (6.2)	2,281	2,353
Allowance for impairment	(10,408)	(9,468)
	12,784	14,204
Instalment sales receivable	7,728	677
Due from distributors	130	397
Interconnect receivables from other operators	2,943	2,441
Accrued income (Note 6.3)	261	178
	23,846	17,897
Other assets:		
Prepaid expenses	1,874	806
Due from related parties (Note 19)	15	15
Sundry receivables and advance payments	1,025	1,631
Staff receivables	92	79
Portfolio under management (6.4)	912	912
Allowance for impairment	(122)	(122)
	3,796	3,321
	27,642	21,218

Trade receivables do not include financing component, are uncollateralized and denominated in Bahraini Dinars.

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET) (CONTINUED)

The allowance for impairment of receivables is broken down as follows:

	2017	2016
	BD '000	BD '000
Post paid subscribers (collectively assessed for impairment)	10,169	9,229
Roaming partner (individually assessed for impairment)	239	239
Other receivables (individually assessed for impairment)	122	122
	10,530	9,590

The movement of the allowance for impairment of receivables is as follows:

	2017	2016
	BD '000	BD '000
Balance beginning of year	9,590	8,594
Charge for the year	940	1,022
Write off	-	(26)
Balance end of year	10,530	9,590

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET) (CONTINUED)

The aging of receivables from post-paid subscribers is as follows as at December 31:

	2017		
	Gross exposure	Allowance	Net exposure
	BD '000	BD '000	BD '000
Up to 60 days	2,015	-	2,015
61 to 90 days	424	(35)	389
91 to 365 days	3,188	(940)	2,248
Above 1 year	15,284	(9,194)	6,090
	20,911	(10,169)	10,742

	2016		
	Gross exposure	Allowance	Net exposure
	BD '000	BD '000	BD '000
Up to 60 days	3,313	-	3,313
61 to 90 days	508	(38)	470
91 to 365 days	3,622	(789)	2,833
Above 1 year	13,876	(8,402)	5,474
	21,319	(9,229)	12,090

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET) (CONTINUED)

- 6.1 Receivables from post-paid subscribers are provided for impairment based on a collective assessment on the following basis:
- Management considers that invoices outstanding up to 60 days are considered within the acceptable credit period.
 - No allowance for impairment is made with respect to overdue balances related to certain categories of subscribers irrespective to the aging of these receivables. These mainly include government agencies, customers categorized under VIP category and certain long overdue amounts under execution with collective agencies to the extent where management believes that these are recoverable and no objective evidence of impairment exists at the reporting date.
 - For other categories of subscribers, overdue balances beyond 60 days are provided based on certain percentages applied to different aging brackets. Amounts outstanding beyond one year which are not assigned to collection agencies are fully provided for.
- 6.2 Receivables from roaming partners are concentrated within a limited number of counterparties. These receivables are provided for impairment to the extent of BD 239 thousand (2016: BD 239 thousand).
- 6.3 Accrued income represents unbilled services provided during the year.
- 6.4 Subsequent to the listing of the Company's shares on the stock exchange, and as part of a regulatory requirement, the Company has entered into a Discretionary Portfolio Management Agreement with a third party market maker for a period of one year, subject to renewal. By virtue of the agreement, the market maker executes, against a management fee, buy and sell orders at its sole discretion to achieve share price stabilization and to facilitate the trading of shares. As at December 31, 2017, the portfolio under management includes cost of shares amounting to BD 754 thousand (2016: BD 754 thousand).

7. INVENTORIES

	2017	2016
	BD '000	BD '000
Handsets, accessories and others	5,735	4,572
Provision for obsolescence	(1,388)	(1,182)
	4,347	3,390

ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

8. PROPERTY AND EQUIPMENT

	Freehold Land and Building	Network Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Capital work in progress	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:							
At January 1, 2016	2,988	82,790	32,012	4,009	17	8,681	130,497
Reclassifications	-	(5,469)	5,469	-	-	-	-
Additions	-	-	-	-	-	11,715	11,715
Transfers	26	5,658	1,593	4	-	(7,281)	-
At December 31, 2016	3,014	82,979	39,074	4,013	17	13,115	142,212
Additions	-	-	-	-	-	6,365	6,365
Transfers	12	10,954	1,692	18	-	(12,676)	-
Disposal	(1)	(9,808)	(4,922)	(1,243)	-	-	(15,974)
Adjustment	-	-	-	-	-	(695)	(695)
At December 31, 2017	3,025	84,125	35,844	2,788	17	6,109	131,908
Accumulated Depreciation:							
At January 1, 2016	728	30,336	23,138	3,558	17	-	57,777
Relating to reclassifications	-	(3,809)	3,809	-	-	-	-
Depreciation expense	37	6,722	2,883	137	-	-	9,779

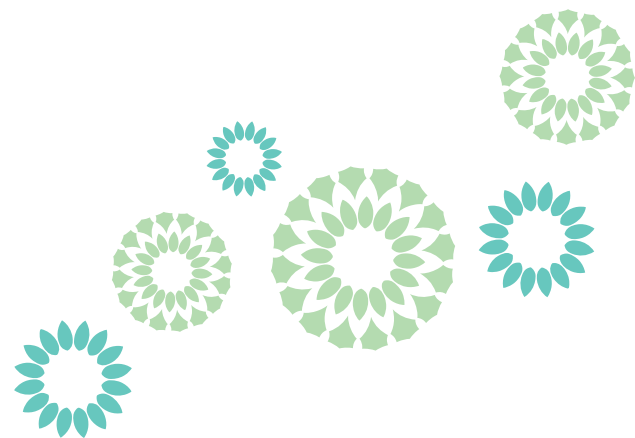
ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

8. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold Land and Building	Network Equipment	Office Equipment	Furniture and Fixtures	Vehicles	Capital work in progress	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
At December 31, 2016	765	33,249	29,830	3,695	17	-	67,556
Disposal on depreciation	-	(5,630)	(3,902)	(1,227)	-	-	(10,759)
Depreciation expense	43	6,934	2,536	117	-	-	9,630
At December 31, 2017	808	34,553	28,464	2,585	17	-	66,427
Carrying amount:							
December 31, 2017	2,217	49,572	7,380	203	-	6,109	65,481
December 31, 2016	2,249	49,730	9,244	318	-	13,115	74,656

Capital work in progress mainly relates to network equipment in respect of network expansions and improvements. As at December 31, 2017 capital work in progress outstanding for more than one year amounted to approximately BD 1.526 million (2016: BD 2.483 million).



ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

9. INTANGIBLE ASSETS

	National fixed wireless services license	4G Long Term Evolution license	Other licenses	Subscribers acquisition costs	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:					
As at January 1, 2016	5,576	957	378	72,392	79,303
Additions	-	-	1,258	10,009	11,267
As at December 31, 2016	5,576	957	1,636	82,401	90,570
Additions	-	-	-	1,235	1,235
As at December 31, 2017	5,576	957	1,636	83,636	91,805
Cumulative amortization					
As at January 1, 2016	3,309	144	378	62,637	66,468
Charge for the year	372	64	28	10,187	10,651
As at December 31, 2016	3,681	208	406	72,824	77,119
Charge for the year	372	64	84	7,341	7,861
As at December 31, 2017	4,053	272	490	80,165	84,980

9. INTANGIBLE ASSETS (CONTINUED)

	National fixed wireless services license	4G Long Term Evolution license	Other licenses	Subscribers acquisition costs	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Carrying values					
December 31, 2017	1,523	685	1,146	3,471	6,825
December 31, 2016	1,895	749	1,230	9,577	13,451

The National Fixed Wireless Services ("NFWS") license was acquired on January 8, 2007. Cost of BD 5,576,211 is amortized over the license period of 15 years.

The 4G Long Term Evolution ("4G LTE") license was acquired on September 19, 2013. Cost of BD 956,700 is amortized over the license period of 15 years.

Subscribers acquisition cost represent the subsidized cost of inventory items sold by the Company to its customers. These items are amortized over the contracted subsidy period, which ranges from 1 to 4 years.

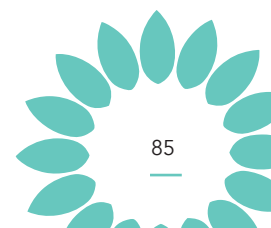


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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2017	2016
	BD '000	BD '000
Due to suppliers	4,972	11,339
Accrued expenses	16,940	14,312
Interconnection payable	1,660	1,379
Due to roaming partners	1,853	2,237
Accrued employees' benefits	1,061	887
Due to related parties (Note 19)	7,497	8,682
Accrued Directors' remuneration	223	218
Deposits	24	40
Dividends payable	92	43
Interest payable	2	85
	34,324	39,222



11. TERM LOANS FROM BANKS

This caption represents the outstanding balance of one (2016: three) bank facilities denominated in Bahraini Dinars obtained in 2013 at interest rate of three-months BIBOR + 2.25% payable quarterly.

	2017	2016
	BD '000	BD '000
Current portion	1,875	7,786
Non-current portion	-	1,875
	1,875	9,661

Above loans are payable in eight semi-annual installments starting one year from the loans' agreement dates.

Interest expense on amounted to BD 281 thousand (2016: BD 562 thousand)

Settlements made during the year amounted to BD 7.786 million (2016: BD 7.786 million) which complete repayment of two loans in full.

The Company was compliant with the financial covenants as at year-end, which include:

- net borrowings to Earnings Before Interest Tax Depreciation and Amortization (EBITDA);
- minimum interest coverage;
- the Parent to be remained during the tenor of the loans;
- dividends in a year below the net profit of the particular year; and
- rout certain percentage of revenue through the respective bank



ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

12. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The movement of the provision for the employees' end of service indemnity is as follows:

	2017	2016
	BD '000	BD '000
Balance beginning of year	300	285
Charge for the year	82	75
Settlements	(61)	(60)
Balance end of year	321	300

13. SHARE CAPITAL

The Company's issued share capital consists of 368,000,000 ordinary shares at 100 Fils each, issued and fully paid.

Below are the shareholders with more than 5% equity stake:

		No. of shares	% of shareholding
Mobile Telecommunication Co. K.S.C.	Kuwait	201,600,000	54.78%
Sh. Ahmed Bin Ali Al-Khalifa	Bahrain	59,260,000	16.10%
Gulf International Bank B.S.C. ("Underwriter")	Bahrain	31,285,097	8.50%

ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

13. SHARE CAPITAL (CONTINUED)

Distribution of shares by shareholding brackets:

Brackets	% of total shares		No. of shareholders	
	2017	2016	2017	2016
Less than 1%	14%	13%	467	475
1 % up to less than 5%	6%	8%	4	5
5 % up to less than 10%	9%	8%	1	1
10 % up to less than 20%	16%	16%	1	1
More than 50%	55%	55%	1	1
			474	483

Dividends

The annual general meeting of shareholders held on March 22, 2017 approved the distribution of cash dividends of 5 fils per share totaling BD 1,840,000 (2016: BD 1,840,000).

14. SHARE PREMIUM

Share premium relates to amounts collected in excess of the par value of the issued share capital, net of shares issue costs. Share premium is not available for distribution.

15. STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's Articles of Association, 10% of the yearly net profit should be appropriated to statutory reserve. The Company may elect to discontinue such appropriation when the reserves reaches 50% of the capital. This reserve is not available for distribution.

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

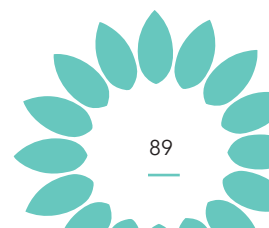
16. REVENUE

This caption represents revenues from airtime, data, subscription, handsets, accessories and SIM card starter pack sales, net of roaming expenses. Revenue from sale of handsets, accessories and other items amounts to BD 13.877 million (2016: BD 1.895 million).

17. OPERATING AND ADMINISTRATIVE EXPENSES

	2017	2016
	BD '000	BD '000
Staff costs	7,228	6,961
Rent	4,975	4,738
Management fees (Note 19)	2,236	1,976
Directors' remuneration (Note 19)	223	218
Other	14,330	13,526
	28,992	27,419

As per an agreement dated December 28, 2003 as amended on December 29, 2013, between the Company and the Parent Company, the Parent Company provides different management services to the Company against management fees of 3% on the annual gross revenue as defined in the agreement.



ZAIN BAHRAIN B.S.C.

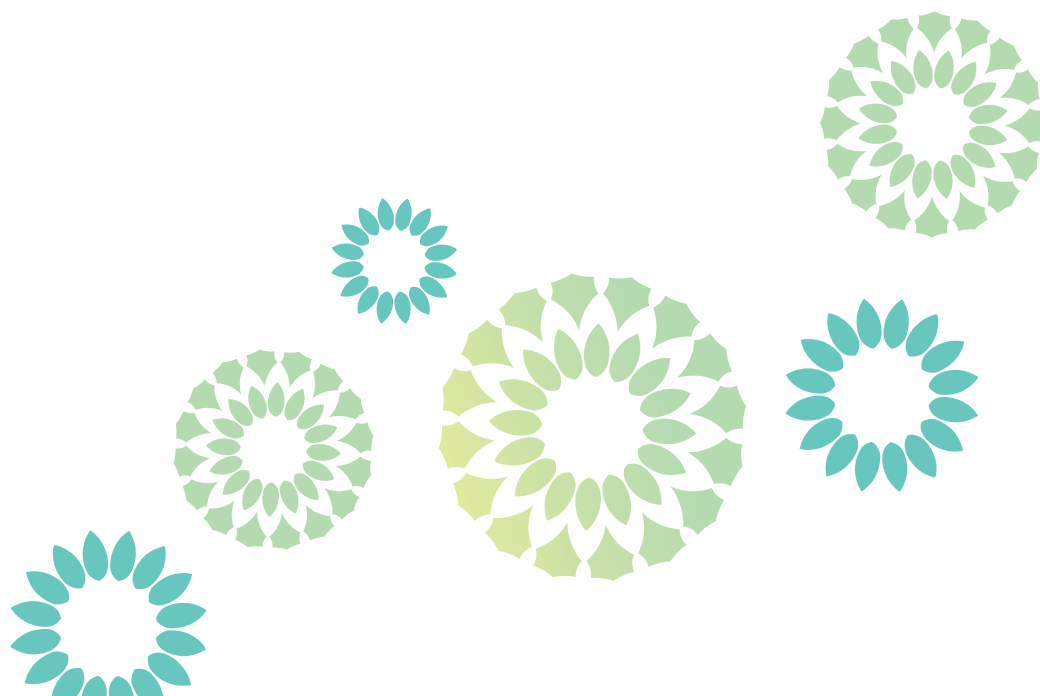
NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

18. EARNINGS PER SHARE

The basic and diluted earnings per share based are as follows:

	2017	2016
	BD '000	
Profit for the year	4,306	4,254
	Number of shares	
Weighted average number of shares in issue	368,000,000	368,000,000
	Fils	
Basic and diluted earnings per share	12	12

Basic and diluted earnings per share are same since the Company has no instruments that would have a diluting effect.



ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

19. RELATED PARTIES

The Company has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties are as follows:

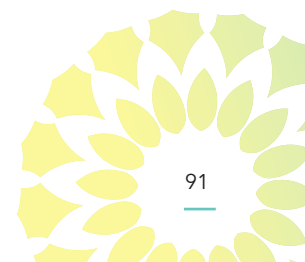
	2017	2016
	BD '000	BD '000
Office rent and maintenance costs	980	980
Site and outlet rent	33	49
Management fees (Note 17)	2,236	1,976

Accruals for Board of Directors' remuneration made during the year amounted to BD 223 thousand, subject to ratification by the annual general meeting of Shareholders (2016: BD 218 thousand) (Notes 10 & 17).

In addition to the above, the Company provides telecommunications services to related parties.

Remuneration of members of key management during the year was as follows:

	2017	2016
	BD '000	BD '000
Short-term benefits	1,243	1,165
Other long-term benefits	101	95
	1,344	1,260



ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

19. RELATED PARTIES (CONTINUED)

Balances with related parties are as follows:

	2017	2016
	BD '000	BD '000
Due from related parties (Note 6):		
Sudanese Mobile Telephone Company Ltd	13	13
Zain – South Sudan	1	1
Zain – Lebanon	1	1
	15	15
Due to related parties (Note 10):		
Zain Group Holding-Bahrain S.P.C.	7,481	8,679
Zain – Jordan	16	3
	7,497	8,682

20. SEGMENT INFORMATION

The Company operates in a single business segment, telecommunications and related services, organized into three main activities: mobile operation, fixed broadband operation and trading of handsets and accessories. Management considers that these business activities are not separate operating units.

The Company carries out its operations in the Kingdom of Bahrain.

ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

21. COMMITMENTS AND CONTINGENCIES

As of the yearend, the Company had the following outstanding items:

	2017	2016
	BD '000	BD '000
Letters of guarantee	532	716
Letters of credit	1,885	1,132
Capital expenditures	507	7,641

Commitments under operating leases:

The Company only operates as a lessee. Operating leases relates substantially to its office, branches and properties on which telecommunication equipment have been installed with lease terms of between one to ten years. These operating lease contracts contain clause for auto renewal on the expiry of the term for the same period as agreed at the inception of the lease. The Company does not have option to purchase these properties at the expiry of the lease periods.

	2017	2016
	BD '000	BD '000
Recognized in expense:		
Minimum lease payments	4,975	4,737
Operating lease commitments:		
Within one year	4,555	4,172
Between one to five years	10,417	7,784
Beyond five years	7,047	2,935
	22,019	14,891

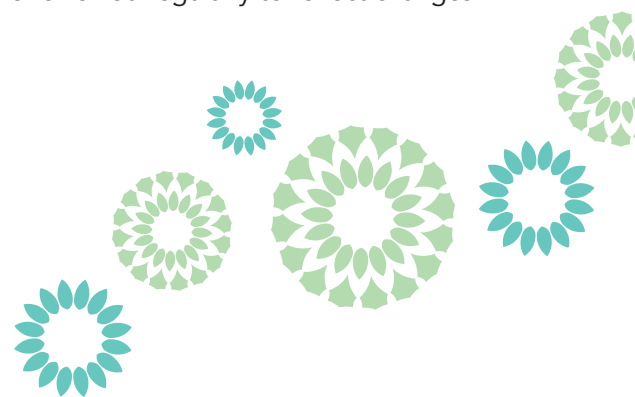
Other financial commitments outstanding at the reporting date are BD 1,370,000 (2016: BD 728,000).

22. FINANCIAL INSTRUMENTS

The Company's financial assets are categorized as loans and receivables and its financial liabilities are at amortized cost:

	2017	2016
	BD '000	BD '000
Financial assets		
Cash and banks	1,912	5,364
Accounts receivable and other assets	25,863	19,436
Total financial assets	27,775	24,800
Financial liabilities		
Accounts payable and other liabilities	34,324	39,222
Term loans from banks	1,875	9,661
Total financial liabilities	36,199	48,883

The Company's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Company 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 Company's risk management framework and monitoring the risk management policies in close co-operation with the Parent Company. The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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.



22. FINANCIAL INSTRUMENTS (CONTINUED)

The significant risks that the Company is exposed to are discussed below:

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 Company to credit risk, consist principally of cash with banks and trade and other receivables. The Company manages this risk by placing liquid funds with financial institutions of good financial standing. The Company monitors trade receivables through aging reports of various categories of customers and uses experienced collection agencies.

The maximum exposure to credit risk is limited to the carrying values of its financial assets, in addition to the commitments under letters of guarantee disclosed in Note 21 and employee saving scheme fund balances maintained with local banks.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's financial assets and liabilities are allocated by currency as follows:

	2017			
	Bahraini Dinar	U.S Dollar	Euro	Total
	BD '000	BD '000	BD '000	BD '000
Financial assets				
Cash and banks	1,386	526	-	1,912
Accounts receivable and other assets	22,149	3,518	196	25,863
	23,535	4,044	196	27,775

ZAIN BAHRAIN B.S.C.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

22. FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities				
Accounts payable and other liabilities	18,886	15,250	188	34,324
Term loans from banks	1,875	-	-	1,875
	20,761	15,250	188	36,199
Net position	2,774	(11,206)	8	(8,424)
2016				
	Bahraini Dinar	U.S Dollar	Euro	Total
	BD '000	BD '000	BD '000	BD '000
Financial assets				
Cash and banks	4,220	1,144	-	5,364
Accounts receivable and other assets	16,021	3,211	204	19,436
	20,241	4,355	204	24,800
Financial liabilities				
Accounts payable and other liabilities	17,078	21,920	224	39,222
Term loans from banks	9,661	-	-	9,661
	26,739	21,920	224	48,883
Net position	(6,498)	(17,565)	(20)	(24,083)

22. FINANCIAL INSTRUMENTS (CONTINUED)

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 Company's interest rate risk arises from short-term bank deposits and banks' borrowings. Term borrowings from banks are at variable rates, which expose the Company to cash flow interest rate risk (Note 11).

At December 31, 2017, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been lower/higher by BD 9 thousand (2016: BD 48 thousand).

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its funding requirements. The Company manages this risk by maintaining sufficient cash, availability of funding from credit facilities and its ability to close out market positions on short notice.

The Company has unutilised bank overdraft facility of BD 2.5 million (2016: BD 2.5 million) with local commercial bank.

Below is analysis of the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturity at the reporting date, modified to the expected settlement period. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant:

	2017			
	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years
	BD '000	BD '000	BD '000	BD '000
Accounts payable and other liabilities	4,120	7,878	8,612	13,714
Term loans from banks	-	959	970	-
	4,120	8,837	9,582	13,714

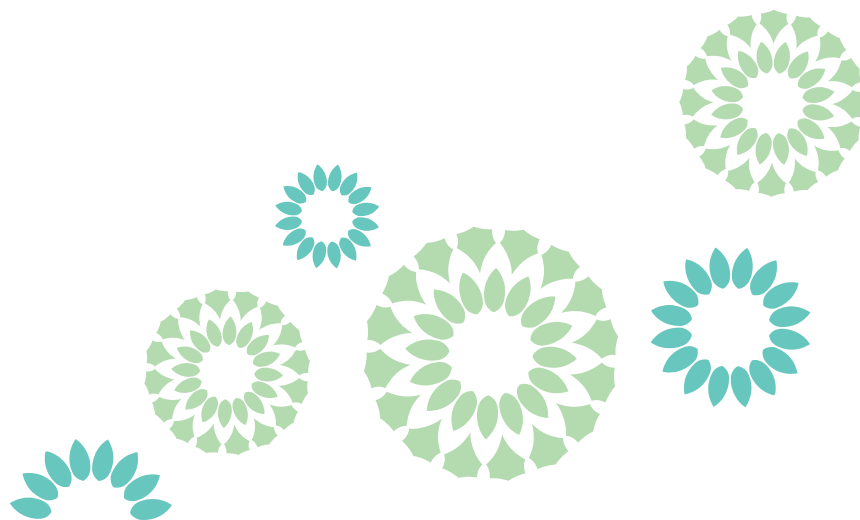
22. FINANCIAL INSTRUMENTS (CONTINUED)

	2016			
	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years
	BD '000	BD '000	BD '000	BD '000
Accounts payable and other liabilities	6,563	11,958	17,329	3,372
Term loans from banks	34	2,342	5,669	1,915
	6,597	14,300	22,998	5,287

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. Consequently, differences may arise between the carrying values and the fair value estimates.

The Company's financial instruments are carried at amortized cost. The fair values of these financial instruments 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.



24. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide return on investment to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Below is the gearing ratio at the reporting date. This ratio is calculated as net debt divided by total capital. Net debt represents total borrowings less cash and cash equivalents. Total capital includes equity plus net debt.

	2017	2016
	BD '000	BD '000
Borrowings from banks (Note 11)	1,875	9,661
Less: Cash and cash equivalents (Note 5)	(1,912)	(5,364)
Net debt	(37)	4,297
Total equity	67,820	65,354
Total capital	67,749	69,651
Gearing ratio	-	6.17%



25. STATEMENT OF CASH FLOWS

The following non-cash transactions were excluded from the investing and operating activities in the statement of cash flows:

	2017	2016
	BD '000	BD '000
Purchase of intangible assets	-	1,258
Purchase of property and equipment	-	5,976
Disposal and adjustment of property and equipment	5,771	-

